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Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

Bridgend County Borough Council

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



Rydym yn croesawu gohebiaeth yn Gymraeg. Rhwch wybod i ni os mai Cymraeg yw eich dewis iaith.

We welcome correspondence in Welsh. Please let us know if your language choice is Welsh.



Cyfarwyddiaeth y Prif Weithredwr / Chief Executive's Directorate
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Gofynnwch am / Ask for: Democratic Services

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

Dyddiad/Date: Wednesday, 19 February 2025

Dear Councillor,

BUDGET COUNCIL

A Budget meeting of the Council will be held Hybrid in the Council Chamber, Civic Offices, Angel Street, Bridgend, CF31 4WB /remotely via Microsoft Teams on **Wednesday, 26 February 2025** at **16:00**.

AGENDA

- 1 Apologies for absence
To receive apologies for absence from Members.
- 2 Declarations of Interest
To receive declarations of personal and prejudicial interest from Members/Officers in accordance with the Members' Code of Conduct adopted by Council from 1 September 2008.
- 3 Medium Term Financial Strategy 2025-26 to 2028-29 5 - 172
- 4 Council Tax 2025-26 173 - 182
- 5 Capital Strategy 2025-26 183 - 224
- 6 Treasury Management Strategy 2025-26 225 - 274

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



7 Urgent Items

To consider any item(s) of business in respect of which notice has been given in accordance with Part 4 (paragraph 4) of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the meeting as a matter of urgency.

Note: This will be a Hybrid meeting and Members and Officers will be attending in the Council Chamber, Civic Offices, Angel Street Bridgend / Remotely via Microsoft Teams. The meeting will be recorded for subsequent transmission via the Council's internet site which will be available as soon as practicable after the meeting. If you would like to view this meeting live, please contact cabinet_committee@bridgend.gov.uk or tel. 01656 643148 / 643694 / 643513 / 643159.

Yours faithfully

K Watson

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

Councillors:

S Aspey
H T Bennett
A R Berrow
F D Bletsoe
S J Bletsoe
JPD Blundell
E L P Caparros
N Clarke
RJ Collins
HJ David
C L C Davies
P Davies
M J Evans
N Farr
P Ford
J Gebbie
W R Goode
RM Granville
H Griffiths
S J Griffiths
GH Haines
D T Harrison
M L Hughes
D M Hughes
RM James
P W Jenkins
M R John
M Jones
MJ Kearns
W J Kendall

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M Lewis
J Llewellyn-Hopkins
J E Pratt
R J Smith
JC Spanswick
I M Spiller
T Thomas
JH Tildesley MBE
A Ulberini-Williams
G Walter
A Wathan
AJ Williams
HM Williams
I Williams
MJ Williams
R Williams
E D Winstanley
T Wood

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Agenda Item 3

Meeting of:	COUNCIL
Date of Meeting:	26 FEBRUARY 2025
Report Title:	MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2025-26 to 2028-29
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 2025-26. • 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 10 December 2024 before the announcement of the provisional local government settlement on 11 December 2024. • In terms of the provisional local government settlement, the all-Wales increase in Aggregate External Funding (AEF) was 4.3%. The increase for Bridgend is 3.9%. • No information was provided on future years' funding although indications are it will still be extremely challenging. • There were a number of transfers of specific grants into and out of the settlement.

	<ul style="list-style-type: none"> • The proposed budget for 2025-26 is £383.338 million, and this includes anticipated pay and price pressures of £13.3 million, service budget pressures of £14.454 million, budget reductions of £8.379 million and a council tax increase of 4.5%. The breakdown of the budget for 2025-26 is set out in Table 10. • The MTFS sets out a most likely savings target of £39.516 million over the next 4 financial years. • The Council's general capital funding increased by £602,000 to £8.582 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 2024. 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 it is not envisaged that this will impact upon council tax.
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1. Purpose of Report

- 1.1 The purpose of this report is to seek Council approval of the Medium Term Financial Strategy 2025-26 to 2028-29, attached at **Annex 3** (along with associated appendices), which includes a financial forecast for 2025-29, a detailed revenue budget for 2025-26 and a Capital Programme for 2024-25 to 2034-35. This is subject to Cabinet's endorsement of the proposals on 18 February 2025.

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 (£88.4 million since austerity began in 2010, of which schools have contributed £8.3 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 £530 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 2025-26, but maybe also beyond that. In light of this, the Council is reviewing its Corporate Plan Delivery Plan for 2025-26, being clearer on our top priorities, making it clear that budget pressures continue and that the Council still needs to move towards a new operating model.

3. Current situation / proposal

- 3.1 This report is presented to Council to provide details of the Council's Medium Term Financial Strategy for the four year period 2025-26 to 2028-29. 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 2024-25 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 2025-26 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 2024. Any changes to the budget following receipt of the final settlement 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 2025-26 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.• 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.

	<ul style="list-style-type: none"> 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 18 February 2025.

- 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 Bridgend County Borough Council'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 2025-26 to 2028-29 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 relate 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 budget reduction 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 2025-26 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. Whilst the Council's provisional settlement was better than anticipated, the Council has no firm guarantee on what funding it may receive towards employers' increased national insurance contributions. In addition, there are significant service pressures facing the Council going into 2025-26. These pressures, along with new emerging pressures, all need to be met from the provisional settlement. The only way to mitigate them is through service reductions or higher increases in council tax. The Council's reserves are falling 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 2026-27 and possibly beyond. All of these factors must all be taken into consideration when approving the budget for 2025-26 onwards.

9. Recommendations

- 9.1 Council is asked to approve the MTFS 2025-26 to 2028-29, including the 2025-26 revenue budget and the Capital Programme 2024-25 to 2034-35. In particular it is asked to approve the following specific elements:
- The MTFS 2025-26 to 2028-29 (**Annex 3**).
 - The Net Budget Requirement of £383,338,259 in 2025-26.
 - A Band D Council Tax for Bridgend County Borough Council of £1,916.96 for 2025-26 (Table 17 of the MTFS).
 - The 2025-26 budgets as allocated in accordance with Table 10 in paragraph 4.1.3 of the MTFS.
 - The budget pressures outlined in **Appendix C** for 2025-26 to 2028-29.
 - The budget reductions outlined in **Appendix D** for 2025-26 to 2028-29.

- The Capital Programme 2024-25 to 2034-35, attached at **Appendix G** of the MTFS.

Background documents

None

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Full Equality Impact Assessment (EIA) form

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 2025-26 to 2028-29
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:	3 February 2025

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
Time to talk budget 2025-26 article on Bridgend County Borough Council website – consultation pages	January 2025	Article set out 4% budget settlement increase, but that this will not be enough due to increased costs and higher demand for services. Also set out what income an extra 1% in council tax would generate and what the increase per year and per week would be for different Band properties. The article referenced how more	The article explained how residents views would be sought on the budget-setting process, building upon the results of last year's process, during which residents told the council that it should look at introducing charges or increasing them if they were

		information about the budget could be found in the council's Budget Book, and also included TAQs about the budget.	already in place, reduce staffing costs and review what levels of service are deliverable.
Employees of Bridgend County Borough Council	January 2025	Staff Messages – Bridgend residents sought to remind BCBC employees of the Budget consultation with a reminder circulation on the 23 January that the survey closes on the 26 January.	<p>The Staff Message explained that the Council was aiming to seek the views from as many residents as possible from across the county borough.</p> <p>The message asked the public to consider what they believe should be the priority areas for spending the council's budget in the upcoming financial year in light of the funding the council will receive from Welsh Government.</p>

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 6 January 2025 to 26 January 2025. The consultation received 1,637 interactions from survey completions, both online and paper.</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. Posters and paper copies of the survey were available in all libraries/life centres in the County Borough. Surveys were available in several formats, including easy-read, large print, and standard. All were available in Welsh and English.</p> <p>Details of the consultation were shared with the following stakeholders: general public/residents, Citizen's panel members, elected members, Bridgend County Borough Council employees, local media 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 'Time to Talk Budget 2025-26 consultation exercise undertaken between 6 January 2025 to 26 January 2025.
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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</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</p>

				vast majority of caring and parenting responsibilities are undertaken by women; some proposals therefore regarding caring and children are likely to negatively impact women.	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.
Disability		X		<p>From the 2021 census, 11% of Bridgend residents were identified as being disabled and limited a lot.</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>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</p>

				We will continue to monitor the impact of our proposed budget reductions on this protected characteristic.	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
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</p>	<p>There is no expected to be an impact on sexual orientation 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</p>

				disclose information regarding sexual orientation.	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
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</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</p>

				their income, career prospects and their longer term income) or paying private bursary fees until their children reach the age of 4-5.	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
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 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>
Marriage and Civil partnership			X	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>There is not expected to be an impact on marriage and civil partnership 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</p>

					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
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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	<p>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.</p> <p>There is not expected to be a negative impact on the Welsh language.</p>	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				<p>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.</p> <p>There is not expected to be a negative impact on the Welsh language.</p>	The Council continues to promote the Welsh language and complies with the Welsh Language Standards in all of its activities.

Wider impact

Cumulative impact

Page 2

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?

	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

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 2026

Approval

Date Full EIA completed:	3 February 2025
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, Housing and Change (S151 Officer)
Date Full EIA approved:	4 February 2025

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) 2025-26 to 2028-29

Section 1 Complete the table below to assess how well you have applied the 5 ways of working.

Long-term	<p>1. How does your project / activity balance short-term need with the long-term and planning for the future?</p> <p>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:</p> <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. • Adhering to a clear set of MTFS principles and annual budget 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	<p>2. How does your project / activity put resources into preventing problems occurring or getting worse?</p> <p>The MTFS attempts to balance investment in preventative measures against costs of reacting to unanticipated situations in statutory services. 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.</p>

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 will be undertaking our annual budget consultation prior to the final budget being presented to Cabinet and Council at the end of February. The aim of the consultation will be to seek views on the priority areas for residents, in order to enable us to review and set a balanced budget. It is recognised that budget planning for 2025-26 continues to be more uncertain and challenging than ever before, and that the Council is facing even more demand and cost pressures than experienced in previous years, as a result of the global economic circumstances arising from the continuing cost of living crisis and economic background. The results will be collated and considered by Cabinet in order 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)?

<p>A prosperous Wales</p> <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</p> <p>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>

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.	<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. 	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.
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).	<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. 	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.
A Wales of cohesive communities Attractive, viable, safe and well-connected communities.	<ul style="list-style-type: none"> • Increased number of confident secure young people playing an active positive role in their communities. 	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.

	<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</p> <p>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. 	<p>Compliance with the Welsh Language act and specific Welsh Language Standards will be monitored as part of the annual report.</p>
<p>A globally responsible Wales</p> <p>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 	<p>The impact on local communities will be monitored through the wide range of</p>

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.
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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:	20/12/2024

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MEDIUM TERM FINANCIAL STRATEGY

2025-26 TO 2028-29



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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 2025-26 and outline proposals for 2026-27 to 2028-29.
- The capital programme for 2024-25 to 2034-35, 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 2025-2029 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)

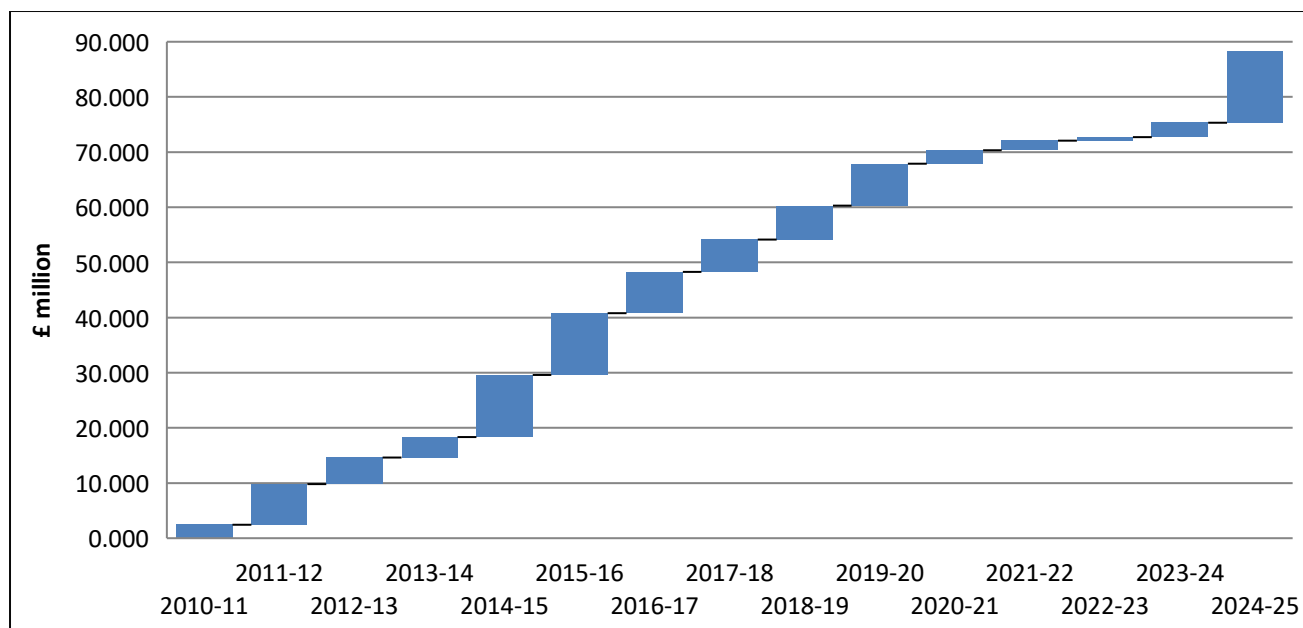
are kept under review to maintain alignment with the MTFS and the Corporate Plan.

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 £88.4 million (nominal value – unadjusted for inflation) of budget reductions, as shown below, towards which school delegated budgets have contributed £8.3 million. These reductions represent almost 20% 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 social services.

Chart 1: Bridgend County Borough Council (BCBC) Budget Reductions 2010 to 2025



While the Council's net revenue budget is planned at £383.338 million for 2025-26, 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 £530 million in 2025-26. The Council's annual revenue budget covers the day-to-day running costs of the Council (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 (52%) from Welsh Government (WG) through the Revenue Support Grant and a share of non-domestic rates. The Council supplements this through council tax collection (20%), other grants (19%) and fees and charges (9%). 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. In 2014-15 council tax funded 23% of the net revenue budget and it now funds around 28% of the net revenue budget. This means that for every £1 spent on services provided by the Council, only around 28 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 in social care, including the Welsh Government's commitment to move towards the eradication of profit from children's social care, adult protection safeguarding requirements including deprivation of liberty safeguards, changes to the Public Law Outline for children and the statutory requirement for local authorities to reflect the real living wage for care workers in commissioning arrangements. 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.
 - Other 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 and the Additional Learning Needs and Education Tribunal (Wales) Act 2018.
 - An increase in need in children's social care - an ongoing exponential increase in contacts has been evident in the last year. Whilst the integration of early help services and the strengthening of permanent recruitment in children's social work teams has improved strength-based practice and resulted in a reduction in child protection registrations and the number of care experienced children, those children who are care experienced have the highest level and most complex needs, requiring foster care and residential accommodation, care and support. 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 ongoing high number of high-cost independent residential placements and 'operating without registration' placements for children and young people which exceed the allocated budget. 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. There has also been a reduction in the number of in-house foster carers which has exacerbated the need for residential care.
 - 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. There is significant pressure in the areas of learning disabilities and mental health as well as older people's services. 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 2024-25 have outlined in detail the increased difficulty in managing and monitoring the budget, in view of challenging and continuing pressures from 2023-24, 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, in addition to increasing demand in some service areas, such as social services, additional learning needs and homelessness. Whilst provision was made in the 2024-25 budget to mitigate some of these costs, there was not sufficient funding to meet all, and the demand has been relentless. In September 2023 Council approved a 3 year sustainability plan for Children's Services, which included an additional budget pressure of £1 million in the 2023-24 budget and £2.5 million in the final budget for 2024-25. However, further investment is needed going forward to stabilise social services and other services.

1.3.6 Budget planning for the financial year 2025-26 continues to be more uncertain and challenging than usual, with a number of existing and new cost pressures presenting themselves and taking up the Council's limited resources. 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. We are also seeing increased budgetary pressures in services for pupils with additional learning needs, due to increasing demand and complexity of needs. 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. It is not sustainable for the Council to continue to aspire to meet each and every need that arises and 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 2025-26 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 2025. There are a number of budget reduction proposals for 2025-26 predicated on raising additional income through increased charges e.g. increasing commercial property income, raising bulky waste charges and bereavement fees.

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 an 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. Work is ongoing to "re-set" the relationship between this Council and Town and Community Councils to ensure better coordination and

liaison between us. The intention is that Town and Community Councils will be better able to take on additional responsibility for some local services when appropriate. The current review and consultation on local service delivery and the size and nature of town and community councils will also inform the way forward. The Council will also continue to enable and facilitate other organisations to help support local residents and communities, including Registered Social Landlords and third sector organisations, and signpost residents to their services when appropriate. In addition, the Council's response to significant events such as the Covid-19 pandemic and ongoing austerity has 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, and we will also continue 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 residents or staff. 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 likely to be realised from the rationalisation of office accommodation following the implementation of the new service delivery model for office based staff, in particular with the Multi Agency Safeguarding Hub (MASH) who located to the fourth floor of the Civic Office in Autumn 2024. In addition, we are relinquishing under-used buildings such as Ravens Court through a disposal of this property to the South Wales Police and we intend to close the Innovation Centre to release savings from associated running costs, and potentially sell it to generate a capital receipt. The ongoing investment in installing energy efficiency measures in the Council's buildings, including schools, will also continue to offer savings. The Council will continue to seek to apply for and secure grants 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 2025-26 being an increase overall, it is still not sufficient to cover all of the things that we need to fund, and due to the number of unavoidable pressures we are facing it is not possible 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 2025-26 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

	2014-15 £m	2024-25 £m	% increase
BCBC Council Budget	255.131	360.671	41.37%
WG Funding	194.863	258.925	32.88%
Council Tax Income	60.268	101.747	68.82%
% of Net Budget funded by Council Tax	23.62%	28.21%	19.42%

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 nearly 70% 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 (2024-25) Financial Performance

The in-year financial position as at 31 December 2024 is shown in **Table 2** below.

Table 2 – Comparison of budget against projected outturn at 31 December 2024

Directorate/Budget Area	Original Budget 2024-25 £'000	Revised Budget 2024-25 £'000	Projected Outturn Q3 2024-25 £'000	Projected Over / (Under) Spend 2024-25 £'000	Projected Over / (Under) Spend Qtr 2 2024-25 £'000
Directorate					
Education, Early Years and Young People	143,485	148,785	150,207	1,422	1,707
Social Services and Wellbeing	104,575	109,390	112,186	2,796	4,456
Communities	30,704	32,999	33,824	825	616
Chief Executive's	22,425	23,460	25,382	1,922	2,022
Total Directorate Budgets	301,189	314,634	321,599	6,965	8,801
Council Wide Budgets					
Capital Financing	7,052	6,958	2,259	(4,699)	(1,606)
Levies	9,635	9,645	9,569	(76)	(77)
Apprenticeship Levy	750	750	870	120	86
Council Tax Reduction Scheme	16,054	16,054	16,515	461	709
Insurance Premiums	1,363	1,363	1,153	(210)	(135)
Repairs & Maintenance	670	670	670	0	0
Pension Related Costs	430	430	471	41	0
Other Corporate Budgets	23,528	10,167	778	(9,389)	(981)
Total Council Wide Budgets	59,482	46,037	32,285	(13,752)	(2,004)
Total	360,671	360,671	353,884	(6,787)	6,797

The overall projected position at 31 December 2024 is a net under spend of £6.787 million comprising £6.965 million net over spend on directorates and a net under spend of £13.752 million on Council wide budgets. The overall position has improved significantly since quarter 2, partly due to the recent notification of a number of additional grants totalling over £3.3 million towards pay awards from Welsh Government following the Autumn Budget, but also due to a Council approved change in our policy for financing capital, lower draw down on contingencies and the maximisation of other grants against service costs. However, this is only masking some of the recurrent pressures that still exist in directorate budgets which will continue into 2025-26.

There are a considerable number of directorate budget pressures, as outlined above, particularly in the Social Services and Wellbeing Directorate, and in respect of homelessness, additional learning needs and home to school transport. The quarter 3 revenue budget monitoring report was presented to Cabinet on 14 January 2025, providing details on the reasons for the main projected over and under spends.

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 and the under spend reduced significantly. 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 2021-2024

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Council Budget	286,885	301,659	319,514	342,334
Outturn	269,180	269,543	318,231	350,894
(Under) Spend	(17,705)	(32,116)	(1,283)	8,560
Accrued Council Tax Income	(1,702)	(2,463)	(774)	(1,506)
Appropriations to/(from) Earmarked Reserves	18,975	34,241	2,057	(6,952)
Transfer to/(from) Council Fund	432	338	0	(102)
Draw Down from Reserves	8,299	4,104	18,910	12,186

Usable Reserves

In terms of financial reserves, the Council Fund balance has actually decreased over the four year period shown in **Table 4**, although it did increase temporarily in 2021-22. This represents 2.8% of the proposed net revenue budget for 2025-26 or 3.7% of

the net revenue budget, excluding schools. This is lower than the level recommended in 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.

Should we continue drawing down from this reserve going forward it will put the financial sustainability of the Council at risk.

Table 4: Usable Reserves 2020-2024

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000
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
2023-24	9,730	63,998	25,985	2,155	101,868

Usable reserves decreased quite significantly in 2023-24, mainly as a consequence of the year-end outturn position, which meant that a number of earmarked reserves had to be unwound to reduce the revenue deficit. Nearly £19 million of reserves were also drawn down for the purpose for which they were intended. Due to slippage of some capital schemes into 2024-25, and the maximisation of capital grants received, there has been little draw down on the capital receipts reserve. 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 December 2024 the balance was £40.763 million, which constituted 69% of the earmarked reserves balance, excluding school balances (£2.4 million), leaving £18 million for other commitments, including:

- £0.830 million Insurance
- £2.253 million Building / Asset Management
- £2.819 million Equalisation Funds and Grants
- £6.586 million Specific Directorate Pressures

Earmarked reserves are reviewed regularly, drawn down when required and unwound when no longer necessary. Detailed reviews of earmarked reserves have been undertaken throughout 2024-25 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

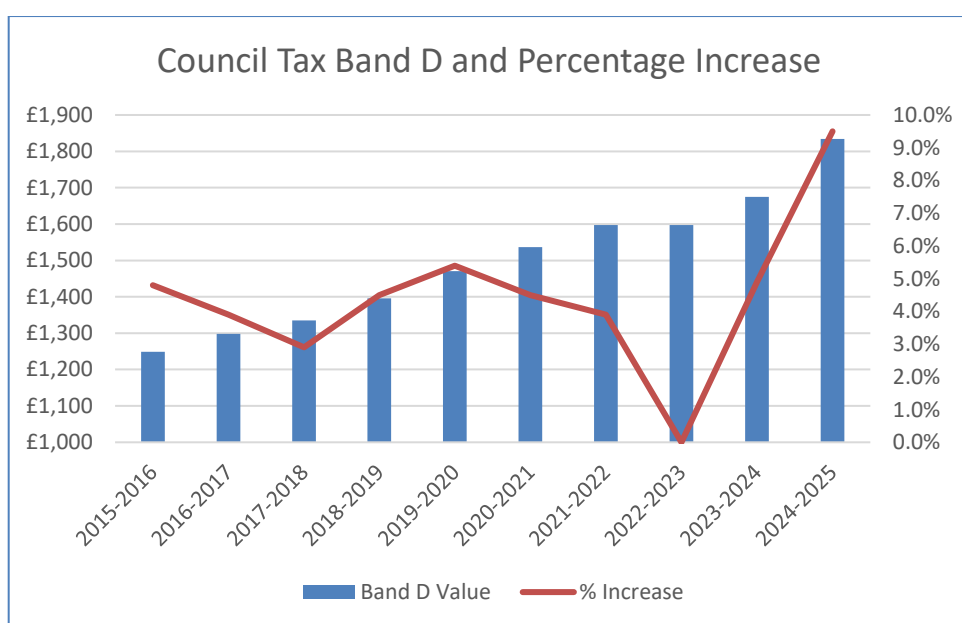
The Council's Treasury Management Strategy sets out its approach with regard to borrowing and investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent when investment returns are 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, capital reserves reduce, and the Council's under-borrowed position diminishes.

Council Tax

Chart 2 below provides a breakdown of Bridgend Council's Band D charge from 2015-16 to 2024-25, along with the percentage council tax increase for that financial year. The average increase over the period is 4.43% and the Band D charge has increased from £1,249.07 to £1,834.41.

Chart 2: Council Tax Band D Annual Value and Percentage Increase



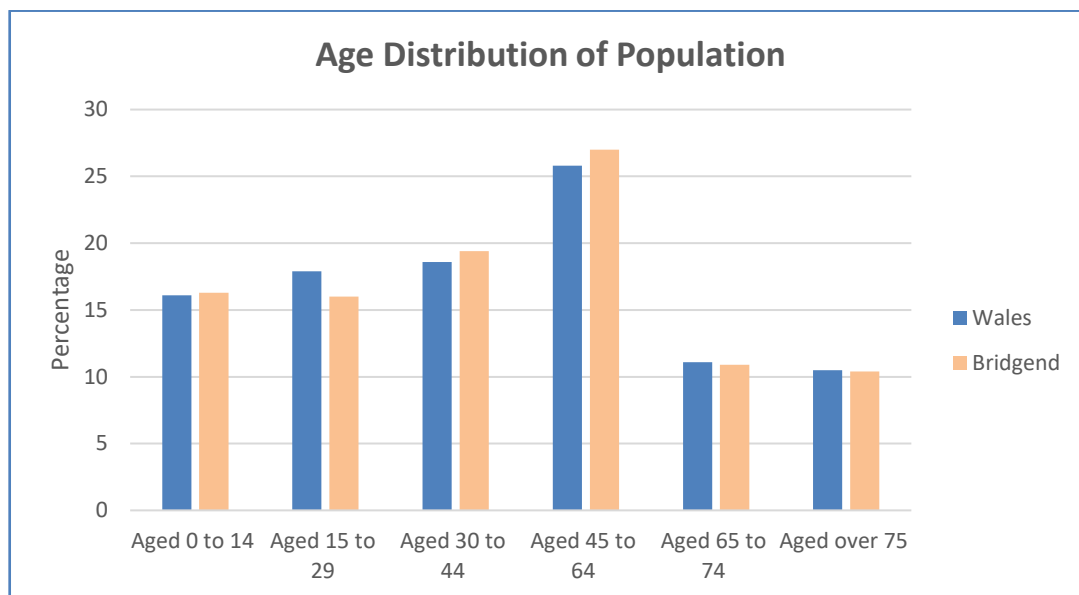
2.2.2 Non-Financial Statistics:

Population

Welsh Government's mid-year estimates show that, between 1991 and 2023, Bridgend's population increased from 129,477 to 146,743, an increase of 13.3%, compared to an all-Wales increase over the same period of 10.1%. Based on Welsh Government's population projections this is expected to continue to rise and reach around 158,000 by 2042.

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 3** shows the age distribution of the population based on Welsh Government's mid-year estimate for 2023.

Chart 3: Age Distribution of Population at mid-year 2023



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 30 June 2024, 68% of Bridgend's population was economically active compared to an all-Wales level of 75.6% (Nomis – Official Census and Labour Market Statistics), based on the working age population, with 32% of Bridgend's population classed as economically inactive (e.g. students, looking after family or home, temporarily or long term sick, or retired). Of the 68% who were economically active, 65.3% were in employment, with the remainder unemployed. Bridgend has a lower than average economic activity rate, and consequently a higher than average economic inactivity rate for the working age population. Bridgend has 20.8% of households that are workless compared to an all-Wales average of 16%.

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 £27 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 around **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. In advance of the budget consultation the Council introduced a 'Time to Talk Budget 2025' campaign. This included infographics, social media posts, an explainer video and dedicated webpages, outlining the current budget and how it is funded in order to enhance residents' understanding of how the budget is compiled, what contribution council tax makes to the Council's budget, any restrictions on the budget, and responses to frequently asked questions.
- 2.3.2 Given the late notification of the provisional local government settlement from Welsh Government, the Council was only able to undertake a short consultation 'Time to Talk Budget 2025' between 6 January 2025 and 26 January 2025, the emphasis of which was to build upon the results of last year's process, during which members of the public told us that we should look at introducing charges or increasing them if they were already in place, reduce staffing costs, and review what levels of service are deliverable. The survey also referenced and linked to the budget-related infographics and frequently asked questions on the budget that the Council had shared over previous weeks. The results of the survey were collated and used to further inform final decisions on the MTFS.

- 2.3.3 Overall, the budget consultation received a total of 1,637 survey completions, online and by paper, compared to 2,839 responses last year.
- 2.3.4 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"> • 1,637 survey completions in total; • 38.4% of respondents had seen our budget-related infographics, which had been shared on our social media channels, website and in our weekly emails to residents. The majority were seen via Facebook, via the Council's website and through the Residents' bulletin; • Most respondents were in favour of protecting children and young people, protecting vulnerable adults, support for children with additional learning needs, provision of local community recycling services, maintaining highways and road services and protecting funding for schools; • Fewer respondents favoured protecting discretionary pricing, the provision of library services, CCTV provision, increasing fees and charges for services and achieving the 2030 Net Zero pledge; • 45.4% of respondents wanted to keep council tax as low as possible even though this would mean more services being reduced or stopped; • 28.2% of respondents agreed that the proposed 4.5% council tax increase is needed to protect services, acknowledging that the proposed reductions will have to be implemented; • 18.2% of respondents wanted to increase council tax by more than 5.5% to protect education services and avoid reductions to school budgets; • 8.2% of respondents wanted to increase council tax by more than 5.5% to protect as many other council services as possible; • In response to the question on further suggestions on how the Council can address the budget gap in 2025-2026 the following themes arose – reducing waste / improving efficiency, service reductions / streamlining services, focusing on essential services only, council tax (collection and management, and tax structures and rates), senior management salaries, staff reductions, asset management and reviewing outsourcing / contracts. A number of responses were also received expressing concerns over cutting the school music budget.

- 2.3.5 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. Officers have also held quarterly budget briefing sessions with all members, updating them on the budget position, both for the current year and in respect of the provisional local government settlement, and held individual sessions with all of the political groups. The draft budget report approved by Cabinet in January 2025 has also been scrutinised by the Council's Overview and Scrutiny Committees, resulting in a report to Cabinet on 4 February 2025 from the Corporate Overview and Scrutiny Committee (COSC), outlining a number of comments and recommendations. Cabinet

has considered COSC's recommendations, which include recommendations from BREP, and a response to these is provided in **Appendix A**.

- 2.3.6 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 keeping council tax as low as possible, supporting children with additional learning needs, supporting vulnerable children and adults and protecting the school music service.
- 2.3.7 When the draft budget was published in January a small amount of funding was retained in the budget to address any concerns raised through the scrutiny and public consultation process. Now that the outcomes and recommendations from these processes are known 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 continue to 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.

In addition, the Council is continuing to apply the five point action plan that it implemented in 2023-24, which introduced a number of money saving measures such as a selective vacancy freeze, only purchasing essential goods and services, reviewing fees and charges, claiming and spending grant awards in a timely manner, and rationalising the number of buildings that we have to use.

2.4.2 Education

The Council is proposing to spend almost £155 million on services delivered by the Education, Early Years and Young People Directorate in 2025-26, 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 £123 million proposed budget to be initially delegated to schools in 2025-26, 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 £27 million as part of the 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 how 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)).

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 2025-2026, whilst schools have been tasked with finding budget reductions totalling 1% of their budget, where possible from efficiency savings, in order to help balance the Council's budget, they will receive additional funding for a range of pay and price increases that should more than outweigh this budget reduction. In the Medium Term Financial Strategy 2024-2028 there was an indicative budget reduction of 2% for school budgets for 2025-26 but, due to the better than anticipated provisional settlement, this has been reduced to 1%. The current net budget for schools is £118.611 million, compared to an overall Council net budget of £360.671 million. If schools were not required to make a 1% budget reduction then this would fall on other services, increasing their percentage of budget cuts by a further £1.186 million, or 0.5%. Overall the position on school budgets is positive with a net increase in funding of around £8 million forecast for the financial year as outlined in detail in **Table 12**.

The forecast pressure on Council budgets for future years is such that further efficiency savings of 1% per annum may be unavoidable for schools for 2026-2027 onwards, and so it will be necessary for headteachers and governing bodies to plan ahead.

There is a growing trend of students being referred for support and specialised services. Over the past three years, several younger students have faced the threat of permanent exclusion due to a lack of resources for specialised intervention. Where space is not available to support pupils in specialist provisions, additional learning provision must be provided within a mainstream setting and funding for additional

staff is required. One-to-one staffing is often provided, along with adaptations and specialist equipment not readily available in mainstream classrooms.

Additional specialist provisions are essential to ensure that all pupils are placed in environments best suited to their needs at the earliest time. This will reduce the risk of challenge from parents or carers. Establishing additional specialist classes represents a cost-effective investment, as it would reduce reliance on ancillary support or out-of-county placements, which have been necessary for some students to maintain full-time education and mitigate the risk of further exclusions. Additional funding is being proposed for the education service to address some of these pressures.

Poor pupil behaviour in Bridgend schools escalated following the Covid-19 pandemic. The true impact on school attendance following the pandemic is now evident. Pupil exclusions have increased year on year for three years. In addition to the need to improve general pupil attendance levels, the following key challenges have been identified:

- closing the gap between our highest and lowest performing primary and secondary schools;
- reducing persistent absenteeism;
- improving the attendance of pupils in vulnerable groups with a particular focus on closing the gap between those pupils eligible for free school meals (eFSM) and those not eligible for free school meals; and
- monitoring the number of pupils on reduced timetables.

The Youth Justice Service, under the previous Western Bay delivery arrangements, was deemed unsatisfactory. Since delivery arrangements returned to Bridgend in 2019-2020, significant improvements have been made, however, demand for youth justice services has increased significantly since this time with some key performance indicators now a cause for concern. The main challenges faced by this service include increased number of children open to the service, the management of increased number of first-time entrants into the criminal justice system and a reduction in grant funding from April 2025.

In seeking to protect our investment in education, early years provision and support for young people, and to provide as much support as possible to learners, the Council is aiming to make 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 can 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 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. 3 year strategic plans are being implemented for children and families and adults and carers which are resulting in increased workforce stability and improved integration of preventative services which reduce statutory demand. Practice is focused on strengths and what people can do, rather than a deficit model. However, 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. Not all care and support needs can be prevented and those with eligible needs will have a range of co-morbidities and complexities requiring greater levels of support. In addition, there is considerable challenge on the 'supply side' of social care in respect of the impact of rising pay and non-pay costs to provide the quantity and quality of care required. The Council has undertaken a detailed analysis to understand the fair cost of care which has informed a care home fee setting strategy and is reflected in commissioned services. 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 in September 2023. Good progress has been made in progressing the actions set out in the plan, with a significant reduction in the numbers of agency workforce, the embedding of Signs of Safety as the model of social work practice and resulting sustainable reductions in the number of children subject to child protection registration and care experienced children numbers. Challenges remain: contacts to children's social care have continued to increase exponentially in this last year and the needs of the children who are care experienced are more complex and require higher levels of care and support. There has also been a reduction in the number of in-house foster carers and a deficit in sufficiency of residential care resulting in some children being accommodated for some time in settings operating without registration. These placement challenges result in significant cost pressures for the Council, as they are usually at a higher cost than registered providers and therefore result in higher spend for the Council – the number of independent residential placements over the last 2 years has been steady at around 20 and is not expected to decrease; the budget for independent residential care is set at 7 and has therefore resulted in a significant overspend position. A placement commissioning strategy which has been developed at the request of Welsh Government, identifies both capital and revenue investment gaps for the Council to develop sufficient not for profit provision to ensure sufficiency to comply with the new legislative requirements to eliminate profit from children's social care.

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. A 3 year strategic plan, Building On Strengths, Improving Lives - A Three- Year Plan For Sustainable Care And Support For Adults In Bridgend County Borough Council', has been developed which sets out the operating model, workforce plan, practice model and prevention and wellbeing approach to supporting vulnerable people as preventatively to live well as independently as possible. Practice continues to be strength-based and eligibility criteria rigorously applied in adult services. This plan seeks to manage and mitigate as far as is possible, the service and financial pressures within the service. Pressures are particularly evident in learning disability services, mental health services and services for older people. 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 has progressed 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 coming 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 (£9.599 million indicative allocation for 2025-26). 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.

There are a number of key challenges facing the Council in delivering housing and homelessness services. Applications for temporary accommodation due to homelessness are consistently higher than in previous years. At the end of 2019-20 the Council was providing temporary accommodation to 83 households. At the end of October 2024 this had increased to 248 households, representing a 199% increase over this period. Individuals accommodated in temporary accommodation often have significant support needs, in relation to addressing their housing need or maintaining accommodation. It is estimated that around 47% of households in temporary accommodation require some level of support, and of these 60% of individuals require support in more than one area and 45% require support in more than two areas.

The increase in temporary accommodation placements has led to a significant cost pressure to the Council. In 2019-20 the net spend on temporary accommodation from core budget was £135,260. At the end of 2023-24 the net spend from core budget was £3,096,559.

The wider demand for social housing from those in housing need has also increased. At the end of 2019-20 there were 816 households registered on Bridgend's Common Housing Register. At the end of August 2024 this number had increased to 3,254 households. There is a particular challenge around single person accommodation, larger family units and accessible accommodation.

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. We are currently in the process of purchasing a number of Houses in Multiple Occupation (HMOs) to reduce our dependency on the holiday let sector and provide better accommodation to those in need.

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 2025-26 the Council is likely to receive around £3.5 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 £27 million. The fact that schools and social services 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 2025-26.

The seven year waste collection contract with Kier ceased in March 2024 and a new interim contract with Plan B for a period of two years was procured. This is using the existing fleet and collection methodology. The Council is now in the process of determining its future waste services model from 2026 onwards, with the decision made at the Cabinet meeting on 19 November 2024 to bring the service back under Council control. Bridgend has been named as the top performing waste authority in Wales, with recycling rates at over 73%. There has been 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 high number of people continuing to work from home following the pandemic. 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 2025-26.

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 capital investment (from the CAT fund in the capital programme), and previously revenue support (from the former sports club support fund), are made available. The Council has achieved considerable savings in recent years from transferring these assets and hopes to continue this direction of travel going forward.

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 discretionary services 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

now that it has transitioned into a statutory Corporate Joint Committee (CJC) in April 2024. The CJC has 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 £2.5 million a year running these services. These teams will ensure successful delivery of high-profile regeneration projects, including the numerous regeneration projects in Porthcawl and the redevelopment of Ewenny Road in Maesteg for both housing and employment uses, where the remediation of the site is underway and 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 was completed and opened in November 2024 and provides 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 November 2024, has brought 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.

Council also adopted the Replacement Local Development Plan (LDP) in March 2024. We are the first local authority in Wales to have an approved LDP, a major strategic planning document, since the pandemic. 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.

The Replacement Local Development Plan was adopted by Council in April 2024, following an Examination in Public by the Planning Inspectorate, and now provides strategic land planning guidance for 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 commenced in May 2024 with a completed college building anticipated by Autumn 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 was awarded over £20 million from the Shared

Prosperity Fund (SPF) to undertake various programmes with partners across the County, including training and new business start-up grants. The SPF will be extended for a transition year in 2025-26, ahead of wider local growth funding reforms. However, this is at a level that is around 40% lower than the current year's budget. 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. Planning Permission has been granted, an enabling contract to strip out the building has been completed and the tender for the main construction works is now taking place. It is likely that a contractor for the works will be procured in Spring 2025.

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:

Shared Regulatory Services

This is a combined service with the Vale of Glamorgan and Cardiff City Councils, for which Bridgend will contribute around £1.8 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 aims to collect over £120 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 took effect on 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 2025-26 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, such as Ravens Court, 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 sectors 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 2025-26 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 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. We will also be exploring the use of Artificial Intelligence, e.g. in social care, to secure service efficiency, where it is appropriate to do so.

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 £4.4 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 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 2025-26 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 2024-25 in February 2024, they did not provide any indicative allocations for future years, but planning has been on the basis of a cash flat (0% change to AEF) settlement for 2025-26 and future years.
- 3.1.2 The Chancellor of the Exchequer presented the Autumn Budget 2024 to Parliament on 30 October 2024. The Office for Budget Responsibility (OBR) released a full economic and fiscal forecast on the same day.
- 3.1.3 In the Autumn Budget the Chancellor said that this was “a Budget to fix the foundations of the economy and deliver change by protecting working people, fixing the NHS and rebuilding Britain.” She stated that the Budget would put the public finances on a sustainable path by strengthening the fiscal framework, including announcing new fiscal rules, and taking difficult decisions on tax, welfare and spending. Announcements included extra funding for the NHS in England, and funding for education investment. It was also announced that firms, which include Councils, would pay National Insurance on workers’ earnings above £5,000 from April, down from £9,100 currently, with the rate increasing from 13.8% to 15%. National Insurance contributions paid by employees would not change. As a result of the Budget it was reported that the Welsh Government would receive an additional £1.7 billion which would enable substantial investment into schools, housing, health and social care, and transport. According to the Office for Budget Responsibility, this Budget delivers one of the largest increases in spending, tax, and borrowing of any single fiscal event in history. They stated that the budget has added around £70 billion per year to public spending over the next five years.
- 3.1.4 In response to the Autumn Budget the Welsh Government Cabinet Secretary for Finance and Welsh Language said “*This is a Budget focused on fixing the foundations; rebuilding public services and creating a pathway of investment for growth*”. Referring to the £1.7 billion of extra funding for public services and capital investment in Wales, he said “*The additional funding is welcome and while the Chancellor’s Budget is designed to create growth the wider financial context is still difficult.*”
- 3.1.5 Welsh Government announced their draft budget on 10 December 2024, and the provisional local government settlement on 11 December 2024. The final local government settlement is not due to be announced until the end of February 2025, so the Medium Term Financial Strategy and the budget for 2025-26 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 2025-26. The Cabinet Secretary for Finance and Welsh Language announced that all government departments would receive increases in revenue and capital funding, delivering an extra £1.5 billion for Welsh Government’s public services and priorities. He said that the Draft Budget demonstrated the Welsh

Government's commitment to invest in the areas which matter most to people – supporting the NHS, in jobs and growth, providing opportunities for families, and connecting communities. This included investing more than £600 million in extra revenue and capital funding for health and social care, more than £100 million for the education budget, a 4.3% increase in the local government settlement, £3.7 million to accelerate planning decisions and digitise planning services, and two new funds to maintain Wales' road network – fixing potholes and repairing defects.

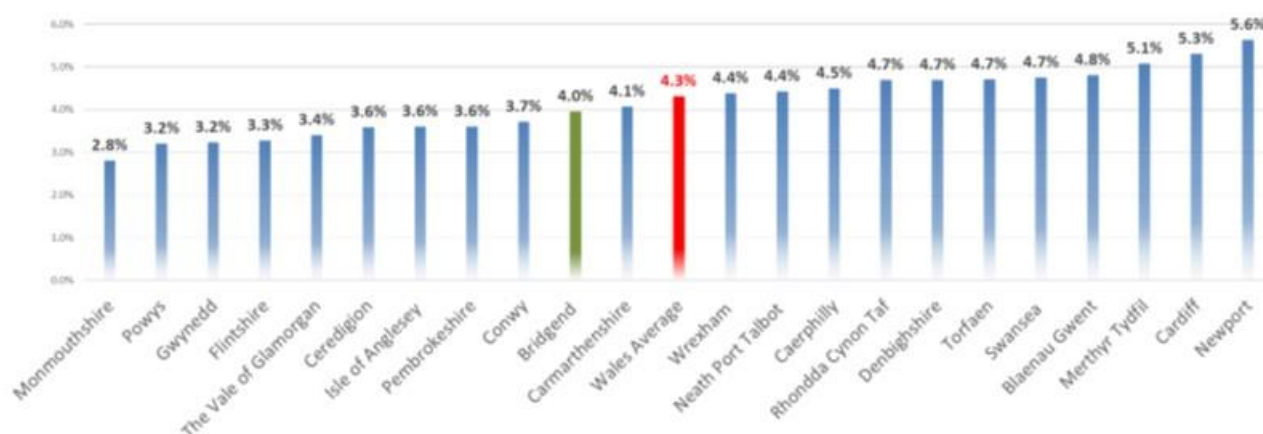
- 3.1.7 The Cabinet Secretary also outlined a package of additional support for Non-Domestic Rates, which included capping the increase to the Non-Domestic Rates (NDR) multiplier to 1% for 2025-26, and continuing the support for retail, leisure and hospitality businesses with Non-Domestic Rates bills with 40% relief, the same rate as applied in 2024-25.
- 3.1.8 In terms of capital investment the Cabinet Secretary indicated that capital spending plans will exceed £3 billion for the first time at the Draft Budget stage, enabling substantial investments for the school estate, NHS infrastructure, housing and public transport. This included £81 million more capital funding to build more homes for social rent, helping to reduce homelessness and ensure everyone in Wales has a place to call home.
- 3.1.9 Welsh Government has indicated in their Draft Budget that they have only been provided with a funding settlement from the UK Government for 2025-26, so the Draft Budget only outlines spending plans for one year only.

3.2 Welsh Government Local Government Settlement

- 3.2.1 Bridgend's draft MTFS was presented to Cabinet on 14 January 2025, 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 2025, so the final MTFS is based upon the provisional settlement. The headline figure is an overall increase of 4.3% across Wales and, for Bridgend, was a reported increase of 4.0% in Aggregate External Finance (AEF), after a number of transfers into and out of the settlement. However, since publication Welsh Government have identified a small flaw in the settlement comparisons for 2024-25 relating to the transfer in of housing grants, so the updated comparison is still 4.3% across Wales but now 3.9% for Bridgend. Based upon the updated figures the increases range from 2.6% to 4.9% and Welsh Government has indicated that *"Given the range of increases the government is open to considering providing additional floor funding at final budget"*. For Bridgend this 3.9% increase represents a £10.6 million increase in funding, after the specific transfers.

This increase for Bridgend was the thirteenth highest increase across all Welsh Local Authorities as illustrated in **Chart 4** below.

Chart 4: Revenue Funding for Welsh Councils (Provisional Settlement)



Source: WG Provisional LGF Settlement 2025-26

- 3.2.2 The Cabinet Secretary also stated that ‘*This settlement reflects our ongoing commitment to protecting core frontline public services as far as possible, supporting the hardest hit households and prioritising jobs. We have been through a long period of austerity, with huge increases in demand for major services, a pandemic, and an extra-ordinary inflationary period. We have been listening to local government to continue to understand the challenges they’re facing. The additional funding from the Autumn Budget, means we have been able to increase our overall settlement for 2025 to 2026 by more than £1bn.*

Transfers into and out of the 2025-26 Revenue Settlement

- 3.2.3 As mentioned in the draft MTFS report to Cabinet in January 2025, the provisional settlement included a number of transfers of funding both into and out of the Revenue Support Grant (RSG). These are listed below alongside the figures for Bridgend.

Transfers out of the settlement:

Implementation of the Performance and Improvement Framework	£40,000
Coastal Risk Management Programme	£25,500

Transfers into the settlement:

Housing Grants – No-one left out; Discretionary Homeless Prevention; Strategic Coordinator	£970,013
Teachers’ Pay and Pensions Grants	£3,649,590
National Joint Council Pay Grant	£2,352,854
Fire and Rescue Authority Pay and Pension Grants	£172,702

There may be additional transfers into the final settlement as Welsh Government continues 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.
- 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. There are increases in some grants, such as the Local Authority Education Grant, Housing Support Grant and Bus Services Support Grant. Funding to support proposals relating to eliminating profit from the care of looked after children will continue into 2025-26, at around the same level as 2024-25. Many of the grants remain unchanged from 2024-25 figures, and some are yet to be finalised, including the Sustainable Waste Management Grant.

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 2025-26 to 2028-29 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 2024-25, 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 2025-26 Aggregate External Finance (AEF) figure is an increase of 3.9% for Bridgend. In the MTFS 2024-25 to 2027-28, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2025-26 of an annual 0% change in AEF and an assumed increase in council tax of 4.5% for 2025-26, with anticipated 0% changes to AEF for future years, recognising the ongoing uncertainty around our funding in future years. Despite the better than anticipated settlement, given the unprecedented challenges and demands facing the Council currently and over the coming year, it is still proposed to increase council tax by 4.5% for 2025-26. If council tax did not increase the Council would need to make further budget reductions of around £4.9 million to balance the budget, in addition to the £8.3 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 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 Welsh Government has not given any information on likely levels of funding for 2026-27 onwards. However, indications are that the financial position will be no less challenging, and that Councils should plan accordingly. Therefore, for 2026-27 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 and projections updated as further fiscal and economic information is made known. Further information may be known after the Chancellor's Spring Statement is presented on 26 March 2025.

Table 6 – MTFS Scenarios: % Change in AEF

	2025-26	2026-27	2027-28	2028-29
Best Scenario	+3.9%	+1.0%	+1.0%	+1.0%
Most Likely Scenario	+3.9%	0%	0%	0%
Worst Scenario	+3.9%	-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 2025-26 is once again substantial. Over the period of the MTFS the financial forecast for 2025-2029 is currently predicated on £39.516 million of budget reductions being met from Directorate and Corporate budgets. This has slightly reduced from the draft budget, 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 recent years. The consumer price index (CPI) rate has remained under 5% since October 2023, and was 2.5% in the 12 months to December 2024. This compares favourably with the higher 8% - 11% increases experienced during 2022 and 2023.
 - 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 implications of the Health and Social Care (Wales) Bill.

- 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, unless determined otherwise.
- Increases in staffing costs, including a confirmed 5% increase in the Real Living Wage (from £12.00 to £12.60 per hour), a 6.7% increase in the national living wage from April 2025 (from £11.44 to £12.21), along with the impact of staff pay increases in both 2024-25 and 2025-26. These include the full year effect of the teachers' pay increase of September 2024 (5.5% increase), the unknown teachers' pay increase in September 2025 and increases for non-teachers for 2025-26, 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

	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	Total £'000
Best Scenario	8,379	7,832	7,588	7,335	31,134
Most Likely Scenario	8,379	10,598	10,382	10,157	39,516
Worst Scenario	8,379	13,365	13,121	12,868	47,733

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 2025-26 to 2028-29

Year	GREEN: Proposal developed and deliverable	AMBER: Proposal in development but includes delivery risk	RED: Proposals not fully developed and include high delivery risk	Budget reductions Identified so far	Budget reductions not yet developed	Total Required
	£'000	£'000	£'000	£'000	£'000	£'000
2025-26	3,722	2,167	2,490	8,379	0	8,379
2026-27	432	204	1,640	2,276	8,322	10,598
2027-28	0	0	1,596	1,596	8,786	10,382
2028-29	0	0	0	0	10,157	10,157
Total	4,154	2,371	5,726	12,251	27,265	39,516
Percentage of total required	11%	6%	14%	31%	69%	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 2025, 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 2025-26

4.1 Revenue Budget 2025-26

- 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 2025-26 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

	2025-26 £'000
2024-25 Net Budget (Table 2)	360,671
Transfers and New Responsibilities (para 3.2.3)	7,080
Budget Pressures (para 4.1.3 / 4.1.14)	23,966
Budget Reductions (para 4.1.17)	-8,379
2025-26 Net Budget Requirement	383,338
<i>Financed by:</i>	
2024-25 Net Budget (Table 2)	360,671
Net Cash Increase in AEF (para 3.2.1)	17,715
Council tax increase (4.5%) (para 3.3.4) plus increase in tax base	4,952
2025-26 Net Funding Total	383,338

2025-26 Revenue Budget

- 4.1.3 **Table 10** presents the detailed net revenue budget for 2025-26, which includes an additional £9.5 million for the pay and price pressures outlined above.

In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £14.454 million of inescapable pressures have emerged during 2024-25 and are explained in more detail in the paragraphs below.

In total, the Council has identified pay, price and other pressures of £23.966 million for 2025-26.

Table 10 – Net Revenue Budget 2025-26

	Revised Budget 2024-25	Specific Transfers to/ (from) WG	Teachers' Pensions	Pay / Prices	Budget Pressures	Budget Reduction Proposals	Opening Revenue Budget 2025-26	Potential In-Year Allocations for Pay and Prices *	Potential Final Budget 2025-26
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Service Directorate Budgets:									
Central Education, Early Years and Young People	30,186		116	71	2,708	-1,428	31,653	1,038	32,691
Schools	118,611	3,650	28	2,106	0	-1,186	123,209	3,376	126,585
Education, Early Years and Young People	148,797	3,650	144	2,177	2,708	-2,614	154,862	4,414	159,276
Social Services & Wellbeing	108,966	-40			8,800	-1,817	115,909	3,285	119,194
Communities	32,999	-26		16	1,482	-717	33,754	1,341	35,095
Chief Executives	23,460	970			1,073	-688	24,815	1,032	25,847
Total Directorate Budgets	314,222	4,554	144	2,193	14,063	-5,836	329,340	10,072	339,412
Council Wide Budgets:									
Capital Financing	6,958					-1,000	5,958		5,958
Levies	9,645	173			391		10,209		10,209
Repairs and Maintenance	670						670		670
Council Tax Reduction Scheme	16,054			1,000			17,054		17,054
Apprenticeship Levy	750						750		750
Pension Related Costs	430						430		430
Insurance Premiums	1,363						1,363		1,363
Other Council Wide Budgets	10,579	2,353	-144	6,319		-1,543	17,564	-10,072	7,492
Total Council Wide Budgets	46,449	2,526	-144	7,319	391	-2,543	53,998	-10,072	43,926
Net Budget Requirement	360,671	7,080	0	9,512	14,454	-8,379	383,338	0	383,338

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

4.1.4 The net budget for 2025-26 will be funded by:

Table 11 – Net Budget Funding

	£	%
Revenue Support Grant	224,051,830	58.45
Non-domestic Rates	52,588,052	13.72
Council Tax Income	106,698,377	27.83
Total	383,338,259	100%

Inter-Directorate Transfers

4.1.5 There are no inter-directorate transfers included in the final budget.

Pay, Prices, Pensions and Demographics

4.1.6 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2024-25 have been agreed. They included an increase of 5.5% on all teachers' pay scales and allowances, an increase of £1,290 or 2.5% (whichever is higher) on all NJC pay points, and an increase of 2.5% for JNC Chief Officers and Chief Executive pay points. In terms of NJC workers the £1,290 equated to a 5.77% increase for those on the lowest scale. With regard to pay claims for 2025-26 the NJC Pay Claim has been submitted by Unison, Unite and GMB Unions, requesting an increase of:

- at least £3,000 on all pay points,
- a clear plan to reach a minimum pay rate of £15 an hour,
- an extra day of annual leave for all staff,
- a reduction in the working week by two hours, with no loss of pay,
- the ability for school staff to take (at least) one day of their annual leave during term time, with no loss of pay.

A pay increase of £3,000 alone, which is significantly above inflation, would add around 10% to the Council's pay bill if ultimately agreed. With so much uncertainty it is difficult to determine what the pay pressure will be in 2025-26, 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. Funding has already been allocated in the schools' and central education budget for the full year effect (April to August 2025) of the teachers' September 2024 pay award. No information has been received to date on the potential teachers' pay award for September 2025.

- 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 2024 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 5%, from £12.00 to £12.60 per hour. The rate was to be implemented as soon as possible, but by 1 May 2025 at the latest. For in-house staff this will be paid from 1 April 2025.
- 4.1.8 Funding for price inflation in 2025-26 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 uncertainty around inflation rates. Welsh Government has already announced that there is a proposed 1% increase in the business rates multiplier for next year, from 0.562 to 0.568, and 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.

Employers' National Insurance Contributions

- 4.1.10 As outlined above, in the Autumn Budget the Chancellor of the Exchequer increased the rate of employers' national insurance contributions from 13.8% to 15%, and reduced the threshold on which this would apply to workers' earnings, from £9,100 to £5,000, from April 2025. As an employer of almost 6,000 members of staff, the financial consequence of this change is significant. The estimated cost to the Council of implementing this for BCBC staff is around £4.7 million. In addition there will be pressures from the Council's commissioned services, who will also face additional costs, to contribute to this cost, potentially in the region of £1.5 million overall. Welsh Government stated in their Draft Budget that the UK Government has confirmed that devolved governments would be provided with additional funding to help mitigate the cost of increased employers' National Insurance contributions to support devolved public services, over and above the funding allocated in the UK Budget. Welsh Government are still working with His Majesty's Treasury to clarify this level of support, which has not yet been provided to Welsh Government, so this funding does not form part of the Draft Budget nor the Provisional Local Government Settlement. It is likely we will not receive this funding until the Spring, and it will remain to be seen whether or not it is sufficient to cover the full cost. Within this final budget we have

set aside a provision to meet the costs of National Insurance increases for commissioned providers, on the assumption that the increases for Council workers will be funded.

School Delegated Budgets

- 4.1.11 Given the difficult financial position that the Council found itself in, a 3% efficiency in school budgets (£3.441 million) was included in the MTFS for 2024-25, given that school budgets account for around a third of net revenue expenditure. For 2025-26 the overall financial position of the Council remains challenging, and it is impossible to set a balanced budget without requiring schools also to make cuts, given they make up a significant percentage of the Council's net budget. Therefore it is proposed to ask schools to find further savings of 1% in 2025-26.
- 4.1.12 There are a significant number of pressures on school delegated budgets for 2025-26 and beyond, not least the full year cost of the September 2024 teachers' pay award for April to August 2025 (5.5% increase), the new pay award for teachers from September 2025 and the non-teachers' pay award from April 2025. Whilst schools will need to identify ways to meet the 1% 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 2025-26 to offset these additional pay and price pressures, which could reach £5 million based on current estimates. The position on school budgets is explained in more detail in **Table 12** below and shows a potential overall increase in budgets by year end of around £8 million, depending on pay awards:

Table 12 – School Delegated Budgets

	£000
Schools Delegated Budget 2024-25	118,611
Transfers into the Settlement:	
a) Teachers' Pay Award September 2024	841
b) Teachers' Pensions 2024-25	2,809
Shortfall on Pensions funded by Local Authority	28
Pay and Prices:	
Teachers' Pay (April – August 2025)	2,025
Non-Domestic Rates increase	81
Budget Reductions 1%	-1,186
Opening Budget 2025-26	123,209
Potential In-Year Additional Funding for Pay/Prices	3,376
Potential Final Budget 2025-26	126,585

- 4.1.13 It should be noted that the 1% efficiency target is maintained in the MTFS for schools for 2026-27 and beyond, 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 inescapable budget pressures is attached at **Appendix C** and presents a number of recurrent pressures for 2025-26, totalling £14.454 million. They are split into recurrent base budget pressures, updated for the quarter 3 revenue monitoring position, and emerging directorate pressures. They cover those pressures deemed to be unavoidable or statutory, and try to mitigate some of the more significant budget pressures arising in 2024-25. It should be noted that, whilst there was a significant positive change between the quarter 2 and quarter 3 overall revenue projections, this is mainly as a result of one-off grant income to the Council, which will not be available in 2025-26. 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 2025-26.
- 4.1.15 The January draft MTFS report to Cabinet explained that services had only been asked to submit unavoidable budget pressure bids due to the challenging financial situation.
- 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 5% increase in the Real Living Wage, and in general following the 6.7% 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 £8.379 million for 2025-26 have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in **Appendix D**. A couple of these proposals have been approved either by Cabinet or Council during the financial year, to ensure there is a full year of saving for 2025-26. As such, a further decision is not required on these proposals. They are outlined in **Table 13** below:

Table 13 – Budget Reductions already Approved

Ref	Proposal	£'000	Approval Date
EEYYP2	Review of Home to School Transport	675	£1.092m saving across 2025-26 to 2026-27. Policy change approved by Cabinet on 23 July 2024 with revised Policy approved on 10 September 2024 with implementation from September 2025.

CW1	Change to the Council's Minimum Revenue Provision Policy	1,000	This was approved by Council on 23 October 2024.
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- 4.1.18 Since the draft MTFS was presented to Cabinet in January 2025, and following the outcome of the public consultation and recommendations from Corporate Overview and Scrutiny Committee, a number of budget reduction proposals for 2025-26 totalling £0.726 million have been removed. These proposals are set out in **Table 14** below. This will give the Directorate time to review alternative options for the service going forward.

Table 14 – Amendments to Draft Budget Reduction Proposals

Draft MTFS Ref	Proposal	Amendment	Reduction £000
EEYYP12	Reduction to Bridgend Music Service (central service)	Removed	82
SCH2	Reduction to Bridgend Music Service (delegated to schools)	Removed	644
TOTAL BUDGET REDUCTION AMENDMENTS			726

- 4.1.19 As outlined in the January Cabinet report, this year has again 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 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.
- 4.1.20 There are also budget reduction proposals outlined in **Appendix D** for future years. Some of these are in relation to proposals that take a number of years to fully implement, and others are new proposals that need e.g. statutory processes such as consultation before they can be implemented. To give directorates the lead-in time to undertake the necessary processes to implement these proposals (e.g. consultation, tender exercises) approval is sought to progress these now. Should future years' settlements be better than anticipated there remains the opportunity, in most cases, to either defer or remove these proposals before they are implemented. Any budget reduction proposals for schools will be re-considered on an annual basis.

4.1.21 **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 various percentage budget reductions. Those proposals will be considered by the SRS Joint Committee in February.

- 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. The local authority will consider the findings of this review in due course. For 2025-26 there will continue to be a decrease in the constituent local authority contribution levels, following the 6.6% reduction in 2024-25.
- The South East Wales Corporate Joint Committee, which came into operation in April 2024, is made up of the ten local authorities named in The South East Wales Corporate Joint Committee Regulations 2021 plus the Brecon Beacons National Park Authority. Since April 2024 it has had responsibility for regional transport and strategic planning and for doing whatever is deemed necessary to enhance or promote the economic well-being of the area. For 2025-26 the local authority contribution has been frozen at the same overall level as 2024-25.

Council Wide Budgets

- 4.1.22 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.
- 4.1.23 The South Wales Fire and Rescue Authority covers 10 South Wales Council areas including Bridgend County. It is funded by raising a levy on its constituent Councils, based on population. The current levy on Bridgend for 2024-25 is £9,088,632. For 2025-26 the Council has received a transfer of £172,702 into the provisional settlement from Welsh Government in respect of Fire and Rescue Authority (FRA) pay and pensions increases in 2024-25. This will be passported to the FRA as part of the annual levy in 2025-26. The Council has received information from the FRA regarding the overall levy that it will have to pay in 2025-26. The proposed increase to the Council, after taking into account the additional funding provided by Welsh Government, is an increase of £391,065, resulting in a levy of £9,532,347. This proposed budget is currently subject to consultation with local authorities, and

Commissioners will make their final budget decision at their Board meeting on 13 February 2025.

Fees and Charges

- 4.1.24 Generally, fees and charges are increased by CPI, 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 2025-26 budget and are above the general CPI or statutory minimum increase are shown in **Appendix E**.
- 4.1.25 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.
- 4.1.26 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.

2025-26 Budget

- 4.1.27 **Appendix F** details the Directorate Base Budgets for 2025-26. As mentioned earlier in the report, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2025-26. This resulted in the removal of two 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;
- 4.1.28 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 2024-25 to 2034-35, 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 2025-26. 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 2025-26 provides General Capital Funding (GCF) for 2025-26 of £200 million across Wales and of £8.582 million for the Council for 2025-26, of which £3.810 million is un-hypothecated supported borrowing, with the remaining £4.772 million provided through general capital grant. This is £602,000 more than we received in 2024-25 but £1.928 million more than we budgeted for 2025-26.
- 4.2.3 The original budget approved by Council on 28 February 2024 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2023-24, slippage into 2025-26 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 were asked to only submit bids for unavoidable capital pressures for scrutiny by the Capital Programme Board. As a result of the review, reports were presented to Cabinet and Council in November 2024 which included the removal of some budgets no longer required and the increase in some existing capital budgets to reflect increased costs or requirements. 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 were last amended in the Cabinet and Council reports in November 2024. The only proposed change to these is to increase the funding allocated for Disabled Facilities Grants by £0.5 million per annum to support more people to remain in their own homes. This is in line with the Council's Well-being Objective 1 – *A County Borough where we protect our most vulnerable*. The proposed allocations for 2025-26 are shown in **Table 15** below.

Table 15 – 2025-26 Proposed Annual Allocations of Capital Funding

	Proposed 2025-26 £'000
Highways Structural Works	340
Carriageway Capital Works	250
Disabled Facilities Grant	2,450
Housing Renewal / Empty Property Schemes	100
Minor Works	1,130
Community Projects	50
Street lighting / Bridge infrastructure replacement	400
ICT equipment replacement	400
2030 Decarbonisation	150
Total	5,270

- 4.2.6 The latest capital programme was approved by Council on 5 February 2025. There are only two amendments to this, the increased capital budget for the Sustainable Learning for Communities Bridgend West Scheme and a grant funded scheme to purchase Electric Vehicle Charging Infrastructure (EVCI), as follows:

Bridgend West School

In their meeting of 14 January 2025, Cabinet resolved that the preferred way forward for the Bridgend West School Modernisation scheme is to transition from a revenue funded Mutual Investment Model (MIM) scheme to a capital funded scheme. This was due to the fact that, on 29 April 2024, Welsh Government officials suggested that progressing the Mutual Investment Model route may no longer represent good value for money. Consequently, Cabinet determined, amongst other things, to recommend to Council that they include a budget in the capital programme to enable the Council to take forward the scheme as a capital scheme, and to recommend to Council, as part of the Medium Term Financial Strategy, the inclusion of a revenue budget pressure to fund additional borrowing costs.

The inclusion of the necessary capital funding in the capital programme can only be achieved by the Council contributing £14,490,727 of capital funding as match funding, based on a Welsh Government intervention rate of 65%. Welsh Government would then fund a total of £31,871,722 for the scheme which is 65% of construction cost and fees and 100% of Net Zero Carbon elements (this will be built into the programme once approved). Currently only £574,000 is included in the capital programme, in respect of Bridgend's contribution to furniture and equipment, which were a capital cost under the MIM scheme, so an additional £13.917 million needs to be added to the programme. Given the Council has insufficient capital receipts and capital earmarked reserves to fund this contribution, the only route to do this is through borrowing. In order to borrow this amount the Council will need around £1 million a year of recurrent revenue funding to meet the borrowing costs, dependent on the borrowing rates at the time the borrowing is taken out. This is likely to be required from 2026-2027, split over 2026-27 and 2027-28 in line with borrowing, and is included as a budget pressure in **Appendix C**.

Electric Vehicle Charging Infrastructure (EVCI)

Welsh Government Energy Service has provided the Council with a grant of £453,762.95 for the purchase of EVCI hardware, installation of EVCI hardware, upgrade of site electrical infrastructure and upgrade of grid connection at seven sites across the County Borough, comprising a total of 36 charging sockets. The site selection is based on requests for charging infrastructure from service areas, and the chargers will mainly be used for fleet vehicles at the Council's depots.

Highways Management Local Government Borrowing Initiative

Within the Welsh Government's Draft Budget, published on 10 December 2024, there was reference to the introduction of a Highways Management Local Government Borrowing Initiative. WG indicated that they would be investing £5 million of recurrent revenue, enabling local authorities to self-finance circa £60 million of capital funding to be spent on highways management and fixing our local roads. We have not yet received details of how much of the £5 million revenue funding BCBC will receive for 2025-26, nor how much borrowing this would fund. This will be included within the capital programme once we receive confirmation of the funding offer.

- 4.2.7 Any further new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2025-26 to 2034-35, 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 Grand Pavilion, Porthcawl, for example.

These supplement those existing schemes, such as the Cardiff Capital Region (CCR) 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 £98 million in the Council's schools' estate, funded from a combination of BCBC capital and Welsh Government capital grant.
- 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 in the process of being finalised and, as with previous years, it is anticipated that the majority of the receipts will emanate from the sale of our interests within the Porthcawl Waterfront Regeneration Area. We are currently in discussions with Welsh Government to allow them to increase their share of their joint venture position which will allow us to go forward as equal partners. This will result in a substantial early capital receipt for the Council.
- 4.2.14 Whilst Porthcawl will be the focus of the disposal programme in the immediate future, we have agreed the sale of our land at Ewenny Road, Maesteg to a national housebuilder which will bring in a receipt in the 2024-25 financial year. In addition to this, we have agreed a sale of our former offices at Raven's Court, Bridgend to South Wales Police and a sale of the former YGG Cwm Garw site in Pontycymer.
- 4.2.15 We are currently formulating a marketing strategy for our strategic land holding at Parc Afon Ewenni, Waterton, Bridgend and this will be brought forward for sale within the next financial year together with a number of other smaller sites that are likely to be declared surplus to Council use will make up the disposal programme.
- 4.2.16 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

- 4.2.17 Total Prudential Borrowing taken out as at 1 April 2024 was £43.733 million, of which £31.275 million was outstanding. It is estimated that the total borrowed will increase to £47.155 million by the end of 2024-25.
- 4.2.18 Future prudential borrowing could include an estimated £3.43 million towards the purchase of waste vehicles, £2.3 million towards school highways works, almost £14 million for the Bridgend West School and £1 million towards the refurbishment of Community Children's Play Areas.

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:

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.

Over the last four years, the Council Fund has been at a minimum of £9.7 million and at 31 March 2024 it was £9.730 million, which is 3.7% of the 2025-26 net budget excluding school delegated budgets. The challenging financial situation over the current and previous financial years has meant that we have been unable to add to this Fund; indeed in 2023-24 we had to draw down £102,000 to offset the year-end over spend. To meet the 5% guideline level, the Council Fund would need to be around £12.8 million, which is around £3.1 million more than the current balance. This will be monitored and will depend upon financial performance during future periods and the need to provide 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 December 2024. It is anticipated that there will be drawdown of a number of reserves during the final three months of 2024-25 including:

- The estimated draw down of £9.533 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 £1.796 million Schools Capital Maintenance Grant for expenditure towards maintenance schemes within schools, £1 million for Coety Primary extension, and £0.963 million for Porthcawl Pavilion.
- Draw down of £0.182 million of funding for feasibility studies.
- Draw down of £2.031 million from directorate earmarked reserves and a further £0.822 million from equalisation and grant earmarked reserves.

Whilst at quarter 3 it is forecast that the Council will be in an under spend position at the year end, should this change any year-end over spend will need to be funded from earmarked reserves or the Council Fund.

- 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. The position will be reviewed at the year end and, if funds are available, Directors may be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2025-26 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole. A summary of the earmarked reserves position is provided in **Table 16**.

Table 16 – Summary of Earmarked Reserves

Opening Balance 01 Apr 2024 £000	Reserve	Net Additions / Reclassifications £000	Draw Down £000	Unwound £000	Closing Balance 31 Dec 24 £000
50,918	Corporate Reserves	472	(798)	(1,256)	49,336
6,668	Directorare Reserves	3,432	(1,969)	(1,547)	6,584
4,006	Equalisation & Grant Reserves	(910)	(88)	(188)	2,820
2,405	School Balances	0	0	0	2,405
63,997	Total Reserves	2,994	(2,855)	(2,991)	61,145

4.4 Council Tax

- 4.4.1 Based on the proposed budget of £383.338 million, there is a proposed 4.5% increase in council tax for 2025-26. This is in line with the indicative increases outlined in the Medium Term Financial Strategy 2024-2028 and is required due to a combination of increasing demand for services and significant cost pressures, both pay and price increases. This level of increase is needed to enable the Council to set a balanced budget. 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 in **Table 11**, in 2025-26 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 £1.017 million of additional funding.
- 4.4.3 The implications in terms of the Council Tax increase for 2025-26 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in **Table 17**.

Table 17 – Council Tax Increase 2025-26

2024-25 Band D	£1,834.41
2025-26 Band D	£1,916.96
% Increase	4.50%
Weekly Increase	£1.59

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 2035 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:

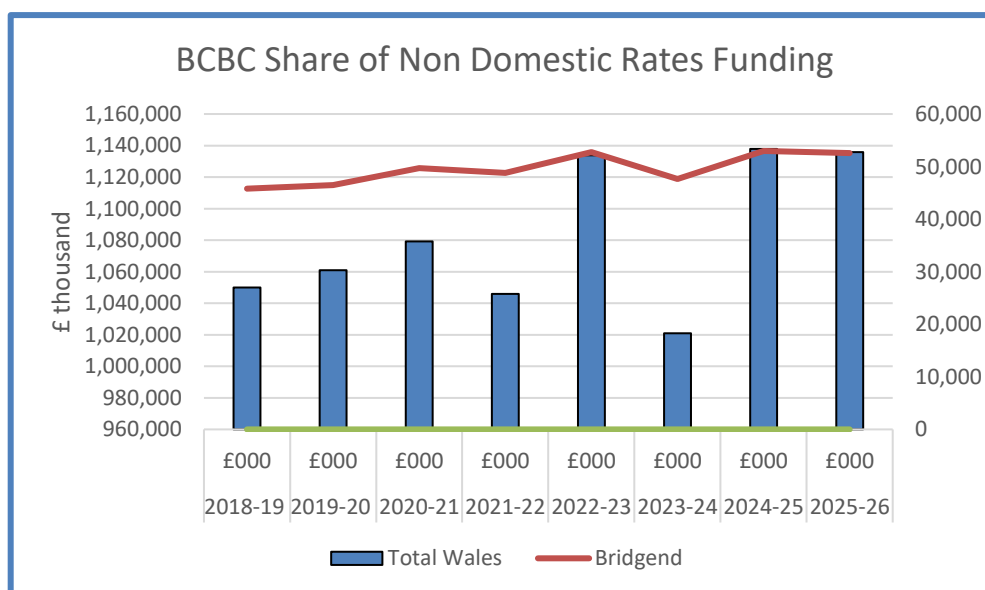
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

- 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 in recent years is shown in **Chart 5**. 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. In 2024-25 this relief reduced from 75% to 40%, and this will remain at 40% in 2025-26. Bridgend's percentage share of non-domestic rates funding has remained at around 4.6% in recent years.

Chart 5: 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 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:

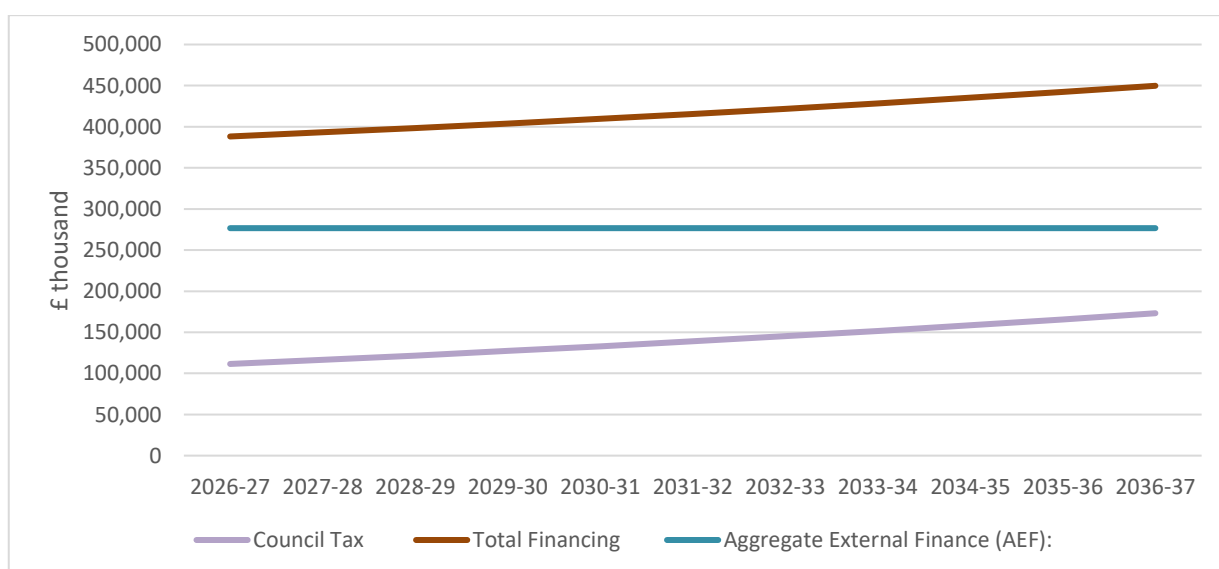
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

5.2.3 **Chart 5** 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 around 4.6%. 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 6**, 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 2036-37 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 38%.

Chart 6: 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 areas of public service transformation that Welsh public bodies need to take into account as they

shift their planning horizons to the longer term. These included climate change, equalities, transforming service delivery, in particular harnessing technology, where appropriate, and purposeful collaboration ('Picture of Public Services 2021' report (September 2021)). 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.
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

The Auditor General also published a report in February 2024 entitled 'From Firefighting to Future-proofing – the Challenge for Welsh Public Services' in which he drew on the work of Audit Wales to *'reflect on the way our public bodies are governed and managed, the importance of minimising losses through fraud and error, the complexity of the public service landscape, and challenges around workforce capacity, digital transformation, and planning for the long term'*. It also emphasised the need more than ever to ensure value for money in public spending to enable government and public organisations to achieve more with what they already spend.

Since late 2021 the UK has been faced with a cost of living crisis which, in addition to cost pressures arising from an ageing population and the impact this has on service demand, has created additional financial pressures across all local authorities in the United Kingdom.

In October 2023 Wales Fiscal Analysis at Cardiff University issued a briefing note on the medium term fiscal outlook for government in Wales. It concluded that:

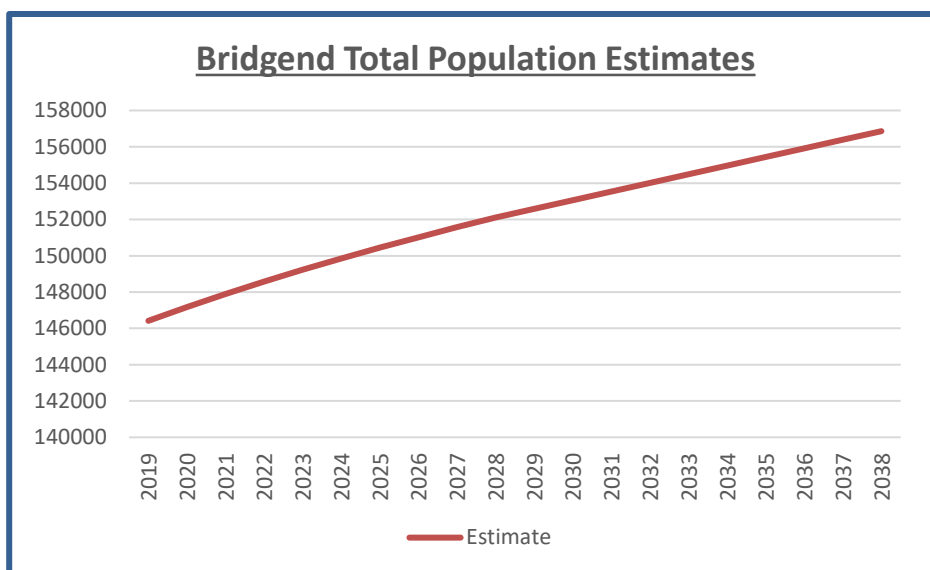
-spending pressures have outstripped the growth in local government revenues over the last two years, despite significant nominal terms increases in funding from the Welsh Government. A key driver has been substantial pay increases for local government staff and teachers, despite many workers still seeing real terms pay cuts. In response, local authorities have mitigated pressures by drawing down significantly from their reserves (built up during the previous two years) and Council Tax increases averaging 5.8% in 2023-24.
- Under our assumptions, total local government funding from the Welsh Government is set to fall slightly in nominal terms (by an average of -0.2% per year) over the years 2025-26 to 2027-28. That would mean a 4.3% reduction in real terms over the three years.
- However, under our central scenario for funding over future years, local authority finances appear to be on an unsustainable path, with the funding gap growing in each year of the projection. Relative to our base year of 2021-22, the funding gap could grow to £744 million by 2027-28.
- While the economic and fiscal context could radically change, our projections of spending pressures and funding suggest there could be significant reductions in local services over coming years.

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 7** 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 7: 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 18** 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 18 - Bridgend Pupil Numbers

	Primary	Secondary	Special	Totals
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
September 2024	12,001	9,801	452	22,254

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 (5.77% compared to 2.5%). This is in addition to rises in the National Living Wage which is currently at £11.44 (rising to £12.21 in April 2025). When this was announced the Chancellor stated that this “marked a ‘significant step’ towards achieving Labour’s promise of a ‘genuine living wage’ for workers”. The

announcement in October 2024 of the 6.7% increase places pressure on the Council's budget from both 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 19 – 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	£8.130 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)	£10.7 million
Cultural Trust	Awen Cultural Trust	20 years	2035	£3.661 million
Leisure Contract	HALO Leisure	15 years	April 2027	£1.257 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.

5.4 Longer Term Strategy

5.4.1 The Covid-19 pandemic and the war in Ukraine, and the impact of both, have 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 In December 2024 Audit Wales published 'Financial sustainability of local government' in which they outlined in detail the work they had undertaken on financial sustainability across each of the 22 councils in Wales. It also provided some examples of how councils could strengthen their financial sustainability. In summary they found that all councils in Wales understand their short and medium term financial positions but most do not take a longer term view of financial sustainability and tend to rely on annual savings rounds, short term savings and short term use of reserves. The report also identified several common financial challenges facing all local authorities, namely:

- Inflation and the cost of living crisis;
- Social care, especially an ageing population and increased numbers of Children Looked After;
- Housing, particularly homelessness prevention duties;
- Education, specifically school budgets, additional learning needs and home to school transport;
- Capital investment and the revenue budget implications of borrowing;
- Environmental sustainability, meeting net zero targets and reacting to storm and flood damage.

5.4.3 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

In 2020 Cabinet approved a Digital Strategy for the Council which was divided into three key areas – Digital Citizen, Digital Council and Digital Place. The aim was 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.

The Council is currently drafting a new Digital Strategy. The new document will take into account the needs of stakeholders, both within and outside of the Council, and will be supported with an action plan which includes key milestones.

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 continue to be reviewed and updated in line with other Council strategies and policies.

Community Asset Transfer

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

Climate Emergency Response

Bridgend County Borough Council declared its own climate emergency in June 2020 and set up its Climate Emergency Response programme. This has a commitment to achieve Net Zero carbon emissions by 2030 across its operations, to respond to the climate emergency declared by Welsh Government in April 2019. A Net Zero Carbon Strategy has been developed, and was approved by Cabinet in December 2022, as an initial strategic step in achieving this commitment.

Statutory versus non-Statutory Services

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

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

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

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SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
General Points and Report Presentation			
1	The Panel discussed the different approaches of reporting between the Education, Early Years and Young People and the Social services and Wellbeing Directorates (and a different approach to Adult and Children Social Care within the Directorate. The Panel recommended that there needed to be consistency in the reporting style from each Directorate and that a Corporate Template might assist the Panel and members of the public in understanding the financial position of each Directorate and the Council as a whole. (BREP)	There is a corporate presentation template which services will be reminded should be used.	Partially accepted
2	The Committee recommended : a. that all financial reports be accompanied by a glossary which is also made available on the Council's website in order to assist residents in their reading and understanding of the reports; b. that when reductions are referenced in the report that there is clarity about whether they are in net or real terms; c. that charts/graphics be included showing:	Some reports e.g. the Treasury Management Strategy and Budget Book already include glossaries. A Local Government Finance Terms glossary can be pulled together going forward. Agreed, we will be clear in reports in terms of net or gross, and real or nominal terms.	Partially Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<ul style="list-style-type: none"> i. the percentage increase in Council Tax over the period referred to; ii. the demographic growth in the borough; iii. the demographic growth compared to other Welsh local authorities and nationally; and iv. the reduction in use of agency staff. <p>d. that comparison data be provided demonstrating the difference between the proposed increase to Council Tax and the average staff wage increase across the authority. (COSC)</p>	<p>Where possible we will endeavour to include additional information in the MTFS as outlined.</p> <p>Further information on council tax increases can be included in the report. As there are a number of staff pay negotiating bodies, and staff pay increases change at different times during the year, and for different periods a comparison for all staff is not straightforward.</p>	
3	<p><u>Zero-based budgeting</u></p> <p>The Committee recommended piloting zero-based budgeting in a select area of Directorate to be determined by senior Officers. (COSC)</p>	This recommendation, as set out to the committee, is already in tow, and will be trialled in some specific service areas of Social Services and Wellbeing initially.	Accepted
4	<p><u>Budget Settlement and Fully Funding National Policy Commitments</u></p> <p>The Committee recommended that a letter be sent on behalf of the Committee to Welsh Government and the UK Government regarding the following:</p> <p>a. expressing that national policy commitments</p>	Letters have been written to Welsh Government on a regular basis over recent years on various budgetary issues. In addition representation is made on an ongoing basis through the Welsh Local Government Association (WLGA) and in scheduled meetings with the Local Government and Finance Minister, including on these specific matters.	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>resulting from legislative changes should be fully funded both in terms of capital funding and ongoing revenue funding including a commitment to fund employer national insurance payments for individuals employed by agencies who provide services to the Council which currently results in a £1.5m cost pressure; and</p> <p>b. expressing concern regarding the repeated lateness of the settlement and requesting a commitment to bring forward the settlement date and to request that consideration be given to providing indicative multi-year settlements. (COSC)</p>	A further letter will be sent from the Leader setting out these issues.	
Auto-Enrolment to Benefits and External Communications			
5	The Committee recommended that a letter be sent on behalf of the Committee to Welsh Government and the Department for Work and Pensions strongly recommend that they implement auto-enrolment of individuals to all benefits to which they are eligible/entitled when they apply for another benefit. (COSC)	The Council is currently part of a pilot project with Welsh Government, entitled Streamlining Welsh Benefits, which is aimed at creating a simpler and more consistent system for the Council Tax Reduction Scheme, Free School Meals and School Essentials Grant by mapping relevant legislation, policy and processes.	Accepted
6	The Committee recognised that the funding to the Council and schools was being disadvantaged by individuals not claiming all benefits to which they are entitled and recommended that Council-wide external communications be issued encouraging residents to claim all benefits to which they are	The Council does use its external communications channels to raise awareness of benefits available to encourage uptake. Letters are also sent to individuals known to the Council who could be eligible for additional benefits.	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	entitled including Pension Credit, Housing Benefit and Eligible Free School Meals and promoting the Council's auto-enrolment process. (COSC)	This will be continued	
7	<u>Engagement with Town and Community Councils</u> The Committee recommended that detailed discussions are held with town and community councils before suggestions are made in meetings that town and community councils may be able to assist when discussing funding gaps. (COSC)	Engagement with Town and Community Councils (TCCs) is ongoing, including recent meetings to discuss how this Council and TCCs can work more effectively together moving forward. However, it is not realistic to have detailed discussions with individual TCCs prior to suggestions being made in meetings that they may be able to assist when discussing funding gaps. Initial suggestions, on a generic basis, of where TCCs may be able to assist will need to continue to be made, but detailed discussions with each TCC would always be a necessary as a pre requisite, prior to any firm commitment.	Partially accepted
8	<u>Prioritising Procurement</u> While the Committee recognised that there was a budget growth proposal for a Procurement Assistant (CEX 5) in central Procurement, they reflected that there appeared to be insufficient capacity, at times, within Directorates to provide timely contributions to the Procurement process and recommended that more urgency needed to be placed on procurement highlighting it was critical to a one-council approach.	Overall resources within Directorates to deal with procurement have, like many other areas, been subject to budget cuts over many years, from savings in back office and managerial capacity. The importance of procurement is recognised and there are existing corporate plans and processes that reflect it is a priority. The corporate team (subject to the proposed budget pressure) would not need additional resource. However, there is 'insufficient capacity' within service areas and that cannot be	Partially accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
		properly dealt with without additional resource at the service level.	
<u>Projecting Demand and Complexity of Need</u>			
9	The Panel expressed concern regarding the Directorate's significant overspend projection at the end of Quarter 1, soon after the setting of the 2024/25 budget. The Panel were concerned that the Directorate's demand projection framework, utilising the Population Needs Assessment and demographic growth, was insufficient and recommended that the Directorate consider a more robust, forward-looking demand forecast framework and statistical models to provide a more strategic look when setting the budget. (BREP)	Services are experiencing increased demand but also increased complexity of demand, both of which impact on the budget position. Services do have models in place to project service demand but the complexity of that demand is more difficult to predict. There has been improved working between services and finance to model these changes which has been reflected in the 2025/2026 budget planning process.	Accepted
10	<u>Grant funding</u> The Committee requested a breakdown of value of the grant funding which the Council could expect to receive from the UK and Welsh Government in 2025/26 including the expected timeline for receipt and whether this represented an increase or decrease from previous years. The Committee were advised that although some headline figures had been received on an all-Wales basis, it was, as yet, unknown what Bridgend's allocation from these would be. The Committee recommended that should this information be	As outlined in the draft MTFS Welsh Government only provided all-Wales grant figures in the provisional local government settlement. The report outlined that the majority of these had stayed at the same level, but others e.g. the Local Authority Education Grant had increased. This is in line with WG announcements on additional funding for education. Others have increased to reflect pay and price increases over the past year(s). We are still awaiting Bridgend allocations for a number of grants, and these will continue to be received up to the start of, and during, the 2025-26 financial year. Grants are received on an individual basis from	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	available prior to the setting of the budget, that Cabinet consider it as part of the full financial outline during the budget setting process. (COSC – 28 Jan 2025)	different WG departments so there is no specific timeframe for their receipt.	
BREP Process			
11	<p>The Panel expressed concerns regarding the effectiveness and late commencing of the BREP process and that their concerns are expressed year on year without change. The Panel therefore recommended that there be a meeting of Group Leaders and Scrutiny Chairs, before the start of the next financial year, to discuss the future BREP process and consider the following:</p> <ul style="list-style-type: none"> i. that BREP commence immediately following the budget setting and that accurate forecasts be provided to the Panel allowing Members to understand the pressures and to start deep dives into particular areas of concern/risk at an early stage; ii. that BREP be a standing Panel, meeting on a monthly or bimonthly basis and that they have a Forward Work Programme allowing Members to own the process and request the information they want to see, negating the need to request and arrange meetings on an 	<p>The process this year was amended to address the concerns raised that most members are not sighted on the budget position of the budget setting process. To address this, quarterly all member budget briefings have been held which have been well attended. Also meetings with political groups have taken place to share the budget setting process during the year.</p> <p>Further work can start early in the new financial year to look to improve the BREP process for the 2026-27 budget setting round.</p>	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>ad hoc basis; and</p> <p>iii. the different approaches of reporting, the need for consistency in the reporting style from each Directorate the proposal for a Corporate Template to assist the Panel and members of the public in understanding the financial position of each Directorate and the Council as a whole, as referred to in Recommendation 1 above. (BREP)</p>		
Budget Reduction Proposals <u>Chief Executive's Directorate and Council Wide:</u>			
CEX 6 – Provision of CCTV			
12	<p>With reference to the budget reduction proposal, CEX 6, the Committee recommended that a letter be sent on behalf of the Committee to the Police and Crime Commissioner to ascertain her reliance on the CCTV service created and managed by the Council and whether the Police and Crime Commission's contribution to CCTV has been cut and requesting a response prior to the next meeting of the Committee on 28 January 2025. (COSC)</p>	<p>The proposed saving on CCTV does not apply until the 2026-27 financial year. A meeting has already been arranged with the Police and Crime Commissioner (PCC) to discuss this matter in February. If it is necessary, a follow up letter can be sent after that meeting.</p>	Partially Accepted
13	<p>The Committee expressed concern that all budget savings proposals within the Chief Executives Directorate and Council Wide were red and</p>	<p>The RAG [Red, Amber, Green] status of each proposal has been reviewed to reflect that there are some savings where a staff consultation will not be</p>	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	possibly difficult to achieve. The Committee were advised that the vast majority of the spend in these areas is on staffing and the savings would be subject to consultation and therefore would remain red until these were complete and were then likely achievable. The Committee recommended that the narrative in the budget savings proposals to reflect that position and its red status. (COSC)	necessary (vacant posts) etc, meaning that there are now more proposals where the status is amber or green. Narratives are also reviewed prior to the final budget being presented and will be updated if required	
Budget Reduction Proposals <u>Education, Early Years and Young People:</u> <u>Proposed 2% Cut:</u>			
14	The Panel recommended that any opportunity to reduce the proposed 2% cut should be explored and any savings identified to achieve the reduction should be put towards schools delegated budgets not towards central services. (BREP)	Through the budget consultation and scrutiny process, there will be an opportunity for Cabinet to review and consider the savings that are deemed to be least popular, provided a balanced budget can still be presented.	Accepted
15	Members discussed in depth the efficiency savings against School Delegated Budgets – 1% for 2025-26 and 1% thereafter. Members expressed concern over School Deficit budgets in that between 50% and 75% of schools are reporting deficit budgets for 2024-25 and this will only be further exacerbated by further budget reductions. Some schools were even reporting in	While Cabinet is also concerned about the school deficit budgets, it should be noted that removing the proposed 1% reduction in budgets will not resolve the problem. The proposal does not go against our priorities of protecting the most vulnerable as we are putting almost £10 million more into the Education budget for 2025-26 compared to the current year.	Not accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>their recovery plans that were simply not going to recover, meaning the Local Authority (LA), after 5 years, would have to cover the deficit.</p> <p>Members also expressed concern over the fact that this reduction went against the Council's own priority to protect vulnerable children and young people and could result in cuts to key supportive services to these individuals.</p> <p>Members noted that whilst Welsh Government funding would be provided for pay and price increases this year, this was one-off funding that could not be guaranteed for next year and would not resolve the ongoing deficit budget issue for schools. Linked to this and for the future, just as areas such homelessness is being considered for growth proposals due to reductions in Welsh Government grant funding, so should schools and education be considered for potential growth and solutions to replace and help mitigate against their reductions in Welsh Government grant funding in various areas. Alternatively, the Local Authority needed to push back with Welsh Government in relation to the pressure on local authorities to administer new schemes and implement new</p>	<p>Further work needs to be undertaken with schools where there is a large deficit projection to look at all options to recover the position, but it also needs to be recognised that pupil numbers, and the funding associated with this, can have a much greater impact on a school's budget.</p> <p>Finally to remove the 1% reduction could result in an increase to the proposed Council tax of 1% and it's not clear within these Scrutiny recommendations whether Scrutiny members are proposing a Council Tax of 5.5%.</p> <p>Cabinet are recommending that an independent review of the Schools Funding Formula alongside the Financial Regulations for Schools be undertaken. The review will ensure equity across all schools and identify best practice to support schools deliver best possible outcomes for the pupil population.</p>	

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>legislation without the continued supporting funding behind it.</p> <p>Based on their concerns, the Committee were in consensus and strongly recommended that Cabinet are asked to do all they can to remove the 1% budget saving proposed for schools. (SOSC 1)</p>		
16	<p>The Members discussed representations received from headteachers regarding the detrimental impact that the further 1% cut would have on their ability to deliver a wide range of service and on their already significant deficit budgets including the significant impact on staffing and their wellbeing, potentially larger class sizes, the narrowing of the curriculum and potential impact on additional provisions such as, extracurricular activities. Therefore, the Committee recommended that SOSC 1's recommendation <i>that the Cabinet are asked to do all they can to remove the 1% budget saving proposed for schools</i> be wholly endorsed by COSC, and that Cabinet reconsider this significant proposed budget reduction for the reasons above. (COSC – 28 Jan 2025)</p>	<p>As stated above, all staffing costs including pay increases, inflation and pension costs are fully covered with the increased budget proposed. Therefore, all staff costs are covered and any decision on staffing numbers is a matter for each governing body.</p>	Not accepted
17	<p><u>Capacity to Reduce Proposed Budget Cuts</u> Members asked for clarification on whether the underspend now projected for 2024 as reported</p>	<p>Information regarding the impact of the improved position at the end of Q3 on the budget for 2025-26 has been shared with members.</p>	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	under Q3 meant there was any capacity to reduce any proposed budget cuts. If this was the case the Committee recommended that School Delegated Budgets, Music Services and Counselling Services be prioritised for reduction in saving, if not full removal of saving if possible, in the proposed budget for 2025-26. (SOSC 1)	There will be an opportunity for Cabinet to review and consider the savings that are deemed to be least popular, provided a balanced budget can still be presented.	
18	<p><u>Music Services</u></p> <p>Members discussed in detail the importance to maintain both the Counselling and Bridgend Music Service.</p> <p>Members highlighted that both services were vital in supporting pupils who experience mental health issues, as whilst this was obvious with Counselling services, evidence was heard about how Music services also helps children and young people who have difficulties with their mental health. Members therefore pointed out that these proposals to reduce or remove these services was against the LA's priority to protect vulnerable individuals.</p> <p>It was further highlighted by both Headteachers and Members, that Music provision now formed a significant part of the new curriculum and provided valuable enrichment to pupils.</p>	<p>Alternative funding mechanisms are currently being explored but these will not result in significant savings during 2025-2026.</p> <p>Cabinet are minded to retain the music service while an alternative delivery method is being explored.</p>	Partially accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>Concerns were raised that schools might not be able to afford to fund Counselling or Music services going forward and provide valuable opportunities to their pupils.</p> <p>The Committee recommended that opportunities be explored further to find alternative delivery models such as not-for-profit or commercial partnerships, in order to continue providing these important services. (SOSC 1)</p>		
19	<p>The Committee discussed the overwhelming number of representations they had each received from headteachers, parents and learners regarding the powerful impact the Bridgend Music Service has had on the lives and wellbeing of all who use it and also highlighted its importance for those learners who find academia or sport difficult.</p> <p>The Committee strongly recommended that Bridgend Music Service be retained as a fully subsidised service.</p> <p>However, whilst recognising that it was a significant budget pressure, the Committee considered that the value provided by the Service was such that they recommended that the budget reduction</p>	<p>There has been high number of email contacts from pupils, teachers and the public to the Cabinet and we are looking at how best this proposal can be removed from the final budget presented to Council. It is also recognised that the service needs to look at a range of delivery models for the future and work on this will commence as soon as possible.</p> <p>See response to 18 above.</p>	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>proposal EEYYP 12, at least, be deferred pending exploration of all possible alternative delivery models to ensure that the Service can continue long term.</p> <p>The Committee further recommended that any alternative delivery model, whether or not involving other stakeholders or parental contribution models, should maintain the free provision of the Service, at the very least, for learners from low income families. (COSC – 28 Jan 2025)</p>		
20	<p>In addition to the comments made by SOSC 1 regarding Budget Reduction Proposal EEYYP 3: <i>that opportunities be explored further to find alternative delivery models such as not-for-profit or commercial partnerships, in order to continue providing these important services</i>, COSC stressed the importance of working with partners and recommended that the Authority work closely with Cwm Taf Morgannwg University Health Board in providing support for the mental health and wellbeing of children and young people across the county borough. (COSC – 28 Jan 2025)</p>	<p>Following a joint inspection by CIW/Estyn/HIW of mental health services for children and young people in the Cwm Taf Morgannwg region, a joint action plan has been developed to support how partners will work together to improve the mental health and wellbeing of people in the county borough.</p> <p>The narrative on the budget proposal will be reviewed and amended, in line with the outcome of the recent inspection.</p>	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
Budget Reduction Proposals <u>Social Services and Wellbeing Directorate:</u>			
21	<p>The Committee expressed grave concerns regarding budget reduction proposals SSW 12 and 13, highlighting the widespread ramifications that would follow from redundancies and impact on the caseloads and wellbeing of remaining staff and the reputational risk they would create. The Committee therefore recommended that budget reduction proposals SSW 12 and 13 be removed and not pursued as savings. (SOSC 2)</p>	<p>The commissioning team is driving transformational changes to meet MTFs savings, but the risk lies in the uncertainty of funding, especially with the transition of the Eliminate Agenda. Although there's assurance that grant funding for Social Services will cover these risks, it's not guaranteed.</p> <p>There's a balance between ensuring manageable caseloads for case holders and the risk of increased workload or burnout. However, we are assured that caseloads are at manageable levels, which should prevent an additional burden on the case holders.</p> <p>The new statutory Code of Practice for commissioning care and support from Welsh Government could pose a risk, especially if the requirements cannot be fully met. This is crucial for compliance, and we are assessing how to adapt to meet those demands, but we remain confident that the grant funding, as above, will be forthcoming to support this work.</p> <p>The restructure of business support aims to reduce the administrative burden on social workers,</p>	Partially accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
		<p>allowing them to focus on direct care tasks. However, reducing these resources could risk pushing more administrative work onto the social work staff, potentially impacting service delivery however this will be monitored closely and the : Artificial Intelligence Agenda is being fast-tracked to support the workforce administratively and mitigate the risks associated with any reduction in business support.</p> <p>The most crucial risk is ensuring the safety of residents while maintaining fiscal responsibility and meeting budget targets. The budget needs to be balanced with the potential risks arising from the savings, including service delivery impacts but we are confident that we are adequately addressing any risks with the actions above.</p>	
Budget Reduction Proposals <u>Communities Directorate:</u>			
22	<p>Members discussed the ongoing reduction in income across parking services and the specifics on the general downturn in car park income.</p> <p>Officers explained that since the pandemic the Authority had seen a drop in its entirety across all the car parks with the exception of Porthcawl, in</p>	<p>A report on Car Parking Charging across the Borough is currently being prepared, including the free parking offer currently available at the Rhiw and John Street. This will be discussed initially with Cabinet but can also form part of a future scrutiny discussion.</p>	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>Salt Lake and Rest Bay car parks where the number of visitors has increased.</p> <p>Members expressed that in their own experience, the car parks in Bridgend were very often full and considering the regeneration plans for Bridgend Town Centre, more car parking provision would be vital. The Committee recommended that further exploration be undertaken and evidence examined and reported to the Committee with regard to the car parking offer in the town centre and the budget pressure as a whole. (SOSC 3)</p>		
23	<p>Members discussed at length the reduction in staff who undertake enforcement activities relating to waste. The Committee were concerned with the failure to issue enforcement notices at present and feared what the outcome would be should the enforcement team be cut by such a significant amount.</p> <p>Recognising the difficulty there was with the burden of proof, Members were greatly concerned there was a risk that the ability to react to these issues would be reduced if the cut was made and therefore the Committee urged and recommended the Cabinet revisit the reduction with a view to removing or reducing the proposal. (SOSC 3)</p>	The enforcement activities of this team can continue with the proposed reduction in staff, with the emphasis being on education and prevention of incidents, which has been the focus of works over the past two years.	Not accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
24	Members expressed concern over the budget reductions relating to increasing fees on Bereavement services, i.e. burial charges by 20%, and stopping the bi-annual supply of blue refuse sacks to all residents. The Committee felt that these proposals, particularly the increase in burial fees, could have a significant impact on the public and recommended that if there is any leeway or additional funding potentially available, or changes to budget proposals, that these reductions be prioritised for reconsideration and either removed, or, in the instance of the 20% proposed increase in burial fees, at least reduced. (SOSC 3)	A key principle of the MTFs is to look to cover the costs of the services we provide wherever possible. The cemetery services are not cost neutral and this proposed increase in burial fees will assist, but will not provide that cost neutral position. In the County Borough currently approximately 30% of bereavement demand is burials and 70% is cremation. Investment is required in the cemeteries within our Borough and a new Cemetery Strategy will be brought forward in 2025 to address future issues such as burial capacity.	Not accepted
Budget Pressures <u>Education, Early Years and Young People Directorate:</u>			
25	Subject to the Directorate response to the Committee on Base Budget Pressures in Recommendation 15 above, Members wished to support the budget pressure proposals. (SOSC 1)	Noted.	Accepted
26	Further to SOSC 1's support for the budget pressure proposals, the Committee specifically wished to support the budget growth for Additional Learning Needs (ALN). However, the Committee recommended that the budget growth proposal of providing additional support for those with ALN needed to be carefully balanced with the demand	We will ensure that the impact of the proposed budget reductions in respect of ALN provision is monitored carefully. Similarly, we will ensure the proposed additional funding for ALN provision will be targeted to meet the requirements of pupils as identified by the Access to Education Panel.	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	and impact that the budget reductions proposals regarding ALN would have on staffing and support for learners. (COSC – 28 Jan 2025)		
Budget Pressures <u>Communities Directorate:</u>			
27	<p><u>Waste Service</u></p> <p>Members discussed in detail the additional revenue funding required, over and above the current budget, to operate the waste service as an in-house service from 2026-27, as agreed by Cabinet in November 2024. Following consideration of the Future Waste report on the 30 September 2024 by the Committee, Members had felt that more investigation was needed to provide further analysis on whether the service should be brought in-house or not, and also recommended that a potential extension of the existing contract be considered.</p> <p>There was disappointment from Members that the previous recommendations made by the Committee had not appeared to have been considered and that there was now a £1.2 million budget pressure sooner than it was necessarily needed.</p>	<p>A decision was made by Cabinet on the 19th of November 2024 to insource the waste services for the Borough. A Waste Transition Board has been established and meets every two weeks and work is ongoing on the project to look at a transition from the current contractor to Council provision by April 2026. The Cabinet have agreed to seek an extension with Plan B, as recommended by Scrutiny, as a contingency position should it not be possible to transition within this very challenging timescale, to ensure a continuity of this essential public service.</p> <p>The estimated costs for 2026-27 are the result of modelling from within the consultant's report and require more detailed work to be undertaken to determine accurate costs and projections. Extending the contract by a further year is not going to change the actual costs once they are determined.</p>	Not accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	The Committee recommended that the insourcing of the service be looked at again, that modelling and further analysis be done and that the current contract be deferred for a further year to get a better understanding of the situation. Members were concerned that the costs predicted and associated budget pressure for this set for 2026-27 could potentially manifest itself during 2025-26 and also, whether there then could potentially be further recurring pressures for next year. (SOSC 3)		
28	<p><u>COM 1 – Bridgend Market</u></p> <p>Members discussed the recurrent budget pressure associated with the closure of Bridgend Market and the recurring 300k per annum that was still being paid on the lease, as well as holding costs and covering the cost of the small market hall which was opened in the Rhiw centre where 5 traders currently operate. Members were informed that the future of Bridgend Market Hall itself was still being determined.</p> <p>Members expressed concern that with the hundred-year lease that was taken out initially in 1971; the authority could potentially be paying out 300k for the next 47 years which would accumulate into millions.</p>	Options are being assessed with regards to the future of the Bridgend Market Hall, to look at the long-term future and relinquishment of this budget pressure. This is being considered against the background of the substantial multi-million pound repairs to the market hall roof to remove the RAAC that is present. Once this appraisal is completed it will be discussed with Cabinet and could form part of a future Scrutiny session.	Accepted

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	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	The Committee recommended that this agreement be explored further to find a long-term resolution and address this funding pressure. (SOSC 3)		
Supplementary Recommendations and Requests for Information: <u>Chief Executive's Directorate and Council Wide:</u>			
29	<u>Information Sharing</u> The Committee recommended consideration be given to how invest to save models and further collaborative working and sharing of best practice across local authorities regarding ICT and use of artificial intelligence could expedite savings. (COSC)	Work is now being done in this area.	Accepted
Supplementary Recommendations and Requests for Information: <u>Education, Early Years and Young People:</u>			
30	<u>Recovery Plans</u> Whilst noting that schools in a deficit budget position of over £50,000 must prepare a Deficit Recovery Plan that is carefully monitored, the Panel recommended that consideration be given to implementation of a similar plan to allow for schools who have a significant surplus to be similarly monitored. (BREP)	This recommendation will be considered (for example, through discussion with the School Budget Forum). School Deficit Recovery Plans will be part of the financial review outlined above.	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
31	<u>Clear Direction on Efficiency Savings</u> The Panel recommended that there be clear direction to School Governing Bodies on how they may be able to make efficiency savings, e.g. shared senior leadership teams, federated arrangements, etc. and that such direction needed to demonstrate clear figures on the savings that could be achieved. (BREP)	The local authority can recommend options to governing bodies, but, in most situations, the local authority cannot direct governing bodies. Identifying best practice will be a key outcome of the financial review outlined above.	Partially accepted
<u>Schools Funding Formula</u>			
32	The Panel discussed the possibility of changing the schools funding formula in order to try and balance the schools' deficit and surplus positions and recommended that the Chair and Vice Chair of the School Budget Forum who are invited to the January meeting of SOSC 1 be asked for Headteacher views on the topic. (BREP)	School Budget Forum members attended the SOSC1 meeting in January 2025. The School Budget Forum will be invited to contribute to the financial review outlined above.	Accepted
33	<u>Back Office Services</u> The Panel referred to the amalgamation of the Education Engagement Team and Educational Welfare Service which had resulted in significant savings being made and front loaded into this financial year and recommended that this be used for learning as an example of best practice, to ensure that back office services run efficiently and that the delegation of funding to schools is optimal. (BREP)	We will learn from effective practice to ensure back-office services run efficiently and that the delegation of funding to schools is optimal.	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
Supplementary Recommendations and Requests for Information:			
<u>Social Services and Wellbeing Directorate:</u>			
34	<u>Use of S106 Agreements</u> The Panel referred to potential future large scale housing developments being an opportunity to provide specialist housing in a different way via Section 106 agreement contributions. The Panel recommended that consideration be given to entering into S.106 agreements to provide an Extra Care style accommodation model or equivalent, recognising that the model is cost effective for the Authority and provides good outcomes for residents to live more independently for longer and those eligible can claim housing benefit. (BREP)	The Social Services and Wellbeing (SSWB) directorate has completed an in-depth accommodation-based service review to determine what housing with care developments are needed over the next 5 years. Each individual scheme will be subject to a Business Justification Case(s) where funding streams will be considered (inc. s106 funding), working with key relevant colleagues at that time. Planning colleagues also attend SSWB meetings, where the oversight and governance for such schemes takes place.	Accepted
35	<u>Additional Resource in Continuing Healthcare</u> The Panel referred to the specialist social worker with the relevant expertise that takes the lead in supporting the team in relation to the Continuing Healthcare (CHC) process. The Panel recommended that consideration be given to allocating additional resource to Adult Social Care to recruit an additional specialist social worker in order to accelerate savings associated with CHC. (BREP)	This has been highlighted at the Social Services Improvement Board and the directorate will work with finance colleagues to determine the best way to increase dedicated resources to take this forward.	Accepted
36	The Committee recommended that there be an all Member briefing on the use of artificial intelligence	The Head of Partnerships and the Corporate Director of Social Services and Wellbeing will work	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	within the Social Services and Wellbeing Directorate and how it is envisaged it could safely aid a reduction in staff numbers. (SOSC 2)	together to deliver a seminar for Members on how AI can be used in the SSWB directorate as part of the refreshed Corporate Digital Strategy.	
Supplementary Recommendations and Requests for Information:			
<u>Communities Directorate:</u>			
37	<p><u>Porthcawl Metrolink:</u> Members discussed the Porthcawl Metrolink Station and the justification behind having to pay ongoing revenue costs. They expressed their frustration that when first scrutinising the Metrolink Station they were not informed of the ongoing costs of £100,000 a year until the other redevelopment went ahead.</p> <p>The Committee recommended that any potential revenue liabilities associated with future capital programmes and projects be looked into and predicted as far as possible and fully disclosed when the decisions are made, especially in this time of austerity. (SOSC 3)</p>	This recommendation is accepted and revenue costs resulting from capital costs will be estimated at the commencement of the scheme.	Accepted
38	<p><u>Highways</u> Members expressed concerns over the current conditions of highways within the County Borough and the time taken to action any reported issues. Members questioned whether the proposed approximate £1M increase for Capital funding was sufficient to cover the work needed in the</p>	Additional funding is to be made available by WG to support this work. Once the funding for BCBC is confirmed it will be allocated to the service.	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	forthcoming year. The Committee recommended that consideration be given to whether there is any additional funding that could be allocated to this budget to ensure Highways are maintained to an optimal standard. (SOSC 3)		

Bridgend County Borough Council
Corporate Risk Assessment
February 2025

Risk Number	Identified Risk	Residual Risk Score	Direction of travel from previous report
COR - 2019 - 01	The council is unable to deliver a balanced budget and sustain services into the medium term	25	↔
COR - 2019 - 02	The council is unable to deliver transformation and major service change, including projects and agreed financial savings	20	↑
CEX – 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	25	↑
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	20	↔
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	16	↔
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	20	↔
COR-2019-05	Important council services are compromised due to the failure of a key supplier	16	↔
COM - 2020 - 01	Invigorating the economy and economic recovery following the cost of living crisis, and	20	↑

	local issues such as the closure of businesses in the area.		
SS- 2023- 01	Significant service pressures in the health and social care sectors could impact on the ability of services to support vulnerable individuals	25	↔
EDFS - 2024 - 01	There is an increase in the financial fragility of schools in the Borough	25	↑
COR -2024-01	There is a threat to business continuity if the Council is unable to procure and implement major ICT systems which support critical services such as a replacement system for Care Director (WCCIS) and the Capita One system for education.	20	↔

Identified Risk	The council is unable to deliver a balanced budget and sustain services into the medium term
Risk Number	COR - 2019 - 01
Impact of Risk	<p>The Council has been making budget reductions since 2010 and identified revenue savings of £88m in that time. As a result, it is harder each year to identify and deliver ongoing budget reductions. Some difficult decisions to cut or reduce service levels have been made, but more must be made if the Council is to deliver the changes necessary to achieve a balanced budget. A failure to do so will result in the council being in breach of its legal responsibilities.</p> <p>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, with a challenging cash settlement predicted for the 2026-27 revenue budget. 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.</p> <p>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. Also, in more 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 Sec 151 Officer would have to issue a Sec114 notice which could result in the management of the council being undertaken by Commissioners appointed by the government.</p>
Addressing the risk	<p>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 continued into 2023/2024 and 2024/2025. A 5 point action plan was implemented in 2023/2024 and has continued into 2024/2025. Elected members were all briefed on this position during the year. In setting the 2024/2025 budget, difficult decisions had to be made re budget savings and limited growth across the budget.</p>
Actions to be established	<p>Continuously review the assumptions built into the MTFS to promote multiyear forecasting and longer-term financial planning. Keep elected members informed of updated position and re-align MTFS as appropriate. A Revenue Monitoring Board has been established in 2024-25 to enable a regular review of spend against budget.</p> <p>The budget planning process for 2025/2026 has been started earlier, with discussion with members on possible scenarios to get early buy in to the</p>

	<p>direction of travel.</p> <p>For MTFS 2025-29, there will be 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.</p> <p>MTFS will consider longer term pressures and ensure these are fully considered beyond the life of the 4 year MTFS. 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.</p> <p>Work will be done to ensure that during the period of significant change, robust governance is maintained to ensure 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.</p> <p>In view of the finite and scarce resources it is important the Council makes the right decisions in terms of priorities and budget allocation to mitigate the biggest risks, being fully cognisant of the implications and also the opportunity cost of all budget decisions it makes.</p>
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↔

Identified Risk	The council is unable to deliver transformation and major service change, including projects and agreed financial savings
Risk Number	COR - 2019 - 02
Impact of Risk	<p>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, which will lead to it not meeting its commitments within available budgets. Of particular importance here are the actions required to tackle service change to meet financial pressures and external requirements such as the Climate Emergency, the delivery of the universal free school meal offer, the Sustainable Communities for Learning Programme, and the process to bring some service back under the direct management of the Council, such as waste and grass cutting services. The consequences of which will have a detrimental impact on all areas of the Borough.</p> <p>Our ability to have the amount of resource and expertise to implement significant transformation programmes is compromised 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</p>
Addressing the risk	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
Actions to be established	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. The Council will need to consider investment in this area to ensure change is well planned and implemented in the coming years.
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	5	5	25	
Residual Risk Score	4	5	20	↑

Identified Risk	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
Risk Number	CEX- 2019-01
Impact of Risk	<p>If the council does not have sufficient capital to maintain, improve and replace its infrastructure, including roads, streetlights, school buildings and technology then they will deteriorate bringing safety and financial 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.</p> <p>Due to reduced capital finance, the Council will have to prioritise more effectively and there is a risk of reduced investment in important infrastructure moving forward.</p>
Addressing the risk	<p>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 thereby reducing competition. The procurement process has been reviewed to reduce the number of returned tenders that exceed the budget available.</p>
Actions to be established	<p>The Council will continue to seek external and match funding for projects where possible, to maximise its capital programme spending capability. Where feasible the capital earmarked reserve will be replenished to mitigate the decline in available and potential new capital funds, 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.</p> <p>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</p>

	and avoid supplier issues. The establishment of the capital programme board will enhance the monitoring of the programme.
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↑

Identified Risk	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 and homeless individuals
Risk Number	SS-2019-01
Impact of Risk	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 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. Significant work has been done to strengthen staff teams in the past year. 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
Addressing the risk	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. The over reliance on agency staff has been reduced as a consequence of this work.
Actions to be established	The 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
Risk Owner	CMB
Wellbeing Objective	A County Borough where we protect our most vulnerable

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	4	5	20	
Residual Risk Score	4	5	20	↔

Identified Risk	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
Risk Number	COR-2019-03
Impact of Risk	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. 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 effected
Addressing the risk	<p>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). Training is being provided to staff who will be involved in any civil emergency activity, and this is updated on a regular basis. 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.</p> <p>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 include the installation of patches. Security awareness training is provided to all employees. The council has responded swiftly and appropriately to the increased risk posed by increased reliance on ICT and the network. A number of changes have been made that has helped to mitigate the increased risk. This has included the procurement and implementation of a data centre refresh project which was completed in April 2024. 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.</p>
Actions to be established	<p>Ongoing work on resilience and business continuity will help mitigate the risks but keeping the Council services running effectively becomes more challenging.</p> <p>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.</p>
Risk Owner	CMB

Wellbeing Objective	All Well-Being Objectives
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Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	4	5	20	
Residual Risk Score	4	4	16	↔

Identified Risk	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
Risk Number	COR-2019 - 04
Impact of Risk	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
Addressing the risk	<p>There remain recruitment difficulties in key areas of the organisation. This is being seen at a regional and national level and therefore is not unique to BCBC. Measures have been implemented to seek to mitigate and treat the risks including the use of the market supplement policy and further development of international recruitment. Use of agency staff continues to be high in certain areas and direct work is being undertaken to improve this position.</p> <p>The impact of the vacancies is evident in certain services, with additional pressure and demands being placed on those staff in post.</p> <p>There are impacts on the organisation's ability to deliver its objectives and continued frustration among the public and elected members about the pace of some responses and action.</p>
Actions to be established	<p>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.</p> <p>Action plans are in place and being developed to address challenges in the Social Services and Wellbeing Directorate</p>
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report

Raw Risk Score	4	5	20	
Residual Risk Score	4	5	20	↔

Identified Risk	Important council services are compromised due to the failure of a key supplier
Risk Number	COR-2019-05
Impact of Risk	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.
Addressing the risk	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 work with providers to ensure an early dialogue when services are under pressure to work towards an agreed outcome.
Actions to be established	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 in social care and housing services.
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since previous report
Raw Risk Score	4	4	16	

Residual Risk Score	4	4	16	↔
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Identified Risk	Invigorating the economy and economic recovery following the cost of living crisis, and local issues such as the closure of businesses in the area
Risk Number	COM - 2020 - 01
Impact of Risk	<p>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, reduced payment of Council Tax and business rates and a corresponding increase for other relevant Council advice and support services. Many 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.</p> <p>The closure of TATA, and the consequential impact on the supply chain, is likely to impact in the Bridgend area going forward</p>
Addressing the risk	The Council is 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 rates relief.
Actions to be established	Support the aims set out by the 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.
Risk Owner	CMB / Economic Recovery Panel
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel since
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				previous report
Raw Risk Score	5	4	20	
Residual Risk Score	5	4	20	↑

Identified Risk	Significant service pressures in the health and social care sectors could impact on the ability of services to support vulnerable individuals
Risk Number	SS- 2023- 01
Impact of Risk	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.
Addressing the risk	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
Actions to be established	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.
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↔

Identified Risk	There is an increase in the financial fragility of schools in the Borough
Risk Number	EDFS - 2024 - 01
Impact of Risk	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 financial 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
Addressing the risk	School governors are responsible for monitoring and reporting school finance positions. 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. Schools are supported with the development and monitoring of individual school budgets by the central finance team
Actions to be established	Further work to be done with schools to understand the impact on any budget reductions on individual schools
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel
Raw Risk Score	5	5	25	
Residual Risk Score	5	5	25	↑

Identified Risk	There is a threat to business continuity if the Council is unable to procure and implement major ICT systems which support critical services such as a replacement system for Care Director (WCCIS) and the Capita One system for education.
Risk Number	COR -2024-01
Impact of Risk	<p>In social care the failure to procure and implement a new system by January 2026 will result in the Council having to rely on an unsupported database or a complex interim solution. Operating social care case management and safeguarding services without a functional system is not a safe or viable option. Without a system, the Council cannot fulfil its statutory safeguarding obligations and there is a risk to life of children and adults at risk of failing to do so. Failure to secure a new system increases risk to data security, regulatory compliance, system performance and functionality and workforce retention and recruitment. Without a fully supported case management system in place staff will lose core functionality such as the ease and speed at which current data and information is interrogated and monitored. Effective use of data and information sharing has been a learning theme in many child and adult practice reviews. The financial risks to the local authority from the system change are also significant. There is currently no budget identified to support the resource implications of changing system.</p> <p>Within education, the Capita One system will provide a single comprehensive record for each child which supports the Authority to manage education efficiently by connecting data securely resulting in more informed decisions and early intervention. Ongoing work is required to fully integrate this system with the Council's core ICT infrastructure.</p>
Addressing the risk	<p>The Council is working with:</p> <ul style="list-style-type: none"> • ADSS Cymru, WLGA and national programme to progress national approach to contingency planning, procurement strategy, data migration and scoring resources from Welsh Government via a clear business case • the Cwm Taf Morgannwg Region Councils and the Vale of Glamorgan have formed a regional consortium to manage evaluation and implementation of a new supplier. • a national or regional approach to procurement will enable better market management and should secure better value for money. • the WCCIS Regional Team provide some capacity to support system change. • BCBC have formed a cross directorate group to provide governance within the Council. • Education is working with schools and the ICT Service to implement the system
Actions to be established	Welsh Government to confirm funding allocation for Councils to support the Connecting Care Project.

	<p>The national Connecting Care Programme to confirm if a single tender procurement on behalf of all Local Authority users is feasible.</p> <p>Contingency plan to be confirmed.</p>
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Direction of travel
Raw Risk Score	5	5	25	
Residual Risk Score	4	5	20	↔

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 2025-26 TO 2028-29

RECURRENT BASE BUDGET PRESSURES

			2025-26	2026-27	2027-28	2028-29
Ref	Directorate	Pressure	£000	£000	£000	£000
EEYYP1	Education, Early Years and Young People	Pressure in Learner Support as a result of increased demand for Additional Learning Needs 1:1 support in schools.	1,330			
EEYYP2	Education, Early Years and Young People	Increased learner transport costs as a result of retender exercises, and increased demand, mainly Additional Learning Needs transport.	539			
SSW1	Social Services & Wellbeing	Increased costs of Learning Disabilities Day Opportunities, specifically placement numbers exceeding the available budget for external day services and transport costs.	519			
SSW2	Social Services & Wellbeing	Costs of Mental Health Home Care, which includes supported living, short breaks and domiciliary care with the service experiencing increased complexity of needs of people with supported living packages of care.	679			
SSW3	Social Services & Wellbeing	Increased numbers of hours of Learning Disabilities Homecare plus complexity of needs.	325			
SSW4	Social Services & Wellbeing	Increased costs of existing Learning Disabilities Residential and Nursing Care placements due to changing needs and requirements.	438			
SSW5	Social Services & Wellbeing	Additional costs of Older People Direct Payments due to increasing complexity of cases that impact on the average cost of direct payments support.	369			
SSW6	Social Services & Wellbeing	Increased demand for Physical Disability / Sensory Impairment home care based on the current demand on the service provision which is 107 packages of support, an increase from 99 packages at quarter 1.	274			
SSW7	Social Services & Wellbeing	Increased costs of Physical Disability / Sensory Equipment due to increases in demand for small works and adaptations and aids to daily living.	266			
SSW8	Social Services & Wellbeing	Increased number of placements in Older People Supported Accommodation which has increased from 40 at quarter 1 up to 43 at quarter 3.	201			
SSW9	Social Services & Wellbeing	Additional costs of Physical Disabilities / Sensory Impairment Direct Payments due to increasing complexity of cases that impact on the average cost of direct payments support.	56			
SSW10	Social Services & Wellbeing	Ongoing pressures of Care Experienced Children and insufficient numbers of foster carers. At quarter 3 there were 23 care experienced children in independent residential placements - the budget currently covers between 6-8 placements depending on the unit cost. There also continues to be insufficient in-house foster carer placements to meet needs and increased numbers of children requiring specialist provision, sometimes with high staffing ratios to keep them safe and protected.	3,250			
COM1	Communities	Shortfalls in income on property portfolio, partly as a result of the economic climate and partly as a result of the closure of Bridgend Market.	405			
CEX1	Chief Executive	Increased pressure on the homelessness budget as a result of reduced grant income from Welsh Government in recent years.	400			
CEX2	Chief Executive	Ongoing overspends on litigation cases, particularly child care. Local authority has to fund complex and high profile cases. The need for experts has increased and the cost of this largely falls on the authority.	200			
CEX3	Chief Executive	Shortfall in Department for Work and Pensions (DWP) subsidy for Housing Benefit payments due to the way in which DWP calculate the subsidy, which is not always at 100% of cost.	158			
Total Budget Pressures			9,409	0	0	0

EMERGING DIRECTORATE PRESSURES

Ref	Directorate	Pressure	2025-26	2026-27	2027-28	2028-29
			£000	£000	£000	£000
EEYYP3	Education, Early Years and Young People	A dedicated allergen function is required in the Catering Service to support and protect the many hundreds of pupils with special diets and allergies with the provision of school meals. Furthermore, national healthy eating and nutritional standards legislation is due to change in 2025, meaning this important function is needed to support the Catering Service's delivery.	57			
EEYYP4	Education, Early Years and Young People	In 2025 the Welsh Government will end support for the provision of the 'Saffron' nutritional database for schools. The cost of the provision of a replacement database will be passed on to the local authority. There may be an opportunity to continue to pay the licensing costs of the current Saffron system. However, there may be a requirement for local authorities to procure a replacement system. Similar databases are available with annual licensing of approximately £5k per annum.	10			
EEYYP5	Education, Early Years and Young People	A project officer post is required to support the delivery of the School Modernisation Programme and the local authority's statutory function for planning of school places.	36			
EEYYP6	Education, Early Years and Young People	Following Welsh Government's review of school improvement arrangements across Wales, it is likely that the majority of the functions currently provided by Central South Consortium will, in future, be delivered at a local authority level. With this in mind, additional funding will be required, at least in the first five years (from April 2025) to support the transition and delivery of school improvement services within the local authority. Without this funding, the local authority will not be able to meet its statutory school improvement duty.	225	225		
EEYYP7	Education, Early Years and Young People	The Bridgend Youth Justice Service is committed to reducing youth offending and providing vital support to young people affected by trauma. However, with additional demands in the system and the loss of some grant funding, there is a need to invest in the service. At the time of writing, some Youth Justice Board Key Performance Indicators are a cause for concern, for example over 60% of statutory school-age children open to the service are on a reduced timetable. In addition, the number of first-time entrants into the service is increasing and is significantly higher than neighbouring local authorities in our Youth Justice Board family. With the service having previously been to require significant improvement, it is important that resources are prioritised moving forward.	141			
EEYYP8	Education, Early Years and Young People	<p>There is an increasing number of pupils referred for support and specialist provision from the Foundation Phase. Over the last three years, a number of younger pupils have become at risk of permanent exclusion when there has been no resource available for specialist intervention. An Additional Learning Needs Strategic Planning Review undertaken in 2020 identified the need for a class for pupils with behavioural difficulties in the Foundation Phase years. As the number of younger children with behavioural difficulties continues to increase, the need for a specific behaviour class has been identified to ensure that all children can be accommodated in classes appropriate for their needs. Funding for these classes is allocated via the schools annual delegated budget.</p> <p>The establishment of a Nurture Learning Resource Centre (LRC) for Foundation Phase pupils is an invest to save proposal as ancillary support or out-of-county provision has been provided to a number of pupils to ensure they can access full-time education and avoid the risk of further exclusions.</p> <p>In accordance with previous arrangements, additional set-up costs of £10k will be required in the first year to fund any adaptation works or equipment that may be necessary, and these will be funded from earmarked reserves.</p>	125			

Ref	Directorate	Pressure	£000	£000	£000	£000
EEYYP9	Education, Early Years and Young People	<p>Demand for specialist assessment and observation for children with emerging and complex needs is increasing year on year. Provision is currently at capacity and as a result some pupils are being retained in childcare provisions for extended periods. This is an invest to save proposal as we are currently funding packages of support for pupils who are at an age they could transfer to a school-based class.</p> <p>In accordance with previous arrangements, additional set-up costs of £10k will be required in the first year to fund any adaptation works or equipment that may be necessary, and these will be funded from earmarked reserves.</p>	125			
EEYYP10	Education, Early Years and Young People	<p>Demand for specialist classes for pupils with Autistic Spectrum Disorder continues to grow. Provision has been over capacity for the last two years at secondary level resulting in expensive one-to-one support being put in place for each pupil over numbers to stay in a mainstream setting. This is an invest to save proposal as we predict the need for secondary places will increase year on year. This is evident as we currently have six classes in primary schools for pupils at Key Stage 2 and only three classes in secondary schools for Key Stage 3 and 4 pupils.</p> <p>In accordance with previous arrangements, additional set-up costs of £10k will be required in the first year to fund any adaptation works or equipment that may be necessary, and these will be funded from earmarked reserves.</p>	120			
SSW11	Social Services & Wellbeing	Implications of Real Living Wage (RLW) uplifts on commissioned contracts within Social Services and Wellbeing, based on announced increase to RLW from £12.00 in 2024 to £12.60 (5% increase) in 2025.	2,020			
SSW12	Social Services & Wellbeing	Welsh Government have announced that they will maintain the care cap at £100 per week, so have included £5 million of funding to support local authorities.	223			
SSW13	Social Services & Wellbeing	Currently there are 130 known people in learning disability services that reside in a commissioned service such as shared lives and supported living, who have significant restrictions in their every day's lives to meet their care and support needs. Deprivation of Liberties (DoLS) is the procedure prescribed in law when it is necessary to deprive of their liberty a resident who lacks capacity to consent to their care and treatment in order to keep them safe from harm. Under the current DoLS system these people need to be reviewed every year and a new application submitted to the Court of Protection (CoP) two months prior to the expiry date of the last Court Authorisation Order. Two registered social worker posts are required to meet demand, coordinate the application and gather all relevant information to submit to the Court.	113			
SSW14	Social Services & Wellbeing	<p>The Health and Social Care Bill is designed to rebalance and reform the children's social care system, specifically by eliminating for-profit providers of residential and foster care. There are significant revenue (and capital) pressures associated with meeting the requirements of this legislation against an overall significantly overspent children's placement budget. The current in-house provision and services supporting families to stay together are already dependent on grant funding.</p> <p>The placement commissioning strategy developed as a requirement from Welsh Government has identified further significant gaps in placement provision in Bridgend and a need to invest. The Social Services Improvement Board approved the business case to work with Registered Social Landlords on bidding for capital grant for 2 additional care homes. The revenue costs of those homes will need to be funded by the local authority.</p>	67	818		
COM2	Communities	Additional revenue funding required, over and above the current budget, to operate the waste service as an in-house service from 2026-27, as agreed by Cabinet in November 2024. There are separate one-off mobilisation costs that will also be required eg ICT system costs, legal and HR costs, that will be funded by an earmarked reserve.		1,240		
COM3	Communities	Additional revenue funding required, over and above the current budget, to meet the cost of bringing the Urban and Rural Grass Cutting Service in-house from April 2024, following Cabinet's decision to work towards bringing the service in-house on 16 January 2024.	200			

Ref	Directorate	Pressure	£000	£000	£000	£000
COM4	Communities	Appointment of 2 x S106 Officers, to facilitate a S106 & Infrastructure Delivery Team within the Planning & Development Services Group to allow the setting up of an associated Infrastructure Management Plan in order to co-ordinate and direct S106 funding to best deliver the infrastructure needs of Bridgend. S106 contributions can run into millions of pounds depending on the scheme, the strategic housing sites being developed as a result of the recently adopted Replacement Local Development Plan (RLDP) could amount to a figure in the region of £116 million.	90			
COM5	Communities	Revenue costs of operating Porthcawl Metrolink which opened in November 2024. Covers costs of cleaning, opening and closing the building, security costs, utilities and business rates.	100			
COM6	Communities	Increased costs of collection of Absorbent Hygiene Products due to the continued increase in subscribers to the service. There are currently 11,500 Subscribers.	66			
COM7	Communities	Ongoing reduction in income across parking services, partly as a result of the ongoing Car Parking Offer at the Rhiw and John Street, but also a general downturn in car park income.	360			
COM8	Communities	A report was presented to Cabinet in October 2024 in respect of the Invasive Non-Native Species (INNS) Policy. The report outlined a number of options in relation to future management of invasive species. Option C related to the minimal spend level required to achieve statutory compliance and treat high priority areas and this funding will enable this to be implemented.	111			
COM9	Communities	Persistent Organic Pollutants (POPS) are poisonous chemical substances that break down slowly and get into food chains as a result. From 1st January 2023 this waste cannot be disposed of in landfill and is required to be incinerated. There is an additional cost to separate upholstered waste streams that contain POPS for separate collection and specialist disposal by waste services. The pressure will cover the additional disposal costs as a result of this legislation.	150			
CEX4	Chief Executive	Deprivation of Liberty cases. Increase in caseloads due to legislative changes. Annual renewal is now required which follows a court process. No recurrent funding for this.	63			
CEX5	Chief Executive	Procurement assistant to continue to facilitate the purchasing card scheme. This will enable the scheme to be operated and managed corporately, ensuring consistency and strict financial controls are maintained.	34			
CEX6	Chief Executive	Additional annual licensing, support and hosting costs of new replacement WCCIS system (health / social care information system) plus one-off implementation costs.	218			
CW1	Council Wide	Revenue Funding to meet the costs of unsupported borrowing, to support the capital programme, not least the Sustainable Learning for Communities Programme and capital expenditure for communities.		500	500	
CW2	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 2025 so the final increase may change. The pressure takes into account additional funding provided by Welsh Government through the provisional settlement towards FRA pay and pensions costs.	391			
Total Budget Pressures			5,045	2,783	500	0

TOTAL ALL BUDGET PRESSURES	14,454	2,783	500	0
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TOTAL PRESSURES

Education, Early Years and Young People	2,708	225	0	0
Social Services and Wellbeing	8,800	818	0	0
Communities	1,482	1,240	0	0
Chief Executives	1,073	0	0	0
Council Wide	391	500	500	0
	14,454	2,783	500	0

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
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RAG STATUS KEY	
RED	Proposals not fully developed or include high delivery risk incl. e.g. consultation
AMBER	Proposal in development but includes delivery risk
GREEN	Proposal developed and deliverable

EDUCATION, EARLY YEARS AND YOUNG PEOPLE
CENTRAL EDUCATION, EARLY YEARS AND YOUNG PEOPLE

EEYYP1	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.	56	100%		56			
EEYYP2	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.	10,755	10%		675	417		
EEYYP3	Reduction in Counselling services	Should a decision be made to reduce counselling services this would have a negative impact on the wellbeing of children and young people. A reduction in this area would limit the access to support for children and young people.	205	24%		50			
EEYYP4	Reduction in Early Years and Childcare	Some functions would need to be removed from the team, for example, the ability to • quality assure childcare providers in the community (with associated safeguarding risks); • complete the statutory childcare sufficiency assessments and associated statutory work; and • support and develop childcare within the community.	192	47%		90			

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
Page 148 EEYYP5	Reduction in Strategy, Performance and Support Group	<p>This proposed reduction relates to a number of posts in the Strategy, Performance and Support Group.</p> <p>The reduction will present a significant impact (and associated serious risk) in the implementation of the Education, Early Years and Young People Directorate's main management information systems. This reduction will limit the way in which the directorate is able to record, manage and report on sensitive data relating to vulnerable children.</p> <p>This reduction would also impact on the local authority's ability to dispense its statutory home-to-school transport duties. This reduction will mean that our capacity to maintain procurement and contract procedure responsibilities will be diminished and that the School Transport Team's ability to respond to complaints and issues will be more limited.</p>	565	26%		146			
EEYYP6	Reduction in Pupil Services	<p>There would be a significant risk to the local authority being able to ensure school admission arrangements are in place and school places are offered in line with national legislation and local policy arrangements. The child employment function would likely need to cease, to compensate for the reduced capacity within the team. Furthermore, the team would not be able to have oversight and administer applications for discretionary transport which would likely leave the local authority open to legal challenge.</p>	247	14%		35			
EEYYP7	Reduction in the Corporate Health and Safety Unit	<p>The local authority has, within the last few years, provided significant additional revenue budget to expand the number of Health and Safety advisors to support the local authority in delivering its functions safely. The Corporate Health and Safety Unit (CHSU) ensures that both staff and the public are kept safe where they are affected by the local authority's undertakings.</p> <ul style="list-style-type: none">•The team's ability to promote a positive health and safety culture would likely be compromised.•Significant reduction in proactive work and active monitoring, mentoring and coaching for the "responsible person"•Significant increased pressure on managers at all levels with more limited advice available and less time from the CHSU to support•Significant increased reactive work.•Inability to offer training without support from the private sector (at cost)•Potential increase in insurance cost, and the cost to services to address failings in general, or which has been identified by the HSE (for example, fees for intervention)•Increased in costs to cover work would normally be completed by the CHSU but will likely require contractors to provide•Potential serious failings under the current health and safety legislation, potentially leading to prosecution (corporate and personal liability for senior officers, in particular Corporate Management Board)•A poorer health and safety culture across the organisation in general•Poorer health and safety systems•Increase level of criticism from services users, members of public and elected members <p>There are significant health and safety risks that the current team has limited capacity to address that could potentially mean regulatory interventions by the HSE. There have been several HSE interventions within the last two years. A reduction in the human resources would add exponentially to the risk of the local authority failing its health and safety duties, where the potential for intervention by the HSE, prosecutions and fines would significantly outweigh any MTFS efficiency.</p>	363	21%		76			

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
Page 149 EEYYP8	Reduction in Business Support	The directorate's centralised support function is responsible for providing business support to teams and to the central EDSU function that is responsible for all complaints, reports (for example Cabinet), statutory meeting support such as SACRE, member referrals, FOI requests, subject access requests, managing referral and inputting information into the directorate's central management information systems. A reduction of staff would mean there would likely be delays in input of referrals which would increase waiting times for children and families to receive support from family support services. Delayed communication with schools following receipt of Police Protection Notifications (PPNs) involving pupils within Bridgend schools. There would be an impact on the Youth Justice Service's (JYS) statutory requirements, for example notification of overnight arrests / custody, invites to Bureau and capturing data in relation to education provision for children open to YJS. This could also affect statutory Youth Justice Board key performance indicators. Freedom of information and subject access requests would likely not meet statutory timelines and there would be delays in Cabinet and scrutiny reports being progressed, as EDSU support the approvals process. Delegated power administration support could be delayed and could miss call-in timescales. There would likely be poor customer service to complainants who raise complaints via EDSU. This could escalate to more complaints and member referrals. There would likely be poorer customer service to children, young people and families who access any service within the Education, Early Years and Young People portfolio, including Learner Support, School Support, Pupil Services, Early Years and Young People and School Admissions. Inaccurate or missing data could contribute to General Data Protection Regulation (GDPR) breaches, for example, if an address change has not been updated in a timely manner. Lastly, there will be significantly increased pressure on practitioners, senior practitioners and team managers.	340	27%		93			
EEYYP9	Reduction of staff in Additional Learning Needs (ALN) Statutory Team	Failure to meet the Welsh Government deadline for ALN Implementation Plan 2023-2025. The risk of failure to determine, capture, and disseminate processes relating to the ALN Code and the Education Tribunal in Wales and comply with statutory duties of the local authority. This includes individual development plans (IDP) requirements of the ALNET Act 2018.	168	26%		44			
EEYYP10	Reduction in Education Other Than At Schools (EOTAS) support	Increasing demand and waiting list for specialist support at The Bridge Alternative Provision has resulted in a higher need for bespoke timetables. If there is no lead post overseeing this area the risk appropriate education not provided to those pupils who cannot attend mainstream or special school the local authority would not be fulfilling its statutory duty. Capacity of staff to identify appropriate accredited, vocational packages to meet individual need will be reduced resulting in an increase in number of pupils who are on a waiting list for suitable education. Delays in meeting the needs of learners and significant placement breakdowns will lead to an increase in out of authority specialist placements requested at significant additional cost. Further challenge placed on mainstream schools to identify and agree alternative packages on a case by case basis at significant additional cost. Pupils would not receive the support they require resulting in lower exam outcomes and an increase in those Not in Employment, Education or Training (NEET) post statutory school age. Possible increase in number of permanent exclusions from mainstream schools.	163	46%		75			

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Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
EEYYP11	Reduction in contribution to Central South Consortium	Depending on where this funding is cut (either from the grant received by the local authority and immediately passported to Central South Consortium) or from the funding allocated for Principal / Improvement Partners it will either: •Reduce curriculum reform support and professional learning and leadership support at a time when the new curriculum is being extended to examination classes; or •Result in a decrease in the number of improvement partners (IP) to work in partnership with school leaders, staff and governing bodies. Each IP would be required to work with more schools with less time in each school. This would mean a reduction in the support available to schools to support pre-inspection and post inspection planning and a reduction in the time available to support senior leader recruitment processes. It will also coincide with anticipated changes as a result of the Middle Tier Review which may create additional work / responsibility for headteachers and senior leaders in relation to school improvement functions without the expected funds to support any such transition.	494	18%		88			
Total Education and Family Support						1,428	417	0	0

SCHOOLS

SCH1	Efficiency savings against School Delegated Budgets - 1% 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.	£118.611m - ISB Budget	3% total (1% for 25-26 and 1% for 2026-27 and 2027-28)	2,118	1,186	1,186	1,186	
Total Schools						1,186	1,186	1,186	0

Total Education & Family Support Directorate						2,614	1,603	1,186	0
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Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
SSW1	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.	£.1143m (Management Fee)	17%	340			200	
SSW2	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.	£.1143m (Management Fee)	3%	340	10	10	10	
SSW3	Achieve better value for money by Cabinet considering a recommendation to explore an agency model for the Healthy Living Partnership	Recent changes to legislation mean that Local Authorities (LAs) do not have to charge VAT on leisure activities so could engage a company to act in an agency capacity and therefore save the irrecoverable VAT . Implementation of an agency model as part of the Healthy Living partnership would allow HALO to collect income on behalf of the local authority so income remains 'non-business', which would mean HALO would not have to pay irrecoverable VAT on expenditure. The council would need to seek independent advice to understand the risks associated with the agency model.	£.1143m (Management Fee)	17%	340			200	
SSW4	Consider the transition of currently shared facilities at five school sites (Dual Use Assets), to whole school operation in line with many primary and secondary schools across BCBC	BCBC supports community access of school assets including Pencoed sports centre, Brackla sports centre, Ysgol Bryn Castell, Porthcawl sports hall and Parc Dderwen 3G pitch. The sites are busy with 110 organisations utilising the different spaces available. These are partnership arrangements with schools including cost sharing and often have linked to external funding support. The proposal has been to increase prices for hirers to offset increases in staffing and premises costs / school contributions whilst also creating a saving from increased income generation. There are considerable numbers of junior groups and activities within the usage data for the sites and targeted population groups also. If achieved the proposal will supports sustainability via maximising value for existing assets beyond the school day for community benefit. In particular the model links to 21st century schools and Welsh government aspiration for community use and connection beyond the school day. The school benefit during the day and community beyond, the main risks would be the school not having the opportunity to use the asset outside school hours, having a negative impact on community opportunities.	71	100%		71			

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
SSW5	Staffing restructure within Prevention and Wellbeing Services	The Prevention and Wellbeing service would be reliant on external grant funding to support its service. If grant funding ceases there will be no meaningful prevention and wellbeing offer in Bridgend significantly increasing pressure on statutory services. There will be a reduction in the number of staff by 3, redundancy costs will need to be funded. In order to achieve this the service is in the process of redesigning to ensure that it is fit for purpose with clear functions and objectives established which will mitigate any significant impact and risks.	£1.025m	14%		147			
SSW6	Increase in income charges by increasing standard charges by 10 % across all non residential services	Review of the service pricing model and increasing unit costs for all non residential services with a view to generating additional income. Based on unit cost increase of 10%. 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. In terms of flat rate charges such as Transport and Meals, no additional income can be generated under the current regulations.	£4.642m income budget	2%		100			
SSW7	Implementation of the Home remodelling programme across adult services	The support at home remodelling programme across whole of adult services has determined that the service will move to a locality based delivery model which will result in non care staffing savings of £198k. This will result in 5 staff members being made redundant •The model aims to maximise reablement and short-term capacity to support hospital discharge and avoiding hospital admission. The service has been working towards increasing those individuals who go through the short-term services to ensure we maximise independence before we commission long term care packages our current performance is that 53.98% of individuals who completed a package of reablement during quarter 1 2024-25 had no ongoing service need. In 2023-24 38.6% of people had a short term service prior to have a long term package, the service has been working towards increasing this number to 80% of people, in July the figure had increased to 60% of people who had a short term service prior to have a long term package people. To be able to achieve this target the service will no longer be providing long term packages of care in the main to older people, so all future long term packages would be commissioned via independent providers. This should reduce the overall support at home spending levels by £300k.	11,264	2%		198			
SSW8	Reduction in provision of number of Supported Living Accommodation units	Close one supported living accommodation. Suitable alternative provision would need to be identified. Achieving these savings is dependent on tenant with rights being agreeable to moving to an alternative provision. Review the waking nights expenditure.	3,749	5%		190			
SSW9	Review of Caswell Clinic social work budget (clinic based at Glanrhyd Hospital)	BCBC host the regional social work team based in the Caswell clinic. All costs are reimbursed so no impact on this small budget reduction	3	100%		3			
SSW10	Apply 4% vacancy factor to social work teams and increase the vacancy factor on non frontline staff from 3% to 4%	In 2024-25 a vacancy factor of 3% was applied to non frontline teams in Social Services and Wellbeing. Care worker and social work posts were excluded due to an assessment of risk that all posts need. There is now greater stability in social work teams which means an assessment of risk means that the vacancy factor can be applied in these teams in adults and children's social care. This will require the step down of agency by the end of the financial year, and it is highly improbable there will be no vacant posts covered by agency due to safeguarding reasons meaning achievement of the full 3% represents a significant risk.	23,214	3%	255	697			

Budget Reduction Proposals 2025-26 to 2028-29

APPENDIX D

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
SSW11	Reduction of Social Care Workforce Development Partnership (SCWDP) spend.	External training courses / conferences to be supported only where there is an identified need that cannot be met by in-house resources. Use of internal staff to facilitate training workshops. External trainers bring specialist knowledge and skills that internal trainers could not replicate so the impact on statutory training essential to regulatory requirements will need to be closely monitored.	825	6%		50			
SSW12	Business efficiencies in support services through reviewing structures in business support, performance and commissioning.	The commissioning team is at full capacity with all colleagues on permanent contracts, so any MTFS saving / restructure will result in redundancy costs. The team are also driving forward key transformational change linked to MTFS savings, so any reduction on capacity will impact our ability to deliver targeted savings elsewhere in the MTFS. There is also a risk that we will not be able to meet essential requirements of the newly implemented WG Code of Practice for commissioning care and support, nor our own internal Contract Procedure Rules, where there is a risk that tenders cannot be undertaken within required timescales. Business support has been restructured to provide a support office model which ensures that statutory minutes linked to safeguarding are completed and distributed in a timely manner and to ensure social work tasks are carried out by support officers, thus maximising the amount of time that social workers spend with children, adults, families and carers. Reduction in this resource will increase the administrative burden on social work staff. Any reduction in the performance team will impact on the ability to complete statutory performance returns. There is a high probability reductions in these teams will result in compulsory redundancies.	2,660	10%		129	129		
SSW13	Removal of Safeguarding capacity	Would result in a compulsory redundancy situation. Corporate safeguarding is a statutory duty having no dedicated resource, there is risk of criticism that people will come to harm through no one being available to drive the implementation of safeguarding across the Council. There is also a significant risk of criticism from regulators.	1,002	6%		57			
SSW14	Reduction in staff within Children's Services	This proposal is to reduce Independent Reviewing Officer numbers by 1 linked to the reduction in the child protection register. This is currently achievable whilst maintaining reasonable caseloads but there is a risk there will be insufficient workforce if the numbers of children subject to registration increase again. It is also proposed that social work assistants in IAA undertake young carers assessments meaning that the Young Carers Worker would be redundant. Finally a review of senior management arrangements can result in some savings. This will need to be monitored closely given the CIW serious concerns in August 2022 which included concerns at management oversight arrangements.	896	6%		50			
SSW15	Reduction in family group conferencing service contract value. Due to the continued implementation of signs of safety (including family network meetings) and new ways of working less families will need to be referred to the family group conferencing service.	The risks are minimal as we have already begun to lower our usage with the full implementation of Signs of Safety. We have set an expectation that family meetings will be run by Social Workers until it is felt independence from the LA is required. We currently have the criteria: children who have been subject to Child Protection Register (CPR) for longer than three months or subject to Public Law Outline (PLO). We could reduce this to only include those children who become subject to pre-proceedings PLO or are in court.	140	43%		60			
SSW16	Removal of Corporate Parenting Events budget	Low impact as utilising "Just Giving" to raise funds to support the Corporate Parent responsibilities of this Council and partners.	5	100%		5			

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Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
SSW17	Management efficiencies	A review of senior management in adult and children's social care will be undertaken to identify efficiencies whilst ensuring there continues to be effective leadership and management capacity which is key to delivering the changes and transformation required to deliver the rest of the MTFS savings and to retain the confidence of regulators who in 2022 had serious concerns regarding management oversight in children's social care and regulated care services	392	13%		50			
Total Social Services and Wellbeing						1,817	139	410	0

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.	117	27%	34	32			
COM2	Review of cleaning specifications and frequencies on BCBC Operational assets.	Will impact cleaning standards and visibility of cleaning frequencies but change is considered feasible. Will need to review cleaning staff numbers and potential for redundancies however aim will be to implement changes through staff redeployment and recruitment changes across the wider cleaning contract thus avoiding redundancy issues.	327	21%		35	35		
COM3	Further review of cyclical servicing and maintenance contracts dialling back maintenance items to safety critical and statutory compliance only.	Reduction of cyclical maintenance activity counter productive for long term asset operation. Potential for reduction in Business Support staff as a result of the reduction in cyclical orders although savings to Business Support already form part of current MTFS.	1,663	5%		45	40		
COM4	Increase income across the commercial property portfolio	Change will take time to implement and require additional surveyor resource over time.	2,122	1%		15	15		
COM5	Review Legionella and Asbestos officer structure.	Savings identify the option of creating a newly combined legionella and asbestos team reducing the overall staffing budget	103	10%		10			
COM6	Removal of funding from Southern Wales Tourism Group	Removal of BCBC contribution of funding from external tourism group. Will impact on reduction in marketing activities for BCBC.	9	100%		9			
COM7	Further reduction in Porthcawl Programme budget	Further reduction in Porthcawl Programme budget - reduction excluding post and minimal development spend.	152	23%		35			
COM8	Increase bulky waste charges from £30 for 3 items to £35	Potential increase in fly tipping. 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 £145k	7%	25	10			
COM9	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. This will be the second year that bereavement charges have increased. 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. This has been reflected in the target income.	Income budget £579K	17%	96	100			

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Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
COM10	Reduction in the size of the waste enforcement team.	Reduction in staff who undertake enforcement activities relating to waste. There is a risk that the ability to react to issues will be reduced.	431	36%		156			
COM11	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 - new income target		50			
COM12	Stop bi-annual supply of blue refuse sacks to all residents.	This saving is agreed & will be implemented from April 2025. 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. The amount of the saving is now slightly reduced in 2025-26 because of the contactors expenditure on the bags already ordered but will be realised in full from 2026-27.	257	86%		220			
Total Communities Directorate						717	90	0	0

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
CEX1	Remove vacant grade 6 post (0.5) - Democratic Services	Will result in increased demand on other staff members. Statutory work will need to be prioritised. Service will be operating at minimum provision.	1,916	1%	96	20			
CEX2	Reduction in payment to Shared Regulatory Services (SRS)	SRS have been asked to make a reduction to their budget. This will need to be agreed by the Joint Committee in February. This will impact on core service provision and authority specific services.	1,917	8%	58	153			
CEX3	Review of the current Learning and Development provision	Reduces the available training support for employees and may impact on learning and development opportunities.	192	44%	289	84			
CEX4	Reduction in Corporate Apprenticeship budget - 15%	The budget has been underspent due to the turnover of apprentices. The reduction in budget will lead to approx. one less corporate apprentice per annum and periods of inactivity between recruitment rounds.	393	15%		58			
CEX5	Review support capacity across finance	The service will be unable to respond in a timely manner to requests for information or support with budget information	4,076	1%	322	31			
CEX6	Review provision of the CCTV service.	This is a non statutory service, provided by the Council, the main benefit of which is felt by other public sector bodies. The saving is the full cost of the service. There may be options to review the service model by reducing to night time / weekend cover only, or request contributions from other bodies for the provision of this service. These other options will reduce the savings available.	444	100%			444		
CEX7	Review the capacity within the customer services team.	This is a non statutory service. This proposal is to review the work in the team which will increase response times to callers who contact the Authority either by phone or in person, will reduce capacity to deal with emails from the public and blue car badge applications.	862	8%	216	67			
CEX8	Extend further the use of Houses in Multiple Occupation to provide temporary accommodation for single homeless individuals	This will reduce the Council's reliance on more expensive accommodation options such as tourism style properties.	3,551	3%	397	120			
CEX9	Management restructure across the Chief Executive's Directorate	This will result in reduced capacity across the directorate and reduced responsiveness	1,089	7%		77			
CEX10	Restructure the ICT service	This will reduce the capacity within the team to deal with business as usual and to support service configurations in other service areas	3,892	2%	398	78			
Total Chief Executive's Directorate						688	444	0	0

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Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2024-25 £'000	Total Budget Reduction 2025-2029 as % of 2024-25 Budget	2024-25 Budget Reductions £'000	Proposed 2025-26 £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000
CORPORATE / COUNCIL WIDE									
CW1	Change the Council's Minimum Revenue Provision (MRP) Policy from a straight line to annuity method. The MRP is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme	The change in policy will improve the Council's ability to make prudent provision as it helps to distribute the MRP more fairly when factoring that the value of money decreases with time due to its earning potential. The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money.	3,254	31%		1,000			
CW2	Removal of uncommitted funding set aside in the MTFS 2024-28 towards emerging budget pressures and as a contingency against non-deliverability of budget reduction proposals. The original allocations were £550k and £1.08 million respectively. Only £87k has been allocated during the year resulting in a balance of £1.543 million as a contribution to continuing budget pressures	There will be no negative impact on service delivery, these budgets were set aside in 2024-25 to meet new and continuing budget pressures. A number of these are recurring and this funding will help to reduce overspends in future years. It does mean, however, that there is less headroom corporately to deal with unexpected financial pressures going forward.	1,543	100%		1,543			
Total Corporate / Council Wide						2,543	0	0	0

GRAND TOTAL REDUCTIONS			8,379	2,276	1,596	0
ESTIMATED BUDGET REDUCTION REQUIREMENT (MOST LIKELY)			8,379	10,598	10,382	10,157
REDUCTION SHORTFALL			0	8,322	8,786	10,157

3,722	432	0	0
2,167	204	0	0
2,490	1,640	1,596	0
8,379	2,276	1,596	0

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1. FEES AND CHARGES INCREASING BY HIGHER THAN THE STATUTORY MINIMUM OR CPI

Type of Charge	Comment	Detail of Revised / New Fee or Charge
Standard charges – non-residential Social Services and Wellbeing services	SSW6 – Medium Term Financial Strategy Budget Reduction proposal – increasing standard charges by 10% across all non residential services	10% increase across all non-residential services
Bulky Waste subscription	COM8 – Medium Term Financial Strategy Budget Reduction proposal – to increase bulky waste charges (currently £30 for 3 items)	£35 for 3 items
Bereavement Services	COM9 – 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
Home to School Transport – purchase of spare seats on taxis and small minibuses only	Increase in charge to reflect the increase in price of tenders returned for the provision of Home to School Transport contracts (currently £2.20)	£2.50 per day
Registrars - Births, Deaths and Marriages	Increase in charges to aim for full cost recovery	10% increase all categories
Domestic Premises – Treatment of fleas and wasps	The charges reflect full cost recovery in line with the contract for treatment of fleas and wasps (currently £103.43 for fleas and £68.95 for wasps)	Treatment of fleas – £108 Treatment of wasps - £72

2. NEW FEES AND CHARGES		
Type of Charge	Comment	Detail of Revised / New Fee or Charge
Planning – Pre-Application Charges	Work associated with Environmental Information Requests	£30.00 per hour
Specialist Procedures	Welsh Government have introduced set fees for Application Fees and Compliance Fees (1 st application and renewals) for Special Procedures. These replace the Tattooing, Piercing, Electrolysis and Acupuncture (Body) Licence Fees previously included in the Bridgend County Borough Council Fees and Charges schedule.	Varying charges per licence category and whether it is an application or renewal

DIRECTORATE BASE BUDGETS BY SERVICE AREA

APPENDIX F

<div> <div>Page 101</div> <div>BASE BUDGET BY SERVICE AREA</div> </div>	Revised Budget 2024-25	Specific Transfers to/from WG	Adjustments for virements within Directorates	Teachers' Pension	Pay/Prices	Budget Pressures 2025-26	Budget Reduction Proposals 2025-26	Revenue Budget 2025-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Central Education, Early Years and Young People (EEYYP)</u>								
LEARNER SUPPORT	1,806			83	50	1,700	(119)	3,520
ERALLY YEARS AND YOUNG PEOPLE	6,980					141	(140)	6,981
STRATEGY PERFORMANCE AND SUPORT	590					606	(1,081)	115
SCHOOLS SUPPORT	2,939			33	21	225	(88)	3,130
SUSTAINABLE COMMUNITIES FOR LEARNING	13,911					36		13,947
EDUCATION, EARLY YEARS AND YOUNG PEOPLE OTHER	3,960							3,960
	30,186	0	0	116	71	2,708	(1,428)	31,653
<u>Schools</u>								
SCHOOL DELEGATED BUDGETS	118,611	3,650		28	2,106		(1,186)	123,209
	118,611	3,650	0	28	2,106	0	(1,186)	123,209
<u>Social Services & Wellbeing</u>								
OLDER PEOPLE	27,283		(94)			1,654	(363)	28,480
ADULT PHYSICAL DISABILITIES/SENSORY IMPAIRMENT	5,218					716	(8)	5,926
ADULTS LEARNING DISABILITIES	25,481		(2)			2,064	(261)	27,282
ADULTS MENTAL HEALTH NEEDS	5,196					884	(14)	6,066
OTHER ADULT SERVICES	4,700		2			113	(39)	4,776
ADULT SERVICES MANAGEMENT & ADMIN	4,853	(40)	102				(293)	4,622
PREVENTION AND WELLBEING	6,049						(187)	5,862
CHILDREN'S SOCIAL CARE	30,186		(8)			3,369	(652)	32,895
	108,966	(40)	0	0	0	8,800	(1,817)	115,909
<u>Communities</u>								
CORPORATE LANDLORD	3,210		(7)		15	405	(141)	3,482
STRATEGIC MANAGEMENT	286							286
PLANNING & DEVELOPMENT SERVICES	706		11			90	(3)	804
STRATEGIC REGENERATION	955						(36)	919
ECONOMY, NATURAL RESOURCES & SUSTAINABILTY	1,489		(3)			111	(12)	1,585
CLEANER STREETS & WASTE MANAGEMENT	13,469					216	(392)	13,293
HIGHWAYS & GREEN SPACES	12,884	(26)	(1)		1	660	(133)	13,385
	32,999	(26)	0	0	16	1,482	(717)	33,754

DIRECTORATE BASE BUDGETS BY SERVICE AREA

APPENDIX F

<div> <div>Page 102</div> <div>BASE BUDGET BY SERVICE AREA</div> </div>	Revised Budget 2024-25	Specific Transfers to/from WG	Adjustments for virements within Directorates	Teachers' Pension	Pay/Prices	Budget Pressures 2025-26	Budget Reduction Proposals 2025-26	Revenue Budget 2025-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's								
CHIEF EXECUTIVE UNIT	494		(4)				(77)	413
FINANCE	4,076		4			158	(31)	4,207
HR & ORGANISATIONAL DEVELOPMENT	1,947						(142)	1,805
PARTNERSHIPS	2,275						(67)	2,208
LEGAL, DEMOCRATIC, AND REGULATORY	5,851					297	(173)	5,975
ELECTIONS	181		1					182
ICT	3,957					218	(78)	4,097
HOUSING & HOMELESSNESS	3,551	970				400	(120)	4,801
BUSINESS SUPPORT	1,128		(1)					1,127
	23,460	970	0	0	0	1,073	(688)	24,815
TOTAL SERVICE BASE BUDGETS	314,222	4,554	0	144	2,193	14,063	(5,836)	329,340
Council Wide Budgets								
CAPITAL FINANCING	6,958						(1,000)	5,958
LEVIES	9,645	173				391		10,209
REPAIRS & MAINTENANCE	670							670
COUNCIL TAX REDUCTION SCHEME	16,054				1,000			17,054
APPENTICESHIP LEVY	750							750
PENSION RELATED COSTS	430							430
INSURANCE PREMIUMS	1,363							1,363
OTHER COUNCIL WIDE BUDGETS	10,579	2,353		(144)	6,319		(1,543)	17,564
TOTAL COUNCIL WIDE BUDGETS	46,449	2,526	0	(144)	7,319	391	(2,543)	53,998
TOTAL BUDGETS	360,671	7,080	0	0	9,512	14,454	(8,379)	383,338

		Total 2024-2035			2024-25			FUTURE YEARS										CUMULATIVE
		Total Cost	BCBC Funding	External Funding	Council Feb 25 2024-25	New Approvals	Revised 2024-25	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	Total 2024 - 2035
								£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education, Early Years and Young People																		
1	Highways / Other Offsite Works Band B Schools	3,400	3,400	-	100		100	3,300										3,400
2	Heronbridge Replacement	40,353	13,732	26,621	138		138	39,410	805									40,353
3	Mynydd Cynffig Replacement	14,017	5,912	8,105	512		512	13,215	290									14,017
4	Y G Bro Ogwr Replacement	15,809	3,718	12,091	411		411	15,056	342									15,809
5	Bridgend West	15,912	14,491	1,421			-	7,942	7,340	630								15,912
6	Ysgol Gyfun Gymraeg Llangynwyd	97	97	-	97		97											97
7	Land Purchase Band B	2,028	2,028	-			-	2,028										2,028
8	Garw Valley South Primary Provision	61	61	-	61		61											61
9	Pencoed Primary School - Band A	51	51	-	51		51											51
10	Pencoed School Highways Works	56	56	-	56		56											56
11	Abercerdin Primary School Hub	277	277	-	277		277											277
12	Brynteg Comprehensive School All Weather Pitch	38	38	-	38		38											38
13	Schools Minor Works	462	287	175	462		462											462
14	Schools Traffic Safety	56	56	-	56		56											56
15	School Modernisation	336	336	-	336		336											336
16	Pencoed Primary School - Classroom Extension	862	616	246	862		862											862
17	Coety Primary School - Extension	1,968	1,632	336	138		138	1,830										1,968
18	Bryntirion Comprehensive School - New Teaching Block	1,660	271	1,389	1,660		1,660											1,660
19	Bryntirion Comprehensive School Highways	134	134	-	134		134											134
20	School's Capital Maintenance Grant	4,255	2,397	1,858	4,255		4,255											4,255
21	Welsh Medium Childcare Provision - Bridgend	550	-	550	550		550											550
22	Welsh Medium Childcare Provision - Porthcawl	550	-	550	550		550											550
23	Free School Meals	1,444	409	1,035	1,444		1,444											1,444
24	Community Focused Schools	2,328	189	2,139	2,328		2,328											2,328
25	ALN Capital Grant	1,229	316	913	1,229		1,229											1,229
26	Y G Bro Ogwr Mobile Classrooms	437	-	437	437		437											437
27	Porthcawl Welsh Medium Seedling School	370	370	-	370		370											370
28	Flying Start Extension - Nantymoel Primary	563	-	563	563		563											563
29	Flying Start Highways	36	22	14	36		36											36
							-											-
Total Education, Early Years and Young People		109,339	50,896	58,443	17,151	-	17,151	82,781	8,777	630	-	-	-	-	-	-	-	109,339
Social Services and Well-being																		
Adult Social Care																		
30	Bryn Y Cae	40	40	-	40		40											40
31	Ty Cwm Ogwr Care Home	23	23	-	23		23											23
32	Wellbeing Minor Works	212	212	-	212		212											212
33	Bakers Way	10	10	-	10		10											10
34	Children's Residential Accommodation Hub	74	74	-	74		74											74
35	Breakaway	98	-	98	98		98											98
Culture																		
36	Community Centres	167	167	-	167		167											167
37	Bryngarw House	8	8	-	8		8											8
38	Ysgol Bryn Castell Hard-Court	99	-	99	99		99											99
39	Ogmore Valley Life Centre	108	11	97	108		108											108
Total Social Services and Well-being		839	545	294	839	-	839	-	-	-	-	-	-	-	-	-	-	839
Communities																		
Street Scene																		
40	Community Children's Play Areas	3,851	3,851	-	1,851		1,851	2,000										3,851
41	Parks/Pavilions/Community Centres CAT	1,436	1,216	220	436		436	1,000										1,436
42	Aber Playing Fields	11	11	-	11		11											11
43	Cardiff Capital Region City Deal	7,691	7,691	-	0		0	175	471	690	3,689	2,666						7,691
44	Coychurch Crem Works	75	-	75	75		75											75
45	Remedial Measures - Car Parks	135	135	-	135		135											135
46	Civil Parking Enforcement	20	20	-	20		20											20
47	Road Signs 20mph Default Speed	521	-	521	521		521											521

		Total 2024-2035			2024-25			FUTURE YEARS										CUMULATIVE
		Total Cost	BCBC Funding	External Funding	Council Feb 25 2024-25	New Approvals	Revised 2024-25	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	Total 2024 - 2035
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
48	Road Safety	6	6	-	6		6											6
49	Pencoed Tech Park Act Travel	-	-	-			-											-
50	Highways Structural Works	3,894	3,894	-	494		494	340	340	340	340	340	340	340	340	340	340	3,894
51	Carriageway Capital Works	2,750	2,750	-	250		250	250	250	250	250	250	250	250	250	250	250	2,750
52	Carriageway & Footway Renewal	-	-	-			-											-
53	Prow Capital Improvement Programme	65	-	65	65		65											65
54	Highways Refurbishment	2,000	2,000	-	1,000		1,000	1,000										2,000
55	Replacement of Street Lighting Columns/ River Bridge Protection Measures	4,496	4,400	96	496		496	400	400	400	400	400	400	400	400	400	400	4,496
56	River Bridge Protection Measures	22	22	-	22		22											22
57	Communities Minor Works	762	762	-	762		762											762
58	Ultra Low Emissions Vehicle Transformation Fund 2	23	-	23	23		23											23
59	Fleet Transition Ultra Low Emmissions Vehicles	155	-	155	155		155											155
60	Net Zero Carbon Fleet	147	147	-	147		147											147
61	Porthcawl Metro-Link (CCR)	948	948	-	948		948											948
62	Residents Parking Bridgend Town Centre	109	109	-	109		109											109
63	Fleet Vehicles	1,864	1,864	-	1,864		1,864											1,864
64	Extension to Cornelly Cemetery	5	5	-	5		5											5
65	Extension to Porthcawl Cemetery	35	35	-	35		35											35
66	Cemeteries	314	314	-	314		314											314
67	S106 Highways Small Schemes	39	-	39	39		39											39
68	Unadopted Roads	380	380	-	380		380											380
69	Puffin Crossing Kenfig Hill	6	6	-	6		6											6
70	Ynysawdre to Bryncethin ATR	-		-			-											-
71	Coal Tip Safety	457	-	457	457		457											457
72	Traffic Signal Replacement (Coity Castle Pub Gyratory)	290	290	-	290		290											290
73	Grass Cutting Equipment	340	340	-	340		340											340
74	Waste Vehicles	8,000	8,000	-			-	3,000	3,000	2,000								8,000
75	Electric Vehicle Charging Infrastructure	454	-	454		454	454											454
Regeneration & Development																		
76	Special Regeneration Funding	436	436	-	436		436											436
77	Cosy Corner (PRIF)	-	-	-			-											-
78	Porthcawl Regeneration	2,866	2,866	-	2,866		2,866											2,866
79	Economic Stimulus Grant	417	417	-	417		417											417
80	Coastal Risk Management Programme	210	210	-	210		210											210
81	Ewenny Road Industrial Estate	3,493	-	3,493	493		493	3,000										3,493
82	CESP/Arbed Phase 1	2,233	855	1,378	1,378		1,378	855										2,233
83	Bridgend Heat Scheme	3,265	2,276	989			-	3,265										3,265
84	Maesteg Town Hall Cultural Hub	1,547	1,297	250	1,547		1,547											1,547
85	Town & Community Council Fund	719	719	-	219		219	50	50	50	50	50	50	50	50	50	50	719
86	Porthcawl Townscape Heritage Initiative	124	124	-	124		124											124
87	Commercial Property Enhancement Fund	134	134	-	134		134											134
88	Urban Centre Property Enhancement	1,024	-	1,024	1,024		1,024											1,024
89	2030 Decarbonisation	1,615	1,615	-	715		715	150	150	150	150	150	150					1,615
90	Shared Prosperity Fund	4,931	-	4,931	4,931		4,931											4,931
91	Local Places for Nature	110	-	110	110		110											110
92	Porthcawl Grand Pavilion	19,193	2,000	17,193	1,675		1,675	17,518										19,193
93	Low Carbon Heat	1,089	-	1,089	1,089		1,089											1,089
Corporate Landlord																		
94	DDA Works	206	206	-	206		206											206
95	Minor Works Asset Management	12,901	12,901	-	1,601		1,601	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	12,901
96	Fire Precautions	177	177	-	177		177											177
97	Bryncethin Depot Facilities	517	517	-	517		517											517
98	Waterton Upgrade	3,591	3,591	-			-	3,591										3,591
99	Evergreen Hall	60	60	-	60		60											60
100	Investing in Communities	47	47	-	47		47											47
Total Communities		102,206	69,644	32,562	31,232	454	31,686	37,724	5,791	5,010	6,009	4,986	2,320	2,170	2,170	2,170	2,170	102,206

		Total 2024-2035			2024-25			FUTURE YEARS										CUMULATIVE
		Total Cost	BCBC Funding	External Funding	Council Feb 25 2024-25	New Approvals	Revised 2024-25	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	Total 2024 - 2035
								£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's																		
Housing / Homelessness																		
101	Disabled Facilities Grants (DFG)	23,947	23,815	132	1,947		1,947	1,750	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	23,947
102	Discretionary Housing Grants	2,200	2,200	-	200		200	200	200	200	200	200	200	200	200	200	200	2,200
103	Housing Renewal / Empty Properties	1,073	1,073	-	73		73	100	100	100	100	100	100	100	100	100	100	1,073
104	Enable Grant	270	-	270	270		270											270
105	Homelessness and Housing	530	-	530	530		530											530
106	Health and Wellbeing Village	480	-	480			-	480										480
107	Affordable Housing	1,066	530	536	1,066		1,066											1,066
ICT							-											
108	Investment in ICT	4,795	4,795	-	795		795	400	400	400	400	400	400	400	400	400	400	4,795
109	Digital Transformation	102	102	-	102		102											102
110	Replacement CCTV	38	38	-	38		38											38
111	ICT Datacentre Replacement	238	238	-	238		238											238
112	HWB Schools IT	180	180	-	180		180											180
Total Chief Executive's		34,919	32,971	1,948	5,439	-	5,439	2,930	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	34,919
Council Wide Capital Budgets																		
113	Corporate Capital Fund	773	773	-	773		773											773
114	Unallocated	28,290	28,290	-	222		222	1,428	1,428	1,428	3,312	3,312	3,312	3,462	3,462	3,462	3,462	28,290
Total Council Wide Capital budgets		29,063	29,063	-	995	-	995	1,428	1,428	1,428	3,312	3,312	3,312	3,462	3,462	3,462	3,462	25,601
Total Expenditure		276,366	183,119	93,247	55,656	454	56,110	124,863	18,946	10,018	12,271	11,248	8,582	8,582	8,582	8,582	8,582	276,366
Expected Capital Resources																		
General Capital Funding																		
General Capital Funding - General Capital Grant		51,763	51,763	-	4,043		4,043	4,772	4,772	4,772	4,772	4,772	4,772	4,772	4,772	4,772	4,772	51,763
General Capital Funding - Supported Borrowing		42,037	42,037	-	3,937		3,937	3,810	3,810	3,810	3,810	3,810	3,810	3,810	3,810	3,810	3,810	42,037
Capital Receipts		26,046	26,046	-	10,751		10,751	14,239	521		535							26,046
Earmarked Reserves		37,145	37,145	-	9,497		9,497	20,667	471	690	3,154	2,666						37,145
Revenue Contribution		577	577	-	576		576	1										577
Prudential Borrowing (Directorate Funded)		3,644	3,644	-	1,822		1,822	1,822										3,644
Prudential Borrowing (Corporately Funded)		21,747	21,747	-	600		600	11,714	8,687	746								21,747
SALIX Interest Free Loan - WG		160	160		160		160											160
Sub-Total General Capital Funding		183,119	183,119	-	31,386	-	31,386	57,025	18,261	10,018	12,271	11,248	8,582	8,582	8,582	8,582	8,582	183,119
External Funding Approvals																		
WG - Other		16,923	-	16,923	16,469	454	16,923											16,923
WG - 21st Century Schools		45,718	-	45,718			-	45,033	685									45,718
WG - Enable Grant		270	-	270	270		270											270
WG - Integrated Care Fund (ICF)		480	-	480			-	480										480
WG - Welsh Medium Capital Grant		1,537	-	1,537	1,537		1,537											1,537
Westminster		18,115	-	18,115	1,675		1,675	16,440										18,115
Cwm Taf Morgannwg (HCF)		230	-	230	230		230											230
S106		5,673	-	5,673	2,855		2,855	2,818										5,673
Cardiff Capital Region (CCR)		3,493	-	3,493	493		493	3,000										3,493
Heritage Lottery Fund (HLF)		250	-	250	250		250											250
Sport Wales		363	-	363	363		363											363
Other		195	-	195	128		128	67										195
Sub-Total External Funding Approvals		93,247	-	93,247	24,270	454	24,724	67,838	685	-	-	-	-	-	-	-	-	93,247
Total Funding Available		276,366	183,119	93,247	55,656	454	56,110	124,863	18,946	10,018	12,271	11,248	8,582	8,582	8,582	8,582	8,582	276,366
Funding Shortfall/(Surplus)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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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.
- 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, known and 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 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 there are either no conditions or where the authority has met the conditions set by the grant funding body but has yet to use the funding. 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 are not included 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 relevance and 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 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.

The Council has a small number of earmarked reserves which are to support service reconfiguration and digital transformation, as well as a Change Management Programme Earmarked Reserve specifically to support delivery of the Corporate Plan and MTFS.

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 Bulletin 13 on Local Authority Reserves and Balances. The Council Fund balance at 31 March 2024 was £9.730 million (£9.832 million at 31 March 2023). This represents 3.78% of the 2025-26 net budget excluding school delegated budgets (2024-25 comparative was 3.95%). It equates to 2.14% of the 2023-24 Gross Revenue Expenditure (GRE).

As a comparison the Welsh average was approximately 2.69% (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.

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 £2.405 million at 31 March 2024.

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 £4.133 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 preparation of the Local Development Plan and Civil Parking Enforcement. 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 December 2024. It is anticipated that there will be further draw-down of reserves by 31 March 2025. The table does not include any potential new or increase of reserves over the final three months of the year.

Opening Balance 01 Apr 23 £	Reserve	Movement as at Period 9			Closing Balance 31 Dec 24 £
		Net Additions/ Reclassification £	Draw-down £	Unwound £	
	Corporate Reserves:				
40,222,822	Capital Programme Contribution	1,039,949	-	(500,000)	40,762,771
2,772,422	Asset Management Reserves	(30,000)	(401,100)	(87,705)	2,253,617
1,330,000	Major Claims & Insurance Reserves	-	(144,514)	(355,486)	830,000
1,892,509	Service Reconfiguration	-	-	-	1,892,509
1,794,335	Change Management/Digital Transformation	(537,630)	(252,629)	(85,000)	919,076
500,000	Economic and Future Resilience Fund	-	-	-	500,000
2,406,000	Other Corporate Reserves	-	-	(227,173)	2,178,827
50,918,087	Total Corporate Reserves	472,319	(798,243)	(1,255,364)	49,336,799
	Directorate Reserves:				
810,855	Education, Early Years & Young People	246,000	(520,091)	-	536,764
2,675,548	Social Services & Wellbeing	1,669,931	(926,390)	(1,193,599)	2,225,490
1,441,637	Communities	720,000	(13,930)	(79,475)	2,068,232
1,740,361	Chief Executives	796,494	(508,664)	(274,161)	1,754,029
6,668,401	Total Directorate Reserves	3,432,425	(1,969,075)	(1,547,235)	6,584,516
	Equalisation & Grant Reserves:				
1,277,618	Education, Early Years & Young People	(915,659)	-	-	361,958
89,583	Social Services & Wellbeing	-	-	-	89,583
2,359,141	Communities	5,232	(65,240)	(88,000)	2,211,132
279,131	Chief Executives	-	(22,932)	(100,000)	156,199
4,005,473	Equalisation & Grant Reserves:	(910,428)	(88,172)	(188,000)	2,818,873
2,405,054	School Balances	-	-	-	2,405,054
63,997,014	TOTAL RESERVES	2,994,316	(2,855,491)	(2,990,599)	61,145,242

Meeting of:	COUNCIL
Date of Meeting:	26 FEBRUARY 2025
Report Title:	COUNCIL TAX 2025-26
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	GARETH JOHN, FINANCE MANAGER - GOVERNANCE
Policy Framework and Procedure Rules:	<p>Paragraph 3.1.2 (g) of the Financial Procedure Rules (FPRs) requires the Chief Finance Officer to recommend the level of Council Tax to be levied for the forthcoming year.</p> <p>It also has to fulfil its requirement under Section 33 and 34 of the Local Government Finance Act 1992</p>
Executive Summary:	<ul style="list-style-type: none"> • Total Council Tax requirement is £131,226,134. • The total Council Tax requirement for Bridgend County Borough Council is £106,698,377. • The Police and Crime Commissioner for South Wales precept is £21,076,848. • The total Council Tax requirement from Town and Community Councils is £3,450,909. • The Bridgend County Borough Council Band D equivalent is £1,916.96. • The Police and Crime Commissioner for South Wales Band D equivalent is £378.67. • The average Community/Town Council precept is £62.00. • The increases in council tax are: <ul style="list-style-type: none"> ○ Bridgend County Borough Council 4.5% ○ Police and Crime Commissioner for South Wales 7.37% ○ Average Town and Community Council 7.88%

1. Purpose of Report

- 1.1 The purpose of this report is to provide Council with details of the council tax requirement for the County Borough Council, subject to Council approving the Medium Term Financial Strategy on 26 February 2025, together with the requirements of the Police and Crime Commissioner for South Wales and Town and Community Councils, and to ask the Council to note the aggregate charge for each Community Council area for each council tax band for 2025-26.

2. Background

- 2.1 The final budget proposals have been placed before Council for approval as the Council must calculate its budget requirement in accordance with Section 32 of the Local Government Finance Act 1992 and set the level of council tax for 2025-26.
- 2.2 Section 33 of the Local Government Finance Act 1992 requires billing authorities to calculate the basic amount of council tax in a financial year. Section 34 of the Act further requires the billing authority to calculate the basic amount of council tax for dwellings in those parts of its area to which one or more special items relate, such as a Town and Community Council precept requirement.
- 2.3 The Council collects the council tax on behalf of the Town and Community Councils and the Police and Crime Commissioner for South Wales. The monies collected are then paid over to the relevant bodies in line with the amount they have included in their budget to be charged to households in the county borough of Bridgend.
- 2.4 The council tax base determines the amount of council tax which can be raised to fund the Council's budget and is the measure of the relative taxable capacity of different areas within the County Borough. The tax base represents the number of chargeable dwellings in the area expressed as Band D equivalents, taking into account the total number of exemptions, discounts and disabled band reductions, with the net tax base calculated by taking account of the Council's estimated collection rate.
- 2.5 When the council tax base for 2025-26 was approved by Council on 20 November 2024 the estimated collection rate was kept as 97.5% to reflect the current economic circumstances and the number of citizens facing economic hardship, and taking into account current collection rates.

3. Current situation / proposal

- 3.1 Council is expected to approve the Bridgend County Borough Council budget for 2025-26 at its meeting on 26 February 2025. The proposed budget is shown in Table 1 below:

Table 1: Net Revenue Budget 2025-26

	Revenue Budget 2025-26 £000
<u>Service Directorate Budgets:</u>	
Central Education, Early years and Young People Schools	31,653
	<u>123,209</u>
<i>Education, Early years and Young People</i>	<i>154,862</i>
Social Services & Wellbeing	115,909
Communities	33,754
Chief Executive's	24,815
Total Directorate Budgets	329,340
Council Wide Budgets:	
Capital Financing	5,958
Levies	10,209
Repairs and Maintenance	670
Council Tax Reduction Scheme	17,054
Apprenticeship Levy	750
Pension Related Costs	430
Insurance Premiums	1,363
Other Council Wide Budgets	17,564
Total Council Wide Budgets	53,998
Net Budget Requirement	383,338

- 3.2 The net budget requirement for Bridgend County Borough Council for 2025-26 is £383,338,259, and the amount to be funded from council tax is £106,698,377 as shown in Table 2 below. This equates to a council tax of £1,916.96 on a Band D property, a 4.5% increase from 2024-25. This is in line with the indicative increases outlined in the Medium Term Financial Strategy 2024-2028 and is required due to a combination of increasing demand for services and significant cost pressures, both pay and price increases.

Table 2 – Net Budget Funding

	£	%
Revenue Support Grant	224,051,830	58.45
Non Domestic Rates	52,588,052	13.72
Council Tax Income	106,698,377	27.83
Total	383,338,259	100.00

- 3.3 The Police and Crime Commissioner for South Wales has notified the Council that their precept for the financial year ending 31 March 2026 will rise to £21,076,848 which equates to a council tax of £378.67 on a Band D property, a 7.37% increase. The 2025-26 precept was agreed by the South Wales Police and Crime Panel on 4 February 2025.

- 3.4 For the 2025-26 financial year, the Police and Crime Commissioner for South Wales has stated that the following amounts are to be levied by the Council in respect of policing services, in accordance with section 40 of the Local Government Act 1992, for each of the categories of dwellings shown in Table 3 below:

Table 3 – Council Tax Bandings 2025-26 – Police and Crime Commissioner South Wales Precept

Police & Crime Commissioner for South Wales	(£.p)
Band A	252.45
Band B	294.52
Band C	336.60
Band D	378.67
Band E	462.82
Band F	546.97
Band G	631.12
Band H	757.34
Band I	883.56

- 3.5 There are 20 Town and Community areas within Bridgend. Each Town and Community council is responsible for determining its own precept, which is then notified to the Council so that it can be reflected on the council tax bill.
- 3.6 The average council tax increase for the County Borough for 2025-26 is shown in Table 4 below.

Table 4 – Average Council Tax Increase 2025-26

	2024-25	2025-26	% change
Council Tax Base – Band D equivalents	55,465.69	55,660.20	0.35

	£	£	% change
Bridgend County Borough Council	1,834.41	1,916.96	4.50
Town and Community Council average	57.47	62.00	7.88
Police & Crime Commissioner for South Wales	352.67	378.67	7.37
Band D property average council tax	2,244.55	2,357.63	5.04

- 3.7 The Council, as the billing authority, is required to formally approve the council tax for its area. Subject to Council's earlier approval of the Medium Term Financial Strategy 2025-2029, Council will have already approved the council tax requirement for Bridgend County Borough Council for 2025-26 to meet its net budget requirement. The council tax requirement of the Council and its precepting authorities is set out in Table 5 below.

Table 5 – Total Average band D Council Tax Requirement 2025-26

Authority	Requirement	Net Tax Base	Band D Council Tax (£.p)
Bridgend County Borough Council	106,698,377	55,660.20	1,916.96
Local Precepts			
Brackla Community Council	204,136	4,164.30	49.02
Bridgend Town Council	761,603	6,127.52	124.29
Cefn Cribwr Community Council	42,000	557.15	75.38
Coity Higher Community Council	122,792	4,176.60	29.40
Cornelly Community Council	150,000	2,580.90	58.12
Coychurch Higher Community Council	11,550	356.47	32.40
Coychurch Lower Community Council	49,620	675.51	73.46
Garw Valley Community Council	130,748	2,303.71	56.76
Laleston Community Council	299,008	5,034.58	59.39
Llangynwyd Lower Community Council	12,350	169.97	72.66
Llangynwyd Middle Community Council	72,000	1,046.63	68.79
Maesteg Town Council	397,855	5,670.28	70.16
Merthyr Mawr Community Council	5,000	147.90	33.81
Newcastle Higher Community Council	60,073	1,924.34	31.22
Ogmore Valley Community Council	93,066	2,623.80	35.47
Pencoed Town Council	183,750	3,479.32	52.81
Porthcawl Town Council	595,999	8,332.76	71.52
Pyle Community Council	145,000	2,544.92	56.98
St Brides Minor Community Council	69,359	2,322.07	29.87
Ynysawdre Community Council	45,000	1,421.47	31.66
Average Town/Community Council Precept			62.00
Borough Budget Requirement (including Community Councils)	110,149,286	55,660.20	1,978.96
Police and Crime Commissioner for South Wales	21,076,848	55,660.20	378.67
TOTAL	131,226,134	55,660.20	2,357.63

- 3.8 The Council is also required to approve the council tax charges for Band D properties for the chargeable financial year beginning 1 April for each of the 20 community areas and these are shown in Table 6 below. Subject to Council's earlier approval of the Medium Term Financial Strategy the Bridgend County Borough Council elements of these charges will have been approved. All calculations are for a Band D equivalent property.

Table 6 – Council Tax 2025-26 per Town and Community Council

Town or Community Council	Bridgend CBC	Community Council	Police & Crime Commissioner for South Wales	Total
	£	£	£	£
Brackla Community Council	1,916.96	49.02	378.67	2,344.65
Bridgend Town Council	1,916.96	124.29	378.67	2,419.92
Cefn Cribwr Community Council	1,916.96	75.38	378.67	2,371.01
Coity Higher Community Council	1,916.96	29.40	378.67	2,325.03
Cornelly Community Council	1,916.96	58.12	378.67	2,353.75
Coychurch Higher Community Council	1,916.96	32.40	378.67	2,328.03
Coychurch Lower Community Council	1,916.96	73.46	378.67	2,369.09
Garw Valley Community Council	1,916.96	56.76	378.67	2,352.39
Laleston Community Council	1,916.96	59.39	378.67	2,355.02
Llangynwyd Lower Community Council	1,916.96	72.66	378.67	2,368.29
Llangynwyd Middle Community Council	1,916.96	68.79	378.67	2,364.42
Maesteg Town Council	1,916.96	70.16	378.67	2,365.79
Merthyr Mawr Community Council	1,916.96	33.81	378.67	2,329.44
Newcastle Higher Community Council	1,916.96	31.22	378.67	2,326.85
Ogmore Valley Community Council	1,916.96	35.47	378.67	2,331.10
Pencoed Town Council	1,916.96	52.81	378.67	2,348.44
Porthcawl Town Council	1,916.96	71.52	378.67	2,367.15
Pyle Community Council	1,916.96	56.98	378.67	2,352.61
St Brides Minor Community Council	1,916.96	29.87	378.67	2,325.50
Ynysawdre Community Council	1,916.96	31.66	378.67	2,327.29

3.9 The resulting charges for each Band are set out in **Appendix A**.

3.10 The budget setting process is outlined within the Council Constitution and Financial Procedure Rules. The budget is set in accordance with the statutory provisions set out in the Local Government Finance Act 1992.

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 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 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 as a result of this report.

8. Financial Implications

- 8.1 These are outlined within the report.

9. Recommendations

- 9.1 Subject to Council's earlier approval of the proposed net budget requirement for Bridgend County Borough Council of £106,698,377 for 2025-26 and a Band D Council Tax for Bridgend County Borough Council of £1,916.96 for 2025-26. Council is recommended to:
- note the level of the precept from the Police and Crime Commissioner for South Wales, as set out in **Table 3**:
 - note the total Council Tax charges for Band D properties for 2025-26 for each of the Community Council areas as outlined in **Table 6** and the aggregate charge for each Community Council area for each council tax band as outlined in **Appendix A**.

Background documents

None

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	Band 2025-26								
TOWN OR COMMUNITY COUNCIL	A	B	C	D	E	F	G	H	I
Bracla - Brackla	1563.10	1823.62	2084.13	2344.65	2865.68	3386.72	3907.75	4689.30	5470.85
Pen-y-bont - Bridgend	1613.28	1882.16	2151.04	2419.92	2957.68	3495.44	4033.20	4839.84	5646.48
Cefn Cribwr	1580.67	1844.12	2107.56	2371.01	2897.90	3424.79	3951.68	4742.02	5532.36
Coety Uchaf - Coity Higher	1550.02	1808.36	2066.69	2325.03	2841.70	3358.38	3875.05	4650.06	5425.07
Corneli - Cornelly	1569.17	1830.69	2092.22	2353.75	2876.81	3399.86	3922.92	4707.50	5492.08
Llangrallo Uchaf - Coychurch Higher	1552.02	1810.69	2069.36	2328.03	2845.37	3362.71	3880.05	4656.06	5432.07
Llangrallo Isaf - Coychurch Lower	1579.39	1842.63	2105.86	2369.09	2895.55	3422.02	3948.48	4738.18	5527.88
Cwm Garw - Garw Valley	1568.26	1829.64	2091.01	2352.39	2875.14	3397.90	3920.65	4704.78	5488.91
Trelales - Laleston	1570.01	1831.68	2093.35	2355.02	2878.36	3401.70	3925.03	4710.04	5495.05
Llangynwyd Isaf - Llangynwyd Lower	1578.86	1842.00	2105.15	2368.29	2894.58	3420.86	3947.15	4736.58	5526.01
Llangynwyd Ganol - Llangynwyd Middle	1576.28	1838.99	2101.71	2364.42	2889.85	3415.27	3940.70	4728.84	5516.98
Maesteg	1577.19	1840.06	2102.92	2365.79	2891.52	3417.25	3942.98	4731.58	5520.18
Merthyr Mawr	1552.96	1811.79	2070.61	2329.44	2847.09	3364.75	3882.40	4658.88	5435.36
Castellnewydd Uchaf - Newcastle Higher	1551.23	1809.77	2068.31	2326.85	2843.93	3361.01	3878.08	4653.70	5429.32
Cwm Ogwr - Ogmore Valley	1554.07	1813.08	2072.09	2331.10	2849.12	3367.14	3885.17	4662.20	5439.23
Pencoed	1565.63	1826.56	2087.50	2348.44	2870.32	3392.19	3914.07	4696.88	5479.69
Porthcawl	1578.10	1841.12	2104.13	2367.15	2893.18	3419.22	3945.25	4734.30	5523.35
Y Pil - Pyle	1568.41	1829.81	2091.21	2352.61	2875.41	3398.21	3921.02	4705.22	5489.42
Llansantffraid-ar-Ogwr - St Brides Minor	1550.33	1808.72	2067.11	2325.50	2842.28	3359.06	3875.83	4651.00	5426.17
Ynysawdre	1551.53	1810.11	2068.70	2327.29	2844.47	3361.64	3878.82	4654.58	5430.34

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Meeting of:	COUNCIL
Date of Meeting:	26 FEBRUARY 2025
Report Title:	CAPITAL STRATEGY 2025-26
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 Council the Capital Strategy 2025-26 to 2034-35, which includes the Prudential Indicators, and the Annual Minimum Revenue Provision Statement 2025-26. • 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 Council the Capital Strategy 2025-26 to 2034-35 (**Appendix A**), which includes the Prudential Indicators against which the Council measures itself during the financial year and the Annual Minimum Revenue Provision Statement 2025-26 (**Section 7 of Appendix A**) 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.

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

- Increased prices of materials;
- Supply chain difficulties leading to higher prices and delays in schemes 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 in recent years. Whilst previously it was anticipated that the funding would reduce, the 2025-26 allocation is a slight increase to that previously anticipated, from £4.043 million to £4.772 million, and future estimates show funding remaining at this increased level. It is a modest increase and 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.

3.4 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.

3.5 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.

- 3.6 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) have impacted the Capital Strategy as operating leases, where costs are charged to revenue, are now required to be brought onto the balance sheet as a right of use asset. This took effect from 1 April 2024 and increases 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. Further information is included within the Capital Strategy Framework section of the Capital Strategy.
- 3.7 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.
- 3.8 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.
- 3.9 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 Council:

- Approve the Capital Strategy 2025-26 to 2034-35, including the Prudential Indicators 2025-26 to 2034-35 and the Annual Minimum Revenue Provision (MRP) Statement 2025-26 at **Appendix A**.

Background documents

None



Capital Strategy

2025-26 to 2034-35

Cyngor Bwrdeistref Sirol



INTRODUCTION

Welcome to the Council's 2025-26 to 2034-35 Capital Strategy. The Strategy sets out the Council's plan for capital expenditure, and how that is to be funded, over the next 10 years. It underpins the Council's vision of contributing to a place where people want to live, work, study and do business, where people have the skills and qualifications they need to improve their life chances, enjoy good health and a sense of well-being and independence.

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

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

The Capital Strategy is reviewed and updated at least annually to take account of changing plans and guidance as appropriate. The Council faces significant financial challenges ahead as it continues to achieve savings across all its services. Whilst the Council receives some grant funding from Welsh Government which contributes to the delivery of an ambitious programme of works, the Council will also have to borrow to deliver its strategic plan. That borrowing has to be affordable in the light of challenging finances and the focus has to be on delivering essential schemes to support the services the Council delivers.



Cllr John Spanswick
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 4.7% 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, the need for the public sector to decarbonise by 2030 as well as the current cost of living crisis. Inflation has had a significant impact particularly in relation to capital costs and tender pricing. With continued pressure on both revenue and capital budgets the Council will need to ensure it focuses on delivery of key services, supporting communities, particularly the most vulnerable in our society, as well as doing all we can to help our local economy thrive.

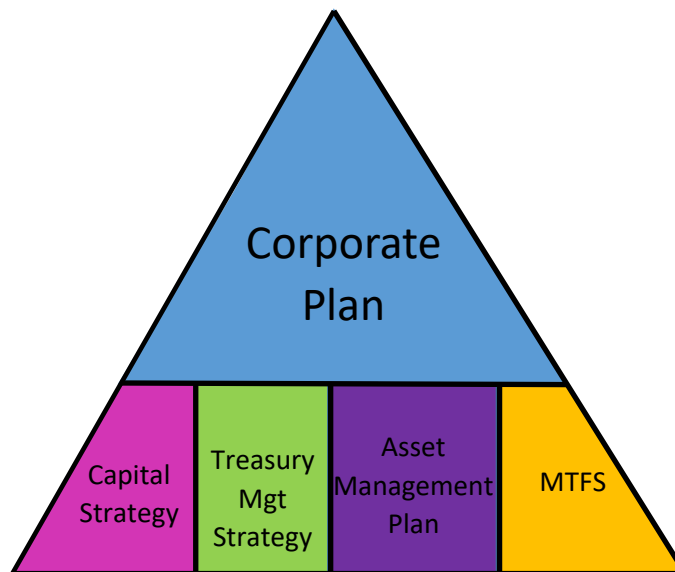
Where capital investment is needed to deliver the Council's priorities, the Capital Strategy is the framework that the Council can rely on to develop a clear, consistent and informed process in undertaking capital investment decisions.

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 2025-26 and indicatively to 2034-35
5. funding the strategy
6. managing the borrowing requirement
7. prudent Minimum Revenue Provision (MRP) Policy for repayment of capital expenditure
8. affordability

The remainder of this strategy considers these in more detail.

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

10. Capital investment decisions are in alignment with the Council's Capital Strategy and mitigate any statutory risks taking account of return on investment and sound option appraisals.
11. Prudential borrowing is only used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
12. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.

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

PRINCIPLE 1 : Focus capital investment on delivery of the Council's Well-being Objectives and Priorities
<ul style="list-style-type: none"> • Ensuring that capital investment plans are driven by the Council's Corporate Plan • Ensuring decision-makers are clear on the positive contribution capital investment makes to our well-being objectives • Appraising all investments in the context of objectives/priorities • Ensuring there is a corporate business planning process incorporating service transformation and the impact on property assets
PRINCIPLE 2 : Ensure strong governance over decision-making
<ul style="list-style-type: none"> • Ensuring that proposals demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing • Schemes will only be added to the capital programme once an affordable business plan is in place, it demonstrates value for money and has been reviewed by the Capital Board • 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 resources confirmed to meet ongoing revenue expenditure
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 IFRS16 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 the Council to recognise assets and liabilities for all leases of over 12 months unless the value of those assets is low.

The Council has to recognise a 'right of use' asset and an equivalent lease liability, which is the Council's obligation to make lease payments. The impact therefore is to increase the Council's Capital Financing Requirement (CFR) – or the amount of assets that will need to be financed via debt, and the revenue resources that will need to be set aside to repay the debt, known as the Minimum Revenue Provision, or MRP. As it is a debt, it could affect the Council's borrowing limits. The impact of IFRS16 leases was an increase to the opening CFR at 1 April 2024 of £3.149 million and increase to the MRP by £0.147 million in 2024-25. The estimated MRP for 2025-26 is £0.154 million.

A further impact of the new standard is to recognise the interest element of the lease separate to the debt repayment, so the interest cost is 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 in the annual Statement of Accounts.



Maesteg Town Hall

1.0 ASSET MANAGEMENT PLANNING

The Council's Asset Management Plan (AMP) vision has been re-aligned with the Corporate Plan, which was last refreshed in 2022-23 with the focus of:

“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 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 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.
4. Climate change is also affecting the way the asset performs with increased deterioration caused by increased rainfall/storm events and increased groundwater tables which affects the structure of the highway asset.

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 adopts a 5-year continuous rolling stock condition programme. The surveys include planned preventative maintenance data that informs 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. The matrix is used to 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 tender prices, and it is anticipated will continue to do so for some time going forward, placing pressure on the capital programme overall, including:

- Increased prices of materials, which have seen significant increases over recent years;
- 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 need 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.

Local Authority capital investment is therefore:

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.

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

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

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

The Prudential Code and borrowing for financial reward.

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. 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 Public Works Loan Board (PWLb), a key source of borrowing for the Council, requires the Chief Finance Officer to confirm that the Council's spending plans do not include the acquisition of assets primarily for yield, reflecting a view that local authority borrowing powers are granted to finance direct investment in local service delivery (including housing, regeneration and local infrastructure) and for cash flow management, than to add debt leverage to return-seeking investment activity.

Commercial Activities

The Council has 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 £4.990 million at 31 March 2024. 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.

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

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

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

	2023-24 Actual £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Net Revenue Budget*	342.842	360.671	360.671	360.671	360.671	360.671
Income from Commercial Investments	0.459	0.459	0.459	0.459	0.459	0.459
% Ratio	0.13%	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.



Porthcawl Cosy Corner

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 – Finance & Performance, and members of the Corporate Management Board, and is chaired by the Chief Officer – Finance, Housing 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 to be completed on time, within approved budget and to the agreed quality; ensuring that work is properly resourced;
- assess risks and ensure appropriate mitigating actions are in place; and
- to understand changes impacting on the project, including major milestones, scope of deliverables, cost and benefits.

The Capital Programme Board also reviews and scrutinises the existing capital programme and fixed annual allocations and makes recommendations on new capital schemes that could be included in the capital programme, or on existing capital budgets which could be amended (increased, reduced or removed) in the capital programme. These then follow the formal approval process through Cabinet and Council.

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, including identification of ongoing operational (revenue) costs
- Potential revenue savings
- Link to Corporate Priorities
- Risk of not undertaking

These will be ranked in order of fit to:

1. Link to well-being objectives
2. High level of risk of not progressing, based on the criteria below.

3. Service is able to meet any additional revenue costs arising from the scheme e.g. increased Business Rates, running costs.
4. Ability to attract matched funding / high leverage ratio.
5. An appropriate return on investment where appropriate.

Ranking assessment:

High	High risk to Bridgend County Borough Council (BCBC) in terms of service delivery and/or meeting MTFS Savings e.g. urgent/ essential works to prevent imminent building failure and closure.
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** above (see Principles on page 6).

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

The revenue implications for each capital bid are considered at the initial evaluation stage, covering both staffing/running costs associated with the bid and the financing costs over the lifetime of the asset created. One of the Chief Finance Officer's requirements when reviewing capital bids is to ensure that the revenue implications are realistic. The options appraisal exercise undertaken for larger projects seeks to ensure that the lifetime revenue implications of a capital project are fully considered and evaluated, are affordable and are included in the MTFS in accordance with **PRINCIPLE 2** above (page 6).

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

In Year Approvals

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

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

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

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

In procuring any capital goods or works the Council's Contract Procurement Rules must be followed to ensure that the Council achieves value for money and abides by all Procurement legislation. The Council's process and authority for the acquisition and disposal of land or property is set out in the Council's Constitution.

Approval, Monitoring and Reporting the Capital Programme

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

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

A monitoring process is in place which:

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

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

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

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

Post Project Evaluation

Once any major capital project is completed, it is good practice to look at the project in retrospect. This is an important part of any project to review lessons learned. It 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 continue to be the Council's Treasury Management Advisors until August 2028, following a tender process carried out in the summer of 2024.

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

4.0 CAPITAL INVESTMENT PROGRAMME 2025-26 TO 2034-35

The ten-year rolling programme has been initially set for 2025-26, 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 2025-26, the Council is planning capital expenditure of £107.775 million as summarised below.

Table 2: Prudential Indicator: Estimates of Capital Expenditure

Directorate	2023-24 actual £'000	2024-25 projection £'000	2025-26 budget £'000	2026-27 budget £'000	2027-28 budget £'000	2028-29 budget £'000
Education and Family Support	7,930	17,151	82,781	8,777	630	-
Social Services and Well-being	1,311	839	-	-	-	-
Communities	16,892	31,686	37,724	5,791	5,010	6,009
Chief Executive's	5,680	5,439	2,930	2,950	2,950	2,950
Council Wide Capital Budgets	-	995	1,428	1,428	1,428	3,312
TOTAL Capital Programme	31,813	56,110	124,863	18,946	10,018	12,271
Right of use assets*	-	3,149	-	-	-	-
TOTAL	31,813	59,259	124,863	18,946	10,018	12,271

*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 will be as an adjustment to the opening CFR and is currently estimated at £3.149 million.

The main capital projects in this period include:

- Sustainable Communities for Learning Band B (Heronsbridge, Mynydd Cynffig, Ysgol Gymraeg Bro Ogwr and Bridgend West). Forecast expenditure of £85.030 million is included in the above table for 2025-26 to 2027-28.
- Porthcawl Grand Pavilion – Forecast expenditure of £17.518 million is included above for 2025-26 for the redevelopment of the building.
- Annual commitments to Disabled Facilities Grants and other housing adaptation schemes of £1.950 million for 2025-26 and £2.450 million from 2026-27 onwards.
- Waste/Recycling vehicles - £8.000 million for 2025-26 to 2027-28.
- Playgrounds Refurbishments - £2.000 million for 2025-26.
- Highways Refurbishments - £1.000 million for 2025-26.

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. At present HCF is funding £230k of projects in the capital programme.

The Council will need to borrow approximately £14 million in order to fund new School projects in line with the Schools Modernisation Programme. This will impact on the operational borrowing limit set as part of the Local Government Act 2003.

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 from Welsh Government, which in most cases follows an application or bidding process for schemes or distribution of grants on a formula basis. The short-term nature of grant awards makes long term planning and delivery of strategic schemes very difficult. Where external grant funding bids are made, it is essential that these are in line with Council priorities and include consideration of any revenue budget consequences. Where grants require match funding, the Council will prioritise such support to increase the likelihood of a successful bid.
External contributions	For example from planning agreements (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 £2.51 million of interest free Salix loans, giving a total loan debt of £99.38 million.
- The Council's MTFS identifies that the Council still needs to develop savings proposals to meet future anticipated funding levels. Any additional capital expenditure which is not funded through capital resources will increase the pressures on revenue budgets unless that expenditure delivers revenue savings or income to offset such additional expenditure.
- 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 capital 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, savings, additional income or sale of assets.

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

Table 3: Capital financing

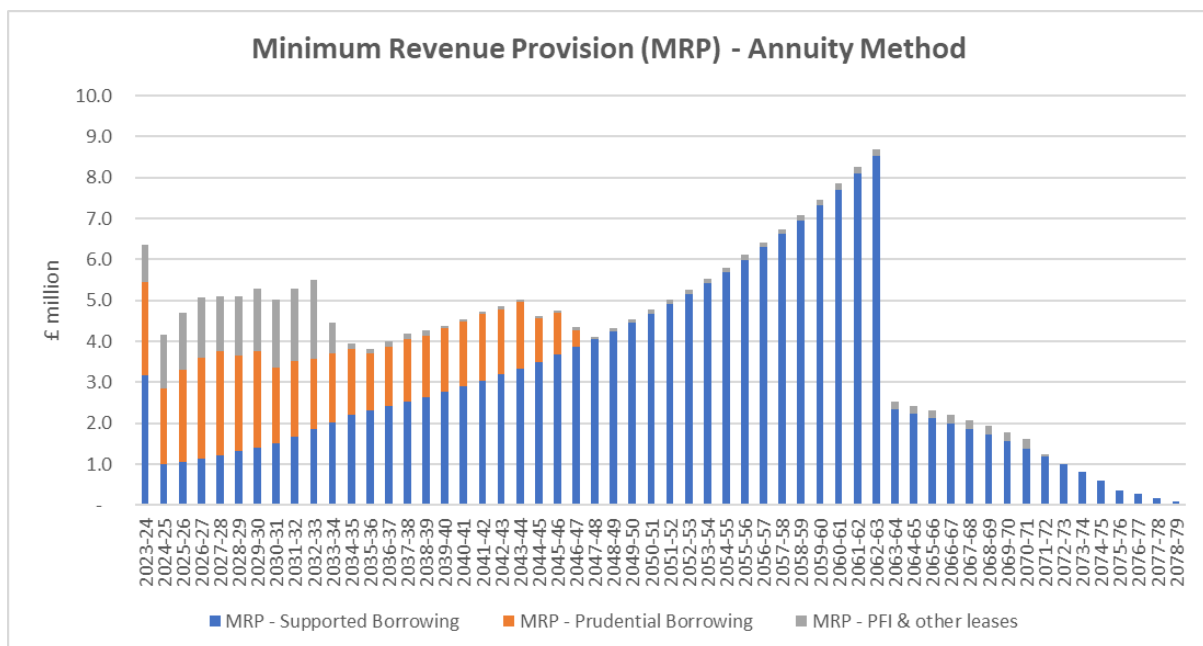
	2023-24 Actual £m	2024-25 Projection £m	2025-26 Budget* £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m
External sources	18.677	28.767	72.610	5.457	4.772	4.772
Own resources	7.421	20.824	34.907	0.992	0.690	3.689
Net Financing Requirement	5.716	9.668	17.346	12.497	4.556	3.810
TOTAL	31.813	59.259	124.863	18.946	10.018	12.271

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. This includes revenue contributions to pay off Prudential or Unsupported Borrowing, which is shown as additional Voluntary Revenue Provision. Other MRP on Long Term Liabilities relates to the provision of the secondary school at Maesteg, through the Private Finance Initiative (PFI) and MRP for leases under IFRS16. The calculation of MRP from 1 April 2024 is based on the annuity method as approved by Council on 23 October 2024. The MRP Policy is set out in Section 7 of this strategy. The MRP amounts are shown in Table 4 below:

Table 4: Replacement of debt finance

	2023-24 Actual £m	2024-25 Projection £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m
Minimum Revenue Provision (MRP)	3.298	1.069	1.149	1.232	1.319	1.412
Additional Voluntary Revenue Provision	2.273	1.866	2.243	2.454	2.520	2.345
Total MRP & VRP	5.571	2.935	3.392	3.686	3.839	3.757
Other MRP on Long term Liabilities	0.929	1.148	1.232	1.323	1.295	1.394
Total Own Resources	6.500	4.083	4.624	5.009	5.134	5.151

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 £12.722 million during 2025-26, with a further increase in 2026-27 of £7.488 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

	2023-24 Actual £m	2024-25 Projection £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m	2027-28 Budget £m
Opening Capital Financing Requirement	176.504	175.720	181.304	194.026	201.514	200.936
Adjustment to opening CFR – IFRS16 leases	-	3.149	-	-	-	-
Movement in Financing Requirement	(0.784)	2.436	12.722	7.488	(0.578)	(1.341)
Closing Capital Financing Requirement	175.720	181.304	194.026	201.514	200.936	199.594

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

	2023-24 Actual £m	2024-25 Projection £m	2025-26 Budget £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m
Opening balance	25.728	25.985	15.594	1.355	0.834	0.834
Asset sales	0.257	0.360	-	-	-	-
Applied in capital programme	-	(10.751)	(14.239)	(0.521)	-	(0.535)
Closing balance	25.985	15.594	1.355	0.834	0.834	0.299

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 excluding Salix loans, which are interest-free, at 31 December 2024 was £96.87 million at an average interest rate of 4.69%. The majority of lending is Public Works Loan Board with maturity dates between 2025 and 2057. £19.25 million of borrowing relates to Lender's Option Borrower's Option (LOBO) loans that have a maturity date of 2054, however these may be rescheduled in advance of this maturity date. The Council has a number of energy schemes which are funded via Salix interest free loans. These loans are required to be repaid between 5 and 10 years.

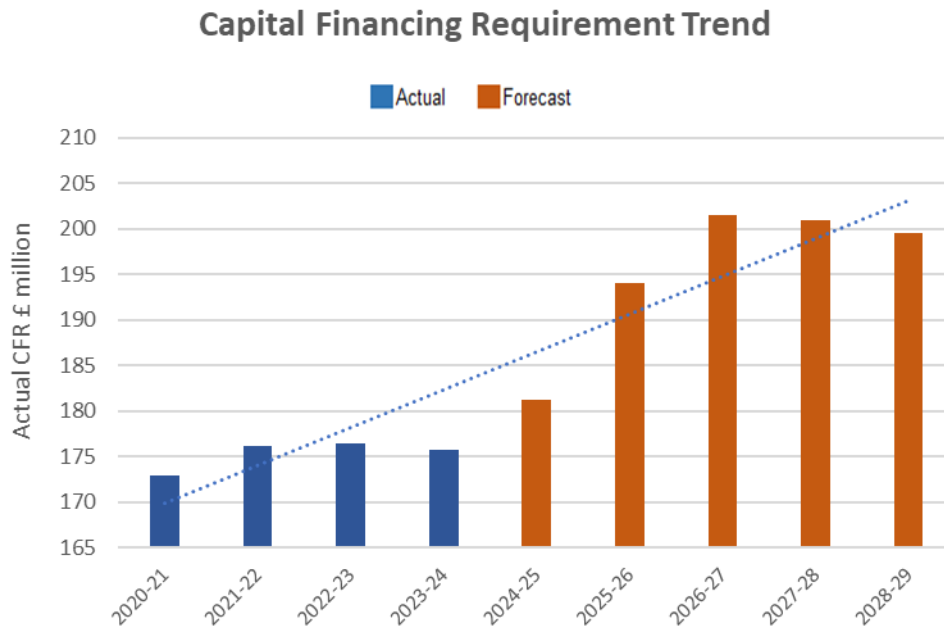
External borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Council has an integrated Treasury Management Strategy there is no association made between individual loans and particular types of expenditure. The Council makes use of internal borrowing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

	2023-24 Actual £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Debt (incl. PFI & leases)	117.682	108.736	103.428	99.000	95.996	94.288
Capital Financing Requirement	175.720	181.304	194.026	201.514	200.936	199.594

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 2020 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 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 2025-26. 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

	2023-24 Actual £m	2024-25 Projection £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Outstanding Borrowing (excl. PFI & Leases)	104.608	93.711	89.685	86.581	84.872	84.558
Liability Benchmark	44.399	77.740	122.826	134.428	136.067	140.063

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. Due to the level of

debt financing anticipated within the Capital Programme the operational limit has been increased to £140 million. This level is considered affordable by the Council. There are no changes to the authorised limits.

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

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Authorised limit – borrowing	170.000	170.000	170.000	170.000
Authorised limit – other long term liabilities	25.000	25.000	25.000	25.000
Authorised Limit Total	195.000	195.000	195.000	195.000
Operational boundary – borrowing	120.000	140.000	140.000	140.000
Operational boundary – other long term liabilities	20.000	20.000	20.000	20.000
Operational Boundary Limit Total	160.000	160.000	160.000	160.000
Total Borrowing and Long Term Liabilities	108.736	103.428	99.000	95.996

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 increases 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 £39.93 million for 2025-26, £54.63 million in 2026-27 and £57.98 million in 2027-28 compared to the current level of borrowing. *In incremental terms* this would be borrowing of £39.93 million in 2025-26, £14.70 million in 2026-27 and £3.35 million in 2027-28. 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 ten years remaining on the term) which will be £11.973 million at 31 March 2025 including the short term liability of £1.078 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 2025-26.

IFRS16 - Leases

As noted on page 6, this also includes leases that were formerly treated as operational, but under IFRS16 are required to be recognised as Right of Use assets, with an equal liability. The following leases have been recognised as Liabilities in the balance sheet for 2025-26:

Description	Right of Use Asset 01/04/25 £000	Lease liability as at 01/04/25 £000
Land and Buildings	3,149	- 3,149
TOTAL	3,149	- 3,149

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.

7.0 PRUDENT MINIMUM REVENUE PROVISION POLICY STATEMENT 2025-26

The annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2025-26 will be on the following basis:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported will be based on the Capital Financing Requirement after accounting adjustments on an annuity basis over 45 years.
- ii. The Council has previously recognised one significant asset. MRP will be charged on an annuity basis over the remaining asset life.
- iii. For unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on an annuity basis over the remaining asset life. The rate used in the annuity calculation will be based on the PWLB certainty rate for a loan equal to the asset life. 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
- iv. For assets funded via Salix loans, MRP will be charged equal to the schedule of repayments of the loan.
- v. 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.
- vi. 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. Where loans do not have an annual repayment MRP may be required or may be waived where capital receipts are expected within a prudent period.
- vii. 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 2025-26 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement 31/03/25 £m	2025-26 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)	131.779	1.064
Supported capital expenditure - significant asset	(ii)	2.549	0.085
Unsupported capital expenditure, exercised under the Prudential Code (Unsupported)		32.000	2.243
PFI, Finance Leases and other arrangements	(iii)	14.976	1.232
TOTAL COUNCIL FUND		181.304	4.624

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, diminishing uncommitted earmarked reserves and limited 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

	2023-24 Actual %	2024-25 Estimate %	2025-26 Estimate %	2026-27 Estimate %	2027-28 Estimate %	2028-29 Estimate %
General Fund - Net Capital Financing Budget	2.03%	3.03%	3.05%	3.07%	3.10%	3.13%
General Fund - Gross Capital Financing Budget	3.52%	3.41%	3.43%	3.45%	3.48%	3.51%



Porthcawl Metrolink

Appendix 1**Capital Funding Sources****Borrowing**

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

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

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

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

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

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

External Grants

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

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

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

Capital Receipts from Asset Disposals

The Council generates capital receipts from the sale of surplus assets. Maximisation of these receipts will increase the amount that can be spent on capital investment. Capital receipts cannot be 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 budgets or establish new reserves to directly fund capital projects, unless funding has already been set aside.



Appendix 2

	Date Approved	Improvement Priority	Total 2024-2035			2024-25					FUTURE YEARS										CUMULATIVE	
			Total Cost £'000	BCBC Funding £'000	External Funding £'000	Council Feb 25 2024-25 £'000	New Approvals / Reductions £'000	Virement £'000	Slippage (to)/from Future Years £'000	Revised 2024-25 £'000	2025-2026 £'000	2026-2027 £'000	2027-2028 £'000	2028-2029 £'000	2029-2030 £'000	2030-2031 £'000	2031-2032 £'000	2032-2033 £'000	2033-2034 £'000	2034-2035 £'000		Total 2024 - 2035 £'000
Education, Early Years and Young People																						
1	Highways / Other Offsite Works Band B Schools	20/21	IP3	3,400	3,400	-	100				100	3,300										3,400
2	Heronbridge Replacement	22/23	IP3	40,353	13,732	26,621	138				138	39,410	805									40,353
3	Mynydd Cynffig Replacement	22/23	IP3	14,017	5,912	8,105	512				512	13,215	290									14,017
4	Y G Bro Ogwr Replacement	22/23	IP3	15,809	3,718	12,091	411				411	15,056	342									15,809
5	Bridgend West	22/23	IP3	15,912	14,491	1,421					-	7,942	7,340	630								15,912
6	Ysgol Gylun Gymraeg Llangynwyd	21/22	IP3	97	97	-	97				97											97
7	Land Purchase Band B	21/22	IP3	2,028	2,028	-					-	2,028										2,028
8	Garw Valley South Primary Provision	14/15	IP3	61	61	-	61				61											61
9	Pencoed Primary School - Band A	14/15	IP3	51	51	-	51				51											51
10	Pencoed School Highways Works	16/17	IP3	56	56	-	56				56											56
11	Abercerdin Primary School Hub	21/22	IP3	277	277	-	277				277											277
12	Brynteg Comprehensive School All Weather Pitch	21/22	IP3	38	38	-	38				38											38
13	Schools Minor Works	RECURRENT	IP3	462	287	175	462				462											462
14	Schools Traffic Safety	16/17	IP3	56	56	-	56				56											56
15	School Modernisation	14/15	IP3	336	336	-	336				336											336
16	Pencoed Primary School - Classroom Extension	22/23	IP3	862	616	246	862				862											862
17	Coety Primary School - Extension	22/23	IP3	1,968	1,632	336	138				138	1,830										1,968
18	Bryntirion Comprehensive School - New Teaching Block	22/23	IP3	1,660	271	1,389	1,660				1,660											1,660
19	Bryntirion Comprehensive School Highways	23/24	IP3	134	134	-	134				134											134
20	School's Capital Maintenance Grant	19/20	IP3	4,255	2,397	1,858	4,255				4,255											4,255
21	Welsh Medium Childcare Provision - Bridgend	19/20	IP3	550	-	550	550				550											550
22	Welsh Medium Childcare Provision - Porthcawl	19/20	IP3	550	-	550	550				550											550
23	Free School Meals	22/23	IP3	1,444	409	1,035	1,444				1,444											1,444
24	Community Focused Schools	22/23	IP3	2,328	189	2,139	2,328				2,328											2,328
25	ALN Capital Grant	22/23	IP3	1,229	316	913	1,229				1,229											1,229
26	Y G Bro Ogwr Mobile Classrooms	22/23	IP3	437	-	437	437				437											437
27	Porthcawl Welsh Medium Seeding School	22/23	IP3	370	370	-	370				370											370
28	Flying Start Extension - Nantymoel Primary	23/24	IP3	563		563	563				563											563
29	Flying Start Highways	24/25	IP3	36	22	14	36				36											36
											-											-
Total Education, Early Years and Young People				109,339	50,896	58,443	17,151	-	-	-	17,151	82,781	8,777	630	-	-	-	-	-	-	-	109,339
Social Services and Well-being																						
Adult Social Care																						
30	Bryn Y Cae	19/20	IP2	40	40	-	40				40											40
31	Ty Cwm Ogwr Care Home	21/22	IP3	23	23	-	23				23											23
32	Wellbeing Minor Works	RECURRENT	IP2	212	212	-	212				212											212
33	Bakers Way	17/18	IP2	10	10	-	10				10											10
34	Children's Residential Accommodation Hub	18/19	IP2	74	74	-	74				74											74
35	Breakaway	23/24	IP2	98	-	98	98				98											98
Culture																						
36	Community Centres	20/21	NONPTY	167	167	-	167				167											167
37	Bryngarw House	20/21	NONPTY	8	8	-	8				8											8
38	Ysgol Bryn Castell Hard-Court	22/23	IP3	99	-	99	99				99											99
39	Ogmore Valley Life Centre	23/24	IP3	108	11	97	108				108											108
Total Social Services and Well-being				839	545	294	839	-	-	-	839	-	-	-	-	-	-	-	-	-	-	839

	Date Approved	Improvement Priority	Total 2024-2035			2024-25					FUTURE YEARS										CUMULATIVE	
			Total Cost £'000	BCBC Funding £'000	External Funding £'000	Council Feb 25 2024-25 £'000	New Approvals / Reductions £'000	Virement £'000	Slippage (to)/from Future Years £'000	Revised 2024-25 £'000	2025-2026 £'000	2026-2027 £'000	2027-2028 £'000	2028-2029 £'000	2029-2030 £'000	2030-2031 £'000	2031-2032 £'000	2032-2033 £'000	2033-2034 £'000	2034-2035 £'000		Total 2024 - 2035 £'000
Communities																						
Street Scene																						
40 Community Children's Play Areas	20/21	IP2	3,851	3,851	-	1,851					1,851	2,000										3,851
41 Parks/Pavilions/Community Centres CAT	14/15	IP3	1,436	1,216	220	436					436	1,000										1,436
42 Aber Playing Fields	19/20	NONPTY	11	11	-	11					11											11
43 Cardiff Capital Region City Deal	17/18	IP1	7,691	7,691	-	0					0	175	471	690	3,689	2,666						7,691
44 Coychurch Crem Works	RECURRENT	NONPTY	75	-	75	75					75											75
45 Remedial Measures - Car Parks	17/18	IP3	135	135	-	135					135											135
46 Civil Parking Enforcement	17/18	IP3	20	20	-	20					20											20
47 Road Signs 20mph Default Speed	22/23	IP2	521	-	521	521					521											521
48 Road Safety	14/15	IP1	6	6	-	6					6											6
49 Pencoed Tech Park Act Travel	20/21	IP1	-	-	-	-					-											-
50 Highways Structural Works	RECURRENT	IP3	3,894	3,894	-	494					494	340	340	340	340	340	340	340	340	340	340	3,894
51 Carriageway Capital Works	RECURRENT	IP3	2,750	2,750	-	250					250	250	250	250	250	250	250	250	250	250	250	2,750
52 Carriageway & Footway Renewal	20/21	IP3	-	-	-	-					-											-
53 Prow Capital Improvement Programme	15/16	IP3	65	-	65	65					65											65
54 Highways Refurbishment	19/20	IP3	2,000	2,000	-	1,000					1,000											2,000
55 Replacement of Street Lighting Columns/ River Bridge Protection Measures	RECURRENT	IP3	4,496	4,400	96	496					496	400	400	400	400	400	400	400	400	400	400	4,496
56 River Bridge Protection Measures	16/17	IP1	22	22	-	22					22											22
57 Communities Minor Works	RECURRENT	IP3	762	762	-	762					762											762
58 Ultra Low Emissions Vehicle Transformation Fund 2	22/23	IP1	23	-	23	23					23											23
59 Fleet Transition Ultra Low Emissions Vehicles	21/22	IP1	155	-	155	155					155											155
60 Net Zero Carbon Fleet	21/22	NONPTY	147	147	-	147					147											147
61 Porthcawl Metro-Link (CCR)	21/22	IP1	948	948	-	948					948											948
62 Residents Parking Bridgend Town Centre	14/15	IP1	109	109	-	109					109											109
63 Fleet Vehicles	14/15	IP3	1,864	1,864	-	1,864					1,864											1,864
64 Extension to Cornelly Cemetery	18/19	NONPTY	5	5	-	5					5											5
65 Extension to Porthcawl Cemetery	18/19	NONPTY	35	35	-	35					35											35
66 Cemeteries	18/19	NONPTY	314	314	-	314					314											314
67 S106 Highways Small Schemes	14/15	IP3	39	-	39	39					39											39
68 Unadopted Roads	14/15	IP2	380	380	-	380					380											380
69 Puffin Crossing Kenfig Hill	22/23	IP3	6	6	-	6					6											6
70 Ynysawdre to Bryncoethin ATR	23/24	IP2	-	-	-	-					-											-
71 Coal Tip Safety	23/24	NONPTY	457		457	457					457											457
72 Traffic Signal Replacement (Coily Castle Pub Gyratory)	23/24		290	290		290					290											290
73 Grass Cutting Equipment	24/25		340	340		340					340											340
74 Waste Vehicles	24/25		8,000	8,000							-	3,000	3,000	2,000								8,000
75 Electric Vehicle Charging Infrastructure	1		454	-	454		454				454											454
Regeneration & Development																						
76 Special Regeneration Funding	17/18	IP1	436	436	-	436					436											436
77 Cosy Corner (PRIF)	21/22	IP1	-	-	-	-					-											-
78 Porthcawl Regeneration	20/21	IP1	2,866	2,866	-	2,866					2,866											2,866
79 Economic Stimulus Grant	19/20	IP1	417	417	-	417					417											417
80 Coastal Risk Management Programme	20/21	IP1	210	210	-	210					210											210
81 Ewenny Road Industrial Estate	21/22	IP1	3,493	-	3,493	493					493	3,000										3,493
82 CESP/Arbed Phase 1	21/22	NONPTY	2,233	855	1,378	1,378					1,378	855										2,233
83 Bridgend Heat Scheme	16/17	IP1	3,265	2,276	989						-	3,265										3,265

	Date Approved	Improvement Priority	Total 2024-2035			2024-25					FUTURE YEARS										CUMULATIVE	
			Total Cost £'000	BCBC Funding £'000	External Funding £'000	Council Feb 25 2024-25 £'000	New Approvals / Reductions £'000	Virement £'000	Slippage (to)/from Future Years £'000	Revised 2024-25 £'000	2025-2026 £'000	2026-2027 £'000	2027-2028 £'000	2028-2029 £'000	2029-2030 £'000	2030-2031 £'000	2031-2032 £'000	2032-2033 £'000	2033-2034 £'000	2034-2035 £'000		Total 2024 - 2035 £'000
84	Maesteg Town Hall Cultural Hub	17/18	IP1	1,547	1,297	250	1,547				1,547											1,547
85	Town & Community Council Fund	RECURRENT	IP3	719	719	-	219				219	50	50	50	50	50	50	50	50	50	50	719
86	Porthcawl Townscape Heritage Initiative	14/15	IP1	124	124	-	124				124											124
87	Commercial Property Enhancement Fund	21/22	IP1	134	134		134				134											134
88	Urban Centre Property Enhancement	19/20	IP1	1,024		1,024	1,024				1,024											1,024
89	2030 Decarbonisation	RECURRENT	IP3	1,615	1,615		715				715	150	150	150	150	150	150					1,615
90	Shared Prosperity Fund	22/23	IP1	4,931		4,931	4,931				4,931											4,931
91	Local Places for Nature	23/24	IP1	110		110	110				110											110
92	Porthcawl Grand Pavilion	22/23	NONPTY	19,193	2,000	17,193	1,675				1,675	17,518										19,193
93	Low Carbon Heat	24/25		1,089	-	1,089	1,089				1,089											1,089
Corporate Landlord																						
94	DDA Works	14/15	NONPTY	206	206	-	206				206											206
95	Minor Works Asset Management	RECURRENT	IP3	12,901	12,901	-	1,601				1,601	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	1,130	12,901
96	Fire Precautions	14/15	NONPTY	177	177	-	177				177											177
97	Brynceithin Depot Facilities	14/15	IP3	517	517	-	517				517											517
98	Waterton Upgrade	18/19	IP3	3,591	3,591	-					-	3,591										3,591
99	Evergreen Hall	19/20	IP3	60	60	-	60				60											60
100	Investing in Communities	19/20	IP3	47	47	-	47				47											47
Total Communities				102,206	69,644	32,562	31,232	454	-	-	31,686	37,724	5,791	5,010	6,009	4,986	2,320	2,170	2,170	2,170	2,170	102,206
Chief Executive's																						
Housing / Homelessness																						
101	Disabled Facilities Grants (DFG)	RECURRENT	IP2	23,947	23,815	132	1,947				1,947	1,750	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	23,947
102	Discretionary Housing Grants	RECURRENT	IP2	2,200	2,200		200				200	200	200	200	200	200	200	200	200	200	200	2,200
103	Housing Renewal / Empty Properties	RECURRENT	IP1	1,073	1,073	-	73				73	100	100	100	100	100	100	100	100	100	100	1,073
104	Enable Grant	16/17	IP2	270	-	270	270				270											270
105	Homelessness and Housing	22/23	IP2	530	-	530	530				530											530
106	Health and Wellbeing Village	21/22	IP1	480	-	480					-	480										480
107	Affordable Housing	23/24	IP1	1,066	530	536	1,066				1,066											1,066
ICT																						
108	Investment in ICT	RECURRENT	IP3	4,795	4,795	-	795				795	400	400	400	400	400	400	400	400	400	400	4,795
109	Digital Transformation	22/23	IP3	102	102	-	102				102											102
110	Replacement CCTV	21/22	IP3	38	38	-	38				38											38
111	ICT Datacentre Replacement	22/23	IP3	238	238		238				238											238
112	HWB Schools IT	21/22	IP3	180	180	-	180				180											180
Total Chief Executive's				34,919	32,971	1,948	5,439	-	-	-	5,439	2,930	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	34,919
Council Wide Capital Budgets																						
113	Corporate Capital Fund	RECURRENT	NONPTY	773	773		773				773											773
114	Unallocated	RECURRENT	NONPTY	28,290	28,290	-	222				222	1,428	1,428	1,428	3,312	3,312	3,312	3,462	3,462	3,462	3,462	28,290
Total Council Wide Capital budgets				29,063	29,063	-	995	-	-	-	995	1,428	1,428	1,428	3,312	3,312	3,312	3,462	3,462	3,462	3,462	25,601
Total Expenditure				276,366	183,119	93,247	55,656	454	-	-	-	56,110	124,863	18,946	10,018	12,271	11,248	8,582	8,582	8,582	8,582	276,366

	Date Approved	Improvement Priority	Total 2024-2035			2024-25					FUTURE YEARS										CUMULATIVE
			Total Cost £'000	BCBC Funding £'000	External Funding £'000	Council Feb 25 2024-25 £'000	New Approvals / Reductions £'000	Virement £'000	Slippage (to)/from Future Years £'000	Revised 2024-25 £'000	2025-2026 £'000	2026-2027 £'000	2027-2028 £'000	2028-2029 £'000	2029-2030 £'000	2030-2031 £'000	2031-2032 £'000	2032-2033 £'000	2033-2034 £'000	2034-2035 £'000	Total 2024 - 2035 £'000
Expected Capital Resources																					
General Capital Funding																					
General Capital Funding - General Capital Grant			51,763	51,763	-	4,043				4,043	4,772	4,772	4,772	4,772	4,772	4,772	4,772	4,772	4,772	4,772	51,763
General Capital Funding - Supported Borrowing			42,037	42,037	-	3,937				3,937	3,810	3,810	3,810	3,810	3,810	3,810	3,810	3,810	3,810	3,810	42,037
Capital Receipts			26,046	26,046	-	10,751				10,751	14,239	521		535							26,046
Earmarked Reserves			37,145	37,145	-	9,497				9,497	20,667	471	690	3,154	2,666						37,145
Revenue Contribution			577	577	-	576				576	1										577
Prudential Borrowing (Directorate Funded)			3,644	3,644	-	1,822				1,822	1,822										3,644
Prudential Borrowing (Corporately Funded)			21,747	21,747	-	600				600	11,714	8,687	746								21,747
SALIX Interest Free Loan - WG			160	160		160				160											160
Sub-Total General Capital Funding			183,119	183,119	-	31,386	-	-	-	31,386	57,025	18,261	10,018	12,271	11,248	8,582	8,582	8,582	8,582	8,582	183,119
External Funding Approvals																					
WG - Other			16,923	-	16,923	16,469	454			16,923											16,923
WG - 21st Century Schools			45,718	-	45,718					-	45,033	685									45,718
WG - Enable Grant			270	-	270	270				270											270
WG - Integrated Care Fund (ICF)			480	-	480					-	480										480
WG - Welsh Medium Capital Grant			1,537	-	1,537	1,537				1,537											1,537
Westminster			18,115	-	18,115	1,675				1,675	16,440										18,115
Cwm Taf Morgannwg (HCF)			230	-	230	230				230											230
S106			5,673	-	5,673	2,855				2,855	2,818										5,673
Cardiff Capital Region (CCR)			3,493	-	3,493	493				493	3,000										3,493
Heritage Lottery Fund (HLF)			250	-	250	250				250											250
Sport Wales			363	-	363	363				363											363
Other			195	-	195	128				128	67										195
Sub-Total External Funding Approvals			93,247	-	93,247	24,270	454	-	-	24,724	67,838	685	-	-	-	-	-	-	-	-	93,247
Total Funding Available			276,366	183,119	93,247	55,656	454	-	-	56,110	124,863	18,946	10,018	12,271	11,248	8,582	8,582	8,582	8,582	8,582	276,366
Funding Shortfall/(Surplus)			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Meeting of:	COUNCIL
Date of Meeting:	26 FEBRUARY 2025
Report Title:	TREASURY MANAGEMENT STRATEGY 2025-26
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	Paragraph 23.2 of the Finance Procedure Rules (FPRs) within the Council's Constitution requires that the Chief Finance Officer is responsible for preparing and presenting an annual Treasury Management Strategy to Council for approval, in advance of the start of each financial year. Paragraph 23.3 of the FPRs requires that all investments and borrowing transactions shall be undertaken in accordance with the Council's Treasury Management Strategy as approved by Council.
Executive Summary:	<ul style="list-style-type: none"> • The Treasury Management Strategy 2025-26 (TMS) incorporates the Borrowing Strategy, Investment Strategy and Treasury Management Indicators. • The Council's treasury activities are governed by regulation and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services : Code of Practice (2021). The Council operates within these requirements. • Council is required to approve the TMS in advance of the financial year.

1. Purpose of Report

1.1 The purpose of this report is to present to Council for approval the Treasury Management Strategy 2025-26, which includes the:

- Borrowing Strategy 2025-26
- Treasury Investment Strategy 2025-26
- Treasury Management Indicators for the period 2025-26 to 2027-28.

The proposed Treasury Management Strategy is attached at **Appendix A**.

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 Treasury Management Strategy before the start of each financial year which sets out the Council's and Chief Finance Officer's responsibilities, delegation, and reporting arrangements.
- 2.2 In addition, 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 cover 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 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 2025-26 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. The bank rate reduced from 4.75% to 4.5% on 6 February 2025, the third cut since its peak of 5.25% back in August 2023. The maturity of long-term debt has been included, and it is anticipated that the Council may need to consider borrowing during 2025-26 based on the latest forecast expenditure within the capital programme and the use of capital receipts and earmarked reserves set aside to fund significant schemes. Current forecasts for financing the capital programme estimate the use of £20.667 million of earmarked reserves and £14.239 million of capital receipts during 2025-26. Accurate forecasting of capital schemes within the capital programme is essential to provide robust information on which to base borrowing decisions. A number of schemes within the capital programme are still in development stages and 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 reduce, it will be necessary to borrow. 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. The building of a new school in Bridgend West is likely to require debt financing of £13.9 million over the 3 years 2025-26 to 2027-28. If any of these change and long-term borrowing is not required during 2025-26, it may still be necessary to borrow short term to manage the Council's day-to-day cash flow requirements

- 3.4 The CIPFA Prudential Code for Capital Finance in Local Authorities (2021) (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.

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. The Strategy includes an Environmental, Social and Governance (ESG) Policy, in line with the TM Code, which sets out a number of commitments when considering the Council's Treasury Management activities. 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 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 Council:
- Approve the Treasury Management Strategy 2025-26 including the Treasury Management Indicators 2025-26 to 2027-28 at **Appendix A**.

Background documents

None

Treasury Management Strategy 2025-26

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)* ('TM 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 held primarily for financial returns, such as commercial property portfolios. 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 TMS fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the TM 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:

A number of factors will affect the UK economy including the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President Trump's second term in office and uncertainties around US domestic and foreign policy, during 2025-26. It is too early to predict what impacts these may have, and the economy will be a factor in treasury decisions during the year. At its meeting in February 2025 the Bank of England's Monetary Policy Committee reduced the Bank Rate to 4.50%, its lowest level since June 2023. Further interest rate reductions are expected during the year.

The impact on the UK from the government's Autumn Budget, slower than expected interest rate cuts, and modestly weaker economic growth over the medium term, together with the impact from President Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025-26.

The November quarterly Monetary Policy Report expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the Bank of England's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous Monetary Policy Report, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024 and 0.4% between April and June 2024, a further

downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.5% in December 2024, down from 2.6% in the previous month. Core CPI (excludes volatile prices such as food and energy) rose by 4.2%. The outlook for CPI inflation in the November Monetary Policy Report showed it rising above the Monetary Policy Committee's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of the calendar year 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

The labour market appears to be easing slowly, but the data still require treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024 and economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the Bank of England Monetary Policy Report showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon (end 2027).

Credit outlook:

Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.

Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the authority's treasury management adviser. Overall, the institutions on the 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:

The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates through 2025, taking it to around 3.75% by the end of the 2025-26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events. A more detailed economic and interest rate forecast provided by Arlingclose is in **Appendix 1**.

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

At 31 December 2024, the Council held £99.38 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 £2.51 million of Salix interest-free loans on a repayment basis. The Council borrowed £5 million for short term cash flow purposes in January 2025, which will be repaid on 30 April 2025. At 31 December 2024 the Council had £42.90 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.

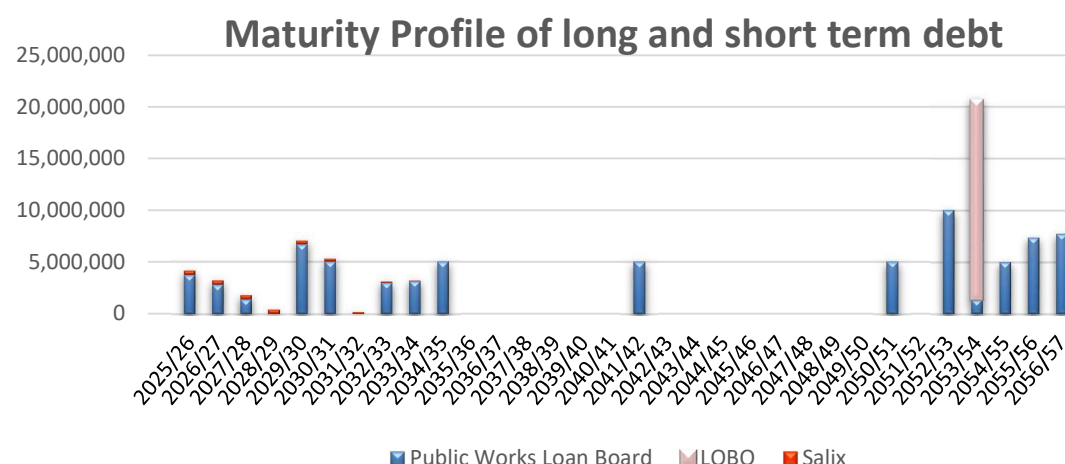
Table 1: Council's external debt and investment position as at 31 December 2024

	Principal as at 31 December 2024 £m	Average Rate 31 December 2024 %
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)	2.51	NIL
Total External Long Term Borrowing	99.38	4.69*
Other Long Term Liabilities		
Private Finance Initiative**	12.22	
Other Long Term Liabilities	2.85	
Total Other Long Term Liabilities	15.07	
Total Gross Debt	114.45	
Treasury Investments		
DMO		
Local Authorities	3.00	4.70
Banks	10.00	5.60
Money Market Funds (instant access)	7.90	3.38
	22.00	4.76
Total Treasury Investments	42.90	4.70
Net Debt	71.55	

* Excludes Salix loans which are interest free

** the provision of a Secondary School in Maesteg with a remaining term to 30 September 2033

The profile of repayment for the Council's borrowing as at 31 December 2024 is set out in Chart 1 below. The table assumes the 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 debt

This chart shows that the Council has a good spread of maturing loan dates so that there is no single year where the Council would need to repay or refinance a high loan value.

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. The table is based on capital forecasts as at 31 December 2024. It does not include the £5 million short term borrowing taken out in January 2025.

Table 2: Balance sheet summary and forecast

	31 March 2024 Actual £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m	31 March 2028 Estimate £m
Capital Financing Requirement	175.72	181.30	194.03	201.51	200.94
Less: Other Debt Liabilities	(12.97)	(14.98)	(13.74)	(12.42)	(11.12)
Loans Capital Finance Requirement	162.75	166.33	180.28	189.09	189.81
Less: External Borrowing	(104.61)	(93.71)	(89.69)	(86.58)	(84.87)
Internal Borrowing	58.14	72.62	90.60	102.51	104.94
Less: Balance Sheet Resources	(128.35)	(105.38)	(67.46)	(64.67)	(63.74)
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
(Investments)/New Borrowing Requirement	(60.21)	(22.76)	33.14	47.85	51.20

Other Debit Liabilities include the PFI Maesteg School scheme and other leases required to be recognised as a liability. International Financial Reporting Standard 16 (IFRS16) became effective on 1 April 2024 and requires that leases previously expensed through expenditure are now recognised as a right of use asset with an equal value liability, where the lease is longer than 12 months and not insignificant. The balance as at 31 March 2025 includes £3 million of leases included as a result of the impact of IFRS16.

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.

Any surplus borrowing 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. Short term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium term to either use internal resources, or to borrow short term. This strategy is prudent where the Council has resources in the short term it can use and 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 IFRS16. It is anticipated that the Council may need to consider borrowing during 2025-26 based on the latest forecast expenditure within the Capital Programme and the use of capital receipts and earmarked reserves set aside to fund significant schemes. Current forecasts for financing the capital programme estimate the use of £20.667 million of earmarked reserves and £14.239 of capital receipts during 2025-26. As internal resources are used borrowing will become necessary. Accurate forecasting of capital schemes within the Capital Programme is essential to provide robust information on which to base borrowing decisions. A number of schemes within the capital programme 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. The building of a new school in Bridgend West is likely to require debt financing of £13.9 million over the 3 years 2025-26 to 2027-28, which, given the likely use of reserves within the current capital programme, will probably require new borrowing to be taken out. If any of these change and long-term borrowing is not required during 2025-26, it may still be necessary to borrow short term to manage the Council's day-to-day cash flow requirements.

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 based on current borrowing levels, the Council's future borrowing will be below the liability benchmark, indicating a future need to borrow to fund capital expenditure. Currently the Council is using internal reserves in the short-term to fund capital expenditure, known as internal borrowing. It should be noted that the use of reserves 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.

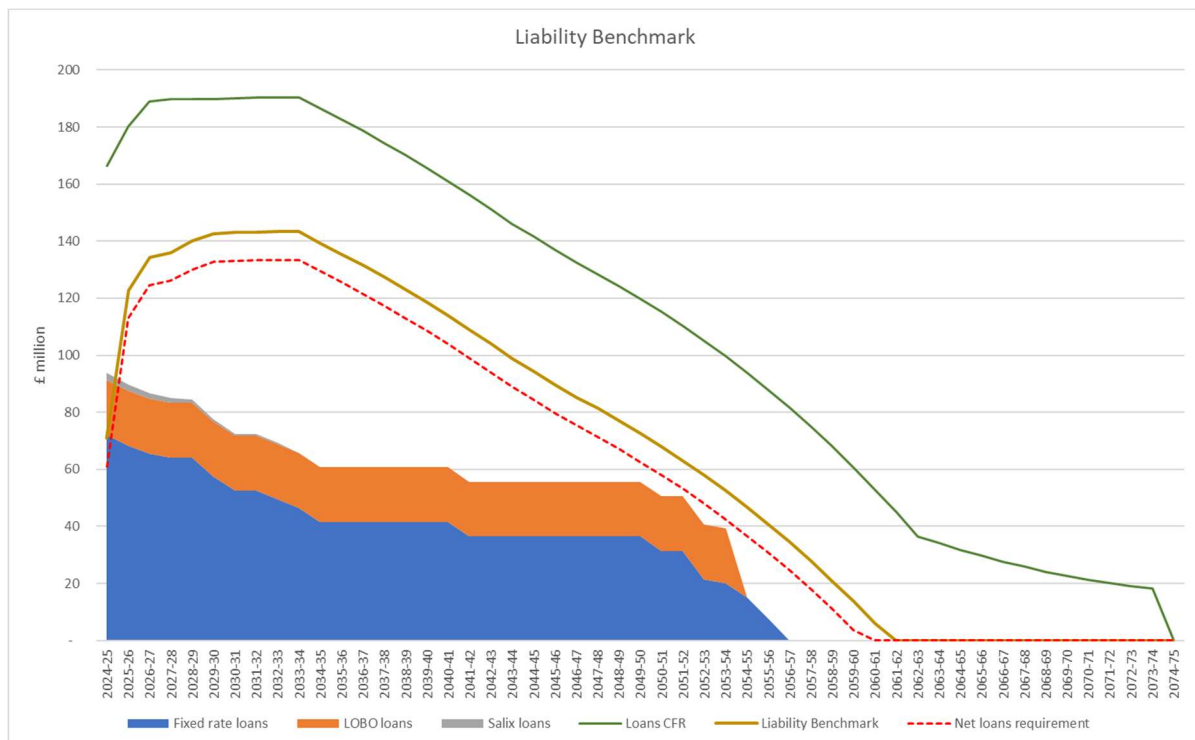
Table 3: Liability benchmark

	31 March 2024 Actual £m	31 March 2025 Estimate £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m	31 March 2028 Estimate £m
Loans Capital Financing Requirement	162.75	166.33	180.28	189.09	189.81
Less: Balance Sheet resources	(128.35)	(105.38)	(67.46)	(64.67)	(63.74)
Net Loans Requirement	34.40	60.95	112.83	124.43	126.07
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	44.40	70.95	122.83	134.43	136.07
External Borrowing	104.61	93.71	89.69	86.58	84.87

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.

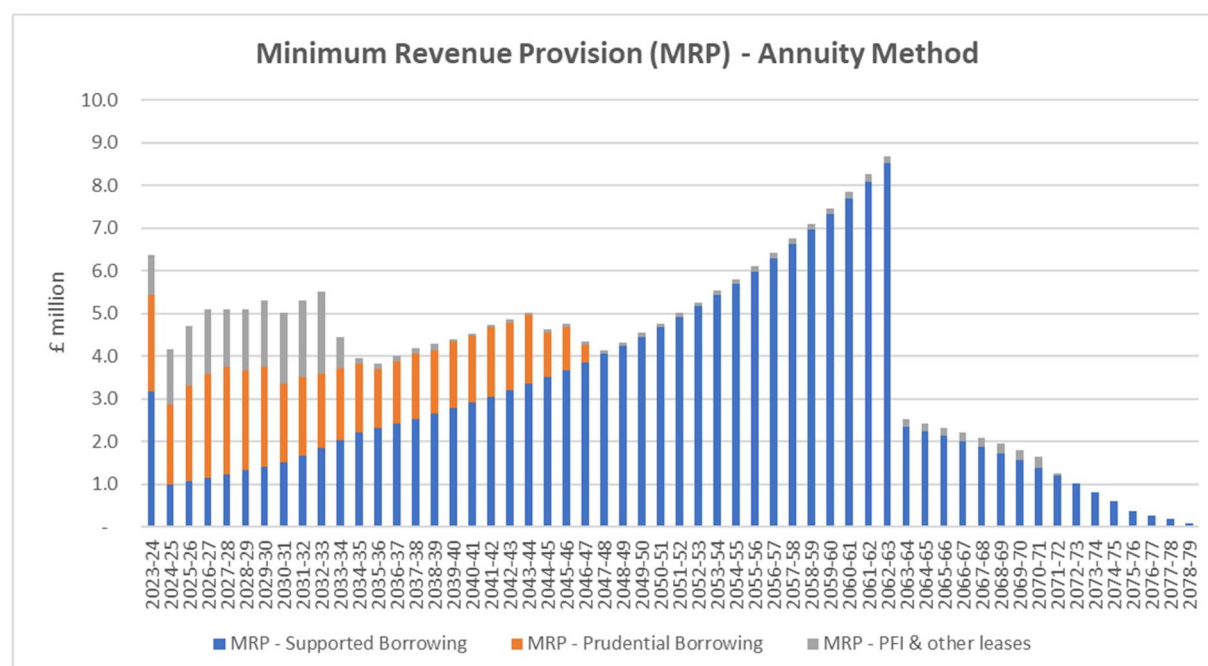
The forecasts in Table 3 above are on the basis that the long-term liability benchmark assumes capital expenditure funded by existing borrowing of £99.38 million and minimum revenue provision on new capital expenditure over a 45-year basis using an annuity method.

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). Council approved a change to the method for calculating MRP at its October 2024 meeting, from a straight-line basis to an annuity basis. The impact of this is to reduce the amount of MRP set aside in earlier years, increasing annually. This can be considered more prudent as it will consider the effect of the time value of money, in that £1 today is worth more than £1 in a year's time. Based on existing schemes within the Capital Programme cumulative MRP 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 under IFRS16. Any new capital schemes funded by debt added during the year will result in additional MRP. The current forecast MRP, 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

As noted in the introduction a key element of Treasury Management is the management of borrowing and the effective control of risks, including those associated with borrowing. The Capital Strategy sets out the Council's intention to fund capital expenditure through borrowing. Any decisions in relation to the Capital Strategy have to properly take account of stewardship, value for money, prudence, sustainability and affordability. The CIPFA Prudential Code for Capital Finance sets out clearly that it is not prudent for authorities to borrow primarily for financial return, and the Public Works Loan Board requires that an authority's Section 151 Officer must confirm when seeking borrowing from them that there is no planned capital expenditure on investment assets primarily for financial return in the current and following 2 financial years. It is not considered prudent for authorities to invest in commercial activities and any borrowing must only be for the purposes of service investment.

Borrowing may be taken in advance of need for cash if it is to reduce financing costs as a result of lower interest rates. However, the Council would seek advice from its treasury advisors before considering any long-term borrowing, irrespective of when that might be considered. Based on the liability benchmark it is likely that the Council will consider more short-term borrowing if needed for a period of up to 18 months, rather than much longer term borrowing during 2025-26. However, any borrowing decisions will be taken in consultation with the Council's treasury advisors.

At 31 December 2024 the Council held £99.38 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** forecasting a new borrowing requirement in 2025-26 of £33.14

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. It should be noted that the borrowing in Table 4 is borrowing need compared to current borrowing, not incremental need. The incremental borrowing in 2025-26 is £33.14 million, and in 2026-27 is £14.71 million to bring the total borrowing need 2026-27 compared to current level to £47.85 million.

Table 4: New Borrowing

	31 March 24 Actual £m	31 March 25 Estimate £m	31 March 26 Estimate £m	31 March 27 Actual £m	31 March 28 Actual £m
New Borrowing	0.00	0.00	33.14	47.85	51.20

The requirement to borrow will need to 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. There is a lot of uncertainty around the requirement for new borrowing, mainly due to the volatility surrounding financial reserves and working capital.

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 2025-26 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 2025-26 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. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it therefore may be more cost effective over the medium-term to either use internal resources, or to borrow short-term 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 and the appropriate duration.

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 the 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:

Table 5: Value of maturing debt

	2025-26 £ million	2026-27 £ million	2027-28 £ million
Value of maturing debt	5.580	3.709	2.790

In addition to the above the Council has taken out short-term borrowing of £5 million in January 2025, which is due for repayment in April 2025.

The Council can arrange forward starting loans during 2025-26 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) (PWLB)
- National Wealth Fund Ltd (formerly 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
- retail investors via a regulated peer-to-peer platform

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 July and January each year. When interest rates rose to a peak of 5.25% during 2024 there was a risk that lenders could have exercised

their options to increase interest rates. However, as interest rates fall this risk will lessen, although an element of refinancing risk remains. Should lenders exercise their options the Council would consider repaying 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.

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. The upper and lower limits on the maturity structure of borrowing are:

Table 6: Treasury Management Indicator Maturity Structure of Borrowing 2025-26

Refinancing rate risk indicator Maturity structure of borrowing 2025-26	Upper limit	Lower limit	Forecast amount at 1 April 2025 £'M	Forecast at 1 April %
Under 12 months	50%	0%	23.36	25%
12 months and within 24 months	25%	0%	3.18	3%
24 months and within 5 years	25%	0%	9.04	10%
5 years and within 10 years	40%	0%	16.74	18%
10 years and within 20 years	50%	0%	5.00	5%
20 years and above	60%	25%	36.39	39%

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 2024-25 the Council's investment balances were £50 million at the start of the year and were £42.90 million at 31 December 2024, although they may reduce further by 31 March 2025. This is based on an assumption regarding the use of earmarked reserves and capital receipts in the final quarter of 2024-25 and does not make any provision for any additional funding received from Welsh Government up to 31 March 2025. It is anticipated that the Council's investment balances in 2025-26 will range between £25 million to £40 million with an average investment rate of between 4.0% and 5.0%, 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. In line with the CIPFA Prudential Code and recent changes to the rules for accessing PWLB borrowing, the Council will not consider any further investment opportunities purely for financial reward. As at 31 December 2024, the Council held investment properties valued at £4.990 million, with an expected return of £0.459 million per annum excluding any vacant or rent-free periods, providing a return of approximately 9.20%. This is a slightly higher percentage return expected than for 2024-25 which is expected to be 7.87%, this is due to the total property fair value - or the estimated current market value of the assets - having decreased from £5.845 to £4.990 million (see Table 11). This return is still favourable and, in reviewing these assets, given the low proportion of their value as compared to total assets the Council holds, is not considered unreasonable. 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 during 2025-26, 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 2024 was with Local Authorities (LAs), DMO, Money Market Funds (MMF) and Banks. The Council will continue to look at investment options in line with the limits detailed below.

Short-term interest rates have started to reduce from the peak reached in August 2023 with the first reduction in August 2024. Interest rates are expected to further reduce during 2025. There is some variation between long-term and short term rates and the Council will continue to strike a balance between short and long term investments as appropriate. Due consideration will 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.'

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](#) back 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 2024. 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 will seek to act with integrity,
- 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 7 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 7: 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 overleaf.

***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, secured deposits 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/borrowing-approvals-guidance-community-and-town-councils-html#:~:text=A%20borrowing%20approval%20is%20issued,amount%20which%20may%20be%20borrowed>

Other Investments: These are loans, bonds and commercial paper issued by companies that are not covered above, for example unsecured corporate bonds and unsecured loans. 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 can be either withdrawn after a notice period or sold on an exchange, 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.

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, unless the counterparty is a local authority,
- 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 8 below shows the limits on non-specified categories. .

Table 8: 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	£3m
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 9 below.

Table 9: Treasury Management Indicator Principal sums invested for periods longer than a year

Price risk indicator	2025-26 £m	2026-27 £m	2027-28 £m	No fixed date £m
Limit on principal invested beyond financial year end	10	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 10 below.

Table 10: 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 £10 million 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 9 above. This represents 25% of the maximum average amount of investments that the Council anticipates having at any one point in time in 2025-26 of £40 million. However, if it was in line with the lowest average amount of investments it expects would be held, it would be 40%.

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 11 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.

The Council has to set out its strategy for managing interest rate risk with such indicators as are appropriate. Any loans that are repayable within 12 months are considered variable rate *even if* they were agreed for a fixed rate, as they may be replaced in the current year with a loan at a different rate. The Council holds a total of £71.40 million borrowing at fixed interest rates, including Salix loans which are interest free but are a small proportion of the Council's total debt, excluding loans that are repayable within 12 months. The Council has £8.73 million of loans repayable within

1 year, including PWLB loans, and so are considered variable interest rate debt although the interest rate on the loan is fixed. The Council also holds £19.25 million of LOBO loans, which, whilst are shown as fixed interest, the loans may be called within 12 months. As the interest rates on long term debt are fixed any change in rate will not affect the level of interest payable. Fixed borrowing, including the LOBO loans, accounts for 91% of the Council's borrowing (excluding other long-term liabilities) as at 31 December 2024.

The Council's variable rate borrowing is the LOBO's, at a current rate of 4.65%. Should interest rates rise above this rate then it is likely the lender will increase rates on these loans. The Council may have the opportunity to repay the loans without penalty, however it would also need to replace the loans with other finance, which would likely also be at a higher interest rate. It is anticipated that the lender will not 'call' these loans during 2025-26 and therefore there will not be a change in the interest rate applied.

The Council generally invests any surplus funds for less than 1 year. Whilst the interest rates of investments with other local authorities and PWLB (DMO) are fixed for the duration of the investment, any investment for less than 1 year is considered as variable rate as they would likely be replaced with an investment at a different rate. Money Market Funds and some bank account holdings are variable interest.

The following Table sets out the potential impact of a 1% rise or fall in interest rates based on investments at 31 December 2024 and assumes a full year impact.

Table 11: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	£'000
One year revenue impact of a 1% rise in interest rates	(0.141)
One year revenue impact of a 1% fall in interest rates	0.334

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 at fixed rates.

The Council will seek to minimise any borrowing costs and maximise investment income and the impact of any interest rate changes as far as resources and capacity allow. However, where investments are short duration of less than 1 year, the Council will be unlikely to be able to limit the impact of any rate changes. When seeking borrowing the Council will explore the most cost-effective options for the duration needed.

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 12 below:

Table 12: 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	3,170
Waterton Cross Land	560
Brynmenyn Industrial Estate Plot 53	675
Village Farm Plots 32,119 & 120	385
Tyrewise Bridgend	200
Total	4,990

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. The value of these investments has decreased from £5.845 million at 31 March 2023 to £4.990 million as at 31 March 2024. 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 13 below.

Table 13: 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 on 31 March 2023 and any unrealised capital gains or losses arising from qualifying investments held as at 31 March each year 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 2025-26 as standard in line with the requirements of the Code of Practice:

- Annual Treasury Management Strategy
- Mid-Year Treasury Monitoring Report, including:
- Mid-year Prudential Indicator performance
- Annual Treasury Outturn Report

Responsibility for the implementation and regular monitoring the implementation of the Treasury Management function is delegated to the Cabinet, who will receive the following reports:

- Annual Treasury Management Strategy
- Quarterly Treasury Monitoring Report, including:
- Quarterly Prudential Indicator performance
- Annual Treasury Outturn Report

The Chief Officer – Finance, Housing and Change (the Council's Section 151 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, Housing 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 advisors 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 council has recently re-tendered its contract and has remained with Arlingclose for a period of 4 years commencing 1 September 2024. 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 2025, 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 2025-26.

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 overleaf.

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	BB+	B	Ba1	Not Prime (NP)	BB+	B
		BB		Ba2		BB	
		BB-		Ba3		BB-	
	Very speculative	B+		B1		B+	C
		B		B2		B	
		B-		B3		B-	
	Vulnerable	CCC+	C	Caa1		CCC+	C
		CCC		Caa2		CCC	
		CCC-		Caa3		CCC-	
		CC		Ca		CC	
	Defaulting	C	D			C	D
		D		C		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 – (as per November 2024)

Underlying assumptions:

- As expected, the Bank of England Monetary Policy Committee (MPC) cut Bank Rate to 4.50% in February, with all nine members of the voting to cut the base rate. Seven members voted to cut by 25 basis points, while two members voted for a larger cut of 50 basis points. However, the outlook for monetary policy has changed following the new government's fiscal plans, as delivered in the recent Budget.
- The Budget contained measures that will boost demand, in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects of the Budget require a change to our Interest Rate Forecast.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth appears relatively subdued. However, the Budget will significantly boost government spending over the short-term, with few offsetting measures to subdue household demand, so GDP growth is likely to rise relatively steeply.
- Private sector wage growth has eased to 4.8% yet remains high, while services inflation continues to hold above pre-pandemic levels. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen since the half yearly report, due to higher energy prices and less favourable base effects. The current CPI rate of 2.5% has reduced slightly since November but could rise again in Q1 2025. The Bank of England estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised the gradual move to easing monetary policy, and we now believe the Budget measures have both reduced the pace of Bank Rate cuts and increased the low for this loosening cycle (although downside risks remain in the medium term).
- The increase in borrowing, rise in inflation and shallower path for Bank Rate projected by the Office for Budget Responsibility (OBR) raised gilt yields. The material change in rate expectations means that yields will be generally higher in the post-Budget world.

Forecast:

- In line with our forecast, Bank Rate was cut to 4.5% in February 2025.
- The MPC will continue to lower Bank Rate to reduce the restrictiveness of monetary policy, but more slowly and to a higher level. We expect to see a further one cut per quarter this year, in line with Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility is likely to remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- Upside risks to inflation over the next 12 months could limit the extent of monetary easing, but we see the risks as broadly balanced over the medium term.

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.95	4.80	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.30	4.20	4.10	4.05	3.95	3.90	3.90	3.90	3.95	4.00	4.05	4.05	4.05
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.41	4.40	4.35	4.35	4.35	4.30	4.30	4.30	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.84	4.80	4.75	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.35	4.50	4.45	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.40	-0.50	-0.60	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65



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