

Public Document Pack
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. Rhowch 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
Deialu uniongyrchol / Direct line /: 01656 643148 / 643694 / 643513
Gofynnwch am / Ask for: Gwasanaethau Democraidaidd

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

Dyddiad/Date: Dydd Mercher, 18 Chwefror 2026

Annwyl Cynghorydd,

CYLLIDBCYNGOR

Cynhelir Cyfarfod Cyllideb Cyngor Hybrid yn Siambr y Cyngor - Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr, CF31 4WB / o bell drwy Microsoft Teams ar **Dydd Mercher, 25 Chwefror 2026** am **16:00**.

AGENDA

1 Ymddiheuriadau am absenoldeb

Derbyn ymddiheuriadau am absenoldeb gan Aelodau.

2 Datganiadau o fuddiant

Derbyn datganiadau o ddiddordeb personol a rhagfarnol (os o gwbl) gan Aelodau / Swyddogion yn unol â darpariaethau'r Cod Ymddygiad Aelodau a fabwysiadwyd gan y Cyngor o 1 Medi 2008.

3 I dderbyn cyhoeddiadau oddi wrth:

- (i) Mayor (or person presiding)
- (ii) Chief Executive

4 Derbyn cyhoeddiadau gan yr Arweinydd

5 Strategaeth Ariannol Tymor Canolig 2026-27 i 2029-30

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

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



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6 Treth y Cyngor 2026-27

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7 Strategaeth Gyfalaf 2026-27 i 2035-36

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8 Strategaeth Rheoli'r Trysorlys 2026-27

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9 Materion Brys

I ystyried unrhyw eitemau o fusnes y, oherwydd amgylchiadau arbennig y cadeirydd o'r farn y dylid eu hystyried yn y cyfarfod fel mater o frys yn unol â Rhan 4 (pharagraff 4) o'r Rheolau Trefn y Cyngor yn y Cyfansoddiad.

Nodyn: Cyfarfod Hybrid fydd hwn a bydd yr Aelodau a'r Swyddogion yn mynychu yn Siambr y Cyngor, Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr / O bell trwy Microsoft Teams. Bydd y cyfarfod yn cael ei ffrydio'n fyw trwy wefan y Cyngor. Os hoffech wyllo'r cyfarfod hwn yn fyw, cysylltwch â cabinet_committee@bridgend.gov.uk neu ffoniwch 01656 643148 / 643694 / 643513 / 643159.

Yn ddiffuant

K Watson

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Cyfnewid testun: Rhowch 18001 o flaen unrhyw un o'n rhifau ffon ar gyfer y gwasanaeth trosglwyddo testun

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Agenda Item 5

Meeting of:	COUNCIL
Date of Meeting:	25 FEBRUARY 2026
Report Title:	MEDIUM TERM FINANCIAL STRATEGY 2026-27 TO 2029-30
Report Owner: Responsible Chief Officer / Cabinet Member	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE AND CABINET MEMBER FOR FINANCE AND PERFORMANCE
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 Medium Term Financial Strategy (MTFS) sets out the spending priorities for the Council for the next 4 years alongside a detailed budget for 2026-27. • The report outlines the financial, legislative and policy context within which the proposed 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 and has been developed by Cabinet and the Corporate Management Team. • Welsh Government announced its draft budget on 3 November 2025 before the announcement of the provisional local government settlement on 24 November 2025. The draft MTFS was based on the provisional local government settlement. • On 9 December 2025 Welsh Government announced a budget deal with Plaid Cymru which would result in additional funding of £112.8 million for local government in 2026-27, and would provide an overall 4.5% increase to the local government settlement. • The final local government settlement was announced on 20 January 2026 and the final MTFS is based on the final settlement.

	<ul style="list-style-type: none"> • In terms of the final local government settlement, the all-Wales increase in Aggregate External Funding (AEF) is 4.5%. The increase for Bridgend is 4.6%. • No information was provided on future years' funding although indications are it will still be extremely challenging. • In line with the provisional settlement, there were a number of transfers of specific grants into and out of the settlement. • The proposed net revenue budget for 2026-27 is £408.149 million, and this includes pay and price pressures of £11.671 million, service budget pressures of £13.602 million (Appendix C), budget reductions of £2.348 million (Appendix D) and a council tax increase of 4.7%. The breakdown of the budget for 2026-27 is set out in Table 10 in Annex 3. • The MTFS sets out a most likely savings target of £32.740 million over the next 4 financial years. • The Council's general capital funding increased by £259,000 to £8.841 million. • The Section 151 officer has a statutory duty to set a balanced and robust budget.
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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 2026-27 to 2029-30, attached at **Annex 3** (along with associated **Appendices A to I**), which includes a financial forecast for 2026-30, a detailed revenue budget for 2026-27 and a Capital Programme for 2025-26 to 2035-36. This is subject to Cabinet's endorsement of the proposals on 17 February 2026. Definitions of the key financial terms can be found in the glossary at **Appendix I**.

2. Background

- 2.1 The Council's well-being objectives under the Well-being of Future Generations (Wales) Act 2015 are currently:
- A prosperous place with thriving communities
 - Creating modern, seamless public services
 - Enabling people to meet their potential
 - Supporting our most vulnerable
- 2.2 This proposed Medium Term Financial Strategy (MTFS) has been significantly guided by these objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have necessitated substantial budget reductions across different

service areas (£96.7 million since austerity began in 2010), the Council still plays a very prominent role in the local economy of Bridgend County Borough and in 2025-26 is responsible for annual gross expenditure of over £530 million. The Council is also 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 impact on and restrict some of the objectives set out in the Corporate Plan for at least 2026-27, but maybe also beyond that, but the Council will remain ambitious in providing the maximum levels of service possible for all residents of the County Borough, within available resources.

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 2026-27 to 2029-30. 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 on the revenue position for 2025-26 have outlined in detail the ongoing difficulty in managing and monitoring the budget, in view of challenging and continuing pressures from 2024-25, which include increasing demand in some service areas, such as social services and additional learning needs. Whilst provisions were made in the 2025-26 budget to mitigate some of these costs, and whilst service models are in place to meet needs early to prevent an escalation of need, there was not sufficient funding to meet all, and the demand has continued to increase.
- 3.5 The announcement of the final local government settlement for 2026-27 is earlier than in previous years. The final settlement was announced on 20 January 2026. As a result this budget is being therefore proposed on the basis of the final local government settlement.

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 2026-27 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 four 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.• 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 was reported to Cabinet on 17 February 2026.

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 and Nature 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 Welsh Government's target for the public sector of net zero by 2030, which is much more ambitious than the UK Government's target of net zero by 2050, may be severely compromised without substantial external investment.

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 for vulnerable people, including children, 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 2026-27 to 2029-30 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 2026-27 and beyond.
- 8.4 However, the continuing challenging financial situation that the Council is facing, currently and in the coming years, cannot be under-stated. Whilst the Council's final settlement was better than anticipated, the Council has no firm guarantee on what funding it may receive in future years. There are significant service pressures facing the Council going into 2026-27 and beyond. These pressures, along with new emerging pressures, all need to be met from the local government settlement. The only way to mitigate them is through service reductions or higher increases in council tax. The Council's reserves have fallen in recent years, 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 2027-28 and possibly beyond. All of these factors must all be taken into consideration when approving the budget for 2026-27 onwards.

9. Recommendations

- 9.1 Council is asked to approve the MTFs 2026-27 to 2029-30, including the 2026-27 revenue budget and the Capital Programme 2025-26 to 2035-36. In particular it is asked to approve the following specific elements:
- The MTFs 2026-27 to 2029-30 (**Annex 3**, with **Appendices A to I**).
 - The Net Budget Requirement of £408,148,969 in 2026-27.
 - A Band D Council Tax for Bridgend County Borough Council of £2,007.06 for 2026-27 (Table 17 of the MTFs).
 - The 2026-27 budgets as allocated in accordance with Table 10 in paragraph 4.1.3 of the MTFs.
 - The budget pressures outlined in **Appendix C** for 2026-27 to 2029-30.
 - The budget reductions outlined in **Appendix D** for 2026-27 to 2029-30.
 - The Capital Programme 2025-26 to 2035-36, 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.](#)

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- 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 2026-27 to 2029-30
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:	2 February 2026

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 2026-27 article on Bridgend County Borough Council website – consultation pages	January 2026	Article set out that after over a decade of austerity, public services remain under pressure, and we must still find savings and increase charges for some services. It also set out that in balancing the draft budget, it is proposed to fund financial pressures of £9.2 million and to make cost	The article set out how the survey was seeking feedback about the proposals and due to a late increase in funding that there is some unallocated money available and that residents' views were welcome on where this should be prioritised.

		<p>savings of £2.4 million and a proposed Council Tax for 2026-27 of 4.95%.</p> <p>Article set out that the Council wanted to hear what the public thought about how it spends money in Bridgend and that the survey would help make decisions about local services.</p>	
Employees of Bridgend County Borough Council	January 2026	Staff Messages – Bridgend residents sought to remind BCBC employees that the Budget consultation was underway.	The Staff Message explained that the budget consultation was seeking the views on how the Council should prioritise its funding of services delivered across Bridgend County Borough. It also set out that by completing the survey, employees could have their say on how they think the Council should prioritise our services for the future.
Post 16 Budget Day Challenge	20 January 2026	<p>Post 16 representatives from all schools in Bridgend were invited to a Budget Day Challenge.</p> <p>Presentations set out setting a balanced budget, funding of local services, how Bridgend Council is funded, the net budget for 2026-27 and the budget consultation process.</p>	<p>Post 16 representatives broke up into individual workshop groups and focussed on the following service areas: - Prevention and Wellbeing, Schools, Communities, Education, Early Years and Young People and Adult Social Care.</p> <p>The representatives were asked to give feedback on current proposals and prioritisation of unallocated money.</p> <p>Cabinet received a presentation from each group at the end of the Budget Day Challenge.</p>

If you undertook a full public consultation please enter the details and a summary of the findings here:

The Council's Medium Term Financial Strategy (MTFS) consultation ran from 7 January 2026 to 27 January 2026. The consultation received 1,216 interactions from survey completions, both online and paper.

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.

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.

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 2026-27 consultation exercise undertaken between 7 January 2026 to 27 January 2026.

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	Considerations to mitigate negative impact(s) and/or secure positive impact(s)
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	Positive impact(s)	Negative impact(s)	No impact	explanation and any supporting evidence.	
Gender		X		<p>The impact on women and men may differ based on the demographics of the county borough rather than the service delivery/provision.</p> <p>From the 2021 census, there were 145,500 people living in the county borough comprising of a gender split of 49.4% male (71,800) and 50.6% (73,600) female.</p> <p>Some of the proposals will impact carers, parents and children. The vast majority of caring and parenting responsibilities are undertaken by women; some proposals therefore regarding caring and children are likely to negatively impact women.</p>	<p>There will be an impact on women and men as a result of some of the proposed budget reductions although, potentially, the impact may differ depending on the service being delivered/ reviewed.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated.</p>
Disability		X		<p>From the 2021 census, 11% of Bridgend residents were identified as being disabled 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</p>

					possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated
Race		X		<p>From the 2021 census, there are 4,691 BAME people living in Bridgend comprising 3.2% of the total population.</p> <p>The Council currently provides information in languages other than Welsh, English and British Sign Language.</p> <p>We will continue to monitor the impact of our proposed budget reductions on this protected characteristic.</p>	<p>There may be an impact on race as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>
Religion and belief		X		<p>From the 2021 census, 52.3% of residents reported having 'No religion', 40.4% described themselves as Christian, and 5.6% did not state their religion.</p> <p>The full impact of the budget reductions is currently unknown however we will continue to monitor the impact and introduce mitigation where possible.</p>	<p>There may be an impact on religion and belief as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or</p>

					barriers for particular groups are taken account of and, if possible, mitigated
Sexual Orientation			X	<p>The potential impact of the budget reduction on this particular protected characteristic group is unknown as, although consultees are asked to share their personal and sensitive data with the Council, this is not always disclosed.</p> <p>Further efforts will be made to encourage service users, customers, visitors and staff to disclose information regarding sexual orientation.</p>	<p>There is not expected to be an impact on sexual orientation as a result of 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>
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</p>

					barriers for particular groups are taken account of and, if possible, mitigated
Pregnancy & Maternity				<p>The potential impact of the proposed budget reductions on pregnancy and maternity is currently unknown. Some of the proposed reductions may influence the decisions of women to have (or not have) children as it may no longer be economically and socially viable. Women could face the decision of either staying at home (which has shown to have a negative impact on their income, career prospects and their longer term income) or paying private bursary fees until their children reach the age of 4-5.</p>	<p>There may be an impact on pregnancy and maternity as a result of some of the proposed budget reductions.</p> <p>The finer detail of how the final proposals will be implemented will follow in due course, and it is recommended that comprehensive and detailed equality analysis is carried out on some of the proposals as they are taken forward. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated</p>
Transgender			X	<p>The potential impact of the budget reductions on this particular protected characteristic group is unknown as, although consultees are asked to share their personal and sensitive data with the Council, this is not always disclosed.</p> <p>Further efforts will be made to encourage service users, customers, visitors and staff to disclose information regarding reassignment.</p>	<p>There is not expected to be an impact on transgender people as a result of 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</p>

					possible negative impacts or barriers for particular groups are taken account of and, if possible, mitigated
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 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>

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
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Welsh language

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

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

less favourably than the English language				total of 145,500 people – 15.2%) who can read, speak or write Welsh. There is not expected to be a negative impact on the Welsh language.	Welsh Language Standards in all of its activities.
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Wider impact

Cumulative impact

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

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

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

Public Sector Equality Duty

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

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

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

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

Consideration has been given to the requirements of the Public Sector Equality Duty throughout the development of the MTFS. The proposals contained within the MTFS cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing the MTFS proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups

Procurement and partnerships

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

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

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

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

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	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

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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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 2027

Approval

Date Full EIA completed:	2 February 2026
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:	2 February 2026

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 publicly 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

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

Project Description (key aims):

Medium Term Financial Strategy (MTFS) 2026-27 to 2029-30

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

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

- Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.
- Adhering to a clear set of MTFS principles 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**2. How does your project / activity put resources into preventing problems occurring or getting worse?**

The MTFS attempts to balance investment in preventative measures against costs of reacting to unanticipated situations in statutory services. 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</p>	<p>3. How does your project / activity deliver economic, social, environmental & cultural outcomes together?</p> <p>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.</p>
<p>Collaboration</p>	<p>4. How does your project / activity involve working together with partners (internal and external) to deliver well-being objectives?</p> <p>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.</p>
<p>Involvement</p>	<p>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?</p> <p>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 2026-27 continues to be challenging, 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.</p> <p>The results will be collated and considered by Cabinet in order to further inform final decisions on the MTFS.</p>

<p>Section 2 Assess how well your project / activity will result in multiple benefits for our communities and contribute to the national well-being goals</p>		
<p>Description of the Well-being goals</p>	<p>How will your project / activity deliver benefits to our communities under the national well-being goals?</p>	<p>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>

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

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

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

environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.	<p>better knowledge of different cultures and a better knowledge of the local environment.</p> <ul style="list-style-type: none"> • Healthy lifestyles include cultural activities that promote understanding of diversity of communities, different cultures, races. Promote apprenticeships to people from different backgrounds. 	services that will continue to be provided by the Council or its partners.
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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:	30/11/2025

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MEDIUM TERM FINANCIAL STRATEGY

2026-27 TO 2029-30



Cyngor Bwrdeistref Sirol



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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 2026-27 and outline proposals for 2027-28 to 2029-30.
- The capital programme for 2025-26 to 2035-36, 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 2026-2030 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)

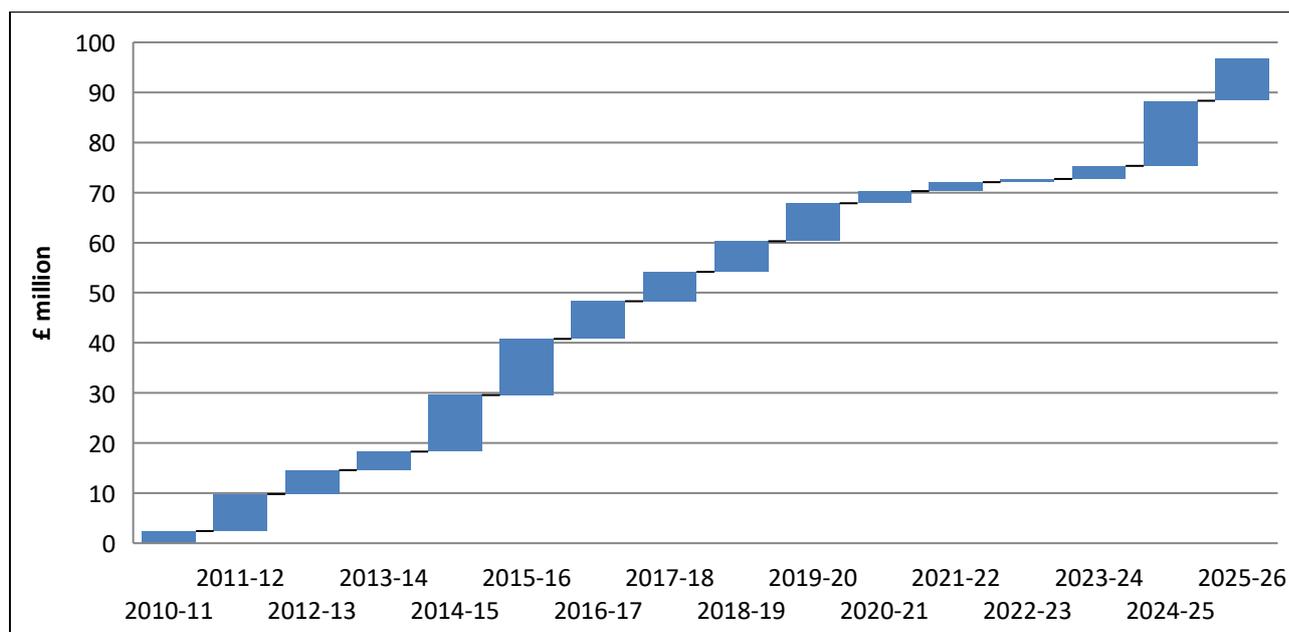
are kept under review to maintain alignment with the MTFS and the Corporate Plan.

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 £96.7 million (nominal value) of budget reductions, as shown below. These reductions represent almost 25% 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 £408.149 million for 2026-27, 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 £550 million in 2026-27. 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 £240 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 Health and Social Care (Wales) Act 2025, which reflects 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. These legislative changes are not fully funded by Welsh Government and the removal of profit particularly has significant revenue and capital implications. Grant funding which has been made to support the transitional phase is due to end in 2027-28 which will increase cost pressures.
- 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, the Welsh Language and Education (Wales) Act 2025 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 a consistent number of high-cost independent residential placements and on occasion 'operating without registration' placements for children and young people. To meet this need the budgetary position has worsened as the number of high cost placements continues to exceed budget. There has also been a reduction in the number of in-house foster carers which has exacerbated the need for residential care. This area will be a priority for an invest-to-save initiative with an aim of significantly preventing and de-escalating these high-cost placements whilst continuing to reduce the total number of looked after children.
- Demographic changes – the size of the population is increasing as people living longer with complex health conditions. This means the number of people living in Bridgend with health and social care needs is also increasing with age related illness and disability. 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 delays in access to NHS treatment. 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 carers supporting individuals - children or adults – with significant disabilities are evident. Changing the model of support for adults with a learning disability and mental health is a priority. This will reduce the costly use of residential care for some.

- Changing pupil demographics can challenge education services through giving schools financial instability, due to the requirement to fund schools on pupil numbers, through affecting long term sustainability of schools with falling rolls, impacting on the longer term planning of school places, and potentially resulting in increases in pupils with additional learning needs, not always in schools where there is provision.
- 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 2025-26 have outlined in detail the ongoing difficulty in managing and monitoring the budget, in view of challenging and continuing pressures from 2024-25, which include increasing demand in some service areas, such as social services and homelessness. Whilst provisions were made in the 2025-26 budget to mitigate some of these costs, and whilst service models are in place to meet needs early to prevent an escalation of need, there was not sufficient funding to meet all, and the demand has continued to increase.

1.3.6 Budget planning for the financial year 2026-27 continues to be more uncertain and challenging than usual, with a number of existing and new cost pressures presenting themselves and making a demand on the Council's limited resources. In addition, there continue to be high expectations on the Council to address homelessness more robustly, and on a longer- term sustainable basis, and additionally to meet the needs of a growing and ageing population for social care, which results in increased demand and costs as well as more complex cases in both adult and children's services. In addition, providers of social care – both inside the Council and commissioned services – are experiencing, significant inflationary pressures due to wage inflation, including above inflation uplifts to the Real Living Wage, recent increases to national insurance costs and rising energy costs. There is new legislation in the form of the Health and Social Care (Wales) Act (2025) and the transitional revenue and capital costs associated with this legislation require significant investment. We also continue

to see 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 four 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 2026-27 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.

Alternative Delivery Models

We will continue to seek alternative ways of delivering services if that can ensure greater sustainability and efficiency. 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 (TCCs) will be better able to take on additional responsibility for some local services when appropriate. This work has been enhanced this year with the appointment of a Town and Community Council Liaison Officer, whose role is to act as the main point of contact between the Council and TCCs, providing support, guidance and communication, developing and maintaining strong working relationships. 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.

During 2025-26 the Council underwent a Panel Performance Assessment. The headline findings from the assessment were very positive. However, despite these positives it describes the Council as now being at ‘a crossroads in terms of its development and now is the time to act at pace. By making the necessary changes now, the council can make sure it can sustain services and continues to deliver for its communities for years to come.’ To address the issues raised, the Council is now developing a transformation plan which will set out a clear, long-term vision for Bridgend in 2040, and some broad themes / work streams for how we will achieve that vision. Additional strategic capacity has been put into the authority to increase our resilience and enhance the capacity for change. Specifically, it is anticipated that an acceleration of the Council’s digital programme will deliver long term efficiency savings. In addition, the council will better embed programme and project management with additional investment to deliver change and sustainability. 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.

Over recent years savings have been made by rationalising the number of operational depots and releasing three of the Council’s major staff offices at Sunnyside, Sunnyside House and Ravens Court. 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 2026-27 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 2026-27 onwards are:

- A prosperous place with thriving communities
- Creating modern, seamless public services
- Enabling people to meet their potential
- Supporting our most vulnerable

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

	2015-16 £m	2025-26 £m	% increase
BCBC Council Budget	252.201	383.226	51.95%
WG Funding	188.409	276.528	46.77%
Council Tax Income	63.792	106.698	67.26%
% of Net Budget funded by Council Tax	25.29%	27.84%	10.07%

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, as the population has increased, and increases in council tax charges which have been required to balance the budget.

Financial Performance

Current Year (2025-26) Financial Performance

The in-year financial position as at 31 December 2025 is shown in **Table 2** below.

Table 2 – Comparison of budget against projected outturn at 31 December 2025

Directorate/Budget Area	Original Budget 2025-26 £'000	Revised Budget 2025-26 £'000	Projected Outturn Q3 2025-26 £'000	Projected Over / (Under) Spend 2025-26 £'000
Directorate				
Education, Early Years and Young People	154,862	158,786	158,281	(505)
Social Services and Wellbeing	115,909	119,585	119,026	(559)
Communities	33,754	34,429	34,548	119
Chief Executive's	24,815	25,762	26,103	341
Total Directorate Budgets	329,340	338,562	337,958	(604)
Council Wide Budgets				
Capital Financing	5,958	5,907	3,303	(2,604)
Levies	10,209	10,209	10,209	0
Apprenticeship Levy	750	869	874	5
Council Tax Reduction Scheme	17,054	17,054	17,221	167
Insurance Premiums	1,363	1,363	1,507	144
Repairs & Maintenance	670	670	600	(70)
Pension Related Costs	430	430	462	32
Other Council Wide Budgets	17,452	8,162	1,836	(6,326)
Total Council Wide Budgets	53,886	44,664	36,012	(8,652)
Total	383,226	383,226	373,970	(9,256)

The overall projected position at 31 December 2025, as reported to Cabinet on 3 February 2026, is a net under spend of £9.256 million comprising £604,000 net under spend on directorates and a net under spend of £8.652 million on Council wide budgets. The projected under spend has improved from the £5.897 million reported at quarter 2 primarily due to savings on Minimum Revenue Provision (MRP) charges following the change in policy on the calculation of MRP (£1.004 million) and additional grant funding from Welsh Government.

Historical Financial Performance

Table 3 outlines the historical outturn position over the previous three financial years. 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 this is reflected in the outturn position. Annually the Council continues to review its reserves and draws down in line with need before establishing new reserves for emerging pressures. For the 2022-23 financial year, due to limited funding at year end, the Council was not able to increase the value of the Council Fund and drew down a far greater amount of funding from earmarked reserves than in previous years, in order to prevent an overall over spend position.

In 2023-24 due to the level of demand facing the Council it ended the financial year in an over spend position, the first time in its history. This required the Council to review all of its earmarked reserves and unwind a number of them, in order to balance the budget. The financial settlement from Welsh Government for 2024-25 was more favourable than anticipated, and this enabled the Council to address some of the more significant budget pressures and demands, which then resulted in a more favourable outturn position at year end. This was also helped 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. Given the favourable outturn position, the Council used a significant element of this funding to establish new earmarked reserves to support pressures continuing into 2025-26 and to enable investment through the Council's capital programme. 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 2022-2025

	2022-23 £000	2023-24 £000	2024-25 £000
Council Budget	319,514	342,334	360,671
Outturn	318,231	350,894	347,941
(Under) / Over Spend	(1,283)	8,560	(12,730)
Net Council Tax Collection	(774)	(1,506)	(611)
Transfers to / (from) Earmarked Reserves	2,057	(6,952)	13,063
Transfer to / (from) Council Fund	0	(102)	278

Usable Reserves

In terms of financial reserves, the Council Fund balance has actually decreased over the four year period shown in **Table 4**. This represents 2.6% of the net revenue budget for 2025-26 or 3.9% 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 2021-2025

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
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
2024-25	10,008	67,871	32,021	5,723	115,623

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. For 2024-25, due to slippage of some capital schemes into 2025-26, and the maximisation of capital grants received, there has been little draw down on the capital receipts reserve; and overall the balance has increased due to sales of the Ravens Court offices and land in Porthcawl. 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 2025 the balance on the capital programme reserve was £46.083 million, which constituted 69% of the earmarked reserves balance, leaving around £21 million for other commitments, including:

- £1.893 million Service Transformation
- £2.082 million Building / Asset Management
- £2.762 million Equalisation Funds and Grants
- £7.139 million Specific Directorate Pressures

Earmarked reserves are reviewed regularly, drawn down when required and unwound when no longer necessary. Detailed reviews of earmarked reserves continue to be undertaken throughout 2025-26 to enable 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.

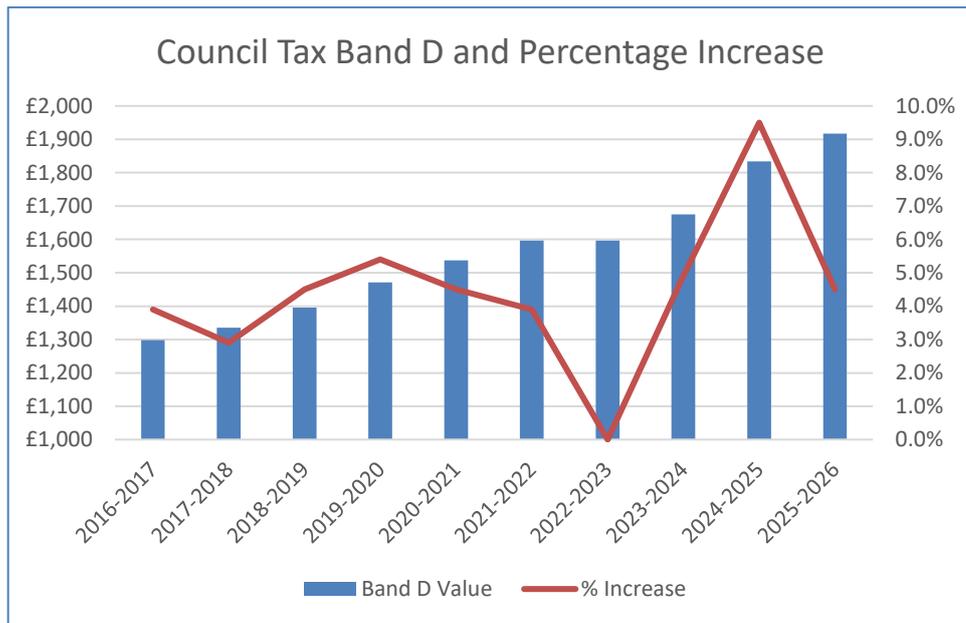
Capital interest costs as a percentage of the net revenue budget have historically averaged between 3% to 4%. However, this could increase if budgets are squeezed

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 2016-17 to 2025-26, along with the percentage council tax increase for that financial year. The average increase over the period is 4.4% and the Band D charge has increased from £1,297.78 to £1,916.96.

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



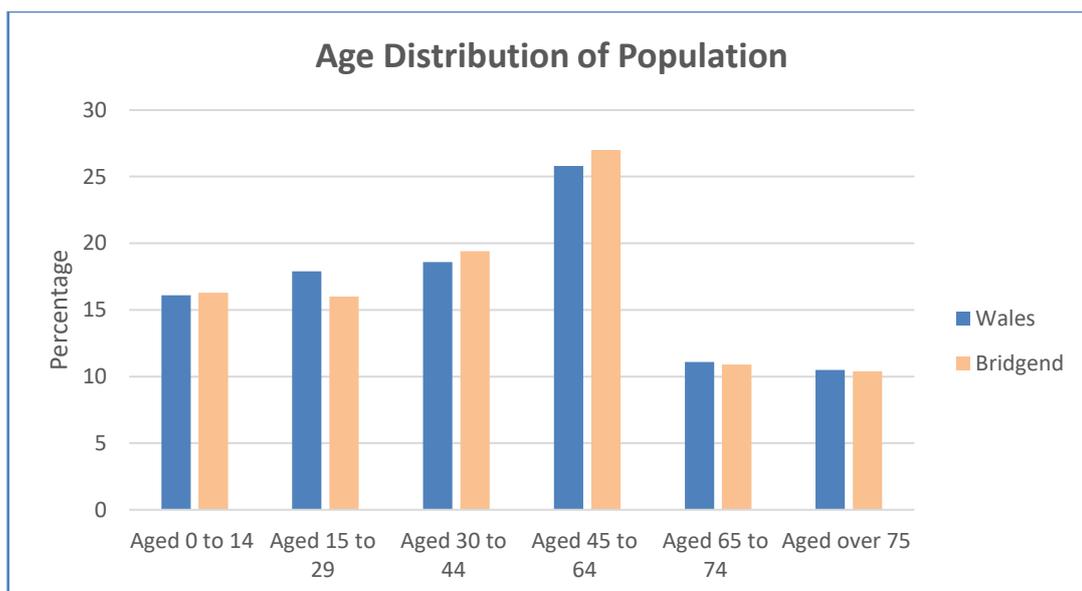
2.2.2 Non-Financial Statistics:

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 period July 2024 to June 2025, 75.3% of Bridgend's population was economically active compared to an all-Wales level also of 75.9% (Nomis – Official Census and Labour Market Statistics), based on the working age population, with 24.7% 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 75.3% who were economically active, 72.2% were in employment, with the remainder unemployed. Bridgend and Wales' economic activity rate is lower than the rate for Great Britain as a whole, at 78.8%.

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 £42 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:

Bridgend Council, in partnership with Halo Leisure, operates eight leisure centres and swimming pools across the borough. These facilities include the Bridgend Life Centre, Garw Valley Life Centre, and several swimming pools such as Maesteg Sports Centre and Pencoed Swimming Pool, which offer various activities to promote public health and wellbeing.

We also have 11 public library facilities, which are delivered by the Awen Cultural Trust.

We 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 the Corporate Management Team (CMT) 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, in October 2025 the Council introduced a 'Time to Talk Budget' campaign. This included infographics, social media posts, 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 'Shaping Bridgend's Future 2026' between 7 January 2026 and 27 January 2026. The survey focused on residents' views on reviewing existing services, increasing or introducing fees and charges, and priorities for allocating additional funding. The results of the survey were collated and used to further inform final decisions on the MTFs. In addition, the Council held a Post-16 Budget Challenge day to give post-16 learners the opportunity to be made aware of the Council's budget and input into the consultation process.
- 2.3.3 Overall, the budget consultation received a total of 1,216 survey completions, online and by paper, compared to 1,637 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">• 1,216 survey completions in total.• 39% agree that we should be increasing charges for services where a charge is already in place and introducing charges for services which are currently provided for free.• 73.5% of respondents agree that reviewing and transforming services is an important consideration.• 87% of respondents answered Yes to reviewing the use of assets/buildings being the right approach.• 88.6% of respondents agree that reviewing contracts with external partners is the right approach.• Respondents prioritised where to allocate additional funding as follows:<ol style="list-style-type: none">1. Schools and Education2. Roads / Pavements / Potholes3. Local Environment4. Support for Homelessness5. Community Hubs / Wellbeing6. Youth Services7. Public Transport• The following key themes emerged from suggestions on what the Council's budget priorities should be for 2026-27:<ul style="list-style-type: none">○ Maintain the roads○ Invest in the town centre○ Stop wasting money on vanity projects○ Cleaner streets○ Stop increasing council tax○ Reduce council tax○ Reduce anti-social behaviour○ Support for the elderly

2.3.5 In addition to the public consultation, Cabinet and CMT have been working with the Scrutiny Budget Working Group (SBWG) to facilitate the budget planning process. This working group comprised 24 members from across all political parties and provided members with the opportunity to undertake deep dives into each directorate budget. This then resulted in a series of recommendations from the SBWG to Cabinet on 16 December 2025. The draft budget report approved by Cabinet in January 2026 has also been scrutinised by the Council's Corporate Overview and Scrutiny Committee, resulting in a report to Cabinet on 3 February 2026 from the Corporate Overview and Scrutiny Committee (COSC), outlining a number of comments and recommendations, further to those from the SBWG. Cabinet has considered COSC's recommendations, along with those from the SBWG, and a response to these is provided in **Appendix A** (i and ii).

2.3.6 Cabinet and CMT have reflected on the responses received from the public consultation, and from discussions with, and recommendations from, the SBWG and COSC, and have compiled the final budget based on the comments and responses received. This includes:

- not progressing the indicative 1% budget reduction against school delegated budgets, for 2026-27 or 2027-28 at this time;
- not pursuing some of the budget reductions proposals that were not progressed last year e.g. on the education welfare service;
- progressing invest to save proposals and the transformation agenda;
- keeping council tax as low as possible, mindful of the overall budget pressures;
- supporting children with additional learning needs;
- supporting vulnerable children and adults, and;
- improving the public realm.

These proposals, along with the additional final settlement budget pressures outlined in **Appendix C**, are in direct response to the outcome of the budget consultation process, in particular those areas where residents wanted to see additional investment, and the budget priority areas they identified in the public consultation, as outlined in **Table 5**.

2.3.7 It must be noted that there are still risks in terms of future year funding levels, so the budget set for 2026-27 must be sustainable. Whilst some amendments have been made to the final budget, this has been done with consideration of potentially more challenging settlements in 2027-28 and beyond.

2.3.8 When the draft MTFs was published in January, it was reported that on 9 December 2025 Welsh Government had announced that further funding would be included in the final settlement, equating to around £5 million for Bridgend. 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, but effective, “back office” service that supports service delivery and transformation;

- In setting the budget, the Council will be mindful of the predicted financial austerity across the public sector in the coming years and plan to ensure the financial viability of the Council, and;
- The Council will seek to recover the cost of services via fees and charges where it is able to do so.

2.4.2 Education, Early Years and Young People

The Council is proposing to spend almost £164 million on services delivered by the Education, Early Years and Young People Directorate in 2026-27, prior to the allocation of additional funding for pay and price increases. Around £130 million of this money will be spent directly by Bridgend's 59 schools and one pupil referral unit.

In addition to the £130 million proposed budget to be initially delegated to schools in 2026-27, 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 £42 million as part of the Sustainable Communities for Learning Programme, £15 million more than was committed last year. 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. Welsh Government approval has been received in respect of the full business case for the Bridgend West primaries scheme, and the remaining Band B full business cases will be submitted to Welsh Government once tender processes have concluded. 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. Assessing the full year revenue impact of this is detailed work that is underway. 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 the school age population)).

The current net budget for schools is £126.309 million, compared to an overall Council net budget of £383.226 million, so it is difficult to make significant levels of budget reductions without any impact at all on schools, either directly or via central services that support schools. However, for 2026-27, schools have not been tasked with finding any budget reductions from their delegated budgets and there are currently no proposed reductions for schools for 2027-28. In addition, they will receive additional funding for a range of pay and price increases that could total around £5 million, taking into account allocations already included in the original budget for 2026-27. 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** later in the report.

The forecast pressure on Council budgets for future years is such that further efficiency savings may be unavoidable for schools from 2028-29 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. Bridgend has amongst the highest number of special school places and demand is growing. Equipping schools better to manage the needs of children in mainstream settings will be a priority to contain and even reduce the budget to sustainable levels.

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 e.g. those with additional learning needs or emotional, social and behavioural difficulties who experience challenges with a full timetable.

In June 2022, Bridgend Youth Justice Service was inspected by Her Majesty's Inspectorate of Probation. At that time, the service was deemed as requiring improvement. The main challenges faced by this service included increased numbers of children open to the service, the management of an increase in the number of first-time entrants into the criminal justice system and a reduction in grant funding. Since then, significant improvements have been made. His Majesty's Inspectorate of Probation (HMIP) most recently inspected Bridgend Youth Justice Service in November 2025. While we await formal (published) feedback from HMIP, initial feedback in respect of the work of Bridgend Youth Justice Service has been extremely positive and the service has managed well dealing with increased demand.

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 Transport Policy.

2.4.3 Social Services and Wellbeing

After education and schools, the largest area of Council spend is 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 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, including above inflation increases to the Real Living Wage and employer national insurances costs, and non-pay costs, including energy 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. Consideration of expanding our in house offer will also be a priority as the market increasingly adjust prices with top-ups as supply is lower than demand.

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 significantly 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 (i.e. not registered with Care Inspectorate Wales). 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 3 years has been steady at around 20 and whilst the Council is investing in its own residential provision the revenue costs of operating Council care homes also need to be provided for. 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, and was approved by Cabinet in November 2024, which sets out the operating model, workforce plan, practice model and prevention and wellbeing approach to supporting vulnerable people 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 services 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 comply with Welsh Government's commitment to pay all care workers the Real Living Wage, 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, with rising prices over recent years and this year's increase in employer national insurance contributions, 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 intervene early and preventatively, 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.

In addition to children and family services and adult social care, the Social Services and Wellbeing directorate also has responsibility for prevention and wellbeing, including the healthy living partnership with Halo and the cultural partnership with Awen. These partnerships also experience the impact of inflationary pressures, particularly the Awen partnership which has very limited ability to raise income.

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 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 January 2026 this had increased to 299 households. 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 2024-25 the net spend from core budget was £2,909,503.

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. This has now increased to around 3,500 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.

Capacity to work with and commission Housing Associations is limited as is the capacity to manage and develop services for such a high level of need. This will be considered carefully in 2026.

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 2026-27 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 £30 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 2026-27.

The Council is now in the process of bringing its waste services back in-house from July 2027. Bridgend is one of only 12 local authorities that has met the statutory recycling rate of over 70%, with a rate of 71.4% in 2024-25. 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 2026-27.

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. It will be a priority to increase capacity in these areas.

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 South East Wales Corporate Joint Committee (CJC), known as Cardiff Capital Region City Deal. 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. 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 £2.6 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. 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 144 year old listed building for future generations.

The Council also adopted the Replacement Local Development Plan (RLDP) in March 2024. We are the first local authority in Wales to have an approved RLDP, 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 RLDP and these are essential for delivering high quality new infrastructure, such as roads, new schools, housing and play facilities in development areas within the Borough.

More specifically, the Council has made and continues to make good progress in pursuit of the development of our main towns. These include the regeneration of the waterfront at Porthcawl, including the Salt Lake site, 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 endeavour to 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 was extended for a transition year in 2025-26, ahead of wider local growth funding reforms. However, this was at a level that is around 40% lower than the previous year's budget. Further detail is still awaited on the SPF replacement, the Local Growth Fund. 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, the tender for the main construction works was awarded and the construction contract has commenced.

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, most recently due to the cost of living crisis. We are determined to regain the pre-2020 high levels of collection, but it is an uphill struggle. From 1 April 2026 Welsh Government are introducing changes to the recovery process to give council tax payers longer to pay before losing the right to pay by instalments which will result in a delay in income being received, increased postage costs and less income from court costs.

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.

A number of benefits, including Housing Benefit and Universal Credit, are funded by the central UK government, but the administration of Housing Benefit applications falls to the Council. The Benefits Service also administers applications on behalf of the Council for Council Tax Reduction, Discretionary Housing Payments, Free school meals, Special Guardianship allowances, Adoption allowances and Disabled Facilities 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 reductions against these services for 2026-27 onwards.

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's target for all public sectors bodies to achieve net zero by 2030.

The service will continue to review its processes in 2026-27 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. Any changes to services as part of the transformation agenda will need to be undertaken lawfully. Direct support to services such as Education and Social Services is delivered by a combination 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 continue to increase in number and complexity.

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 around 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. Proposals will be developed to enhance these areas in response to the Panel Performance Assessment recommendations.

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

ICT

We are continuing to invest in the automation and digitisation of services in line with

our Digital Strategy, where it is appropriate to do so. Work will continue as part of the corporate Transformation Programme which will help achieve savings in future years, through the development and digitising of information-intensive processes, freeing up capacity and making efficiencies. The use of data needs improvement and the capacity to implement new systems has been limited. 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. Bridgend is currently behind where we wish us to be and this will be a priority for investment.

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

Procurement

The Council has a central team that provides procurement support across the range of services that we provide. Effective procurement is essential to ensuring good value for money across the Council. The central team work with services to implement corporate wide efficiencies where appropriate. The Council is developing an updated Corporate Procurement Strategy which will support a number of corporate priorities.

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 2026-27 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 2025-26 in February 2025, 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 2026-27 and future years. However, since the MTFs was agreed by Council in February, in July this year Welsh Government announced its approach to the budget for 2026-27. The Finance Secretary indicated that a one-year budget would be published in October which would increase departmental budgets by inflation. No indication was provided on what the level of inflation would be, but as a consequence of the announcement we updated our assumptions to be a most likely scenario of 2% increase in aggregate external funding.
- 3.1.2 On 1 July 2025 the Finance Secretary set out the Welsh Government's approach to the 2026-27 budget. He indicated that it would be a one-year only budget, due to the forthcoming Senedd elections, that it would not introduce major new spending commitments, and would focus once again on a healthier Wales, green jobs and growth, connecting communities and opportunity for every family.
- 3.1.3 Welsh Government announced their outline draft budget on 14 October 2025, which set out their high level strategic fiscal proposals for expenditure and financing. The Welsh Government Finance Secretary stated that it provided a stable platform on which public services can plan in the run-up to the Senedd election, and that government departments would have at least the same amount of funding, in real terms, as they had this year. He also said that Welsh Government were determined to recognise the particular circumstances of local government as they work together on a settlement which will protect jobs and frontline services, understanding the strict rules it has to comply with when making its budgets.
- 3.1.4 Following this, Welsh Government outlined their detailed draft budget on 3 November 2025. The Welsh Government Draft Budget sets out updated revenue and general capital spending plans for 2026-27. The Cabinet Secretary for Finance and Welsh Language stated that these were initial spending plans, to enable public services to begin their own planning for the next financial year. He stated that the Draft Budget allocated 98.6% of all the funding available for 2026-27 which meant that more could – and would – be done to invest in the vital needs of Wales, by the time of the Final Budget in January 2026. He stated that 2025-26 allocations have been rolled over and departmental allocations increased by around 2% at this stage of the draft budget. He indicated that there is currently around £380 million of unallocated funding, a combination of revenue and capital.
- 3.1.5 In respect of local authorities the Cabinet Secretary reiterated that additional funding allocated during 2025-26 for the public sector to meet the UK Government's increased employers' National Insurance costs, and to meet pay awards for teachers and local authority staff has been included in the baseline funding for 2026-27. There is also an uplift of 2% for general inflation and 2.2% for pay inflation. Additional

funding was also included to ensure no individual local authority receives an increase of less than 2.3%.

- 3.1.6 The provisional local government settlement was announced on 24 November 2025. The Cabinet Secretary for Housing and Local Government indicated that this provisional settlement provided £6.4 billion from the Welsh Government Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) to spend on delivering key services. The headline figure was an overall increase of 2.7% across Wales and, for Bridgend, a reported increase of 2.8% in Aggregate External Finance (AEF), after a number of transfers into the settlement in respect of pay and national insurance, which were funded through specific grants in 2025-26. No local authority received less than a 2.3% increase in funding. In terms of cash increases, this represented a £7.9 million increase in funding, after the specific transfers into the settlement.
- 3.1.7 Following the announcement of the provisional local government settlement, the Chancellor of the Exchequer presented the Autumn Budget 2025 to Parliament on 26 November 2025. The Office for Budget Responsibility (OBR) released a full economic and fiscal forecast on the same day.
- 3.1.8 In the Autumn Budget the Chancellor said that the budget would maintain their investment in the economy and the National Health Service, it would cut the cost of living and bring down inflation, providing immediate relief for families. The Chancellor said that there would be an extra £505 million added to the Welsh Government's budget between now and 2028 as a result of new spending commitments in England, and as part of the budget, changes have been announced to the way that Wales is funded which the UK Government says will lead to £425 million extra "spending power" for the Welsh Government.
- 3.1.9 In response to the Autumn Budget the Welsh Government First Minister said, "*This is a Budget which will help people right across Wales. It will mean more money in the pocket of people who need it the most, support for energy bills, a raise in the minimum wage and good news for pensioners*". She also said "*We called on the UK Government to continue to support us with more money for hard pressed public services and they have delivered with an extra £500m, building on the £5 billion of extra funding they have already confirmed*".
- 3.1.10 On 9 December 2025 Welsh Government announced that they had reached a budget agreement with Plaid Cymru that secured almost £300 million of additional investment in Wales' public services in 2026-27, and that the agreement would secure the passage of the Final Budget for 2026-27 in January 2026. As part of the agreement there would be additional funding of £112.8 million for local government in 2026-27, which would provide an overall 4.5% increase to the local government settlement. At the same time Bridgend was notified that provisionally our final settlement increase could be 4.6%, an additional £5 million compared to the provisional settlement.
- 3.1.11 Welsh Government announced their final budget on 20 January 2026. They reported that in their final budget they were allocating £472 million fiscal resource and capital more than they did at draft budget stage, and that the main increases were to Health and Social Care (£180 million) and Housing and Local Government (£112.8 million), in line with their announcement in December. For local government they reiterated that this would mean an average increase of 4.5% and would ensure all councils see an uplift of more than 4% in their settlement. There was also a further £100 million of revenue and capital funding, which will support Welsh Government priorities,

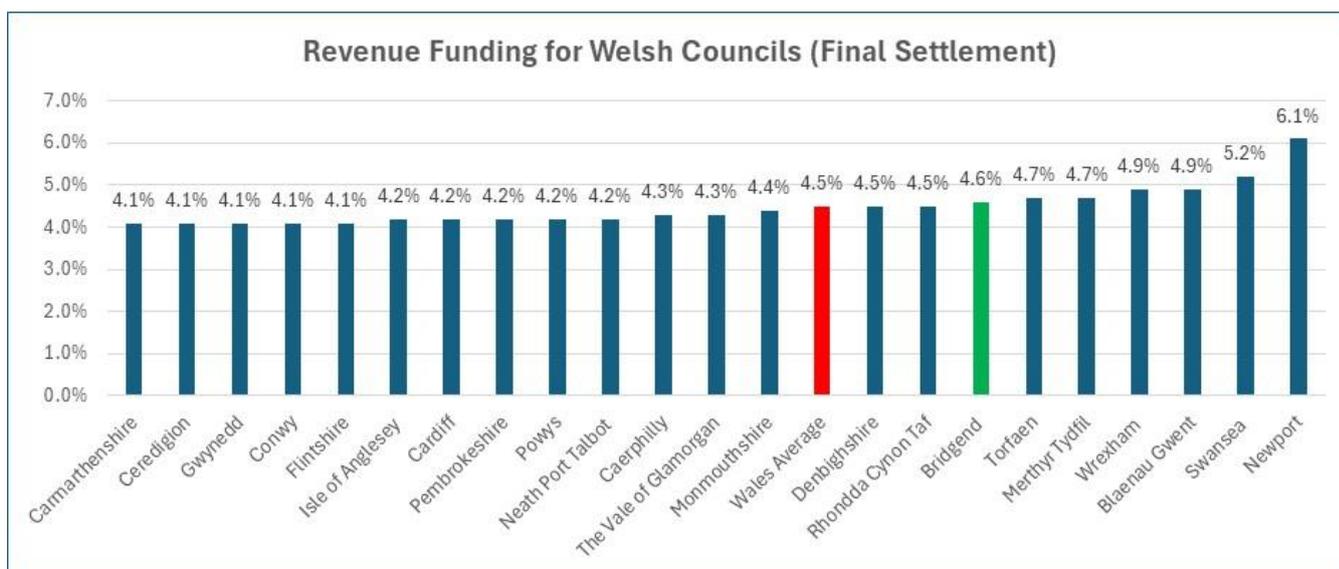
including bus services, apprenticeships, further education, flood prevention, and the maintenance of school buildings.

3.2 Welsh Government Local Government Settlement

3.2.1 Bridgend’s draft MTFs was presented to Cabinet on 13 January 2026, based on the provisional settlement, before being submitted for scrutiny. It did not take into account the additional funding likely to be provided to Bridgend in the final settlement as a result of the Welsh Government announcement on 9 December 2025. The final local government settlement was also announced on 20 January 2026. The headline figure for the final local government settlement is an overall increase of 4.5% across Wales and, for Bridgend, a reported increase of 4.6% in Aggregate External Finance (AEF), after a number of transfers into and out of the settlement. For Bridgend this 4.6% increase represents a £13.608 million increase in funding, after the specific transfers.

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

Chart 4: Revenue Funding for Welsh Councils



Source: WG Final LGF Settlement 2026-27

3.2.2 In announcing the final local government settlement, the Cabinet Secretary for Housing and Local Government stated ‘*The setting of budgets, and in turn council tax, is the responsibility of each local authority. They will need to take account of the full range of funding sources available to them, as well as the pressures they face, in setting their budgets for the coming year. Finally, I would once again like to pay tribute to the incredible amount of hard work and resilience shown across the sector by both officers and elected members over many years to respond to the challenges Councils have been facing. We continue to prioritise our support for local government, as we have throughout our Government through the annual settlement and specific grants to respond to national and local priorities.*

Transfers into and out of the 2026-27 Revenue Settlement

- 3.2.3 As mentioned in the draft MTFS report to Cabinet in January 2026, the provisional settlement included a number of transfers of funding into the Revenue Support Grant (RSG). These are listed below alongside the figures for Bridgend.

Teachers' Pay	£818,343
Additional Learning Needs Coordinators (ALNCo) Pay	£184,274
Public Sector Pay	£665,984
Fire Pay	£12,660
Employer National Insurance Contributions	£4,351,321
Total Transfers into Settlement	£6,032,582

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. Welsh Government has indicated that work has been completed or is underway in other grant areas to streamline the amount of monitoring of grants, to ensure Welsh Government is only collecting the information which it, with local authorities, needs to understand the impact and outcomes of grant programmes. This has included reducing the frequency of monitoring returns, simplifying grant application forms and having stepped criteria for business cases dependent on the size and risk of programmes or projects.
- 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. However, from the information provided, and Welsh Government's announcements, it is clear that Welsh Government has provided a 2% inflationary uplift for most grants for 2026-27.
- 3.2.6 There are increases in some grants, such as the Local Authority Education Grant, Housing Support Grant (an extra £2.6 million from the draft budget to target pressures around homelessness prevention and support), and Bus Services Support Grant. Funding to support proposals relating to eliminating profit from the care of looked after children will continue into 2026-27, at around the same level as 2025-26. Many of the grants remain unchanged from 2025-26 figures, and some are yet to be finalised, including the Sustainable Waste Management Grant.
- 3.2.7 The biggest change in grant funding will be to the United Kingdom Shared Prosperity Fund which will cease at the end of 2025-26 and be replaced by the Local Growth Fund, for a three year period. Currently Bridgend receives £5.601 million of revenue funding and £2.149 million of capital funding from the Shared Prosperity Fund. The South East Wales Region receives £103 million in total. Indications are that this could reduce to £79.8 million under the Local Growth Fund, and it has been reported that, going forward, the majority of the Local Growth Fund will consist of capital funding, with a smaller amount of revenue funding available.

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 2026-27 to 2029-30 is led by Cabinet and the Corporate Management Team (CMT) and takes into account auditors' views, the recommendations of the Scrutiny Budget Working Group, the public consultation, scrutiny by Corporate Overview and Scrutiny Committee and other scrutiny committees, and issues arising during 2025-26, 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 CMT, supported by financial and performance data. Cabinet and CMT 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 final 2026-27 Aggregate External Finance (AEF) figure is an increase of 4.6% for Bridgend. In the MTFS 2025-26 to 2027-28, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2026-27 of an annual 0% change in AEF and an assumed increase in council tax of 4.5% for 2026-27, 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 proposed to increase council tax by 4.7% for 2026-27. This is lower than the 4.95% proposed at draft budget stage, and takes into account the outcome of the budget consultation process, and also the need to set a sustainable budget going forward, taking into consideration ongoing risks around pay and price increases. If council tax did not increase the Council would need to make further budget reductions of around £5 million to balance the budget, in addition to the £2 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 stated that, due to the Senedd Elections in May 2026, this is a one-year local government settlement only. However, it is likely that the financial position in the next few years will be no less challenging than recent years. Therefore, for 2027-28 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 Office for Budget Responsibility's Spring Forecast on 3 March 2026 and the UK Government's response to this.

Table 6 – MTF5 Scenarios: % Change in AEF

	2026-27	2027-28	2028-29	2029-30
Best Scenario	+4.6%	+1.0%	+1.0%	+1.0%
Most Likely Scenario	+4.6%	0%	0%	0%
Worst Scenario	+4.6%	-1.0%	-1.0%	-1.0%

3.3.7 Given the better than anticipated final settlement, and the positive impact of the actuarial valuation on employers' pension contributions, explained in more detail in paragraph 4.1.9, the amount of budget reductions required for 2026-27 is lower than in previous years. Over the period of the MTF5 the financial forecast for 2026-2030 is currently predicated on £32.740 million of budget reductions being met from Directorate and Corporate budgets. However, the assumptions beneath them can change quickly and with an uncertain, but no less challenging, financial settlement likely going forward, this level of reductions could change going forward. Directors have already been tasked with identifying future years' budget reductions, to ensure they are realisable at the earliest opportunities. The budget reduction targets 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, went as low as 1.7% in September 2024 but has remained above 3% since April 2025, and was 3.4% for December 2025. This still compares favourably with the higher 8% - 11% increases experienced during 2022 and 2023 but it is much higher than the Bank of England's target of 2% - which the Bank considers a stable pace of increase.
- 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 Terrorism (Protection of Premises) Act 2025, and the implications of the Health and Social Care (Wales) Act 2025.
- 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 6.7% increase in the Real Living Wage (from £12.60 to £13.45 per hour), a 4.1% increase in the

national living wage from April 2026 (from £12.21 to £12.71), along with the impact of staff pay increases in both 2025-26 and 2026-27. These include the full year effect of the teachers' pay increase of September 2025 (4% increase), the unknown teachers' pay increase in September 2026 and increases for non-teachers for 2026-27, 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

	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000	Total £'000
Best Scenario	2,348	7,399	7,143	6,876	23,766
Most Likely Scenario	2,348	10,361	10,134	9,897	32,740
Worst Scenario	2,348	13,322	13,066	12,800	41,536

- 3.3.9 Cabinet and CMT 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 CMT 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. However, for 2026-27 it is considered that the budget reduction proposals are deliverable with low risk of non-achievement, as reflected in the risk status.

Table 8 – Risk Status of Budget Reduction Proposals 2026-27 to 2029-30

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
2026-27	832	1,136	380	2,348	0	2,348
2027-28	0	468	10	478	9,883	10,361
2028-29	0	0	0	0	10,134	10,134
2029-30	0	0	0	0	9,897	9,897
Total	832	1,604	390	2,826	29,914	32,740
Percentage of total required	3%	5%	1%	9%	91%	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 2026, 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.
- 3.4.2 In terms of managing and mitigating some of the specific risks outlined within the Corporate Risk Assessment, additional provision has been made in the budget pressures for vulnerable adults and children, transformation and major service change (including digital transformation), workforce development, procurement support and town centre support. In addition, the original proposed 1% budget reduction for schools has been removed, to improve the financial stability of school budgets. Furthermore, additional investment has been made through the capital programme in respect of highways infrastructure, and there are future budget pressures identified to meet potential additional costs of borrowing. The proposed budget for 2026-27 is balanced without the need to rely on one-off reserves to achieve this, ensuring greater financial stability.

SECTION 4. BUDGET 2026-27

4.1 Revenue Budget 2026-27

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 2026-27 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

	2026-27 £'000
2025-26 Net Budget (Table 2)	383,226
Transfers and New Responsibilities (para 3.2.3)	6,033
Pensions reduction (para 4.1.9)	-4,035
Budget Pressures (para 4.1.3)	25,273
Budget Reductions (para 4.1.18)	-2,348
2026-27 Net Budget Requirement	408,149
<i>Financed by:</i>	
2025-26 Net Budget (Table 2)	383,226
Net Cash Increase in AEF	19,641
Council tax increase (4.7%) (para 3.3.4) plus increase in tax base	5,282
2026-27 Net Funding Total	408,149

2026-27 Revenue Budget

4.1.3 **Table 10** presents the detailed net revenue budget for 2026-27, which includes an additional £11.671 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. £13.602 million of inescapable pressures have emerged during 2025-26 and are explained in more detail in the paragraphs below.

In total, the Council has identified pay, price and other pressures of £25.273 million for 2026-27.

Table 10 – Net Revenue Budget 2026-27

	Revised Budget 2025-26	Specific Transfers from WG incl pay and NI	Inter-Directorate Transfers	Employers' Pensions Contributions	Pay / Prices	Budget Pressures	Budget Reduction Proposals	Opening Revenue Budget 2026-27	Potential In-Year Allocations for Pay and Prices	Potential Final Budget 2026-27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Directorate Budgets:										
Central Education, Early Years and Young People	32,328	329		-285	229	1,572	-717	33,456	1,010	34,466
Schools	126,309	3,075		-968	1,721	29	0	130,166	3,086	133,252
Education, Early Years and Young People	158,637	3,404	0	-1,253	1,950	1,601	-717	163,622	4,096	167,718
Social Services & Wellbeing	119,143	1,121		-1,663	69	6,608	-1,041	124,237	3,186	127,423
Communities	34,885	401		-474	238	2,115	-340	36,825	1,302	38,127
Chief Executives	26,132	428	20	-645	21	3,018	-250	28,724	844	29,568
Total Directorate Budgets	338,797	5,354	20	-4,035	2,278	13,342	-2,348	353,408	9,428	362,836
Council Wide Budgets:										
Capital Financing	5,907							5,907		5,907
Levies	10,210	13				260		10,483		10,483
Repairs and Maintenance	670							670		670
Council Tax Reduction Scheme	17,054				750			17,804		17,804
Apprenticeship Levy	869							869		869
Pension Related Costs	430							430		430
Insurance Premiums	1,363							1,363		1,363
Other Council Wide Budgets	7,926	666	-20		8,643			17,215	-9,428	7,787
Total Council Wide Budgets	44,429	679	-20	0	9,393	260	0	54,741	-9,428	45,313
Net Budget Requirement	383,226	6,033	0	-4,035	11,671	13,602	-2,348	408,149	0	408,149

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

** Updated Council structure, as approved by Council on 19 November 2025, will be reflected in quarterly monitoring reports 2026-27

*** £3m Real Living Wage for commissioned services in social care included in Social Services & Wellbeing budget pressure

4.1.4 The net budget for 2026-27 will be funded as set out in **Table 11**:

Table 11 – Net Budget Funding

	£	%
Revenue Support Grant	245,260,376	60.09
Non-domestic Rates	50,907,952	12.47
Council Tax Income	111,980,641	27.44
Total	408,148,969	100%

Inter-Directorate Transfers

4.1.5 There is only one small inter-directorate transfer included in the draft budget, in respect of the Joint National Council senior management structure approved by Council in November 2025.

Pay, Prices, Pensions and Demographics

4.1.6 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2025-26 have been agreed. They included an increase of 4% on all teachers' pay scales and allowances, an increase of 3.2% on all NJC pay points, and an increase of 3.2% for JNC Chief Officers and Chief Executive pay points. With regard to pay claims for 2026-27 the NJC Pay Claim has been submitted by Unison, Unite and GMB Unions, requesting an increase of:

- at least £3,000, or 10% (whichever is greater) for all staff, as well as a minimum hourly rate of £15.
- 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% (circa £14 million) to the Council's pay bill (currently circa £140 million) if ultimately agreed, more if the higher of £3,000 or 10% is implemented. With so much uncertainty it is difficult to determine what the pay pressure will be in 2026-27, but with a staff budget of around £240 million (teachers and non-teachers), every additional 1% increase will add at least a further £2.4 million pressure to the Council's pay budget. Given that around two thirds of the Council's net revenue budget funds pay costs, it is essential to ensure that funding is set aside in the final budget to meet the generally higher than inflation pay increases going forward. Funding has already been allocated in the schools' and central education budget for the full year effect (April to August 2026) of the teachers' September 2025 pay award. No information has been received to date on the potential teachers' pay award for September 2026.

- 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 2025 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 6.7%, from £12.60 to £13.45 per hour. The rate was to be implemented as soon as possible, but by 1 May 2026 at the latest. For in-house staff this will be paid from 1 April 2025, and funding for this is reflected in the directorate pay and price allocations, along with consequential adjustments to the NJC pay scales.
- 4.1.8 Funding for price inflation in 2026-27 has been retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown or dependent on March's CPI increase. The inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed.
- 4.1.9 The Council has received the provisional results of the triennial actuarial valuation of the Local Government Pension Fund as at 31 March 2025. The valuation shows that, based on the performance of the fund at that time, the employer's contributions required by the authority from April 2026 for the next three years is a potential reduction from the current 19.4% to a proposed 15.2%. This is based on high asset performance in the fund, specifically gains on investments, changes to membership and financial assumptions, since the last valuation. The impact of this is a potential reduced cost of employer's contributions of £4.035 million per annum, the budget for which has been top sliced from directorate budgets and centralised, to be used to fund some of the unavoidable budget pressures that the Council is facing. This has changed slightly from the draft budget following receipt of updated information on some directorate pension budgets.
- 4.1.10 In terms of demographics, there is 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 was 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

- 4.1.11 In the Autumn Budget 2024 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. The cost to the Council of implementing this for BCBC staff, and for the Fire and Rescue Authority, which the Council contributes to, is £4.828 million. The UK Government indicated it would provide additional funding to help to cover the costs of the increase for public sector workers. In addition there have been pressures from the Council's commissioned services, who also faced additional costs, for the Council to contribute to this cost, which were estimated to be as high as £1.5 million. In the MTFS 2025-2029 Council therefore approved a budget pressure of £1.5 million to help to mitigate these costs. In October 2025 we received a grant offer letter of £4,351,321 from Welsh Government towards additional employers' national insurance costs. Additional grant funding of £96,082 was also received towards the costs for post-16 provision in schools, resulting in total grant funding for the Council of £4.447 million. The Welsh Government Finance Secretary indicated that this grant funding would only cover around 80% of the costs of public sector employees, so the local authority has had to fund this shortfall of around £380,000, in addition to the cost of commissioned services. This grant funding has now been transferred into the settlement on a recurrent basis.

School Delegated Budgets

- 4.1.12 Given the difficult financial position that the Council found itself in, a 1% efficiency in school budgets (£1.186 million) was included in the MTFS for 2025-26, given that school budgets account for around a third of net revenue expenditure. For 2026-27 the overall provisional settlement for the Council is slightly less challenging than anticipated, therefore schools have not been asked to find any savings in 2026-27 or beyond at this stage.
- 4.1.13 There are still a significant number of pressures on school delegated budgets for 2026-27 and beyond, not least the full year cost of the September 2025 teachers' pay award for April to August 2026 (4% increase), the new pay award for teachers from September 2026, and the non-teachers' pay award from April 2026. Additional funding will be provided to them during 2026-27 to offset these additional pay and price pressures, which could reach £5 million based on current estimates. It is also understood that a number of school grants will be increasing in 2026-27 which will also help to support schools. 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 2025-26	126,309
Transfers into the Settlement:	
a) Teachers' Pay Award September 2025	818
b) Employers' National Insurance	2,073
c) Funding to move Additional Learning Needs Coordinators onto Leadership Spine	184
Pay and Prices:	
Teachers' Pay (April – August 2026)	1,206
Other Pay Related eg Real Living Wage	515
Budget Pressures:	29

Reduction in Employer Pension Rate	-968
Opening Budget 2026-27	130,166
Potential In-Year Additional Funding for Pay/Prices	3,086
Potential Final Budget 2026-27	133,252

Budget Pressures

- 4.1.14 The final schedule of inescapable budget pressures is attached at **Appendix C** and they are split into base budget pressures identified during 2025-26, updated for the quarter 3 revenue monitoring position, and emerging directorate pressures going forward into 2026-27 onwards. They cover those pressures deemed to be unavoidable or statutory, and try to mitigate some of the more significant budget pressures arising in 2025-26. There is an additional section outlining new budget pressures proposed following the Welsh Government announcement in December 2025 of additional funding for the final settlement, in addition to those outlined in the January draft budget report. All budget pressures proposed are recurrent and will be included in the base budget going forward. It should be noted that budget pressure bids amounting to over £20 million were originally submitted, but these have had to be prioritised due to the limited funding available. Some of the funding allocated is to enable time for transformation of services to take place and will be subject to robust ongoing financial monitoring during 2026-27.
- 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.
 - Increased costs of commissioned services in the social care sector following the 6.7% increase in the Real Living Wage, and in general following the 4.1% increase in the National Living Wage announced by the UK government. Of the £6.345 million of budget pressures in Social Services and Wellbeing, £3 million is in respect of the Real Living Wage for commissioned services.
 - An increase in the Fire and Rescue Authority's levy on the Council to meet pay and price increases.
- 4.1.17 The UK's Packaging Extended Producer Responsibility (pEPR) scheme is a reform that shifts the full financial cost of managing household packaging waste from taxpayers (local authorities) to the businesses that place it on the UK market. Payments to local authorities are being made from November 2025 to cover their costs for managing household packaging waste. These payments, funded by producers of packaging, are calculated based on the net efficient disposal costs for each material type, and for Bridgend CBC in 2025-26 equates to £3.922 million. This amount is likely to reduce in future years as businesses reduce their packaging waste.

The pressures shown in **Appendix C** therefore do not include many budget pressures in the communities' directorate as the pEPR funding will enable the directorate to support pressures in their service areas from the waste budget funding it releases. This will include mitigating pressures in respect of fleet management, planning, additional waste collection and disposal requirements, both capital and revenue, and in respect of the circular economy. However, it is worth noting that some of the recurrent pressures may need reviewing in future years if the pEPR funding reduces significantly.

Budget Reductions

- 4.1.18 Budget reduction proposals of £2.348 million for 2026-27 have been identified from service budgets to achieve a balanced budget, and these are detailed in **Appendix D**. Some of these proposals were approved by Council in the MTFS 2025-2029 and 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	417	£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 and implementation from September 2025.
SSW2	Redevelop the indoor bowls arena space	10	Approved in MTFS 2025-2029
SSW12	Business efficiencies in social services support services	129	Approved in MTFS 2025-2029
COM2	Review of cleaning specifications and frequencies on BCBC Operational assets	35	Approved in MTFS 2025-2029
COM3	Further review of cyclical servicing and maintenance contracts	40	Approved in MTFS 2025-2029
COM4	Increase income across the commercial property portfolio	15	Approved in MTFS 2025-2029
CEX6	Review provision of the CCTV service	250	Approved in MTFS 2025-2029. Original value was £444k but this has been reduced.

- 4.1.19 Since the draft MTFS was presented to Cabinet in January 2026, and following the outcome of the public consultation and discussions with the Corporate Overview and Scrutiny Committee, one budget reduction proposal for 2026-27 totalling £0.068 million has been deferred until 2027-28. This proposal is set out in **Table 14** below. This deferral will give the Directorate time to fully develop a strategy for management and maintenance of cemeteries before the increase in charges is implemented.

Table 14 – Amendments to Draft Budget Reduction Proposals

Draft MTFs Ref	Proposal	Amendment	Reduction £000
COM4	Increase in burial fees by 10%	Deferred until 2027-28	68

4.1.20 This year it has again been extremely challenging to identify reductions in service budgets in order to balance the budget. Given the level of savings made by the Council in recent years, additional budget reductions are not easy to achieve and going forward will require transformational change, often including up-front investment, to reconfigure services and processes. Currently there are four emerging invest to save proposals under consideration – in adults’ and children’s social care, the provision of secondary nurture classes to reduce exclusions, and in respect of reducing the unit cost of placements in non-maintained / out of county settings. These budget reduction proposals will have a significant impact 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.

4.1.21 Partnership Working

As part of the MTFs process, and in view of the challenging financial circumstances the Council faces, we also review each of our main strategic partnerships to identify any potential cost savings. The Council’s main strategic partners are:

- 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 put forward savings for 2026-27. Those proposals are to be considered by the SRS Joint Committee to feed into the budget setting process.
- 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 focussed on supporting the most vulnerable and provide a highly effective preventative offer. There will be a need to ensure that these partnerships continue to innovate whilst also recognising that these partners as providers also experience the same inflationary pressures – pay and non-pay - as other Council suppliers.
- Following Welsh Government's review of the school improvement system in Wales (the "Middle Tier Review"), from September 2025 several changes were made in respect of school improvement arrangements across Wales. The main change for Bridgend schools is that support for school improvement is now delivered directly by the local authority. The Central South Consortium still plays a key role in supporting schools across Bridgend, Merthyr Tydfil, Cardiff, the Vale of Glamorgan and Rhondda Cynon Taff, by providing a wide-ranging, professional learning offer.

- 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. It is known as the Cardiff Capital Region City Deal. For 2026-27 it is anticipated that the local authority contribution will remain at or around the same overall level as 2025-26.

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 2025-26 is £9,532,347. For 2026-27 the Council has received a transfer of £12,660 into the provisional settlement from Welsh Government in respect of Fire and Rescue Authority (FRA) pay increases in 2025-26. This will be passported to the FRA as part of the annual levy in 2026-27. The FRA has consulted on a proposed average increase of 2.99% across all its constituent local authorities for 2026-27, which, after population changes, would equate to an increase in Levy of £272,113 for Bridgend, to £9,804,560. Following the consultation process a final decision will be made at the FRA Board meeting on 13 February 2026. The proposed budget increase for the Council, after transfers into the settlement are taken into account, is included as a budget pressure in **Appendix C**.

Business Rates (Non-Domestic Rates)

- 4.1.24 The Local Government Finance (Wales) Act 2024 provided the Welsh Government with the ability to introduce differential multipliers for Wales. They include the introduction of:

- a lower multiplier for small to medium sized retailers
- a higher multiplier for high value properties

The levels of all multipliers have been determined as part of the Welsh Government's budget setting for 2026 to 2027. The lower multiplier has been set at £0.35, the higher multiplier at £0.515 and the standard multiplier has been set at £0.502 (£0.568 in 2025-26).

- 4.1.25 The next non-domestic rating list will also take effect on 1 April 2026, following revaluation. The Welsh Government will provide transitional relief to all ratepayers whose liabilities will increase by more than £300 following the revaluation. Any such increases will be phased in over two years. In addition, on 3 February 2026 Welsh Government announced that they would also be providing 15% rates relief for pubs, restaurants, bars, cafes and live music venues. There is little overall impact on the

Council's non-domestic rates bill as a consequence of these changes, although individual properties are affected differently and budgets may need to be moved within directorates accordingly to reflect the changes.

Fees and Charges

- 4.1.26 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 2026-27 budget and are above the general CPI or statutory minimum increase are shown in **Appendix E**.
- 4.1.27 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.
- 4.1.28 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.

2026-27 Budget

- 4.1.29 **Appendix F** details the Directorate Base Budgets for 2026-27. This includes an intra-directorate virement in social services and wellbeing of £1.128 million from the physical disabilities budget to the older people budget in order to realign budgets across the relevant direct payment network teams within the older people budget. As mentioned earlier in the report, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2026-27 and how it has addressed these responses is outlined in section 2.3. Going forward, given the continuing challenging financial outlook, the Council will need to think more strategically about how it will look, and develop a transformation plan which will set out a clear, long-term vision for Bridgend in 2040, and some broad themes / work streams for how we will achieve that vision. 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, including Artificial Intelligence
 - Invest to Save proposals to shape future services
 - Income generation opportunities
 - Working with partners to asset transfer and protect community facilities;
- 4.1.30 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 2025-26 to 2035-36, 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 2026-27. 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 final capital settlement for 2026-27 provides General Capital Funding (GCF) for 2026-27 of £204 million across Wales and of £8.841 million for the Council for 2026-27, of which £3.849 million is un-hypothecated supported borrowing, with the remaining £4.992 million provided through general capital grant. This is £259,000 more than we received in 2025-26.
- 4.2.3 The original budget approved by Council on 26 February 2025 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2024-25, slippage into 2026-27 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 inclusion in the capital programme. 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 ongoing economic circumstances, 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. The proposed allocations for 2026-27 are shown in **Table 15** below.

Table 15 – 2026-27 Proposed Annual Allocations of Capital Funding

	Proposed 2026-27 £'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 4 February 2026. There are only three amendments to this, as follows, which will be met from uncommitted capital reserves:

Highways Infrastructure (£2.5 million)

As the local highway authority, we have a statutory duty to maintain a safe and efficient network of major roads, adopted residential streets, pavements and footpaths throughout the County Borough. The highway asset is the largest asset that the Council owns. By investing in our highways infrastructure we improve the safety for highways users and cut down on the need for reactive repairs. In 2025-26 and 2026-27 the Welsh Government has provided the Council with revenue funding to enable us to self-finance circa £4.8 million of capital funding to be spent on highways management and fixing our local roads. It is proposed to include a further sum of £2.5 million in the Council's capital programme, met from a combination of unallocated capital and capital programme reserves, to supplement this to enable the authority to continue to invest in and proactively maintain our highways infrastructure, including our lower category roads.

BCBC-Owned Community Sports Facilities (£1.5 million)

Improvements to BCBC-owned sports facilities, including refurbishment and repair of pavilions, pitches, multi-use games areas and skate parks.

Community Play Areas (£1.457 million)

The local authority has over 100 equipped children's play areas across the county borough, and a programme is in place to support the renewal of this equipment. Many of these sites have already been refurbished in recent years; however, an additional £1.839 million is required to complete the programme. £382,000 of Section 106 funding was included in the capital programme at quarter 3, and the remaining £1.457 million is included in the updated capital programme at **Appendix G**. This further investment will enable the remaining play areas to be fully or partially upgraded, including improvements to play equipment and surfacing, ensuring safe and high-quality opportunities for outdoor play.

4.2.7 The updated capital programme also includes new schemes funded by the Transforming Towns grant, additional schemes approved by Council since the Capital Programme Quarter 3 Update 2025-26 report was approved by Council on 4 February 2026, and new slippage into 2026-27. Any further new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2026-27 to 2035-36, 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 still 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. Welsh Government have now increased their share of the joint venture and we will go forward with them as equal partners. The equalisation resulted 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, the agreed sale of our land at Ewenny Road, Maesteg to Avant Homes is progressing well, with the land remediation works due to be completed in January 2026. The completion of these works will trigger the completion of the land sale which will bring in a capital receipt in the 2025-26 financial year. Based on the deal that has been exchanged this is likely to result in a capital receipt of around £1.35 million to the Council.
- 4.2.15 Since last year the sale of our former offices at Ravens Court, Bridgend, to South Wales Police has been completed resulting in a capital receipt to the Council of £1.85 million. The sale of the former YGG Cwm Garw site in Pontycymer has been delayed and will now complete in the 2026-27 financial year albeit this is a relatively small receipt of £65,000.
- 4.2.16 Our strategic land holding at Parc Afon Ewenni, Waterton, Bridgend which was due to be brought forward for sale is now being considered for our own use and will not be marketed for sale in the immediate future.
- 4.2.17 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

- 4.2.18 Total Prudential Borrowing taken out as at 1 April 2025 was £46.889 million, of which £31.246 million was outstanding. It is estimated that the total borrowed will increase by £7.512 million by the end of 2025-26.
- 4.2.19 Future prudential borrowing could include an estimated £1.964 million towards the purchase of fleet, £1.565 million towards new school builds and £1.5 million towards the refurbishment of 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 2025 it was £10.008 million, which is 3.9% 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 only been able to add a very small amount to this Fund; 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 £12.85 million, which is around £2.8 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 2025. It is anticipated that there will be drawdown of a number of reserves during the final three months of 2025-26 including:

- The estimated draw down of £13.281 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 £2.428 million Schools Capital Maintenance Grant for expenditure towards maintenance schemes within schools, funding for play areas and affordable housing.
- Draw down of £0.048 million of funding for feasibility studies.
- Draw down of £0.472 million from directorate earmarked reserves and a further £0.075 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 2026-27 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 25	Reserve	Net Additions/ Reclassification	Draw-down	Unwound	Closing Balance 31 Dec 25
£'000		£'000	£'000	£'000	£'000
58,024	Corporate Reserves	(219)	(393)	-	57,412
7,577	Directorate Reserves	347	(734)	(51)	7,139
2,888	Equalisation & Grant Reserves	(45)	(81)	-	2,762
(619)	School Balances	-	-	-	(619)
67,870	TOTAL RESERVES	83	(1,208)	(51)	66,694

4.4 Council Tax

- 4.4.1 Based on the proposed budget of £408.149 million, there is a proposed 4.7% increase in council tax for 2026-27. This is required due to a combination of increasing demand for services and significant cost pressures, both pay and price increases. As mentioned previously, this is lower than the 4.95% proposed at draft budget stage, and takes into consideration the outcome of the budget consultation process, along with the need to set a sustainable budget going forward, taking into consideration ongoing risks around pay and price increases.
- 4.4.2 As shown in **Table 11**, in 2026-27 council tax will only provide around 27% to 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 million of additional funding.
- 4.4.3 The implications in terms of the Council Tax increase for 2026-27 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in **Table 17**.

Table 17 – Council Tax Increase 2026-27

2025-26 Band D	£1,916.96
2026-27 Band D	£2,007.06
% Increase	4.70%
Weekly Increase	£1.73

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 2037 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:

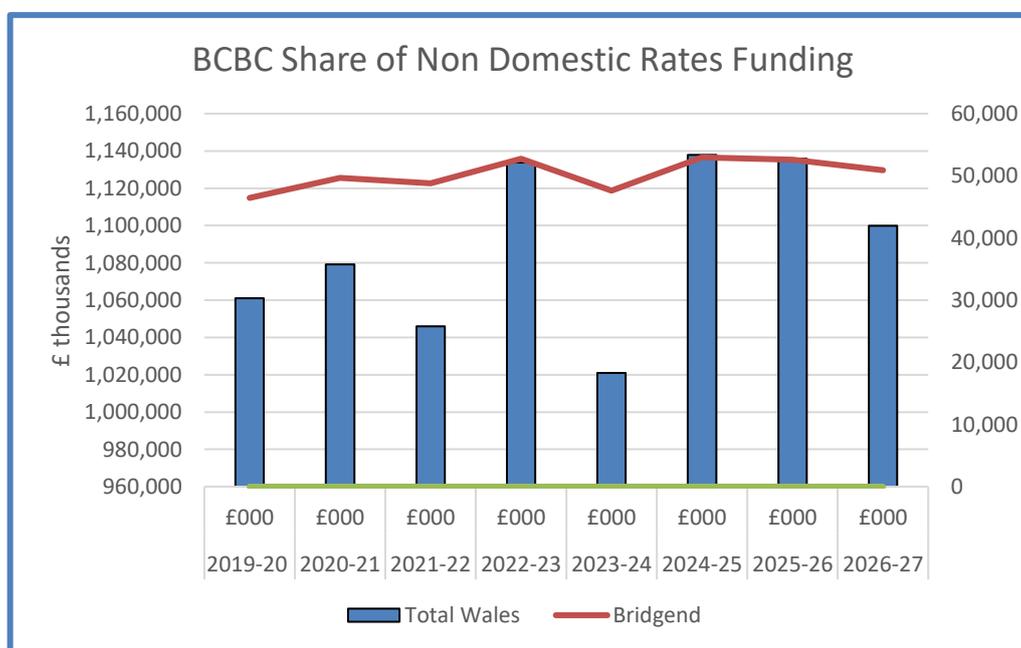
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

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 remained at 40% in 2025-26. From 2026-27 onwards there will be 3 multipliers, a standard multiplier, at a rate lower than the current multiplier, a lower retail multiplier and a higher multiplier for larger premises. For 2026-27 Bridgend’s percentage share of non-domestic rates funding has remained at around 4.6%, although the overall quantum has reduced in 2026-27 due to the changes in non-domestic rates. This has been compensated for by a higher amount of revenue support grant.

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. Over the last 10 to 15 years 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 is becoming more 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, alongside Welsh Government changes to the rules for council tax collection in 2026. 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:

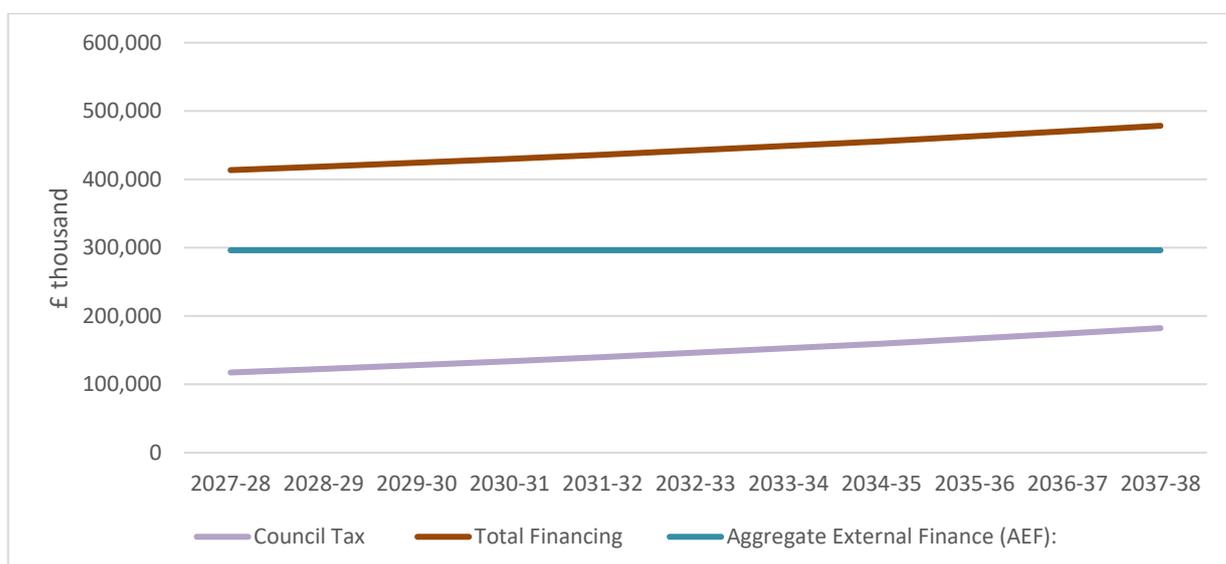
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

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 2026-27 and 2037-38 if we continue with this model of funding, and the proportion of the budget funded from council tax would increase from 27.44% to around 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:

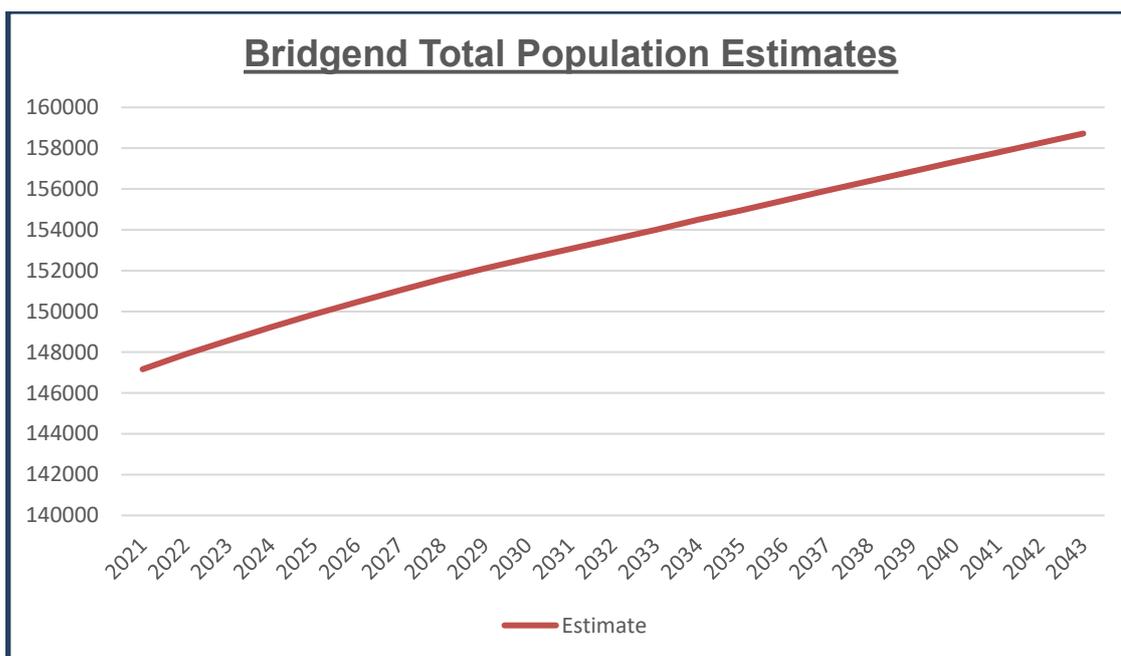
- *....spending pressures have outstripped the growth in local government revenues over the last two years, despite significant nominal terms increases in funding from the Welsh Government. A key driver has been substantial pay increases for local government staff and teachers, despite many workers still 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 2026-27 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 158,000 in 2043, 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 special school pupils over the period, with a recent corresponding reduction in primary pupils, with secondary pupils fluctuating. 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 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
September 2025	11,816	9,748	461	22,025

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 some of the 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% in 2024-25). This

is in addition to rises in the National Living Wage which is currently at £12.21 (rising to £12.71 in April 2026). When this was announced the Treasury said the new minimum wage rates for 2026 struck a balance between "the needs of workers, the affordability for businesses and the opportunities for employment". The announcement in November 2025 of the 4.1% 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)	30/06/27	£9.039 million
Home to School Transport	Various	Varies (taxis 1 year plus optional 1 year, buses 4 years plus optional 2 years)	Varies (taxis 2026, buses 2028)	£11 million
Cultural Trust	Awen Cultural Trust	20 years	2035	£3.771 million
Leisure Contract	HALO Leisure	15 years + 5 year extension agreed by Cabinet	April 2032	£1.175 million

In respect of the waste collection contract the Council will be bringing this service back in-house when the contract with Plan B expires at the end of June 2027. Whilst this does have the advantage of enabling the Council to exercise greater control and flexibility over the service provided, there are also potential additional challenges in respect of higher pension costs, capital requirements for vehicle replacement etc.

When we do need to re-tender contracts 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, linking in with our corporate vision and transformation requirements, and will be supported with an action plan which includes key milestones. Additional funding has been included as a budget pressure to support this.

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 Chartered Institute for Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities includes 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. In July 2025, Cabinet approved a public consultation for a period of 8 weeks on the revised Net Zero Carbon Strategy. The closing date for the consultation was 12 January 2026. A further report will be presented to Cabinet following the public consultation seeking approval of the revised Strategy.

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 Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
Council Wide - Recommendations:			
1	<p><u>Invest to Save</u> The Group discussed that previously, proposed invest to save models had become cost avoidance measures which helped services to manage increases in demand, but financial savings had not been realised and removed from ongoing budgets and recommended that any future proposed invest to save models include a robust analysis clearly setting out:</p> <p>a. the proposed change and what it will look like;</p> <p>b. how it will be implemented accompanied by a SMART action plan;</p> <p>c. what changes it will make to service provision and to cost; and</p> <p>d. the date by which the savings will be achieved and can be removed from the future budget.</p>	<p>The recommendation is agreed. As part of the transformation work all Invest to Save schemes will have to be supported by a robust business plan which will be monitored to ensure service and financial outcomes are achieved.</p> <p>Both social services and education are preparing proposals to reduce spend on demand led budget for implementation in the current year. It is envisaged that Earmarked Reserves could be used, up to £3m, for these areas to meet demand more effectively to deliver savings / reduce spend.</p>	Accepted
2	<p><u>Transformation</u> The Group discussed feedback from each of the Deep Dive Groups that highlighted transformation was needed in order to ensure sustainability of future service delivery and recommended:</p>	<p>The draft budget for next year includes proposals to fund a new strategic transformation function within the Authority. This function will :</p> <ul style="list-style-type: none"> • Work across all service areas, dealing with services on an agreed priority basis 	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>a. an in-depth review of the remit and structure of all Directorates and how they work, including the appropriateness of which services sit in each Directorate (e.g. 4G Pitches currently in Social Services Wellbeing Directorate) with a view to transformation rather than savings and avoiding duplication of efforts across the Authority;</p> <p>b. as part of the reviews, consideration be given to where the use of technology and Artificial Intelligence can be expedited;</p> <p>c. that Cabinet consider the reviews and whether there is sufficient capacity to invest capital given the number of capital pressures from all Directorates which will require prioritisation; and</p> <p>d. that consideration be given to establishing a Transformation Working Group to sit under the Corporate Overview and Scrutiny Committee (COSC) and whether Transformation should be a standing item on the COSC Agenda.</p>	<ul style="list-style-type: none"> review the use of technology and AI across services to ensure it supports and enhances service delivery and efficiency. The proposal in the draft estimates includes £600,000 for programme and project management to create systemic change capacity to ensure the authority is able to deliver on its programmes for change Funding is also proposed to support ICT with the replacement of key systems to ensure efficient working practices going forward. Funding is also proposed to support workforce changes and development The governance arrangements for the transformation programme will include the reporting arrangements for the programme. Consideration will be given as to how COSC can be involved in this work. <p>When reviewing services the requirement for both revenue and capital funding will be considered.</p>	
3	<p><u>Capital Programme</u> The Group expressed concern regarding the perceived piecemeal and fragmented approach to the Capital Programme and discussed the Council's ability to borrow at competitive interest</p>	There is already a robust process in place with the Capital Programme developed in line with the Capital Strategy. This includes discussions with Cabinet at an early stage.	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	rates. The Group recommended that consideration be given to developing a more focussed Capital Programme driven by the needs of the services with robust business cases, plans and projects setting out clear objectives and deliverables and that consideration be given to utilising our borrowing capacity to deliver revenue savings.	The funding of the capital programme takes into account all funding options available and any subsequent revenue costs that may be incurred. The introduction of increased capacity in programme management will ensure that projects are delivered in line with approved scheme.	
4	<p><u>Council Assets</u> The Group discussed the list of buildings and premises owned by the Council and noted that it included a number of residential properties. The Group recommended that an exercise be undertaken:</p> <ul style="list-style-type: none"> a. to ascertain whether any assets could be released to generate monies or an additional narrative provided setting out why they are being retained and on what terms and conditions; and b. to ascertain whether all buildings are being used to their full potential for internal use or as potential income generating opportunities by renting out. 	<ul style="list-style-type: none"> a) The Asset Register of the Council is being reviewed as part of the new Asset Management Plan for 2026/27. Where assets are identified as surplus to requirement they will be brought forward for disposal. A significant programme of office rationalisation has been undertaken over the past five years including the disposal of Ravens Court and it is intended that this approach will continue where properties are no longer required. b) The utilisation of corporate property is a key part of ensuring the efficient use of the Council's estate. There are examples of where we have rented corporate property to partner agencies, including the fourth floor of the Civic Offices to the Multi Agency Safeguarding Hub (MASH). This delivers a rental income for the Council. We are currently undertaking a study of utilisation of the floor space in the Civic Offices to understand 	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
		<p>how spaces are used and whether any further efficiencies can be achieved.</p> <p>It is proposed that this is included as a key corporate project</p>	
Chief Executive's Directorate - Recommendations:			
5	<p><u>CCTV (Indicative Budget Reduction Proposal 2026-27 - CEX 6)</u></p> <p>The Group discussed the provision of CCTV and that although the budget also includes support for some Council services, the largest user of the CCTV service are the Police. The Group therefore recommended that the Police be asked to financially contribute to the provision of the CCTV and should they refuse, that consideration be given to withdrawing their use.</p>	<p>This is reflected in the draft MTFs proposals and has been discussed with the Police and Crime Commissioner following the comments in the Budget Working Group. Considerations are being given to the use of technology to offset the implications of changed funding at the request of the Police and Crime Commissioner</p>	Accepted
6	<p><u>Budget Reduction Proposal CEX 3</u></p> <p>The Group recommended that Cabinet reconsider budget reduction proposal not progressed last year, CEX 3, regarding the review of the discretionary payments made to senior member salary holders to see if there is any scope to achieve savings.</p>	<p>The schedule of remuneration will be reviewed annually and discretionary payments considered based on the demand / requirements each year. Any changes to the schedule will be considered by full Council.</p>	Partially accepted
7	<p><u>Fees and Charges</u></p> <p>The Group considered the Council's <u>Fees and</u></p>	<p>Fees and Charges are considered each year as part of the budget setting process in line with the fees</p>	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<u>Charges 2025/26</u> and the income generating possibilities and recommended that Cabinet consider an above inflationary rise in all fees and charges that are not set by other bodies, e.g. 10%.	and charges policy, along with the default being that all fees and charges increase in line with inflation. Where this is not the case the rationale is reported to Council as part of the budget setting process. As services are reviewed going forward the impact of increases above the rate of inflation will be built into the review to determine the financial and service impact of such changes	
Education, Early Years and Young People Directorate – Recommendations:			
8	<u>Further Indicative 1% Reduction to Schools Delegated Budgets</u> The Group expressed significant concern regarding the number of schools projecting a deficit budget and questioned the recoverability of the deficits given the level of deficits and the challenges facing schools. The Group therefore unanimously recommended that the further indicative reduction of 1% to school delegated budgets for 2026-27 should be removed.	Following the recommendations of the Scrutiny Budget Working Group, and the better than anticipated settlement, schools have not been tasked with finding any budget reductions from their delegated budgets for 2026/27, and there are currently no proposed budget reductions for schools for 2027/28. Cabinet is giving consideration to options during 2026/27 to retain sufficient head room in the budget to ensure this can be delivered for 2027/28	Accepted
9	<u>Education Welfare Service (EEYYP4)</u> The Group discussed the significant increase in issues regarding attendance, behaviour and exclusions and expressed significant concern regarding the risk posed by the proposed reduction to the Education Welfare Service. The Group therefore strongly recommended that the budget	Following the recommendations of the Scrutiny Budget Working Group, and the better than anticipated settlement, there are no proposed budget reductions for the Education Welfare Service in the 2026/27 budget.	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	reduction proposal not progressed last year, EYYP4 should not be pursued.		
10	<p><u>Unallocated Funding be Cascaded to Councils in Addition to their Core Funding</u> The Group discussed the Welsh Government announcement regarding the minimum 2.3% increase to local government from which schools get their core funding, the unallocated funding which could support frontline services such as schools and that last year, there was consequential funding for education in Wales within the UK budget. The Group recommended that the Leader and those that sit on the on the Welsh Local Government Association lobby for the unallocated funding to be cascaded to councils in addition to their core funding to support schools.</p>	Lobbying has taken place and continues to do so, the results of which are reflected in the draft MTFS proposals.	Accepted
11	<p><u>Proposal to Close Small Schools (EYYP4)</u> The Group discussed the budget reduction proposal not progressed last year relating to the proposal to close smaller schools and recommended that consideration be given to the viability of federated models for schools instead and, in addition, when a headteacher vacancy arises, that consideration be given to the possibility of sharing an existing headteacher for multiple small schools.</p>	<p>As part of the School Modernisation Programme the whole school estate is continuously reviewed. The Federation model has been adopted in Bridgend with the Garw Federation being one such example of this.</p> <p>In respect of small schools, consideration will be given to the viability of federations and where a headteacher post becomes vacant, opportunities to establish an executive headteacher position having</p>	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	The Group also recommended that any proposed closure has regard to forthcoming local housing developments and how it will affect demand and pupil roll numbers.	<p>management oversight of a number of small schools.</p> <p>The local authority will ensure that any proposed closure of a small school continues to have regard to pupil yield from planned housing developments.</p> <p>The local authority will also pay due regard to Welsh Government guidance in respect of this matter.</p>	
Social Services and Wellbeing Directorate - Recommendations:			
12	<p><u>In-House Residential Provision for Care Experienced Children (CEC)</u></p> <p>The Group discussed the significant cost of residential provision for CEC, the elimination of profit legislation and the necessity for transformation of service delivery. In particular, the Group discussed the need for in-house residential provision, that an invest to save model is vital for the Directorate to manage the incoming level of demand and need and recommended that Cabinet consider including social care in the Capital Programme proposed in recommendation 3 above and providing an appropriate capital budget for the Directorate at the times when it's needed to support them as required.</p>	<p>Capital schemes are agreed to meet corporate priorities therefore there are no generic allocations in the programme. The importance of this service requirement is acknowledged and funding was approved for one acquisition and development at Council in January 2026.</p> <p>As further schemes are developed by the service they will be evaluated and considered in the normal process for funding and inclusion in the Capital programme.</p>	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
13	<p><u>Budget Reduction Proposals 2025/26 not progressed</u> The Group recognised the need and level of budget growth and invest to save that was being considered and that savings were also required. The Group therefore recommended that Cabinet reconsider the SSW Budget Reduction Proposals 2025/26 not progressed and whether any can be safely repackaged with a view to transformation rather than savings.</p>	<p>This is ongoing as part of the Transformation programme. Invest to save business cases are being developed for adult social care and child and family services.</p>	Accepted
14	<p><u>Community Hubs – SSW 5 proposal not progressed to reduce library facilities related services</u> The Group discussed the upcoming Community Hubs report to the Social Services, Health and Wellbeing Overview and Scrutiny Committee and the positive impact that an integrated Community Hub could have on residents and possible cost savings of multi-agency service delivery and recommended that the Community Hubs be explored to realise this potential as far as possible.</p>	<p>A community hubs steering group chaired by the Deputy Leader is meeting in January. The group comprises all parts of the Council and key partners. It is vital all engage in this work to maximise asset usage and make this model a success.</p> <p>Scrutiny is also asked if it could consider this subject as part of any associated policy and strategy scrutiny work it undertakes.</p>	Accepted
Communities Directorate - Recommendations:			
15	<p><u>Grant Funding</u> The Group discussed the level of bureaucracy around some grant funding applications and the</p>	<p>The Council will review its approach to grant funding applications, to ensure that they align with the</p>	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	perceived lack of a prior clear overall plan regarding the purpose and intent of the grant funding and the most appropriate grant funding which should be applied for. The Group recommended a value for money exercise be undertaken to ensure grant funding applications are as efficient as possible and that grants sought delivered the maximum potential aligned to a clear plan for its use.	Council's strategic objectives and represent good value for money. More applicable to larger grants as some grants simply provide essential day to day provision.	
16	<u>Housing and Homelessness Budget</u> Given the current budget for housing and homelessness, the Group discussed the current housing policy and whether the Council could be more aggressive in the housing market. The Group recommended that the consideration be given to continuing to increase the Council's housing stock through the purchase of Houses of Multiple Occupancy and building our own and that advice be sought regarding the point at which the Council would need to decide whether or not to become a Housing Authority.	We will continue the work to look at increasing the Council's stock of Houses of Multiple Occupation and will also look at different options to increase the supply of temporary accommodation. Consideration will be given as to whether Earmarked Reserves could be utilised on an invest to save basis	Accepted
17	<u>Flood Prevention</u> The Group discussed the increasing adverse weather events and that the risks of and response to flooding represented a corporate risk to the		Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	<p>Authority. The Group recommended that:</p> <p>a. that flood prevention measures be prioritised with an invest to save model as prevention is cheaper than repairs after the fact;</p> <p>b. consideration be given to the Council's emergency response should defences fail, including whether the Council will purchase and hold emergency provision or a strategy of being able to import such provision at short notice; and</p> <p>c. discussions are held with neighbouring local authorities regarding their approach to flood prevention and sharing best practice.</p>	<p>a. The Directorate will look to prioritise spend on flood prevention measures, in addition to what is currently being procured, including equipment to assist in prevention work including ditching machines and gully cleansing.</p> <p>b. The Cabinet is proposing we establish a fund to assist residents whose property may have been affected by flooding or inclement weather. This will be funded by an Earmarked Reserve.</p> <p>c. Discussions are regularly held with neighbouring LA's on winter maintenance regimes and best practice, both at Officer and Director level.</p>	
18	<p><u>Engineering Services</u> The Group discussed the Council's approach to engineering services and that engineers seem to be scattered throughout the authority, e.g. highways, property, civil engineers, etc. and recommended that consideration be given to adopting a robust central engineering practice and the possibility of recruitment of a senior lead engineer with a desire to achieve transformation of service delivery and proactively manage the Council's estate.</p>	<p>Engineers from multi-disciplines, such as drainage and highways are located within the Communities Directorate, with the majority sitting within the Engineering Team in Highways. There are also mechanical and electrical engineers who work in the Corporate Landlord Service Area. There are also instances where engineering services, such as structural are contracted in via our SLA with WSP. This is because we do not retain that specialism in house. So, the engineering service is currently a hybrid mix of in-house and outsourced specialists. A review of this delivery mechanism will be undertaken to ascertain whether there would be any efficiencies</p>	Accepted

Scrutiny Budget Working Group Recommendations 2025

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
		to be gained from a corporate service approach, albeit most Local Authorities do adopt a modern hybrid approach and bring in resource when required.	
19	<p><u>Enforcement</u></p> <p>The Group discussed the frustrations regarding continuous cases of fly tipping and the perception that the Council do not take enforcement action, highlighting that education to prevent such cases has its limits. The Group also discussed the issue of overrunning road works and parking infractions in highways and recommended that consideration be given to adopting a more proactive and robust approach to enforcement and that a business case be developed to invest in the Enforcement Team to target the most prolific offenders, also establishing whether the increased enforcement could achieve a cost neutral position or possibly generate income. The Group also recommended that discussions are held with neighbouring local authorities regarding their approach to enforcement and sharing best practice.</p>	<p>A review of enforcement activities will be undertaken & also benchmarking with other Local Authorities, to understand if there are best practice examples that can be implemented in BCBC.</p> <p>Balance is needed between education and enforcement, with recognition that education is key and prevention is always more effective. Over the last 3 years fly-tipping has reduced, evidencing that the Authority's approach has been successful.</p>	Partially Accepted

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SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2026-27 TO 2029-30

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
General - Recommendations:			
1	<p><u>Council Tax</u> The Committee expressed concern regarding the proposed above inflation increase to Council Tax and the pressure many residents are facing in balancing their household budgets to meet the cost of Council Tax. The Committee therefore strongly recommended that Cabinet considers reviewing its final budget settlement including the current reduction proposals and using the unallocated funding from the uplift to 4.6% to ensure the lowest possible Council Tax.</p>	<p>The final budget proposals now include a proposed council tax increase of 4.7%</p> <p>The rationale for not reducing it further is to have a contingency in the year to meet unforeseen pressures including pay pressures. The contingency, if not required, would enable the reduction of 1% for schools to be removed from the 2027-28 budget requirements without having to be found from council tax in that year.</p>	Accepted
2	<p><u>Narrative re: Demographic</u> With reference to paragraph 3.1.3 of the Cabinet report, the Committee recommended that further narrative be included regarding the changing demographic of the County Borough and that there be a greater breakdown of age ranges, e.g. young people, adults and older people, etc. to further understand the future impact on pupil numbers in schools and the provision of social care for service provision planning.</p>	<p>The narrative regarding the demographic changes will be updated for the final budget papers.</p>	Accepted
3	<p><u>Fully Funding National Policy Commitments</u> The Committee recommended that all new policy commitments resulting from legislative pressures</p>	<p>The need for new initiatives to be fully funded is regularly raised with Ministers and senior officials in</p>	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2026-27 TO 2029-30

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	from UK or Welsh Government (WG) should be fully funded and that the Committee fully support Cabinet in lobbying Westminster and WG to provide adequate funding.	Welsh Government and Westminster. This will continue.	
Education, Early Years and Young People Directorate – Recommendation:			
4	<p><u>Transformation in Schools and Education</u> The Committee discussed the need for transformation across the whole Council, specifically the schools and education function to see what can be done better and the impact that the funding formula applied to schools budget allocations has on the variances between schools' budget balances and recommended:</p> <ul style="list-style-type: none"> a. that work be undertaken to provide better understanding of the reasons for the variances between schools' budget balances; b. that the funding formula applied to schools' budget allocations be reviewed; and c. that the above be fed back into next year's budget setting together with an update regarding what transformation has taken place in schools and education. 	<p>A full review of the school funding formula would take a significant time to undertake, and would merely move the same funding around within schools, creating winners and losers. Any proposed changes to the funding formula would need to be consulted on with all governing bodies before progressing. Work could be undertaken on reasons why there are variances in school balances e.g. falling pupil rolls, comparatively higher staffing levels etc. An update on progress will be provided as part of the budget setting process next year, along with details of any transformational projects in schools and education.</p>	Partially Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2026-27 TO 2029-30

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
Communities Directorate - Recommendations:			
5	<p><u>Flood Prevention and Public Realm</u> The Committee discussed Cabinet’s response to Recommendation 17 from the Scrutiny Budget Working Group which stated, ‘the Directorate will look to prioritise spend on flood prevention measures’, but highlighted that it is vital reference is made to funding for flood prevention in the MTFs and recommended that Cabinet consider including flood prevention measures within the narrative in <i>NEW 4, Public Realm</i>, in the Additional Final Settlement Budget Pressures, £1.5m.</p>	<p>The narrative for this cost pressure will be reviewed to make reference to flood prevention.</p> <p>Consideration will be given at year end to the establishment of a new Earmarked Reserve and to establishing a fund to support householders when their properties are flooded.</p>	Accepted
6	<p><u>Council’s Approach to Flood Prevention and Engineering Services</u> Members referred to the link between the Scrutiny Budget Working Group Recommendations 17 (Flood Prevention) and 18 (Engineering Services) and highlighted the opportunity to utilise engineering and nature-based solutions to flood prevention. The Committee recommended that consideration be given to looking at flood prevention with an engineering focus, e.g. planting trees to create wetlands to slow water flow away from housing to prevent flooding, replacing verges with sustainable drainage systems, etc. and being</p>	<p>Agree that consideration would be given to engineered flood prevention measures within the Borough, in order to seek additional grant funding for preventative works.</p>	Accepted

SCRUTINY RECOMMENDATIONS ON THE MEDIUM TERM FINANCIAL STRATEGY 2026-27 TO 2029-30

	Scrutiny Recommendation:	Cabinet Response:	Accepted/ Partially Accepted / Not Accepted:
	bolder and more proactive in the attraction and use of available grants and funding.		

Bridgend County Borough Council

Corporate Risk Assessment

January 2026

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	20	↓
COR-2019-02	The Council is unable to deliver transformation and major service change, including projects and agreed financial savings	16	↓
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	20	↓
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 local issues such as the closure of businesses in the area.	20	↔

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 £96.7m in that time. As a result, it is harder each year to identify and deliver ongoing budget reductions. Difficult decisions to cut or reduce service levels have been made in the past, 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>In recent years, the Council has had to manage unprecedented in year financial pressures which has impacted on the financial resilience of the Council. An improved position for 2024-25 and 2025-26 has made a positive difference to the Council's overall financial position. Whilst there has been a better than expected settlement for 2026-27, due to funding shortages across the public sector, the longer term predictions with regards to funding to be received from Welsh Government are challenging for 2027-28 onwards.</p> <p>Inflationary pressure, most acutely in areas such as energy and pay awards, means 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 impact of this includes potential budget deficits, reduced service delivery, and the inability to invest in critical infrastructure and community services that the public value. Careful planning and difficult choices will be key to ensuring that a balanced financial position is maintained.</p> <p>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.</p> <p>The review of the Budget Research and Evaluation Process has resulted in increased scrutiny by cross party groups of members during the budget setting process. Elected members are also briefed on the financial position during the year. In setting the 2025/2026 budget, difficult decisions had to be made re budget savings and approved growth across the budget.</p>

<p>Actions to be established</p>	<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.</p> <p>The Authority is investing in service transformation will enable the Authority to systematically review services to ensure the most effective service model is used to deliver effective services.</p> <p>The budget planning process for 2027/2028 will be started earlier, with a service and financial review considering the budget outturn position from 2025-26 to realign budgets where possible.</p> <p>The work of the Budget Research and Evaluation Panel has been refocused for the 2026-27 budget setting process to ensure more rigorous challenge and the involvement of more elected members in the process. This will be reviewed at the start of the new financial year to consider any improvements that can be made to the process.</p> <p>For MTFS going forward, 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 data from a number of sources 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.</p> <p>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>Risk Owner</p>	<p>CMT</p>
<p>Wellbeing Objective</p>	<p>All Wellbeing Objectives</p>

Risk Score

	Likelihood	Impact	Total	Previous Score	Direction of travel since previous report
Raw Risk Score	5	5	25		
Residual Risk Score	4	5	20	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 requirement to drive the more efficient use of resources, the Sustainable Communities for Learning Programme, and the process to bring some services back under the direct management of the Council, such as the waste services. The consequences of this 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	<p>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</p> <p>Budget growth is included in the draft budget to fund transformation which, if approved, will make a significant contribution to enabling the Authority to review and change its services.</p>
Actions to be established	<p>The draft budget for next year includes proposals to fund a new strategic transformation function within the Authority. This will enable the Council to :</p> <ul style="list-style-type: none"> • Work across all service areas, dealing with services on an agreed priority basis • Review the use of technology and AI across services to ensure it supports and enhances service delivery and efficiency. • Support to bring about workforce changes and development • Develop a robust governance framework to prioritise, monitor and evaluate the work being undertaken • Increase capacity across the organisation to ensure the delivery of change

Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Previous score	Direction of travel since previous report
Raw Risk Score	5	5	25		
Residual Risk Score	4	4	16	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.</p> <p>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.</p> <p>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.</p> <p>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 to maximise its capital programme spending capability.</p> <p>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.</p>

	<p>The procurement process will also be considered, and qualification criteria updated to try and avoid supplier issues.</p> <p>When closing the 2024-25 accounts, additional monies were earmarked for capital expenditure which will need to be allocated according to the agreed priorities for the Council and with a view to the longer term funding position for the Council</p>
Risk Owner	CMB
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Previous Score	Direction of travel since previous report
Raw Risk Score	5	5	25		
Residual Risk Score	4	5	20	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	<p>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.</p> <p>Initial referrals into children services remains high however number on the Child Protection Register have reduced. 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</p>
Addressing the risk	<p>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 positive work has been done to establish an overseas recruitment programme.</p> <p>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 the over reliance on agency staff has been reduced significantly as a consequence of this work.</p>
Actions to be established	The Corporate Safeguarding Officer enhances the support to corporate safeguarding arrangements. A priority for the service will be to continue to enhance the early intervention, prevention and edge of care service to support children to live safely in their own homes. The service will continue to invest in partnerships with other public services, the third sector and community groups to improve outcomes for individuals and families in the most effective and cost effective way.

	<p>The Regional Safeguarding Board is developing common quality and performance reporting via the steering group to include clear trigger points of escalated action.</p> <p>Work is being undertaken to develop a sustainable model for the service which includes practice, workforce and funding issues</p>
Risk Owner	CMB
Wellbeing Objective	A County Borough where we protect our most vulnerable

Risk Score

	Likelihood	Impact	Total	Previous Score	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 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).</p> <p>Training is being provided to staff who will be involved in any civil emergency activity, and this is updated on a regular basis.</p> <p>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 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 our emergency planning arrangements to ensure paperwork training and information is up to date and accessible be the necessary staff.</p>
Risk Owner	CMB

Wellbeing Objective	All Well-Being Objectives
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Risk Score

	Likelihood	Impact	Total	Previous Score	Direction of travel since previous report
Raw Risk Score	4	5	20		
Residual Risk Score	4	4	16	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	<p>If there is a 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.</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>
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>Additional HR support has been provided for those areas where particular issues have been identified.</p> <p>The Health and Wellbeing service is positively promoted to staff via the website and via the staff newsletters and managers briefing.</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> <p>Additional capacity at a senior level has been approved to support workforce planning and a budget pressure has been included in the draft budget estimates for 2026/27 to support and enhance organisation development</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	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. The impact of supplier failure will include contract failure, cost increase, contractors unwilling to carry out work at framework prices or failure to meet grant conditions. This will cover service areas such as Home to School Transport, residential care and construction where 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	Previous Score	Direction of travel since previous report
Raw Risk Score	5	4	20		
Residual Risk Score	4	4	16		↔,

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	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 in recent years particularly in energy costs meaning it is inevitable that there will be increased fragility in this sector.
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.
Risk Owner	CMB / Economic Recovery Panel
Wellbeing Objective	All Wellbeing Objectives

Risk Score

	Likelihood	Impact	Total	Previous Score	Direction of travel since previous report
Raw Risk Score	5	5	20		
Residual Risk Score	4	4	16	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 work ongoing 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	Previous Score	Direction of travel
Raw Risk Score	5	5	25		
Residual Risk Score	5	5	25	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, financial planning has included 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. Training is made available to support this requirement. 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	Work is being done with schools to understand the impact on any budget reductions on individual schools. Work is being undertaken in the service to review the impact on the schools deficits
Risk Owner	CMB
Wellbeing Objective	All wellbeing objectives

Risk Score

	Likelihood	Impact	Total	Previous Score	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 implement a new system 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 implement 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, data migration and sourcing 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. • 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	<p>Welsh Government to confirm ongoing funding allocation for Councils to support the Connecting Care Project.</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 Services
COR - Corporate
COM - Communities
CEX - Chief Executives
EDFS – Education, Early Years and Young People

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BUDGET PRESSURES 2026-27 TO 2029-30

BASE BUDGET PRESSURES

Ref	Directorate	Service	Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
1	Education, Early Years and Young People	Additional Learning Needs	Recoupment Expenditure at Heronsbridge / Ysgol Bryn Castell. Whilst numbers have remained stable in inter-authority recoupment placements, with 20 at Summer 2025, down to 18 in Autumn 2025, the pressure is due to additional support being provided at Heronsbridge School and Ysgol Bryn Castell to mitigate further external placements.	250			
2	Social Services and Wellbeing	Adult Social Care	Adult Social Care pressures including physical disabilities homecare, learning disabilities and physical disabilities residential care, as a result of increased placements and increased costs due to changing needs.	250			
3	Social Services and Wellbeing	Children's	There is an overspend of £560k for supported accommodation. The Placement Commissioning Strategy and the Children and Young People's Transitional Strategy outline the need to grow supported accommodation options in response to the increasing number of children aged 10–15 becoming looked after, as well as ongoing responsibilities under the mandated National Transfer Scheme.	250			
4	Communities	Highways	Highways Services - insufficient budget in respect of staffing and hire charges for vehicles and equipment.	40			
5	Communities	Parks and Playing Fields	Parks and Playing Fields - maintenance budgets on cemeteries.	50			
6	Chief Executive	Finance	Funding to reinstate MTFs Budget Reduction CEX25 Finance Senior Management Savings from 2024-25. A full restructure was proposed and consulted on but it did not proceed.	70			
7	Chief Executive	Finance	Benefits - shortfall on Department for Work and Pension (DWP) subsidy contributions towards housing benefit payments in Bridgend. Any Housing Benefit award paid over the subsidy level is borne by the Council as the DWP does not fully fund all Housing Benefit expenditure – for example, there are a number of tenancy arrangements whereby the subsidy is limited to historic local housing allowance rates or restricted by rent officer determinations.	133			
8	Chief Executive	Legal	Historical shortfall on income generated from legal fees for property transactions, S106 Agreements and Highway Agreements.	58			
9	Chief Executive	ICT	Funding to reinstate savings not achieved in respect of MTFs Budget Reduction Proposals (CEX22 2024-25 and CEX10 2025-26) following the Panel Performance Assessment, as they are counter-productive to the transformation agenda and will be required to support digital transformation proposals.	181			
10	Chief Executive	ICT	Shortfall in historical service level agreement income from schools which is no longer being realised as the Welsh Government School Hwb project now includes the services previously being re-charged.	177			
Total Recurrent Budget Pressures				1,459	0	0	0

EMERGING DIRECTORATE PRESSURES

Ref	Directorate	Service	Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
SCH1	Education, Early Years and Young People	Individual Schools Budget	Increase to delegated funding for schools required for energy, cleaning, building maintenance, caretaking and rates as a result of planned extensions to existing premises and proposed new build/replacement schools.	29	293	220	

Ref	Directorate		Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
ED1	Education, Early Years and Young People	Home to School Transport	Home to school transport for pupil transport for Welsh Immersion provision which supports pupils up to Year 7. The late immersion unit based in Ysgol y Ferch o'r Sgêr was established in March 2025 and all newcomers to Welsh-medium education will be immersed in the language within the unit from Monday to Thursday and spend Friday at their home-school. In line with the transport policy, pupils who are eligible to receive school transport also receive transport to the late immersion unit.	47			
ED2	Education, Early Years and Young People	School Improvement	The budget pressure funding (£225k in 2025-26 and 2026-27) is required to support the creation of a School Improvement Group within the local authority's Education, Early Years and Young People Directorate. This additional resource has been necessary following the reorganisation of regional school improvement arrangements across Wales. This funding has facilitated the appointment of a team of school improvement partners supported by three professional officers to support digital learning and strategic development in primary and secondary schools.	225			
ED3	Education, Early Years and Young People	Early Years - Additional Learning Needs	Additional Learning Needs pressures, including additional resource bases in schools, particularly for communication autism, due to the significant increase in the number of pupils with emotional, social and behavioural needs, and pupils with complex medical needs and physical disabilities.	800			
SSW1	Social Services & Wellbeing	Children's Services	<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>Due to new statutory responsibilities under the Health and Social Care (Wales) Act, which require local authorities to ensure sufficient local placement options for children, while reducing and eliminating reliance on private providers. This requirement is supported by our Placement Commissioning Strategy, which identifies the need to establish at least four additional residential homes to meet current and anticipated levels of demand.</p> <p>The 2026-27 figure includes the shortfall on homes 1 & 2, and 3 months of home 3.</p>	1,498	585	1,642	
SSW2	Social Services & Wellbeing	Adult Social Care	<p>Front Door - Increasing demand for assessment for adults with social care needs. There is an increase in costs due to increasing demand for assessment within our Early Intervention and Prevention Service (EIPH) which is the front door to adult services. 2742 new contacts were received during April-August 2025/26 compared to 2422 for the same period in 2024/25. Undertaking a timely and accurate assessment is a key part of our sustainable and strengths based model. With the surge in demand for the service we are unable to maintain this level of service which will result in delays in the system and increased risk, and higher care costs. This will ensure we can meet the demand and prevent unnecessary escalation of need.</p>	86			
SSW3	Social Services & Wellbeing	Adult Social Care	Complex Needs and Continuing Health Care. Increasing pressure from meeting the full care costs of people with complex needs. There is an increase in care costs to the local authority as people with complex needs, including learning disabilities and dementia, become older. Whilst they may be entitled to continuing health care contributions from the health board, this requires a high degree of expertise, persistence and a focussed assessment from our social workers to obtain this.	60			

Ref	Directorate		Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
SSW4	Social Services & Wellbeing	Adult Social Care	Transition. Learning Disabilities - Residential. An increased demand for high cost accommodation/residential care for young people with complex needs transitioning to adult social care at 18. There has been an increase in cost due to increasing numbers of young people with complex needs transitioning from Child and Family services to Adult Social Care at 18. As well as an increase in demand from young people with high levels of complexity, adults with a learning disability are also living longer. This places greater pressure on our residential budget.	800			
SSW5	Social Services & Wellbeing	Adult Social Care	Transition - Independent Domiciliary Care. An increased demand for high cost accommodation/residential care for young people with complex needs transitioning to adult social care at 18. The pressure is based on increasing numbers of placements (and increasing complexities of need) made in long-term homecare services over the past 18 months, due to demographic pressures, such as an ageing population and increasing dementia.	151			
SSW6	Social Services & Wellbeing	Commissioned Services	Implications of Real Living Wage (RLW) uplifts on commissioned contracts within Social Services and Wellbeing, to meet Welsh Government's commitment to the real living wage in social care, based on the announced increase to RLW from £12.60 in 2025 to £13.45 (6.7% increase) in 2026.	3,000			
SSW7	Social Services & Wellbeing	Directorate Wide	Establishment of an accommodation unit, similar to the school modernisation team, to develop business cases, seek funding and manage social services accommodation proposals for in-house services. This will initially focus on children's accommodation, to meet the requirements of the Health and Social Care (Wales) Act 2025 in terms of eliminating profit from the care of looked after children, but will also manage changes in provision for adult services, with a view to investing to achieve longer term budget savings.	250			
COM1	Communities	Waste	Additional revenue funding required, over and above the current budget, to operate the waste service as an in-house service from July 2027, as agreed by Cabinet in November 2024. Separate one-off mobilisation costs that are required eg ICT system costs, legal and HR costs, are being funded by an earmarked reserve, and some may be funded from the Extended Producer Responsibility contribution. An element of the funding is required in 2026-27 to enable containers and personal protective equipment to be pre-ordered in time for the July 2027 start date.	275	965		
COM2	Communities	Transport	Bus Subsidies: to include provision to undertake pilot schemes on routes no longer served by bus operators.	50			
CEX1	Chief Executive's	Taxation	Shortfall in Court Cost Income from council tax and Non Domestic Rates, both historically and as a consequence of changes to the legislation for the administration and enforcement of council tax which are due to be introduced by Welsh Government from 01/04/2026 (The Council Tax (Discount, Disregards and Exemptions) Regulations 2026).	75			

Ref	Directorate		Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
CEX2	Chief Executive's	Democratic Services	The current Welsh Government consultation on committee meetings, ending on 28 November 2025, proposes extending the mandatory broadcasting of council meetings to include all statutory committees like Democratic Services and Planning, as well as Cabinet meetings (presently it is just full council). Additional revenue funding, over and above the current budget would be needed to increase capacity to comply with this requirement and the infrastructure needed to support this approach. Furthermore, the new conferencing system for the Chamber and Committee Rooms aligned with the Council's digital transformation project will require more resource. Furthermore, the recent Panel Performance Assessment identified that a critical component of any emerging transformation plan will be our approach to the digital function. Resources will therefore be required to provide ongoing support to our Elected Members to help them understand and champion these digital initiatives. A key area of support will be the Member Referral System providing an effective digital platform for handling constituents' cases and effectively manage their workload.	36			
CEX3	Chief Executive's	Democratic Services	Strengthening Democratic Services capacity to assist with policy advice, support and development. It is proposed that this is a Graduate role where existing skills can be developed and the role can be flexible enough to react to any changes in administration.	50			
CEX4	Chief Executive's	Legal Services	In the MTFs 2025-2029 additional revenue funding was granted for the appointment of a dedicated S106 officer and an assistant in the Communities Directorate. The establishment of an Infrastructure Management Board to develop and implement an Infrastructure Management Plan has also been agreed in principle. The purpose behind these actions is to ensure the Council obtains maximum benefit from S106 funding, particularly as the Replacement Local Development Plan (RLDP) will generate around £155 million in S106 income over the course of the plan period. The implication is that there will be a greater demand on legal advice on S106s going forward and therefore additional revenue funding will be required over and above the current budget for Legal Services to meet this work in-house.	65			
CEX5	Chief Executive's	Human Resources	Permanent funding for additional resource to ensure we meet our mandatory pension reporting requirements that have significantly changed in recent years due to greater reporting requirement for both Teachers and LGPS with separate monthly returns. There is also additional work following the McCloud ruling.	81			
CEX6	Chief Executive's	Human Resources	Previous savings against the Learning & Development were mitigated by vacancies that now need to be filled to ensure we meet operational payroll deadlines.	57			
CEX7	Chief Executive's	Transformation	Following the outcome of the Panel Performance Assessment, the development of a multi-skilled transformation team to take forward transformation across the Council, to progress change at pace, leading to deliverable savings in the medium to longer term.	500			

Ref	Directorate		Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
CW1	Council Wide	Capital Financing	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	
Total Budget Pressures				8,135	2,343	2,362	0

FINAL SETTLEMENT ADDITIONAL GROWTH / PRESSURES

Ref	Directorate		Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
ED4	Education, Early Years and Young People	Youth Service	A recurrent allocation of £250,000 subject to a review of the service and where this would have most impact and ensure key youth provision is protected as Shared Prosperity Funding is withdrawn.	250			
SSW8	Social Services and Wellbeing	Mental Health	Preventative mental health and wellbeing support to communities - a small grants scheme for third sector community organisations to support local access to preventative mental health and wellbeing support for a range of groups including veterans, accessible in local communities.	80			
SSW9	Social Services and Wellbeing	Community Sports Development	Capacity to support community sports development to increase participation, accessibilities and work with partners to address health and wellbeing inequalities and support the development of clubs to develop funding bids and participation. This will include a small sports fund (community chest) to support sports clubs to purchase new equipment / match fund grant bids.	183			
COM3	Communities	Public Realm	This will be used to fund multi purpose teams in the Communities Directorate that will work across the Borough to improving public areas. This will include providing a coordinated approach to work on greening and planting, biodiversity improvements, cleaning and repairing assets, care of public spaces and small scale environmental improvements that will support flood prevention. This recurring funding will enable these teams to undertake direct action to improve local environments and to support the ongoing care of our neighbourhoods, towns and green spaces.	1,500			
COM4	Communities	Town Centres	To develop and expand the Town centre management and events capacity across our towns to better support business as some Shared Prosperity Funding is reduced and provide a function to develop markets and events in our town centres.	150			
COM5	Communities	Transport	Funding to support additional pilot schemes on routes no longer served by bus operators (£100k total with COM2).	50			
CEX8	Chief Executive	Digital Transformation	The Council has committed to accelerate the pace of change across the Authority in response to the Panel Performance Assessment findings. One area for priority is the use of digital and Artificial Intelligence (AI) technology. This funding will support this, including the replacement of key systems that support services to ensure efficient working processes going forward.	500			
CEX9	Chief Executive	Transformation	The Council has committed to accelerate the pace of change across the Authority in response to the Panel Performance Assessment findings. To support this, additional capacity is required to develop a programme and project management function that can support services to deliver invest to save initiatives and service change (in addition to CEX7). Without this the level of change to deliver efficiencies required and the associated risk cannot be managed.	600			

Ref	Directorate		Pressure	2026-27 £000	2027-28 £000	2028-29 £000	2029-30 £000
CEX10	Chief Executive	Housing	The demand for Housing services, in particular homelessness presentations, has continued at a high level since Covid, and is not reducing. The capacity in the team has not been increased for many years therefore additional capacity is required to deal with the level of referrals to ensure individuals are not waiting for the support required.	150			
CEX11	Chief Executive	Human Resources	Funding to support internal investigations within the Council. The current lack of officers to undertake investigations is causing delays in investigations which leads to additional anxiety for employees and criticism from Trade Unions and Tribunals. This will also ensure we maintain independence in all investigations that require it.	100			
CEX12	Chief Executive	Procurement	To enhance progress on procurement work with Small and Medium Enterprises (SMEs) and local suppliers.	55			
CEX13	Chief Executive	Workforce Development	There is currently one workforce development officer within the Council who works within the Social Services and Wellbeing directorate. Additional capacity is sought across the Council to support the reduction of agency workers by developing more resilient long term solutions and focussing on workforce planning and development.	65			
CEX14	Chief Executive	Legal	The budget for a planning lawyer was removed a number of years ago, but workload has increased in this area, and it is difficult to recruit on temporary funding. The volume and complexity of work is increasing so a permanent full time officer is required.	65			
CW2	Council Wide	Fire and Rescue Authority Levy	Increase in Fire Service Precept of 2.99% 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 2026. This is in addition to the £12,660 funding transferred into the settlement towards the FRA increased pay and national insurance contributions.	260			
Total Budget Pressures				4,008	0	0	0

TOTAL ALL BUDGET PRESSURES

13,602	2,343	2,362	0
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TOTAL PRESSURES

Schools	29	293	220	0
Education, Early Years and Young People	1,572	0	0	0
Social Services and Wellbeing	6,608	585	1,642	0
Communities	2,115	965	0	0
Chief Executives	3,018	0	0	0
Council Wide	260	500	500	0

13,602	2,343	2,362	0
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Budget Reduction Proposals 2026-27 to 2029-30

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2025-26 £'000	Total Budget Reduction 2026-2030 as % of 2025-26 Budget	2025-26 Budget Reductions £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000	Proposed 2029-30 £'000
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RAG STATUS KEY	
RED	Proposals not fully developed/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

EEYYP1	Review of Home to School Transport	The new Home to School Transport Policy was implemented on 1 September 2025. The Budget reduction proposal was split over two financial years. The efficiency savings are ongoing and contracts have been adjusted to take into account the change of eligibility of pupils.	10,892	4%	675	417			
EEYYP2	Efficiencies in Catering Budget	The efficiency saving will be met through a reduction in the Catering Service's core budget across a number of areas, including non-staffing costs, procurement etc. Little impact is envisaged on front line services.	£5.082m gross budget	6%		300			
Total Education, Early Years and Young People Directorate						717	0	0	0

SOCIAL SERVICES AND WELLBEING

SSW1	Achieve better value for money by Cabinet considering a recommendation to extend the Healthy living partnership	On 22nd October 2024 Cabinet agreed to the proposed extension of the term of the Healthy Living partnership agreement with GLL/ HALO . Officers for the Council have since agreed the terms of the deed of variation and wording of the applicable procurement notices with GLL/HALO. The completed deed of variation is awaiting to be published as per the required procurement notices. The extension of the Healthy Living partnership provides certainty on service delivery and an opportunity for the reprofiling of service and management fee.	£1.175m (Management Fee)	17%			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.	£1.175m (Management Fee)	2%	10	10	10		

Budget Reduction Proposals 2026-27 to 2029-30

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2025-26 £'000	Total Budget Reduction 2026-2030 as % of 2025-26 Budget	2025-26 Budget Reductions £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000	Proposed 2029-30 £'000
Page 144 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.	£1.175m (Management Fee)	17%			200		
SSW4	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.	2,730	5%	129	129			
SSW5	Adult Social Care Placements - Review the level of support provided within supported living and residential placements across ASC to ensure that we focus on people's strengths and maximise their independence.	As well as 'right sizing' of support we will also 'step down' where it is possible from residential placements to more independent options such as Supported Living and 'Shared Lives.' The delivery of these savings will only be achieved if there is permanent funding secured for the commissioning for complex needs team. It is important that they are focussed on delivering improved outcomes for individuals by supporting more independent living.	40,522	1%		370			
SSW6	Review the levels of support provided through direct payments for all adult groups to ensure that we focus on people's strengths, maximise their independence and reduce their reliance on formal care in line with direct payments policy.	The delivery of these savings will only be achieved if there is permanent funding secured for the commissioning for complex needs team. It is important that they are focussed on delivering improved outcomes for individuals by supporting more independent living.	6,313	4%		250			
SSW7	Day Service Placements - Review the day opportunity placements we commission with independent providers for people with a learning disability and re-provide this within our in-house services.	It is important that there is a positive, outcome focussed, progressive offer from in-house services which maximises independence and supports individuals to achieve their personal outcomes. This should also represent better value for money.	648	8%		50			

Budget Reduction Proposals 2026-27 to 2029-30

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2025-26 £'000	Total Budget Reduction 2026-2030 as % of 2025-26 Budget	2025-26 Budget Reductions £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000	Proposed 2029-30 £'000
Page 145 SSW8	Residential and Non Residential Charging - In line with Fairer Charging regulations, apply a 10% increase in both residential and non-residential charges so we continue to move towards full cost recovery.	As any charges levied are in line with Welsh Government Fairer Charging Regulations the impact on individuals is mitigated. The increase is in line with the MTFS principle to move towards full cost recovery across all service areas.	-10,186	-2%		232			
Total Social Services and Wellbeing Directorate						1,041	410	0	0

COMMUNITIES

COM1	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, however the aim will be to implement changes through staff redeployment and recruitment changes across the wider cleaning contract thus avoiding redundancy issues.	308	11%	35	35			
COM2	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.	1,452	3%	45	40			
COM3	Increase income across the commercial property portfolio	Change will take time to implement and require additional surveyor resource over time.	1,626	1%	15	15			
COM4	Increase fees on Bereavement services, i.e. burial charges by 10%	Income target has been based on historic income levels achieved and the application of a 10% increase to current charges. There is a risk to achieving the income target if there is a reduction in burials compared with the last two years if they return to pre-pandemic levels, or if relatives seek alternative services from neighbouring authorities.	Income budget £679K	10%			68		
COM5	Reduce the budget available for the Climate Emergency Response Programme, including Ultra Low Emission Vehicles (ULEV) implementation	The Climate Emergency Programme will have to be remodelled. This will impact on the Welsh Government's net zero 2030 target and will now require additional grant funding from external sources or joint working with partners to achieve our ambitious targets.	414	12%		50			
COM6	Reduce available property maintenance budgets in Corporate Landlord by up to 10% per asset	Reduction of maintenance activity counter productive for long term asset operation. This reduction would be limited to assets where non essential maintenance items can be removed. Will have a resulting negative affect on teams delivering maintenance functions with reduction in volume of orders, but these reductions have been taken previously and could be taken again if required.	1,501	7%		100			
COM7	Reduction in Traffic & Transportation Budget with relation to the provision of Car Parking	This saving could be realised by looking to increase the opening hours at the Rhiw Car Park to encourage use during the night time economy, which could increase fee income and reduce operating costs by moving to a pay & display operation.	1,341	7%		100			
Total Communities Directorate						340	68	0	0

Budget Reduction Proposals 2026-27 to 2029-30

Ref.	Budget Reduction Proposal	Impact, including on 5 Ways of Working as set out in the Well-being of Future Generations Act	Budget 2025-26 £'000	Total Budget Reduction 2026-2030 as % of 2025-26 Budget	2025-26 Budget Reductions £'000	Proposed 2026-27 £'000	Proposed 2027-28 £'000	Proposed 2028-29 £'000	Proposed 2029-30 £'000
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CHIEF EXECUTIVES

CEX1	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 will be achieved by requesting contributions from South Wales Police or the Community Safety Partnership, or by reducing the specification of live coverage. Discussions are already underway.	462	54%		250			
Total Chief Executive's Directorate						250	0	0	0

GRAND TOTAL REDUCTIONS						2,348	478	0	0
ESTIMATED BUDGET REDUCTION REQUIREMENT (MOST LIKELY)						2,348	10,361	10,134	9,897
REDUCTION SHORTFALL						0	9,883	10,134	9,897

832	0	0	0
1,136	468	0	0
380	10	0	0
2,348	478	0	0

FEES AND CHARGES PROPOSALS 2026-27

APPENDIX E

1. FEES AND CHARGES INCREASING BY HIGHER THAN THE STATUTORY MINIMUM OR CPI		
Type of Charge	Comment	Detail of Revised / New Fee or Charge
Standard charges – Residential and non-residential Social Services and Wellbeing services	SSW8 – Medium Term Financial Strategy Budget Reduction proposal – in line with Fairer Charging regulations, apply a 10% increase in both residential and non-residential charges.	10% increase in both residential and non-residential charges
Temporary Road Closure Charges - Temporary Traffic Orders or Notices - Emergencies	Increase fees for Emergency Road Closures to reflect the additional resources and consultation required to be undertaken by the Streetworks department and Legal Services. The revised fee also brings the charge in line with the fees charged by other Welsh Local Authorities.	From £647.11 to £1,662.93
2. NEW FEES AND CHARGES		
Type of Charge	Comment	Detail of Revised / New Fee or Charge
Training courses for:- Food Safety Allergen Training Health and Safety within the Workplace Special Procedures Practitioners Prevention of Age Restricted Sales Infection Control in Health and Care Settings Hazard Analysis and Critical Control Points	Training Courses delivered by Shared Regulatory Services.	Various – dependent on length of course (e.g. half day, one day, three days) and level of qualification (Level 1, 2, 3)
Adopted Replacement Local Development Plan	Charge covers cost of printing, binding and postage of a hard copy of the Adopted Replacement Local Development Plan.	£46.41

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DIRECTORATE BASE BUDGETS BY SERVICE AREA

APPENDIX F

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BASE BUDGET BY SERVICE AREA	Revised Budget 2025-26	Specific Transfers from WG incl pay and NI	Inter- Directorate Transfers	Employers' Pension Contributions	Pay/Prices	Budget Pressures 2026-27	Budget Reduction Proposals 2026-27	Opening Revenue Budget 2026-27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Education, Early Years and Young People (EEYYP)								
LEARNER SUPPORT	8,809	143		(82)	109	869		9,848
ERALLY YEARS AND YOUNG PEOPLE	2,931	54		(57)		431		3,359
STRATEGY PERFORMANCE AND SUPORT	13,860	118		(117)	107	272	(717)	13,523
SCHOOLS SUPPORT	879	7		(15)	13			884
SUSTAINABLE COMMUNITIES FOR LEARNING	4,035	3		(4)				4,034
EDUCATION, EARLY YEARS AND YOUNG PEOPLE OTHER	1,814	4		(10)				1,808
	32,328	329	0	(285)	229	1,572	-717	33,456
Schools								
SCHOOL DELEGATED BUDGETS	126,309	3,075		(968)	1,721	29		130,166
	126,309	3,075	0	(968)	1,721	29	0	130,166
Social Services & Wellbeing								
OLDER PEOPLE	29,123	293	1,128	(406)	38	1,358	(318)	31,216
ADULT PHYSICAL DISABILITIES/SENSORY IMPAIRMENT	6,043	18	(1,128)	(23)		119	(31)	4,998
ADULTS LEARNING DISABILITIES	28,067	232		(293)	19	2,004	(413)	29,616
ADULTS MENTAL HEALTH NEEDS	6,258	36		(61)	7	286	(140)	6,386
OTHER ADULT SERVICES	4,102	78		(129)		146		4,197
ADULT SERVICES MANAGEMENT & ADMIN	5,482	109		(133)	5	250	(129)	5,584
PREVENTION AND WELLBEING	6,009	16		(44)		189	(10)	6,160
CHILDREN'S SOCIAL CARE	34,059	339		(574)		2,256		36,080
	119,143	1,121	0	(1,663)	69	6,608	(1,041)	124,237
Communities								
CORPORATE LANDLORD	3,637	125	(49)	(49)	163		(190)	3,637
STRATEGIC MANAGEMENT	295	4	(5)	(10)				284
PLANNING & DEVELOPMENT SERVICES	866	41	4	(74)	1			838
STRATEGIC REGENERATION	938	11	2	(23)		150		1,078
ECONOMY, NATURAL RESOURCES & SUSTAINABILTY	1,611	16	20	(30)			(50)	1,567
CLEANER STREETS & WASTE MANAGEMENT	13,861	46	3	(63)	40	275		14,162
HIGHWAYS & GREEN SPACES	13,677	158	25	(225)	34	1,690	(100)	15,259
	34,885	401	0	(474)	238	2,115	(340)	36,825

DIRECTORATE BASE BUDGETS BY SERVICE AREA

APPENDIX F

Page 150	Revised Budget 2025-26	Specific Transfers from WG incl pay and NI	Inter- Directorate Transfers	Employers' Pension Contributions	Pay/Prices	Budget Pressures 2026-27	Budget Reduction Proposals 2026-27	Opening Revenue Budget 2026-27
BASE BUDGET BY SERVICE AREA	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's								
CHIEF EXECUTIVE UNIT	523	2		(5)				520
FINANCE	4,432	113	20	(164)	2	278		4,681
HR & ORGANISATIONAL DEVELOPMENT	1,895	43		(87)	1	303		2,155
PARTNERSHIPS	2,299	63		(109)	3	1,600	(250)	3,606
LEGAL, DEMOCRATIC, AND REGULATORY	6,195	91		(135)		329		6,480
ELECTIONS	187	3		(5)				185
ICT	4,753	53		(43)	9	358		5,130
HOUSING & HOMELESSNESS	4,851	31		(52)		150		4,980
BUSINESS SUPPORT	997	29		(45)	6			987
	26,132	428	20	(645)	21	3,018	(250)	28,724
TOTAL DIRECTORATE BASE BUDGETS	338,797	5,354	20	(4,035)	2,278	13,342	(2,348)	353,408
Council Wide Budgets								
CAPITAL FINANCING	5,907							5,907
LEVIES	10,210	13				260		10,483
REPAIRS & MAINTENANCE	670							670
COUNCIL TAX REDUCTION SCHEME	17,054				750			17,804
APPENTICESHIP LEVY	869							869
PENSION RELATED COSTS	430							430
INSURANCE PREMIUMS	1,363							1,363
OTHER COUNCIL WIDE BUDGETS	7,926	666	(20)		8,643			17,215
TOTAL COUNCIL WIDE BUDGETS	44,429	679	(20)	-	9,393	260	-	54,741
TOTAL BUDGETS	383,226	6,033	0	(4,035)	11,671	13,602	(2,348)	408,149

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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 2025 was £10.008 million (£9.730 million at 31 March 2024). This represents 3.90% of the 2025-26 net budget excluding school delegated budgets (2024-25 comparative was 3.60%). It equates to 2.18% of the 2024-25 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 in overall deficit of £0.619 million at 31 March 2025.

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 £2.266 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 2025. It is anticipated that there will be further draw-down of reserves by 31 March 2026. The table does not include any potential new or increase of reserves over the final three months of the year.

Opening Balance 01 Apr 25 £'000	Reserve	Movement as at Period 9			Closing Balance 31 Dec 2025 £'000
		Net Additions/ Reclassification £'000	Draw-down £'000	Unwound £'000	
	Corporate Reserves:				
46,038	Capital Programme Contribution	45	-	-	46,083
2,290	Asset Management Reserves	-	(209)	-	2,081
1,830	Major Claims & Insurance Reserves	-	-	-	1,830
1,893	Service Reconfiguration	-	-	-	1,893
2,294	Change Management/Digital Transformation	(264)	(184)	-	1,846
500	Economic and Future Resilience Fund	-	-	-	500
3,179	Other Corporate Reserves	-	-	-	3,179
58,024	Total Corporate Reserves	(219)	(393)	-	57,412
	Directorate Reserves:				
1,919	Education & Family Support	-	(40)	-	1,879
1,857	Social Services & Wellbeing	-	(389)	-	1,468
1,835	Communities	-	(182)	(51)	1,602
1,966	Chief Executives	347	(123)	-	2,190
7,577	Total Directorate Reserves	347	(734)	(51)	7,139
	Equalisation & Grant Reserves:				
316	Education & Family Support	-	-	-	316
47	Social Services & Wellbeing	-	-	-	47
2,478	Communities	(355)	(81)	-	2,042
47	Chief Executives	310	-	-	357
2,888	Equalisation & Grant Reserves:	(45)	(81)	-	2,762
(619)	School Balances	-	-	-	(619)
67,870	TOTAL RESERVES	83	(1,208)	(51)	66,694

GLOSSARY OF FINANCIAL TERMS	
Aggregate External Finance (AEF)	Aggregate external finance (AEF) represents the support for local revenue spending from the Welsh Government and is made up of formula grant. Formula grant includes the revenue support grant (RSG), and the distributable part of non-domestic rates (NDR). Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement.
Appropriations	Transfer of funding to or from a specific account e.g. earmarked reserve.
Assets	Any item of value owned by an entity (e.g. buildings, vehicles). Assets can be classed as Non-current or capital assets where the asset has a useful life of more than one year (e.g. buildings, vehicles), or a current asset which includes cash or other assets which can reasonably be expected to be converted to cash in the normal course of business including stocks, debtors etc.
Band D	Dwellings are assigned to different council tax bands (A to I) based on their value. Band D is considered the median band. Council tax can be measured in 'band D' terms. Band D has historically been used as the standard for comparing council tax levels between and across local authorities.
Budget	A statement expressing the Council's policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and the capital programme and any authorised amendments to them.
Budget Head	For a particular service activity, the level of detail at which revenue or capital budgets are approved by the Council, whether in the Budget Book, the latest approved capital programme or as a result of supplementary estimates approved for the budget year.
Budget Pressure	See 'Pressures'
Budget Reductions	<p>Budget reductions are measures to reduce the net budget of the Council. They can be achieved in a number of ways, including:</p> <ul style="list-style-type: none"> * reducing or removing the spend on the service eg reducing the number of staff, providing less of a service. * generating more income to offset costs of a service eg moving to full cost recovery. <p>Both have the same impact in terms of reducing the net budget required to run that service.</p>
Business Rates	See "Non-Domestic Rates"
Budget Requirement	The Budget Requirement is the amount of expenditure that is funded by council tax and general support from central government, i.e. revenue support grant and redistributed non-domestic rates.
Budget Virement	See Virement

Capital Programme	The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme.
Capital Expenditure	Spending on non-current assets (buildings, equipment and land) intended to benefit future accounting periods or spending that increases the capacity, economy, efficiency or lifespan of an existing asset.
Capital Receipts	Capital receipts are the money councils receive from asset sales, the use of which is normally restricted to funding other capital expenditure or paying off debt. The receipts cannot usually be used to fund revenue costs.
Contingency	An amount of money that is included in a budget to cover potential events that are not specifically accounted for in the specific cost estimate.
Council Tax	System of local taxation introduced in April 1993. A property tax levied on homes determined by placement of residences within 9 valuation bands (A-I). There are exemptions for certain types of property and discounts for people in certain circumstances.
Council Tax Base	The estimated number of chargeable properties, expressed as the equivalent number of 'Band D' properties in the Council's area. The Council is required to annually advise the Welsh Government of its Council Tax Base (as at 31st October), which they use in the Local Government Financial Settlement, and to allow the Council, South Wales Police Authority and Town / Community Councils to calculate the following year's Council Tax charges.
Council Tax Reduction	Council Tax Reduction (CTR) provides assistance for those on low incomes with a liability to pay council tax
Council Wide Budgets	These include budgets, provisions and services that are Council wide, and are not managed by an individual directorate.
CPI	The main inflation rate used in the UK is the CPI (Consumer Price Index). The Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the CPIH in that CPI excludes housing costs.
Deficit budget - schools	A school deficit budget occurs when a school's planned or actual spending exceeds its planned or actual income for a given financial year. This means the school has more expenses than income, leading to a negative financial balance.
Earmarked Reserves	An authority may choose to earmark reserves, putting aside resources to deliver specific longer-term objectives – for example, the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out. They can only be used for one-off purposes, not recurrent / ongoing spend.
Fees and Charges	Income raised from making charges for the provision of services such as licence permits, car parking and planning fees.
Financial year	The period of twelve months commencing on 1 April

Fiscal	Relates to public finance, especially taxation, public revenues and public debt.
Gross Revenue Budget	The Gross Revenue Budget includes all funding available to the authority, not just Revenue Support Grant, Non-Domestic Rates and Council Tax, but also other specific grants, fees, charges and other contributions that the Council receives.
Hypothecated Funding	Ring-fenced funding, which must be spent on particular services or initiatives
Inflation	The rate of increase in prices over a given period of time.
Insurance	Insurance is one of the ways that the councils manage the risk of losses.
Levy	A levy is an amount of money a local authority is compelled to include in its budget on behalf of another organisation – for example, the Fire and Rescue Authority, Coroner’s Service etc. This does not appear as a separate item on the council tax bill like a precept would.
Local Government Settlement	The annual allocation of funding from the Welsh Government to local authorities.
Medium Term Financial Strategy	The MTFS is a rolling financial plan that is updated annually by local authorities. Typically, this will include planned expenditure for three to five years.
Multiplier	The multiplier is a figure set by Welsh Government each year. It determines how much you pay in Business (Non-Domestic) Rates by applying it to the rateable value of your property.
Net Revenue Budget	The Net Revenue Budget is the budget after fees, charges, other income and specific grants are taken into account. It is funded from the Revenue Support Grant, Non-Domestic Rates and Council Tax.
Nominal Value	Nominal value does not take into account the effect of inflation, it is an absolute monetary value.
Non-Domestic Rates	Also known as ‘business rates’: a form of taxation on commercial and business properties (i.e. non-domestic properties). Business rates are based on the property's rateable value which is set by the Valuation Office Agency. Your local council calculates your business rates bill using a ‘multiplier’, set by Welsh Government. Non-Domestic Rates are collected by each Council for properties in their area. Each Council then receives a share of the total available as part of its annual funding, based upon its total adult population.
Non-Recurrent	One-off income, expenditure or savings.
Outturn	Expenditure actually incurred.
Over spend	When referring to expenditure the actual expenditure incurred is greater than the budget. When referring to income the actual income achieved is less than the budget.
Precept	This is the Council Tax collected by the Council on behalf of the Town and Community Councils and the South Wales Police Authority
Pressures	A budget pressure is an increase in cost that is generally beyond the control of the service or organisation.
Prudential Borrowing	See ‘Unsupported (Prudential) Borrowing’
Real Value	Real value is after taking into account the value of inflation.

Recurrent	Ongoing income, expenditure or savings
Reserves	These are balances in hand that have accumulated over previous years and are held for defined (earmarked reserves) and general (general reserves) purposes. Councils are required to regularly review the level and purpose of their reserves and to take account of the advice of the Chief Finance Officer.
Revenue	A term used to describe the day-to-day costs of running Council services e.g. salaries, utility costs for buildings, cleaning, transport related costs, food, general supplies e.g. consumables such as paper, stationery etc.
Revenue Support Grant (RSG)	The Revenue Support Grant (RSG) represents the major element in the support for local revenue spending that the Council receives from the Welsh Government. Amounts are determined annually and in advance of each new financial year as part of the Local Government Financial Settlement, and form a part of the Aggregate External Finance (AEF), along with a share of Non-Domestic Rates.
Revised Budget	This is constructed from the original budget for the year and virements to adjust for known under or overspending within the overall cash limit for the service.
Risk Management	A planned and systematic approach, involving culture, structure and processes, to provide assurance that the Council's significant risks are identified, evaluated and managed effectively.
Section 106 Agreements	Section 106 agreements, also known as planning obligations, are agreements between developers and local planning authorities that are negotiated as part of a condition of planning consent. The Town and Country Planning Act 1990 enables local authorities to negotiate contributions towards a range of infrastructure and services, such as community facilities, public open space, transport improvements and/or affordable housing. The funding received is referred to as Section 106 funding.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs.
Specific government grants	Grants given to local authorities by the government to support specific activities or projects. There are specific terms and conditions associated with spending and accounting for these grants.
Standard Spending Assessments (SSAs)	Standard Spending Assessments (SSAs) are notional assessments of each council needs to spend on revenue services, calculated each year by the Welsh Government for use in the distribution of the Revenue Support Grant (RSG). SSAs are calculated prior to the year to which they relate using principles established by the Welsh Government, which encompass the demographic, physical and social characteristics of each area, as reflected by a range of indicators.

	An authority's SSA is derived as a funding mechanism to distribute the RSG, it is not and should not be viewed as a target level of expenditure for an authority. The RSG funding is un-hypothecated, SSAs are not meant to be prescriptive in any way, and therefore authorities will spend at levels above and below their SSA according to decisions that have been made locally.
Supported Borrowing	A source of funding from the Welsh Government to finance general capital expenditure. Allocations are issued annually to each local authority as part of the Local Government Financial Settlement. The Welsh Government includes an element within the Revenue Support Grant to fund the cumulative costs of this borrowing that is classed as supported borrowing.
Taxbase	This is the number of Band D equivalent dwellings in a local authority area after taking into account any discounts, premiums and exemptions. An authority's tax base is taken into account when it calculates its council tax.
Treasury Management	The management of the authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.
Treasury Management Strategy (TMS)	The strategy for the Treasury Management activities to be adopted for a particular financial year. The strategy needs to be flexible enough to allow the Head of Finance to respond appropriately to changing circumstances during the course of the year to the best advantage of the Council.
Under spend	When referring to expenditure the actual expenditure incurred is less than the budget. When referring to income the actual income achieved exceeds the budget.
Un-hypothecated Funding	Funding allocated without restrictions on how it should be spent.
Unsupported (Prudential) Borrowing	Borrowing to fund capital expenditure which exceeds Welsh Government support in the Revenue Support Grant. Councils can choose to fund capital expenditure through Unsupported (Prudential) Borrowing so long as they demonstrate that borrowing is prudent, sustainable and affordable, as the ongoing revenue costs of unsupported borrowing will still need to be met from available resources.
Unusable Reserves	Unusable reserves are established for specific legal or accounting purposes and cannot be used to fund future expenditure.
Usable Reserves	Usable reserves are referred to as cash-backed reserves that can be used to fund future expenditure. Some reserves however will be subject to restrictions on their usage. These include Schools Reserves, Capital Grants Unapplied and Capital Receipts Reserves.
Value for Money	Broadly value for money is the extent to which objectives are achieved in relation to costs. It is about achieving the optimum

	<p>combination of costs and benefits to an organisation. Value for money is more formally defined as the relationship between economy, efficiency and effectiveness.</p>
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Economy is the price paid for what goes into providing a service. Efficiency is a measure of productivity – how much you get out in relation to what is put in.

Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.

Agenda Item 6

Meeting of:	COUNCIL
Date of Meeting:	25 FEBRUARY 2026
Report Title:	COUNCIL TAX 2026-27
Report Owner: Responsible Chief Officer / Cabinet Member	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE AND CABINET MEMBER FOR FINANCE AND PERFORMANCE
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 £138,255,288. • The total Council Tax requirement for Bridgend County Borough Council is £111,980,641. • The Police and Crime Commissioner for South Wales precept is £22,604,126. • The total Council Tax requirement from Town and Community Councils is £3,670,521. • The Bridgend County Borough Council Band D equivalent is £2,007.06. • The Police and Crime Commissioner for South Wales Band D equivalent is £405.14. • The average Community/Town Council precept is £65.79. • The increases in council tax are: <ul style="list-style-type: none"> ○ Bridgend County Borough Council 4.7% ○ Police and Crime Commissioner for South Wales 6.99% ○ Average Town and Community Council 6.11%

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 25 February 2026, 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 2026-27.

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 2026-27.
- 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 2026-27 was approved by Council on 19 November 2025 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 2026-27 at its meeting on 25 February 2026. The proposed budget is shown in Table 1 below:

Table 1: Net Revenue Budget 2026-27

	Revenue Budget 2026-27 £000
<u>Service Directorate Budgets:</u>	
Central Education, Early years and Young People Schools	33,456
	<u>130,166</u>
<i>Education, Early years and Young People</i>	<i>163,622</i>
Social Services & Wellbeing Communities	124,237
Chief Executive's	36,825
	28,724
Total Directorate Budgets	353,408
Council Wide Budgets:	
Capital Financing	5,907
Levies	10,483
Repairs and Maintenance	670
Council Tax Reduction Scheme	17,804
Apprenticeship Levy	869
Pension Related Costs	430
Insurance Premiums	1,363
Other Council Wide Budgets	17,215
Total Council Wide Budgets	54,741
Net Budget Requirement	408,149

- 3.2 The net budget requirement for Bridgend County Borough Council for 2026-27 is £408,148,969 and the amount to be funded from council tax is £111,980,641 as shown in Table 2 below. This equates to a council tax of £2,007.06 on a Band D property, a 4.7% increase from 2025-26. This is in line with the indicative increases outlined in the Medium Term Financial Strategy 2026-2030 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	245,260,376	60.09
Non Domestic Rates	50,907,952	12.47
Council Tax Income	111,980,641	27.44
Total	408,148,969	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 2027 will rise to £22,604,126 which equates to a council tax of £405.14 on a Band D property, a 6.99% increase. The 2026-27 precept was agreed by the South Wales Police and Crime Panel on 3 February 2026.

- 3.4 For the 2026-27 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 2026-27 – Police and Crime Commissioner South Wales Precept

Police & Crime Commissioner for South Wales	(£.p)
Band A	270.09
Band B	315.11
Band C	360.12
Band D	405.14
Band E	495.17
Band F	585.20
Band G	675.23
Band H	810.28
Band I	945.33

- 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 2026-27 is shown in Table 4 below.

Table 4 – Average Council Tax Increase 2026-27

	2025-26	2026-27	% change
Council Tax Base – Band D equivalents	55,660.20	55,793.37	0.24

	£	£	% change
Bridgend County Borough Council	1,916.96	2,007.06	4.70
Town and Community Council average	62.00	65.79	6.11
Police & Crime Commissioner for South Wales	378.67	405.14	6.99
Band D property average council tax	2,357.63	2,477.99	5.11

- 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 2026-2030, Council will have already approved the council tax requirement for Bridgend County Borough Council for 2026-27 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 2026-27

Authority	Requirement	Net Tax Base	Band D Council Tax (£.p)
Bridgend County Borough Council	111,980,641	55,793.37	2,007.06
Local Precepts			
Brackla Community Council	204,136	4,166.28	49.00
Bridgend Town Council	837,327	6,147.45	136.21
Cefn Cribwr Community Council	43,000	553.72	77.66
Coity Higher Community Council	125,523	4,197.73	29.90
Cornelly Community Council	190,000	2,578.95	73.67
Coychurch Higher Community Council	12,128	354.93	34.17
Coychurch Lower Community Council	49,532	675.22	73.36
Garw Valley Community Council	136,816	2,311.67	59.18
Laleston Community Council	326,557	5,057.35	64.57
Llangynwyd Lower Community Council	12,350	172.33	71.66
Llangynwyd Middle Community Council	96,500	1,043.95	92.44
Maesteg Town Council	397,798	5,722.14	69.52
Merthyr Mawr Community Council	5,000	143.63	34.81
Newcastle Higher Community Council	70,759	1,930.12	36.66
Ogmore Valley Community Council	94,215	2,656.22	35.47
Pencoed Town Council	193,000	3,474.79	55.54
Porthcawl Town Council	596,662	8,342.59	71.52
Pyle Community Council	165,000	2,547.25	64.78
St Brides Minor Community Council	69,268	2,314.03	29.93
Ynysawdre Community Council	44,950	1,403.02	32.04
Average Town/Community Council Precept			65.79
Borough Budget Requirement (including Community Councils)	115,651,162	55,793.37	2,007.06
Police and Crime Commissioner for South Wales	22,604,126	55,793.37	405.14
TOTAL	138,255,288	55,793.37	2,477.99

- 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 2026-27 per Town and Community Council

Town or Community Council	Bridgend CBC £	Community Council £	Police & Crime Commissioner for South Wales £	Total £
Brackla Community Council	2,007.06	49.00	405.14	2,461.20
Bridgend Town Council	2,007.06	136.21	405.14	2,548.41
Cefn Cribwr Community Council	2,007.06	77.66	405.14	2,489.86
Coity Higher Community Council	2,007.06	29.90	405.14	2,442.10
Cornelly Community Council	2,007.06	73.67	405.14	2,485.87
Coychurch Higher Community Council	2,007.06	34.17	405.14	2,446.37
Coychurch Lower Community Council	2,007.06	73.36	405.14	2,485.56
Garw Valley Community Council	2,007.06	59.18	405.14	2,471.38
Laleston Community Council	2,007.06	64.57	405.14	2,476.77
Llangynwyd Lower Community Council	2,007.06	71.66	405.14	2,483.86
Llangynwyd Middle Community Council	2,007.06	92.44	405.14	2,504.64
Maesteg Town Council	2,007.06	69.52	405.14	2,481.72
Merthyr Mawr Community Council	2,007.06	34.81	405.14	2,447.01
Newcastle Higher Community Council	2,007.06	36.66	405.14	2,448.86
Ogmore Valley Community Council	2,007.06	35.47	405.14	2,447.67
Pencoed Town Council	2,007.06	55.54	405.14	2,467.74
Porthcawl Town Council	2,007.06	71.52	405.14	2,483.72
Pyle Community Council	2,007.06	64.78	405.14	2,476.98
St Brides Minor Community Council	2,007.06	29.93	405.14	2,442.13
Ynysawdre Community Council	2,007.06	32.04	405.14	2,444.24

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 and Nature Implications

- 6.1 The climate change and nature 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 £111,980,641 for 2026-27 and a Band D Council Tax for Bridgend County Borough Council of £2,007.06 for 2026-27. 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 2026-27 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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TOWN OR COMMUNITY COUNCIL	Band 2026-27								
	A	B	C	D	E	F	G	H	I
Bracla - Brackla	1640.80	1914.27	2187.73	2461.20	3008.13	3555.07	4102.00	4922.40	5742.80
Pen-y-bont - Bridgend	1698.94	1982.10	2265.25	2548.41	3114.72	3681.04	4247.35	5096.82	5946.29
Cefn Cribwr	1659.90	1936.56	2213.20	2489.86	3043.16	3596.47	4149.76	4979.72	5809.68
Coety Uchaf - Coity Higher	1628.06	1899.42	2170.75	2442.10	2984.78	3527.48	4070.16	4884.20	5698.24
Corneli - Cornelly	1657.24	1933.46	2209.65	2485.87	3038.28	3590.70	4143.11	4971.74	5800.37
Llangrallo Uchaf - Coychurch Higher	1630.91	1902.74	2174.54	2446.37	2990.00	3533.65	4077.28	4892.74	5708.20
Llangrallo Isaf - Coychurch Lower	1657.04	1933.22	2209.38	2485.56	3037.90	3590.25	4142.60	4971.12	5799.64
Cwm Garw - Garw Valley	1647.58	1922.19	2196.77	2471.38	3020.57	3569.77	4118.96	4942.76	5766.56
Trelales - Laleston	1651.18	1926.38	2201.57	2476.77	3027.16	3577.56	4127.95	4953.54	5779.13
Llangynwyd Isaf - Llangynwyd Lower	1655.90	1931.90	2207.87	2483.86	3035.82	3587.80	4139.76	4967.72	5795.68
Llangynwyd Ganol - Llangynwyd Middle	1669.76	1948.06	2226.34	2504.64	3061.22	3617.81	4174.40	5009.28	5844.16
Maesteg	1654.48	1930.23	2205.97	2481.72	3033.21	3584.71	4136.20	4963.44	5790.68
Merthyr Mawr	1631.34	1903.23	2175.11	2447.01	2990.79	3534.57	4078.35	4894.02	5709.69
Castellnewydd Uchaf - Newcastle Higher	1632.57	1904.67	2176.76	2448.86	2993.05	3537.24	4081.43	4897.72	5714.01
Cwm Ogwr - Ogmere Valley	1631.78	1903.75	2175.70	2447.67	2991.59	3535.52	4079.45	4895.34	5711.23
Pencoed	1645.16	1919.36	2193.54	2467.74	3016.12	3564.51	4112.90	4935.48	5758.06
Porthcawl	1655.81	1931.79	2207.74	2483.72	3035.65	3587.60	4139.53	4967.44	5795.35
Y Pil - Pyle	1651.32	1926.54	2201.75	2476.98	3027.42	3577.86	4128.30	4953.96	5779.62
Llansantffraid-ar-Ogwr - St Brides Minor	1628.08	1899.44	2170.77	2442.13	2984.82	3527.52	4070.21	4884.26	5698.31
Ynysawdre	1629.49	1901.08	2172.65	2444.24	2987.40	3530.57	4073.73	4888.48	5703.23

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Agenda Item 7

Meeting of:	COUNCIL
Date of Meeting:	25 FEBRUARY 2026
Report Title:	CAPITAL STRATEGY 2026-27 TO 2035-36
Report Owner: Responsible Chief Officer / Cabinet Member	CHIEF OFFICER – FINANCE, HOUSING AND CHANGE CABINET MEMBER – FINANCE AND PERFORMANCE
Responsible Officer:	NIGEL SMITH, GROUP MANAGER – CHIEF ACCOUNTANT
Policy Framework and Procedure Rules:	The Council’s Financial Procedure Rules (para 3.5.1) require 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. 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.
Executive Summary:	<ul style="list-style-type: none"> • The purpose of the report is to present to Council the Capital Strategy 2026-27 to 2035-36, which includes the Prudential Indicators, and the Annual Minimum Revenue Provision Statement 2026-27. • 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 2026-27 to 2035-36 (**Appendix A**), which includes the Prudential Indicators against which the Council measures itself during the financial year and the Annual Minimum Revenue Provision Statement 2026-27 (**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 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Code for Capital Finance in Local Authorities 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. The Code states that 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 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.

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's capital funding allocation to the Council for 2026-27 shows a slight increase to that previously anticipated, from £4.772 million to £4.992 million, and future estimates show funding as 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 grants 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 The Council has robust processes in place to approve, manage and monitor capital projects. Monthly finance meetings are held consisting of the Leader, Cabinet Member – Finance & Performance, and members of the Corporate Management Team, chaired by the Chief Officer – Finance, Housing and Change to enable

discussions about both capital and revenue to be held together, conscious that capital decisions often have revenue implications.

- 3.7 Section 4.0 of the draft 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.

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 and Nature Implications

- 6.1 The climate change and nature 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 2026-27 to 2035-36, including the Prudential Indicators 2026-27 to 2035-36 and the Annual Minimum Revenue Provision (MRP) Statement 2026-27 at **Appendix A** be presented.

Background documents

None

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Capital Strategy

2026-27 to 2035-36



INTRODUCTION

Welcome to the Council's 2026-27 to 2035-36 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 four wellbeing objectives:

THRIVING – a prosperous place with thriving communities

EMPOWERING – supporting our most vulnerable

ACHIEVING – enabling people to meet their potential

MODERNISING – creating modern, seamless public services.

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 support the Council's 2030 Decarbonisation Strategy, and continued investment in IT infrastructure to ensure the Council can deliver its services digitally moving forward. We will also look to the capital programme to enable major transformation of services so they are sustainable and efficient going forwards, pump priming invest to save proposals where they achieve deliverable savings in future years.

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 continues to face financial challenges ahead so 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, or look at alternative delivery models, to realise its strategic plan. That borrowing has to be affordable in the light of challenging financial settlements and the focus has to be on delivering essential schemes to support the services the Council delivers.



Cllr John Spanswick
Leader of the Council



Jake Morgan
Chief Executive

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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 continues to face significant challenges. 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 ongoing 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.

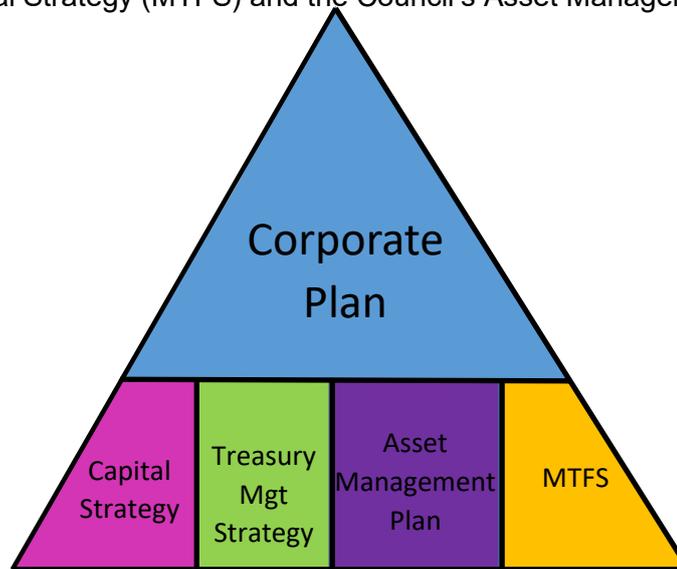
Where capital investment is needed to deliver the Council's priorities, the Capital Strategy is the framework that the Council can rely on to develop a clear, consistent and informed process in undertaking capital investment decisions.

CAPITAL STRATEGY FRAMEWORK

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Financing in Local Authorities (the Prudential Code) places 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 2026-27 and indicatively to 2035-36
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
<ul style="list-style-type: none"> • Ensuring decision-makers are clear on the positive contribution capital investment makes to our well-being objectives
<ul style="list-style-type: none"> • Appraising all investments in the context of objectives/priorities
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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 and agreed by senior management in discussion with Cabinet Members
<ul style="list-style-type: none"> • All major capital schemes have a lead Project Sponsor and follow project management principles
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Make sure assets perform at an optimal level through effective ongoing asset management and are consistent with levels of investment
<ul style="list-style-type: none"> • Review and challenge the Council’s assets, including the need, cost and performance of the estate
<ul style="list-style-type: none"> • Maximise the use of internal borrowing and maintain an under-borrowed position compared to its Capital Financing Requirement if feasible
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Minimise the use of ring-fencing capital receipts to ensure a One-Council approach
<ul style="list-style-type: none"> • Bidding for external funds where appropriate and ensuring that there are effective working relationships with external funders
<ul style="list-style-type: none"> • Have clear policies for the consumption of our reserves
<ul style="list-style-type: none"> • Ensuring that there is effective pre- and-post project appraisal including a “lessons learned” exercise.
<ul style="list-style-type: none"> • Ensuring up to date property information relating to condition surveys, life cycle costs and maintenance back logs

1.0 ASSET MANAGEMENT PLANNING

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

“To have a lean sustainable estate that enables Bridgend County Borough Council (BCBC) to live within its means and support delivery of our well-being objectives”

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

1. The AMP 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

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 that 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 an ambitious Sustainable Communities for Learning programme investing in new schools within the County Borough, economic regeneration, 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 ongoing 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.

Occasionally there will be a need to agree urgent capital expenditure where detailed feasibility and business plans have not been developed, but where it is in the interests of the Council to progress the scheme perhaps due to the needs of service users, or the opportunity for economic regeneration within the County Borough. Any such schemes must align with the Council's overarching strategic priorities and long-term objectives, to ensure that the investments contribute to the Council's desired outcomes. Any such expenditure must still be formerly discussed and approved by Cabinet and Council, unless it is of such urgency that it needs approval from the Chief Executive, Chief Finance Officer, and/or Solicitor to the Council in line with the scheme of delegation. It is anticipated that such a situation would be rare and would only happen in exceptional circumstances.

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 (e.g. flexible use of capital receipts) 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.

Opportunities may arise due to the availability of grant funding. Whilst the Council may seek to maximise the grant funding it can secure, it is still crucial that any capital grant funding supports schemes that align with the Council's strategic priorities and long-term objectives. Most capital expenditure will result on ongoing revenue costs and the total cost of the scheme and its funding, both capital and revenue, must be considered and affordable before progressing to apply for, and secure, grant funding.

The Prudential Code and borrowing for financial reward.

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. 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 in 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 £4.890 million at 31 March 2025. 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 disproportionate to the Council's overall income. This will be

an ongoing consideration where expenditure on the types of non-treasury investments identified previously are proposed, including development of any limits and indicators to determine any risk proportionality.

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

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

	2024-25 Actual £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Net Revenue Budget*	361.28	383.27	408.15	408.15	408.15	408.15
Income from Commercial Investments	0.46	0.46	0.46	0.46	0.46	0.46
% Ratio	0.13%	0.12%	0.11%	0.11%	0.11%	0.11%

*Future Net Revenue Budget settlements are not approved or unknown so assumed current budget level for future years

Management of Risk

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

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



3.0 GOVERNANCE AND DECISION MAKING

The Council has robust processes in place to approve, manage and monitor capital projects arising from the Capital Strategy. Monthly finance meetings are held consisting of the Leader, Cabinet Member – Finance & Performance, and members of the Corporate Management Board, chaired by the Chief Officer – Finance, Housing and Change to enable discussions about both capital and revenue to be held together, conscious that capital decisions often have revenue implications. Whilst not responsible for delivering capital projects and managing expenditure, the aims are 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.

It is essential that the revenue implications of progressing any capital schemes is fully understood and there is revenue budget in place to meet those costs.

The group 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, 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 of 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 and affordable. 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 agreement 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:

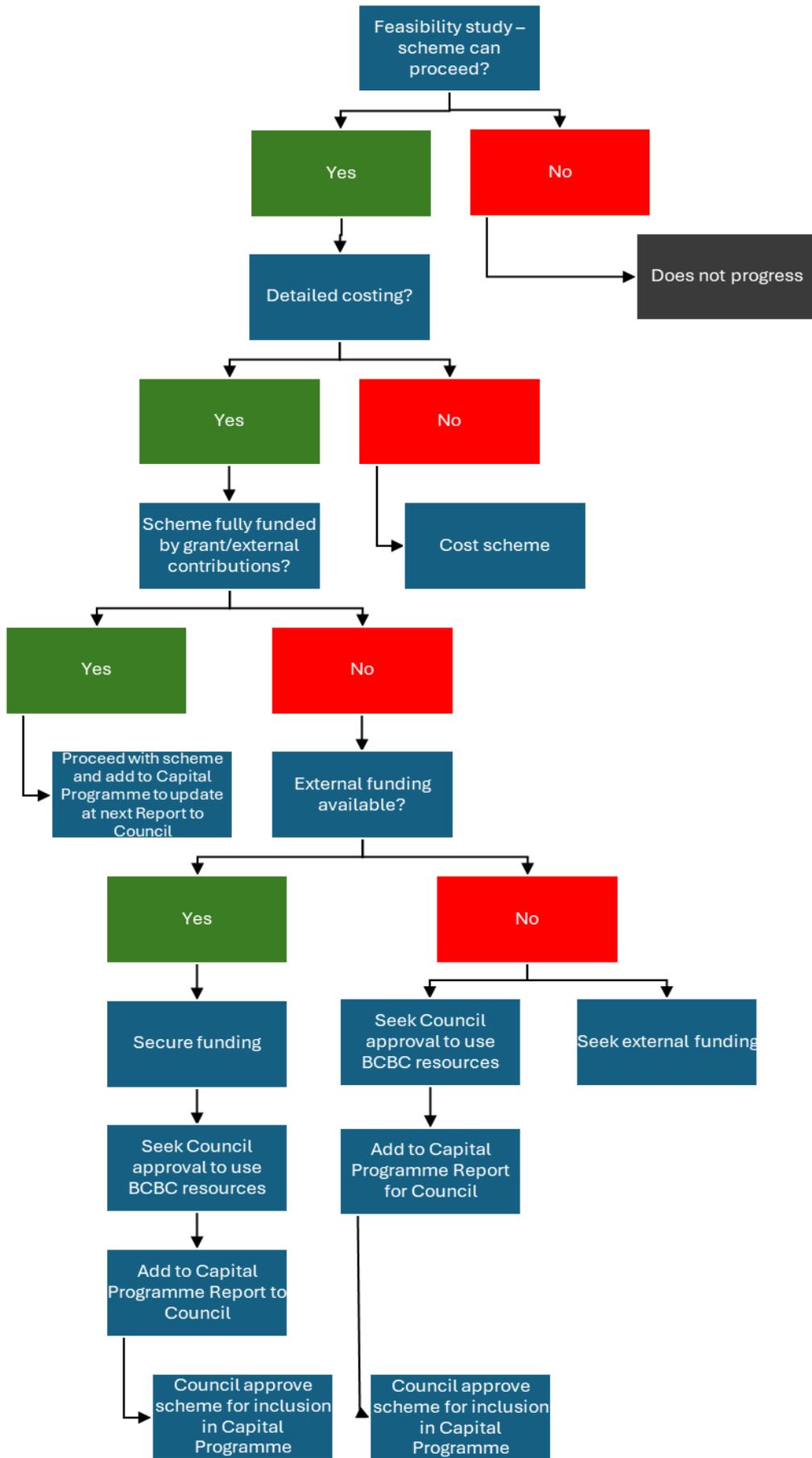
- Reports on variances in expenditure and slippage on schemes and seeks explanations from project managers to report back to Corporate Management Board and Cabinet to inform future planning decisions
- Quarterly capital monitoring reports will be prepared for Cabinet and Council which should include 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.

The process for including a scheme in the capital programme is set out below:



Post Project Evaluation

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

Knowledge and Skills

Within the Finance section, the Capital Programme and Treasury Management Strategy are managed by professionally qualified accountants or staff with extensive Local Government finance experience. They all undertake Continuous Professional Development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Council has access to courses and documentation on developments within the capital and treasury management fields from both CIPFA and the Council's appointed Treasury Management advisors. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities and is a professionally qualified accountant and follows an ongoing Continuous Professional Development (CPD) programme. All Treasury Management Practices (TMPs) are reviewed and updated as necessary. Where staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite. Arlingclose will continue to be the Council's Treasury Management Advisors until August 2028, following which the contract will be re-tendered.

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 the National Lottery, and in recent years has secured significant UK Shared Prosperity Funding (SPF) and Levelling Up Funding (LUF).

4.0 CAPITAL INVESTMENT PROGRAMME 2026-27 TO 2035-36

The ten-year rolling programme has been initially set for 2026-27, 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 2026-27, the Council is planning capital expenditure of £121.82 million as summarised below.

Table 2: Prudential Indicator: Estimates of Capital Expenditure

Directorate	2024-25 actual £m	2025-26 projection £m	2026-27 budget £'m	2027-28 budget £m	2028-29 budget £m	2029-30 budget £m
Education, Early Years and Young People	8.08	21.92	76.04	36.22	-	-
Social Services and Wellbeing	0.45	2.16	2.00	-	-	-
Communities	16.45	44.46	39.64	9.53	6.01	4.99
Chief Executive's	4.35	5.96	2.95	2.95	2.95	2.95
Council Wide Capital Budgets	-	0.87	1.19	1.69	3.57	3.57
TOTAL Capital Programme	29.33	75.37	121.82	50.39	12.53	11.51
Right of use assets	3.94	0.35	-	-	-	-
TOTAL	33.27	75.72	121.82	50.39	12.53	11.51

The main capital projects in this period include:

- Sustainable Communities for Learning Band B (Heronbridge, Mynydd Cynffig, Ysgol Gymraeg Bro Ogwr and Bridgend West). £106.62 million is included in the above table for 2026-27 to 2027-28 plus an additional £3.30 million for associated highways works.
- Porthcawl Grand Pavilion – £19.37 million is included above for 2026-27 to 2027-28 for the redevelopment of the building.
- Annual commitments to Disabled Facilities Grants and other housing adaptation schemes of £2.45 million from 2026-27 onwards.
- Waste/Recycling vehicles - £8.00 million for 2026-27 to 2027-28.
- Waterton Depot - £3.10 million in 2026-27
- Local Government Borrowing Initiative Highways Maintenance - £1.94 million for 2026-27.

The Council will need to borrow approximately £16.20 million in order to fund new school projects in line with the Council's Schools Modernisation Programme. This will impact on the operational borrowing limit set as part of the Local Government Act 2003.

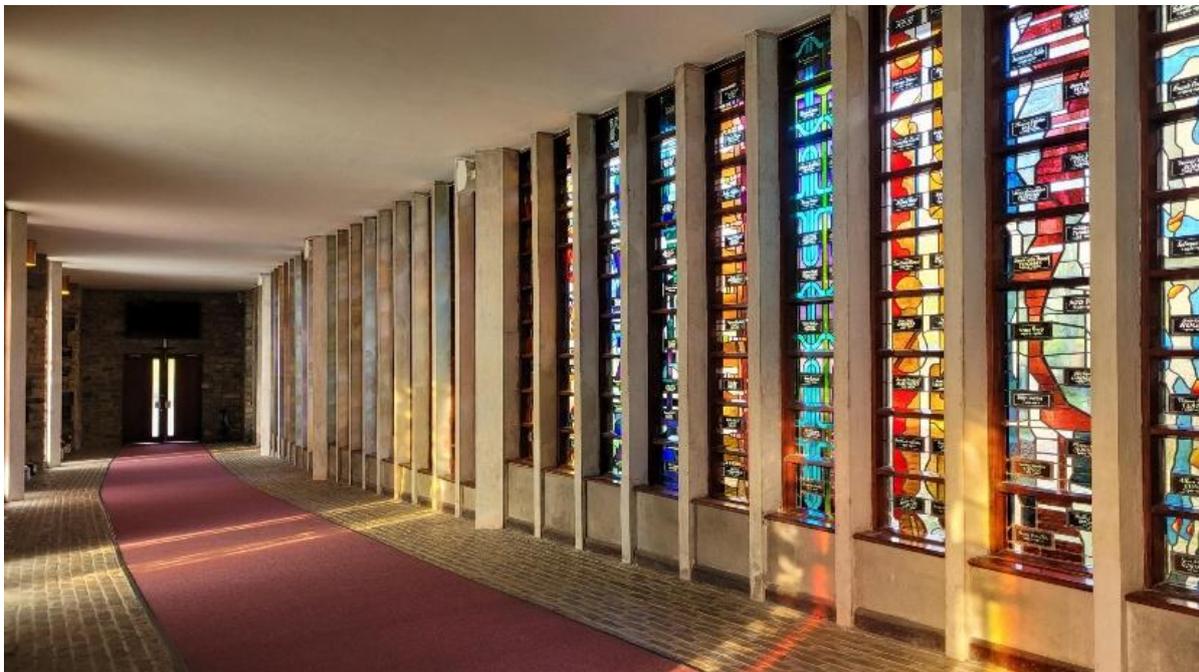
Right of Use assets

Internal Financial Reporting Standard 16 (IFRS16) requires organisations 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 Council has recognised 'right of use' assets and an equivalent lease liability, which is the

Council's obligation to make lease payments. This increases 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. As at 31 March 2025 the CFR included £3.68 million for right of use assets recognised under IFRS16.

A further impact of the 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.

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.



Stained glass window – Coychurch Crematorium

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 £93.50 million of fixed interest loans, at a weighted average interest rate of 4.73% and £2.32 million of low or nil interest Salix loans, giving a total loan debt of £95.65 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 pressure 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. This would include Invest to Save 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, Revenue Support Grant/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

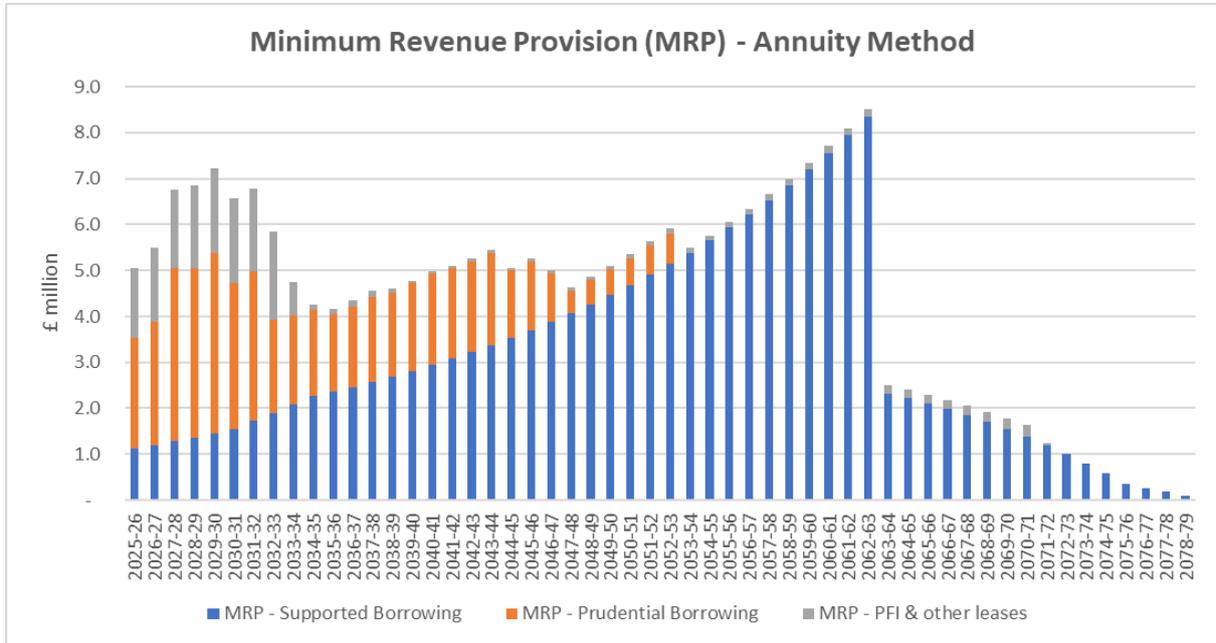
	2024-25 Actual £m	2025-26 Projection £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m	2029-30 Budget £m
External sources	20.71	38.22	75.55	27.35	4.99	4.99
Own resources	2.86	22.91	24.53	17.06	3.69	2.67
Net Financing Requirement	9.70	14.58	21.74	5.98	3.85	3.85
TOTAL	33.27	75.71	121.82	50.39	12.53	11.51

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 has been 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

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m	2029-30 Budget £m
Minimum Revenue Provision (MRP)	1.20	1.20	1.28	1.37	1.46	1.56
Additional Voluntary Revenue Provision	1.87	2.43	2.69	3.78	3.69	3.92
Total MRP & VRP	3.07	3.63	3.97	5.15	5.15	5.48
Other MRP on Long term Liabilities	1.24	1.35	1.46	1.56	1.63	1.70
Total Own Resources	4.31	4.98	5.43	6.71	6.78	7.18

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 £9.61 million during 2025-26, with a further increase in 2026-27 of £16.31 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 2029-30 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

	2024-25 Actual £m	2025-26 Projection £m	2026-27 forecast £m	2027-28 forecast £m	2028-29 forecast £m	2029-30 forecast £m
Opening Capital Financing Requirement	175.72	181.11	190.71	207.02	206.29	203.35
Movement in Financing Requirement	5.39	9.60	16.31	(0.73)	(2.94)	(3.33)
Closing Capital Financing Requirement	181.11	190.71	207.02	206.29	203.35	200.02

Lease versus buy

The Council’s decision to lease versus buy assets will involve balancing financial, operational and strategic considerations to ensure value for money, affordability, and the effective delivery of services. Factors that need to be considered include:

- **Service delivery objectives:** the primary goal is to ensure the chosen method provides an effective solution for service delivery and contributes to the Council's objectives
- **Affordability:** the impact of the decision on the revenue budget is crucial. This will involve assessing long-term costs, cash flow implications, and the effect on the Council's borrowing capacity (capital financing requirement) and level of debt. Leasing increases the Council's debt and therefore the capital financing requirement, which may impact on the Council's ability to borrow and the level of that borrowing.
- **Risk management:** the Council will need to consider and mitigate risks associated with ownership – e.g. maintenance costs, obsolescence, market value fluctuations; versus leasing – e.g. potential rent increases, repairing liabilities, and less control or ability to enhance or refurbish.
- **Value for money:** a thorough cost-benefit analysis should be undertaken, considering the present value of all costs over the life of the asset.
- **Accounting:** leased assets under accounting standards are required to be capitalised as Right of Use assets, with an associated debt liability,
- **Flexibility and Control:** owning an asset provides full control and the ability to customise, while leasing offers operational flexibility and the ability to manage technological obsolescence by upgrading equipment for example more frequently.
- **Funding Sources:** the availability of funding e.g. capital receipts, grants, borrowing from the Public Works Loan Board (PWLB) can influence the decision.

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

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Budget £m	2027-28 Budget £m	2028-29 Budget £m	2029-30 Budget £m
Opening balance	25.99	32.02	21.38	11.20	5.31	4.77
Asset sales	6.34	1.35	-	-	-	-
Applied in capital programme	(0.31)	(11.99)	(10.18)	(5.89)	(0.54)	-
Closing balance	32.02	21.38	11.20	5.31	4.77	4.77

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 or low interest, at 31 December 2025 was £93.50 million at an average interest rate of 4.73%. The majority of lending is Public Works Loan Board with maturity dates between 2026 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 low interest or 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:

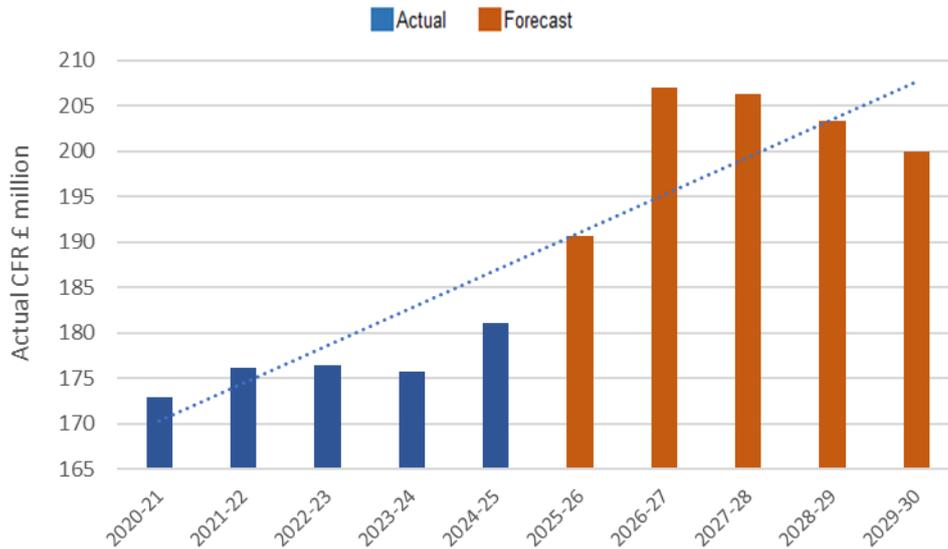
Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Debt (incl. PFI & leases)	119.43	117.15	107.51	99.15	97.12	88.48
Capital Financing Requirement	181.11	190.71	207.02	206.29	203.35	200.02

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. Whilst the above shows this, it is based on current borrowing. The Council

will need to take out new borrowing to support the capital programme, however, the Council still expects debt to be below the capital financing requirement 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.

Capital Financing Requirement Trend



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 2026-27. 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

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Outstanding Borrowing (excl. PFI & Leases)	103.71	97.49	89.31	87.50	87.11	80.17
Liability Benchmark	67.01	101.68	145.03	163.02	165.44	166.85

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 £150 million in 2026-27 and £160 million in 2027-28. 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

	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Authorised limit – borrowing	170.00	170.00	170.00	170.00
Authorised limit – other long-term liabilities	25.00	25.00	25.00	25.00
Authorised Limit Total	195.00	195.00	195.000	195.00
Operational boundary – borrowing	120.00	150.00	160.00	160.00
Operational boundary – other long-term liabilities	20.00	20.00	20.00	20.00
Operational Boundary Limit Total	160.00	170.00	180.00	180.00
Total Borrowing and Long-Term Liabilities	111.85	102.28	99.00	97.04

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 from the Treasury Management Strategy is that there will be a borrowing requirement of £50.72 million for 2026-27, £75.52 million in 2027-28 and £78.33 million in 2028-29. This is based on current debt levels and the repayments of loans during each of those years. Compared to the current level of borrowing, *in incremental terms* this would be borrowing of £50.72 million in 2026-27, £24.80 million in 2027-28 and £2.81 million in 2028-29.

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 nine years remaining on the term) which will be £10.98 million at 31 March 2026 including the short term liability of £1.08 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 2026-27.

IFRS16 - Leases

Leases that were formerly treated as operational are now required to be recognised as Right of Use assets, with an equal liability. The following provides an estimate of the leases to be recognised as liabilities in the balance sheet at 1 April 2026:

Description	Right of Use Asset 01/04/26 £m	Lease liability as at 01/04/26 £m
Land and Buildings	0.35	0.35

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 2026-27

The annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2026-27 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 2026-27 based on the estimated capital financing requirement is detailed below:

	Options	Estimated Capital Financing Requirement 31/03/26 £m	2026-27 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)	134.34	1.19
Supported capital expenditure - significant asset	(ii)	2.47	0.09
Unsupported capital expenditure, exercised under the Prudential Code (Unsupported)		39.24	2.69
PFI, Finance Leases and other arrangements	(iii)	14.66	1.46
TOTAL COUNCIL FUND		190.71	5.43

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 Council 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

	2024-25 Actual %	2025-26 Projection %	2026-27 Estimate %	2027-28 Estimate %	2028-29 Estimate %	2029-30 Estimate %
General Fund - Net Capital Financing Budget	1.53%	1.97%	1.99%	2.01%	2.04%	2.06%
General Fund - Gross Capital Financing Budget	2.85%	3.21%	3.23%	3.26%	3.28%	3.31%

GLOSSARY

Asset Management	The stewardship of capital assets, including decisions around on-going maintenance and eventual disposal.
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'.
Borrowing	Usually refers to the outstanding loans owed and <i>bonds</i> issued.
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.

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.
Fair value	IFRS term for the price that would be obtained by selling an investment, or paid to transfer debt, in a market transaction.
Financing costs	In the Prudential Code, interest payable on debt less investment income plus premiums less discounts plus MRP.
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.
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.
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.
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.
Long-term	Usually means longer than one year.
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.
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.
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.
Supported borrowing	Borrowing for which the repayment costs are supported by government grant.
TMS	(1) Treasury management strategy. (2) Treasury management system.
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 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.

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 the Council's 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.



Agenda Item 8

Meeting of:	COUNCIL
Date of Meeting:	25 FEBRUARY 2026
Report Title:	TREASURY MANAGEMENT STRATEGY 2026-27
Report Owner: Responsible Chief Officer / Cabinet	CABINET MEMBER FOR FINANCE AND PERFORMANCE 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 2026-27 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. The Council operates within these requirements. • Council is required to approve the Treasury Management Strategy in advance of the financial year.

1. Purpose of Report

- 1.1 The purpose of this report is to present to Council the proposed Treasury Management Strategy 2026-27 (**Appendix A**), which includes the:
- Borrowing Strategy 2026-27
 - Treasury Investment Strategy 2026-27
 - Treasury Management Indicators for the period 2026-27 to 2028-29.

2. Background

- 2.1 The Council's treasury management activities are regulated by the Local Government Act 2003 which provides the power 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 and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (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 Financial 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 covers all of the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) 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 2026-27 at **Appendix A** confirms the Council's compliance with the CIPFA Treasury Management in the Public Services: Code of Practice, 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. Interest rates have dropped slowly but steadily since the peak

of 5.25% in August 2024 and currently stands at 3.75% following its latest cut on 18 December 2025.

- 3.3 The maturity of long-term debt has been included, and the forecast is that the Council may need to borrow over the next 3 years to support the capital programme. However, this is based on the capital programme position as at quarter 3 (31 December 2025), and the anticipated use of earmarked reserves at that time. It is possible that the capital programme will show slippage before year end and as a result, the timing of when there is a need to borrow will also slip. As the capital programme includes a number of schemes that are still in development stages, it is likely that forecast expenditure will slip as will the forecast use of reserves. The Council has been able to use reserves to support its capital expenditure, known as internal borrowing. The use of reserves to fund capital expenditure is a short-term position and as reserves are used and balances reduced, it will be necessary to borrow. This will be closely monitored during the year as changes to the capital programme influence the use of reserves.
- 3.4 The CIPFA Prudential Code for Capital Finance in Local Authorities (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 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 because of this report.

6. Climate Change and Nature Implications

6.1 The Climate Change and Nature 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 unacceptable impacts upon Safeguarding and Corporate parenting because of this report.

8. Financial Implications

8.1 The financial implications are reflected within **Appendix A** to this report.

9. Recommendation

9.1 It is recommended that Council:

- Approve the Treasury Management Strategy 2026-27 including the Treasury Management Indicators 2026-27 to 2028-29 at Appendix A.

Background documents

None



Treasury Management Strategy 2026-27

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 (the 'Code')*. The Code requires 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 in line with the Welsh Government (WG) Guidance on Local Authority Investments. 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 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 Code requires the Council to set a number of Treasury Management Indicators, which are forward looking parameters and enable the Council to measure and manage its exposure to treasury management risks, which are integral to the TMS. The Capital Strategy and TMS should be read in conjunction with each other as borrowing and investments are directly impacted upon by capital plans.

The Council has an integrated TMS where borrowing and investments are managed in accordance with best professional practice, which is assessed either from internal expertise or consultation with our external advisers. The Council will look to borrow

money if needed to either meet short-term cash flow needs or to fund expenditure within the approved capital programme. Any actual loans taken are not generally associated with particular items of expenditure or assets. The Council is exposed to financial risks including the potential loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risks are therefore central to the Council's TMS. Should any of these factors change significantly, a revised TMS will be presented to Council for approval. A half year review of treasury management performance will also be presented to Council for approval as will an annual report for the financial year.

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

2.0 ECONOMIC CONTEXT

Economic background:

The most significant impacts on the Authority's treasury management strategy for 2026-27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.

Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with Gross Domestic Product (GDP) – a measure of the size and health of the UK's economy - expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending.

The UK's Consumer Price Index inflation (CPI) was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the Bank of England's Monetary Policy Committee continues to expect inflation to fall, to around

3% in calendar Quarter 1 2026, before steadily returning to the 2% target by late 2026 or early 2027.

The labour market continued to ease over the period as unemployment rose, vacancies fell, and inactivity remained flat. In the three months to November 2025, the unemployment rate rose to 5.1%, higher than the level previously expected by Bank of England, while the employment rate slipped to 75.1%.

Credit outlook:

Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.

While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on the authority's treasury management advisor - Arlingclose's - counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

Interest rate forecast:

Arlingclose, the authority's treasury adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the Bank of England's Monetary Policy Committee meeting held on 18th December 2025.

Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

3.0 EXTERNAL DEBT AND INVESTMENT POSITION

At 31 December 2025, the Council held £93.50 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. The Council also held £2.12 million of Salix interest-free loans and an additional Salix loan of £0.03 million at 2.15% interest which are on a repayment basis. In addition, the Council had £56.95 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.

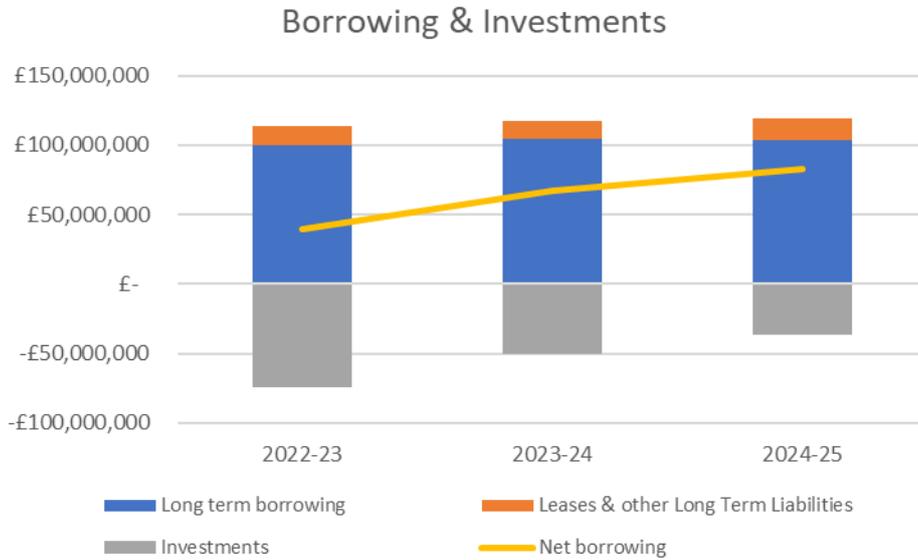
Table 1: Council's external debt and investment position as at 31 December 2025

	Principal as at 31 December 2025 £m	Average Rate 31 December 2025 %
External Long Term Borrowing		
Public Works Loan Board	74.25	4.75
Lender's Option Borrower's Option	19.25	4.65
Salix Loans (interest free)	2.12	NIL
Salix Loans (other)	0.03	2.15
Total External Long Term Borrowing	95.65	4.62
Other Long Term Liabilities		
Private Finance Initiative*	11.16	
Other Long Term Liabilities	3.69	
Total Other Long Term Liabilities	14.85	
Total Gross Debt	110.50	
Treasury Investments		
Debt Management Office	26.00	3.73
Money Market Funds (instant access)	23.50	3.90
Banks	7.45	2.63
Total Treasury Investments	56.95	3.66
Net Debt	53.55	

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

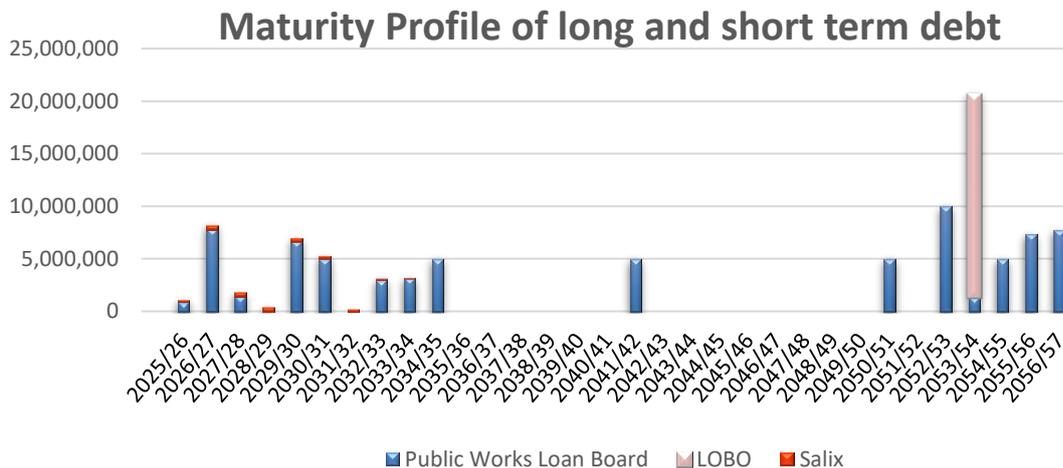
Chart 1 shows debt, investments and net borrowing over the past 3 years. This shows that the level of borrowing has remained relatively stable, but investments are falling. This trend is expected to continue as reserves are committed against the capital programme and other expenditure, and the need to borrow increases.

Chart 1: Borrowing & Investments



The current profile of repayment for the Council’s long-term debt is set out in Chart 2 below. The table assumes that the Public Works Loan Board and Lender’s Option Borrower’s Option loans will be repayable on their maturity date. However, although shown as maturing in 2054 the £19.25 million of Lender’s Option Borrower’s Option loans may be rescheduled ahead of their maturity date of 22 January 2054.

Chart 2: 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, with the exception of 2054.

Table 2 shows forecast changes in borrowing and investments and has been produced using estimates as at 31 December 2025 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 its current levels moving forward.

Table 2: Balance sheet summary and forecast

	31 March 2025 Actual £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m	31 March 2028 Estimate £m	31 March 2029 Estimate £m
Capital Financing Requirement	181.11	190.71	207.02	206.29	203.35
Less: Other Debt Liabilities	(15.67)	(14.66)	(13.20)	(11.65)	(10.01)
Loans Capital Finance Requirement	165.44	176.05	193.82	194.64	193.34
Less: External Borrowing	(103.71)	(102.49)	(94.31)	(87.50)	(87.11)
Internal Borrowing	61.73	73.56	99.51	107.14	106.23
Less: Balance Sheet Resources	(108.44)	(84.37)	(58.79)	(41.62)	(37.90)
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
(Investments)/New Borrowing Requirement	(36.71)	0.81	50.72	75.52	78.33
Total forecast borrowing	-	101.68	145.03	163.02	165.44

Other Debt 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 charged to the revenue budget 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 2026 includes £3.69 million of leases included as a result of the impact of IFRS16. The (Investments) / New Borrowing Requirement line above shows cumulative investments / new borrowing.

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 have fallen over the last year and are expected to further reduce in the coming year, and it may therefore be more cost effective over the

short to medium term to either use internal resources, or to borrow short term, however, the Council may consider long-term borrowing over the next year to support the Capital Programme. This strategy is prudent as the Council has resources in the short term it can use and delay borrowing until necessary. It is anticipated that the Council will need to take out new borrowing during 2026-27 both to replace borrowing repaid during the year but also to support capital expenditure, however, this is based on the current forecast expenditure within the Capital Programme and the use of capital receipts and earmarked reserves set aside to fund significant schemes. Current forecasts for financing the capital programme estimate the use of £11.460 million of earmarked reserves and £11.118 million of capital receipts during 2025-26, and £16.639 million earmarked reserves and £7.887 million capital receipts for 2026-27. 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. Multiple schemes within the capital programme are still in development stages and therefore expenditure may 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 require debt financing.

If the forecasts change and long-term borrowing is not required during 2026-27, 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 3 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 Chart 3 below show 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

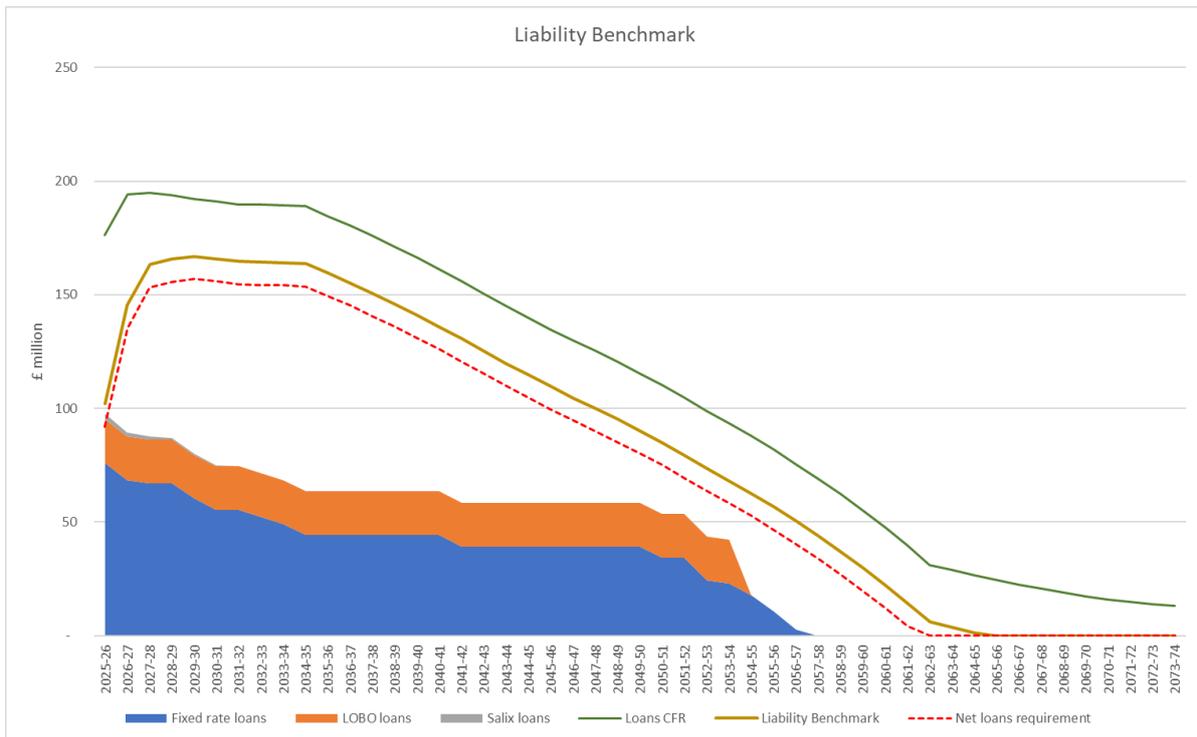
	31 March 2025 Actual £m	31 March 2026 Estimate £m	31 March 2027 Estimate £m	31 March 2028 Estimate £m	31 March 2029 Estimate £m
Loans Capital Financing Requirement	165.44	176.05	193.82	194.64	193.34
Less: Balance Sheet resources	(108.44)	(84.37)	(58.79)	(41.62)	(37.90)
Net Loans Requirement	57.00	91.68	135.03	153.02	155.44
Add: Liquidity allowance	10.00	10.00	10.00	10.00	10.00
Liability Benchmark	67.01	101.68	145.03	163.02	165.44
Current Borrowing	103.80	97.49	89.31	87.50	87.11

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 £95.65 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.

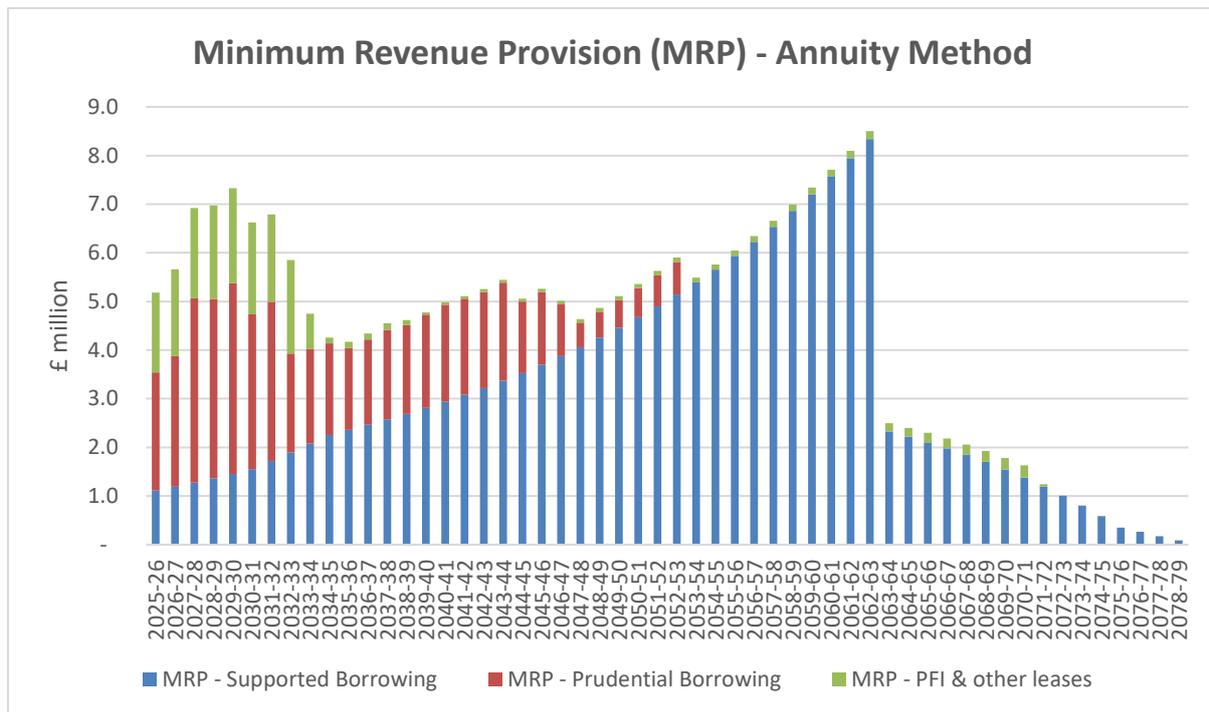
Chart 3: Liability Benchmark



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 takes into account 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 2029-30. 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 4 below. Further information can be found in the Capital Strategy.

Chart 4: 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. Based on the liability benchmark it is likely that the Council will consider more medium-term borrowing if needed for periods up to 10 years rather than much longer term borrowing during 2026-27, however if it is beneficial to borrow long to secure advantageous rates then this will be considered carefully. Any borrowing decisions will be taken in consultation with the Council’s treasury advisors.

At 31 December 2025 the Council held £95.65 million of Long-Term Borrowing, £93.50 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 2026-27 of £50.72

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 and scheduled loan repayments during each year, not incremental need. The incremental borrowing in 2026-27 would be £50.72 million in 2026-27 and £24.80 million in 2027-28.

Table 4: New Borrowing

	31 March 25 Actual £m	31 March 26 Estimate £m	31 March 27 Estimate £m	31 March 28 Actual £m	31 March 29 Actual £m
New Borrowing	5.00	-	50.72	75.52	78.833

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 2026-27 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, to take greater advantage of interest rate movement
- to reschedule debt if appropriate, 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 2026-27 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 have fallen over the past year and are expected to fall a little more 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 instead. However, as noted above, the Council is anticipating a longer-term need for borrowing so will consider borrowing over a more medium term duration of up to 10 years. Arlingclose will assist the Council with the cost of carry and breakeven point of borrowing for a longer term to secure rates versus borrowing short term. The Council may borrow additional sums at long-term fixed rates during 2026-27 with a view to keeping future interest costs low, even if this causes additional cost in the short term.

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

The Council raises the majority of its long-term borrowing from the Public Works Loan Board (PWLB). The Council will however consider long term loans from other sources including banks, pension funds and other local authorities if appropriate. The Council will also investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

The Council has loans from PWLB maturing within the next 3 years that it will need to repay. It is anticipated that the Council will need to replace these loans. The value of the loans repayable over the next 3 years are:

Table 5: Value of maturing debt

	2026-27 £ million	2027-28 £ million	2028-29 £ million
Value of maturing debt	7.790	1.395	0.00

The Council can arrange forward starting loans during 2026-27 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)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- any institution approved for investments (see Investment Strategy below)
- any other bank or building society or insurance company 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 79.41% 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.

LOBOs: The £19.25 million (currently representing 20.59%) 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 each year being in July and January. With interest rates falling there is a reducing chance that lenders will exercise their options, however this does not preclude them doing so and therefore an element of refinancing risk remains. In this case the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. Total borrowing via LOBO loans will be limited to the £19.25 million.

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

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current

interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some older, higher rate loans with new loans at lower interest rates, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk. Rises in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

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

- Maturity Structure of Borrowing (Table 6)
- Principal sums invested for periods longer than a year (Table 9)
- Interest Rate exposures (Table 11)

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 2026-27

Refinancing rate risk indicator Maturity structure of borrowing 2025-26	Upper limit	Lower limit	Forecast amount at 1 April 2026 £'M	Forecast at 1 April 2026 %
Under 12 months	50%	0%	27.44	29.0%
12 months and within 24 months	25%	0%	1.79	1.9%
24 months and within 5 years	25%	0%	12.62	13.3%
5 years and within 10 years	40%	0%	11.48	12.1%
10 years and within 20 years	50%	0%	5.00	5.3%
20 years and above	60%	25%	36.39	38.4%

The Council seeks to manage its borrowing to ensure that there is not a disproportionate level of repayment in any one year to ensure the Council can reasonably manage its annual cash flows. When considering new borrowing the Council will look at duration both in terms of cash need and in relation to the maturity structure of existing borrowing.

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. Surplus funds are invested to achieve a return whilst ensuring the security of the invested amounts. During 2025-26 the Council's investment balances were £36.75 million at the start of the year and were £56.95 million at 31 December 2025, although they are expected to reduce by 31 March 2026. This is based on an assumption regarding the use of earmarked reserves and capital receipts in the final quarter of 2025-26 and does not make any provision for any additional funding received from Welsh Government or any other sources before 31 March 2026. It is anticipated that the Council's investment balances in 2026-27 will range between £15 million to £30 million with an average investment rate of between 3.0% and 4.0%, 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 2026-27. 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 the current properties for a number of years. In line with the CIPFA Prudential Code rule changes for accessing PWLB borrowing, the Council will not consider any further investment opportunities purely for financial reward. As at 31 December 2025, the Council held investment properties valued at £4.890 million, with an expected return of £0.458 million per annum excluding any vacant or rent-free periods, providing a return of approximately 9.37%. This is a slightly higher percentage than that for 2025-26 which was 9.18% and is due to the total property fair value - or the estimated current market value of the assets - having decreased from £4.990 to £4.890 million (see Table 12). This return is 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 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, Money Market Funds (MMF) 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 2026-27, 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 Council's surplus cash invested as at 31 December 2025 was with the UK Government's Debt Management Office (DMO), Money Market Funds (MMF) and Banks. The Council will continue to look at investment options in line with the limits detailed below.

Interest rates have continued to fall over the period reducing to 3.75% when the Bank of England's Monetary Policy Committee met on 18th December 2025. This is the 6th reduction since the interest rates reached their peak of 5.25% in July 2023. The Council will continue to take a cautious approach to investing to ensure as its primary concern the security of any investments made. The risk of default for investments held is considered negligible. 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 policy. 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 will need 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 Governance and Audit 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 2025. 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. 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 and UK Stewardship Code 2020. 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 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 is also actively seeking to include an additional Money Market Fund to their portfolio which, although not having a specific sustainable investment objective, shall seek to identify issuers that are better at addressing ESG risks as well as other ESG investment opportunities.

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 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 - government collateral *	25 years	£6,000,000	Unlimited
Secured investments - other collateral *	10 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 following below.

***Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than (A-). Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all

other relevant factors including external advice will be taken into account. **Schedule A** shows the equivalence Table for credit ratings for three of the main rating agencies Fitch, Moody's and Standard & Poor's and explains the different investment grades.

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

✦ **Time limits:** these start on the earlier of date that the Council is committed to make the investment and the date that cash is transferred to the counterparty.

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 7 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 7 - 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 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	2026-27 £m	2027-28 £m	2028-29 £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 which is the minimum investment level required under MIFID II regulations to be considered as professional client status for treasury management advice.

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. As at 31 December 2025, the Council held £89.53 million borrowing at fixed interest rates, including Salix loans which are mostly interest free but are a small proportion of the Council's total debt, and £6.12 million of loans repayable within 1 year, and so are considered variable interest rate debt although the interest rate on the loan is fixed. The remainder is PWLB loans due after 1 year at fixed rates, with a weighted average rate of 4.69%. As these are fixed rates any change in rate will not affect the level of interest payable. Fixed borrowing accounts for 97.75% of the Council's borrowing (excluding other long-term liabilities) as at 31 December 2025.

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 2026-27 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 2025 and assumes a full year impact.

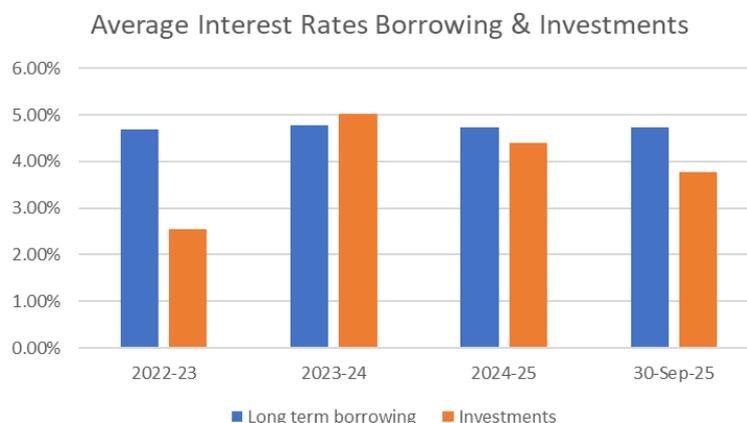
Table 11: Treasury Management Indicator Interest Rate Exposures

Interest rate risk indicator	£'000
One year revenue impact of a 1% rise in interest rates	(0.108)
One year revenue impact of a 1% fall in interest rates	0.301

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 Chart below shows the average interest rates on borrowing and investments over the past 3 years.

Chart 5: Average Interest Rates



Bank base rate remained low until December 2021 when from a low of 1% they steadily climbed to a peak of 5.25% in August 2023 and again began falling more slowly to a current rate of 3.75%. Investment returns tend to lag behind due to them generally being of up to 1 year duration and it takes a while for the average rate to follow bank base rate. This can be seen by the average higher return in 2023-24 and the steady decline to date. Average borrowing rate has remained relatively static.

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:

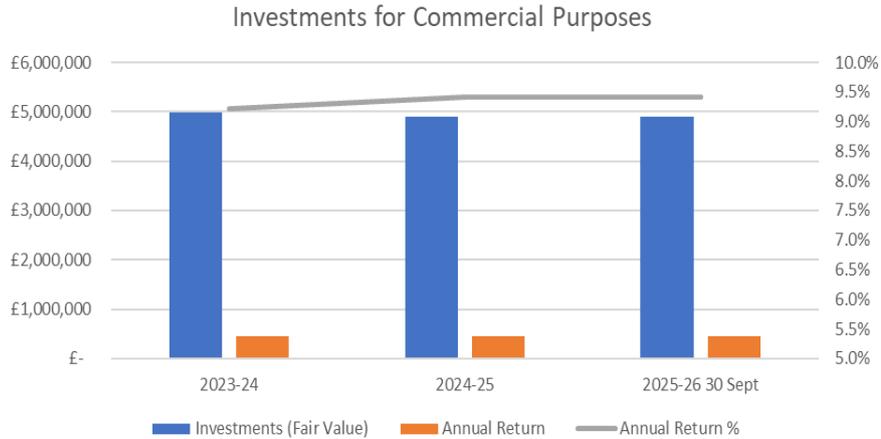
Table 12: Non-treasury investments

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	3,070
Waterton Cross Land	560
Brynmenyn Industrial Estate Plot 53	675
Village Farm Plots 32, 119 & 120	385
Tyrewise Bridgend	200

Over the past 3 years the returns have remained relatively static as shown in the chart below. It shows that the returns over the past 3 years have remained relatively static, with a slight increase in the rate of return as a result of a downwards revaluation of the assets in 2024-25. These valuations are reviewed annually and a downwards move in the valuation would result in an increase in the return rate where the cash value of the return remains the same.

Chart 6: Investments for Commercial Purposes



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 £4.990 million at 31 March 2024 to £4.890 million as at 31 March 2025. 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.

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 was originally due to end 31 March 2025 but has now been extended to 31 March 2029 at which time any unrealised capital gains or losses arising from qualifying investments held will be charged to the Comprehensive Income and Expenditure. The Council does not currently hold any pooled funds.

10.0 REPORTING ARRANGEMENTS

Council will receive the following reports for 2026-27 as standard in line with the requirements of the Code of Practice:

- Annual Treasury Management Strategy
- Mid-Year Treasury Monitoring Report, including Mid-year Treasury 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 Treasury 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 annually 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 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 2026, 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 2026-27.

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Officer – Finance, Housing and Change, having consulted the Cabinet Member with responsibility for finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and / or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Deb interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest cost will initially be lower	Increases in debt interest cost will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

11.0 FINANCIAL IMPLICATIONS

The current net financing budget for interest receivable and payable is £3.696 million net cost. Forecast interest receivable for 2026-27 based on an average investment level of £22.75m at an average rate of 3.5% is £0.787 million. Forecast interest payable on debt at an assumed average level of £121.28 million and average rate of 4.8% is £5.82m, giving an overall forecast net interest cost of £5.03m.

Schedule A

Credit Rating Equivalence Table

	Description	Fitch		Moody's		Standard & Poor's	
		Long	Short	Long	Short	Long	Short
INVESTMENT GRADE	Extremely strong	AAA	F1+	Aaa	P-1	AAA	A-1+
	Very strong	AA+		Aa1		AA+	
		AA		Aa2		AA	
		AA-	Aa3	AA-			
	Strong	A+	F1	A1		A+	A-1
		A		A2		A	
	Adequate	A-	F2	A3	P-2	A-	A-2
		BBB+		Baa1		BBB+	
		BBB		Baa2		BBB	
SPECULATIVE GRADE	Speculative	BBB-	F3	Baa3	P-3	BBB-	A-3
		BB+		Ba1		BB+	
		BB		Ba2		BB	
	Very speculative	BB-	B	Ba3	Not Prime (NP)	BB-	B
		B+		B1		B+	
		B		B2		B	
	Vulnerable	B-	C	B3		B-	C
		CCC+		Caa1		CCC+	
		CCC		Caa2		CCC	
CCC-		Caa3		CCC-			
Defaulting	CC	D	Ca		CC	D	
	C		C		C		
	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 – (December 2025)

	Current Mar-26			Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate														
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3 month money market rate														
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5 year gilt yield														
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
4 year gilt yield														
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
3 year gilt yield														
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
5 year gilt yield														
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.

- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

Forecast:

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.



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