

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO COMMUNITY, ENVIRONMENT AND LEISURE OVERVIEW AND SCRUTINY COMMITTEE

19 DECEMBER 2016

### REPORT OF THE SECTION 151 OFFICER

#### MEDIUM TERM FINANCIAL STRATEGY 2017-18 to 2020-21

#### 1. Purpose

- 1.1 The purpose of this report is to present the Scrutiny Committee with the draft Medium Term Financial Strategy 2017-18 to 2020-21, which sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2017-21 and a detailed draft revenue budget for 2017-18.

#### 2. Connections to the Corporate Plan

- 2.1 The Corporate Plan and Medium Term Financial Strategy (MTFS) identify the Council's service and resource priorities for the next four financial years, with particular focus on 2017-18.

#### 3. Background

##### Corporate Plan - Policy Context

- 3.1 In March 2016, the Council approved a revised set of three priorities:

- Supporting a successful economy
- Helping people to be more self-reliant
- Making smarter use of resources

This draft MTFS has been significantly guided by these priorities. Although year-on-year reductions in Aggregate External Finance (AEF) have necessitated significant budget reductions across different service areas, the Council still plays a very significant role in the local economy of Bridgend County Borough and is responsible for annual gross expenditure approaching £400 million and is the largest employer in the county borough. The corporate plan will be presented to Council for approval alongside the MTFS 2017-21 in March 2017 and will be fully aligned with the MTFS including explicit links between resources and corporate priorities.

- 3.2 The Council's MTFS is set within the context of UK economic and public expenditure plans, Welsh Government priorities and legislative programme. The MTFS articulates how the Council plans to use its resources to support the achievement of its corporate priorities 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.

### 3.3 The MTFS includes:

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2017-18 and outline proposals for 2018-19 to 2020-21.
- The capital programme for 2016-17 to 2025-26, linked to priority areas for capital investment and Capital Financing Strategy, which will be updated and included in the final MTFS in March 2017.
- The Treasury Management Strategy and Corporate Risk Register, which will both be updated and included in the final MTFS in March 2017.

### **The Financial Context**

- 3.4 In the immediate aftermath of the UK's decision to leave the European Union, the newly appointed Chancellor of the Exchequer Philip Hammond announced that the government would abandon his predecessor's target of achieving a UK government budget surplus by 2019-20. While this indicatively suggests a higher level of public spending that previously expected, the Institute for Fiscal Studies reported on 8 November a worsening position of c. £25 billion by 2020 and warned of the potential requirement for further austerity measures. At the time of writing, there are currently no formal details until the Chancellor's Autumn statement on 23 November. A verbal update will be provided during the meeting.
- 3.5 The Welsh Government announced its draft budget for 2017-18 on 18 November. The most significant headline change was an extra £240 million for the Welsh NHS.

### **Welsh Government Provisional Local Government Settlement 2017-18**

- 3.6 On 19 November Councils received the provisional Local Government Settlement. The headline figure was an overall increase of 0.1% in Aggregate External Finance (AEF). However this includes a number of specific grants which have transferred into the settlement, as well as an extra £25 million across Wales in recognition of the contribution which social services make to the success of the health service. Bridgend's funding on a like-for-like basis is a reduction of £0.5 million, or -0.3%. Unlike previous years, the draft settlement did not include funding to protect school budgets.
- 3.7 The provisional settlement compares favourably to the -3.2% "most likely" assumption that is contained within the Council's MTFS for 2017-18 and is better even than the "best" case scenario assumption of -1.5%.

### **Settlement Implications for 2018 to 2021**

- 3.8 Whilst the 2017-18 settlement is the most favourable in recent years, the Finance Secretary Mark Drakeford sounded a note of caution to Local Authorities, advising that Councils should use a "period of relative stability" to prepare for "harder choices and more difficult times ahead".

In line with previous years, there is no indication of local government settlements for 2018-19 onwards. In the immediate aftermath of the UK's decision to leave the

European Union, there was significant turmoil in financial markets. The value of the Pound against both the Dollar and the Euro has dropped by around 15% and the Bank of England has subsequently cut interest rates by a further 0.25% from what was already at an historic low of 0.5%. There remains significant uncertainty around “Brexit” negotiations and the extent to which the UK will be able to secure unfettered access to the European single market on favourable terms. Against this background and in the absence of any further clarity from Welsh Government, the MTFs “most likely” scenario assumptions of an annual reduction in AEF of -3.2% for 2018-19, 2019-20 and 2020-21 have been maintained. Based on these assumptions the Council has an expected requirement to deliver total recurrent budget reduction requirements of nearly £34 million from 2017-18 to 2020-21.

### **Transfers into and out of the 2017-18 Revenue Settlement**

3.9 The full picture on specific grants is not yet clear, but the draft settlement includes information on a number of transfers into and out of the Revenue Support Grant (RSG), both grant funding and for new responsibilities, which impact on the Council’s resources. Specifically:

- Delivering Transformation grant funding of £127,000 has been transferred into the RSG.
- Funding has also transferred into the RSG to support the Deprivation of Liberty Standards, the Blue Badge scheme and to deliver the Food Hygiene Rating Scheme, a total of £252,000 across Wales, £11,000 for Bridgend.
- The change in arrangements for the registration of the education workforce has resulted in a transfer out of the RSG for Bridgend of £46,000 formerly provided in respect of teacher registration fee subsidies.
- The settlement also includes additional funding for new responsibilities in respect of capital limits for residential care and financial assessments for social care, a total of £206,000 for Bridgend.
- A 6.7% reduction in the Single Environment Grant across Wales (BCBC received £2.777 million in 2016-17).

### **Intermediate Care Fund (ICF)**

3.10 The ICF remains at £60 million across Wales for 2017-18 in the draft budget, which will again be allocated to the NHS to manage, working in partnership with local authorities.

### **Council Tax**

3.11 In line with recent years, the Minister’s statement included an expectation on Local Authorities “to take account of all funding streams available to them”. The previous version of the MTFs assumed a 3.9% increase in Council Tax for 2017-18. However the 2017-18 draft Revenue Budget, shown in Table 7, assumes a Council tax increase of 2.9%. This change reflects the more favourable provisional settlement, and recognises the views expressed in the Council’s “Shaping Bridgend’s Future” consultation in 2015. The level of the increase seeks to strike an appropriate balance between the needs of the Council and its citizens.

## Welsh Government Capital Settlement

3.12 In March 2016 Council approved a capital programme for 2016-17 to 2025-26, based on the assumption that annual Welsh Government capital funding would be flat lined from 2016-17 onwards. Council has approved revised versions of the capital programme during the financial year to incorporate budgets carried forward from 2015-16 and any new schemes and grant approvals. The draft local government capital settlement provides this Council with £6.288 million capital funding for 2017-18, which is £8,000 less than 2016-17. No indications have been given for 2018-19 or beyond.

### Current Year (2016-17) Financial Performance

3.13 The in-year financial position as at the 30 September 2016 is shown below.

**Table 1- Comparison of budget against projected outturn at 30 September 2016**

Directorate	Original Budget 2016-17 £'000	Revised Budget 2016-17 £'000	Projected Outturn 2016-17 £'000	Projected Over / (Under) Spend Qtr 2 2016-17 £'000	Projected Over / (Under) Spend Qtr 1 2016-17 £'000
<b>Directorate</b>					
Education and Family Support	108,034	108,209	108,273	64	287
Social Services and Wellbeing Communities	59,697	60,534	61,277	743	249
Operational and Partnership Services	24,644	24,765	25,570	805	406
Chief Executives and Finance	14,899	14,935	13,370	(1,565)	(127)
	4,333	4,331	3,951	(380)	(251)
<b>Total Directorate Budgets</b>	<b>211,607</b>	<b>212,774</b>	<b>212,441</b>	<b>(333)</b>	<b>564</b>
<b>Council Wide Budgets</b>					
Capital Financing	10,128	10,128	8,834	(1,294)	0
Precepts and Levies	6,959	6,959	6,959	0	0
Sleep Ins	800	765	765	0	0
Council Tax Reduction Scheme	14,304	14,304	13,654	(650)	(400)
Insurance Costs	1,559	1,559	1,559	0	0
Building Maintenance	900	894	894	0	0
Centrally held Budget Pressures	1,394	1,394	1,394	0	0
Other Corporate Budgets	7,240	6,114	4,714	(1,400)	0
<b>Total Council Wide Budgets</b>	<b>43,284</b>	<b>42,117</b>	<b>38,773</b>	<b>(3,344)</b>	<b>(400)</b>
<b>Total</b>	<b>254,891</b>	<b>254,891</b>	<b>251,214</b>	<b>(3,677)</b>	<b>164</b>

- 3.14 The overall projected position at 30 September 2016 is a net under spend of £3.677 million, comprising £333,000 net under spend on directorates and £3.344 million net under spend on corporate budgets. This position takes account of allocations totalling £333,000 from the MTFS Budget Reduction Contingency. Directorates are seeking to identify mitigating actions to meet the balance of the budget reduction shortfalls in this financial year, and the Section 151 officer will give consideration to further allocations from the MTFS Budget Reduction Contingency in quarter 3 to meet some of these shortfalls. In the longer term, these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position and relieve any pressure on Council funds. These will continue to be closely monitored and draw down from this contingency fund will be made as part of the overall review of earmarked reserves.
- 3.15 In accordance with the Council's Financial Procedure Rules any planned over spends or under spends by directorates will be carried forward into next year to meet known funding pressures. Fortuitous under spends in budgets will be applied to offset over spends on other budgets.

#### **4. Current Situation**

##### **Medium Term Financial Strategy (MTFS) 2017-18 to 2020-21**

- 4.1 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.
- 4.2 The development of the MTFS 2017-18 to 2020-21 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Budget Research and Evaluation Panel and issues arising during 2016-17, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 4.3 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).

#### **4.4 Budget Narrative**

- 4.4.1 The next section of this report represents a substantial addition to the MTFS. The Council aspires to improve understanding of its financial strategy, link more closely to corporate priorities and explain the Council's goal of delivering sustainable services in line with the overarching ambition of the Wellbeing of Future Generations Act. The report articulates in a transparent way the continued and significant financial 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.

## 4.4.2 Corporate Financial Overview

While the Council's net revenue budget is set at £257.198 million for 2017-18, its overall expenditure far exceeds this. Allowing for specific grant funded expenditure, services which are funded by the income they generate and including forecast capital expenditure in the period, the Council expects a gross budget of nearly £400 million in 2017-18. Around £170 million of this expenditure 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 agents, domiciliary care workers and foster carers.

As we look towards next year, the Council faces both reduced Welsh Government funding as well as financial pressures. We need to find additional funds to meet inescapable increases in our budget such as the apprenticeships levy or an increase to the national living wage.

As well as having reduced income to fund services, there are other pressures that squeeze resources. One of these is legislative changes. This includes regulations and legislation from Welsh Government either directly or indirectly – for example the requirements to meet the new Welsh Language standards, consultation requirements associated with making changes to schools, schools transport and indeed most services that the Council operates.

Another significant pressure arises through demographic changes. People are living longer which is good news but that also can bring increased dependency through people living with more complex or multiple conditions.

The Council has adopted a corporate plan that 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 Bridgend community. 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, double handling of data and sharing of systems and processes. This isn't 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.
- Wherever possible the Council will support communities and people to create their own solutions and reduce dependency on the Council. This is because it is not sustainable for the Council to continue to aspire to meet all and every need that arises and because there is capacity, talent and ideas in other parts of the community that can be encouraged to play an active and effective role. The Council has a role in encouraging 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. 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 Council has three priorities that reflect these and other principles. One of these priorities is to make “Smarter Use of Resources”. This means we will ensure that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council’s priorities.

From next year, the Council will change the way it accounts for pensions. Currently, employer contributions include both the benefit which an individual employee accrues, plus an amount which the Council pays towards its historic deficit. Going forward we will change this so that directorate budgets only include costs for accruing benefits, while the deficit payments will be made centrally. No directorate will gain or lose money, but this is a prudent change agreed with our actuary, and will present a more accurate picture of the true cost of running services.

#### **4.4.3 Education and Family Support**

The Council is proposing to spend £107 million on services delivered by the Education & Family Support Directorate in 2017-18. The majority of this money will be spent by the 59 schools across the county – Schools are the biggest single area of spend as a Council. In addition to the £86 million budget annually delegated to schools, 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 committed nearly £50 million in building and refurbishing schools as part of our 21<sup>st</sup> century school modernisation programme (one-off capital expenditure across several 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. This includes allowing enough capacity for anticipated future increases in school age population. In previous years the Council has afforded a high level of protection to schools’ budgets. This has meant that whilst many services have made significant savings through efficiency or made reductions in services through cuts, we have maintained schools’ budgets year on year and in some years have increased the budgets that individual schools receive.

This year we will be asking all schools to make an efficiency saving within the year of 1%. While this is low relative to some areas, schools have less discretion than some other areas of Council expenditure. We have been consistently seeking to improve educational attainment year on year and in part that has been supported by maintaining or increasing investment in teaching and other skills. Bridgend is now well on the way to being confident that the improvements we have seen in recent years are sustainable but to take too much investment from schools would undermine that progress. We know that some schools are already in a deficit budget position, and that due to a more rigorous monitoring and scrutiny of surplus balances, the amount of surplus held by schools has substantially reduced. Each school governing body will need to be able to make the necessary efficiency savings and so alleviate pressure on a whole range of other services that the Council provides - a 1% efficiency saving by schools means that we have nearly £1 million to support other services that all children and young people, and the community benefit from.

The Council has identified “Helping People to be more self-reliant” as a corporate priority and early intervention is an important part of this – taking steps wherever

possible to prevent people becoming reliant on Council services. As well as being of great social value to individuals and communities, this approach is more cost effective: successful intervention at an early age and at an early stage can prevent needs from escalating and requiring more costly and complex help later on.

The Council is therefore continuing to invest in a range of services that give early support to children and families. 80% of these services are funded separately by typically short term grants from Welsh Government. However the short term nature of these grants and uncertainty from one year to the next means that a lot of these interventions have some fragility – for example it can be difficult to retain or recruit staff if we can't give them certainty that their role will still exist the following year. These grants include Flying Start, Families First and Communities First, European Social Fund and the Education Improvement Grant.

In seeking to protect our investment in education and early intervention the Council is making minimal changes to the services delivered at this time. However in addition to asking schools to make a 1% efficiency saving, we are also proposing the following changes in 2017-18 that are reflected in the budget:

- We want to ensure our schools catering service operates at break-even and that it does not require extra subsidy from the core Council budget. We are planning to raise a total of £100,000 through increased efficiency and commerciality and by increasing the price that pupils pay for school meals by an expected 10p per meal.
- We provide educational psychology services to schools and these are an important part in supporting children and young people most in need. In 2016-17 the Council spent £360,000 on this service. However, from 2017-18 we will be providing some parts of this service in collaboration with other Councils in the Central South Consortium. This will enable us to spend £75,000 less on this service without reducing the operational capacity of the service, with the added benefit of increasing resilience.
- We will change the model by which speech and language therapy is provided. This will involve replicating a model adopted by other local authorities and will provide a more equitable service, capacity building in schools and providing a more pupil friendly service. This will enable the Council to make savings of £75,000.
- We will continue our phased implementation of the changed learner travel policy, where we have established it is safe to do so. This will achieve £28,000 in 2017-18, and an expected incremental £67,000 for each subsequent year of the MTFS. The amount will increase over a number of years as the new policy applies to those pupils starting and changing school.
- Management of our Integrated Children's Centre will be taken on by the Early Years and Childcare Manager and through increasing efficiency and commercialism we will make a saving of £75,000.



- Further savings will be made from the business support function, which whilst increasing pressure on existing staff, will enable the Directorate to make a saving of £74,000.
- Between 2016 and 2019 we are investing in five 21<sup>st</sup> century school programmes. These programmes will see significant investment to replace Betws Primary, YGG Cwm Garw, Mynydd Cynffig Primary, Pencoed Primary and Brynmenyn Primary schools. We are continuing to invest in improving our school estate and that include creating more capacity at Heronsbridge Special School and ongoing road safety works in a number of schools.

#### **4.4.4 Social Care and Wellbeing**

After Education, the largest area of Council spend is on social care. This includes social care for children and for adults who are vulnerable or at risk. The Council recently brought the children's and adult social care teams together in order to give a stronger focus on social care as a professional discipline and to identify efficiency savings by helping these two areas to work more closely together. We have also brought the Sport, Play and Active Wellbeing team into the same directorate to better support prevention, early intervention and wellbeing approaches. Over the past three years the Council has delivered savings of over £9 million in social care and its strategy for the next few years is to manage demand and introduce new ways of working in order to lessen dependency and enable people to maximise their independence. This needs to be achieved within existing budget.

In total, the Council is proposing to spend £63 million on social care and wellbeing services. In addition to this the Council provides a range of housing services plus targeted grant funding from the Welsh Government for the Communities First Programme. Following the announcement from Carl Sargeant, Welsh Government Communities Secretary, on 13 October, there is currently a significant amount of uncertainty around the future of this programme. In the absence of any further information, the draft budget has been prepared without allowing for any changes, but it is recognised as a significant risk and any changes may need to be factored into the Council's final budget.

The Council's priority of "Helping People to be more self-reliant" is integral to our approach to Social Care and Wellbeing. Our vision is to actively promote independence, wellbeing and choice that will support individuals in achieving their full potential. The Council is responsible for the planning, commissioning, assessment and, where appropriate, the direct provision of social services. The Sport, Play and Active Wellbeing team has been able to focus on developing the wellbeing and preventative agenda for all. Going forward, the Council plans to further integrate and promote the role of sport, play and active wellbeing into new early intervention and preventative models of commissioning service delivery.

Social services is largely a demand led service and whilst the long term strategy is to enable people to be more self-reliant, the demographics show that people are living longer, often with more complex conditions than ever before. This means that there are more people living in the community who would previously have remained in hospital or entered a care home. Children's social care is also demand led and the financial pressure to meet need can fluctuate very rapidly.

Though some pressures are allowed for in planning the 2017-18 budget, we are not simply increasing the budget to meet demand. This would be unsustainable and if we increased budgets year on year to meet new demand, it would increasingly mean the Council would have to restrict other services. Therefore the Council's strategy is to transform how services are delivered.

In order to be sustainable going forward, the Council is ensuring that any changes are introduced in a planned and timely way in order to take existing and future customers with us as well as the general workforce. This work has already commenced and the budget saving proposals for 2017-18 builds on the implementation plans that are already underway. The re-modelling programmes focus on changing the culture and reviewing what has become 'custom and practice'.

The Council has already made changes. In adult social care we have changed the assessment framework in order to improve the outcomes for people who need care and support whilst also reducing the numbers of people who require long term support. The Council focuses on helping people to achieve the outcomes they want for themselves, targeting our interventions on what is missing, rather than going straight to what package of care we can give them. Plans are in place to meet over £400,000 budget reductions in 2017-18 by re-modelling two Council run residential homes for children as well as the children's residential respite unit.

Importantly these transformations are designed to both better support people and cost less. The Council has identified a number of further transformations that continue this approach and which are reflected in changes to the budget:

- Learning Disability services have benefitted from the introduction of a progression model of service delivery which is aimed at people progressing through the services to reduce their dependency with the opportunity of receiving their support from a range of different options in the community rather than from just the Council. This model has led to less dependence on day services and greater self-reliance. The success of 2015-16 and 2016-17 will be built upon in 2017-18.
- The amount that the Council pays for high cost placements in adult social care is reducing as a result of a new approach and methodology introduced into the review process. This new process is now being rolled out across the whole directorate. In 2015-16 16 high cost care home placements were reviewed using this methodology generating gross annual savings for both BCBC and ABMU of £290,000. This too will be continued in 2017-18.
- In learning disability and mental health services, there will be a reduced dependence on residential placements by targeting greater use of Shared Lives (family based care and support). This will reduce expenditure as the average weekly cost of a Shared Lives placement is only around a quarter of a week in residential placement for a person with a learning disability.
- As part of the residential care home strategy, the Council has committed up to £3 million in two new Extra Care Schemes. Extra Care housing means that people can be supported to live more independent lives than would be the case in traditional residential care. The standard charge for an extra care tenancy is again around a

quarter of a residential care placement.

- Income generation has been hard to achieve as Welsh Government legislation limits the charges for services due to the application of a cap of £60 per week for non-residential services. In addition we are currently unable to charge in Children's Services.

These measures will be taken together with continuing investment in assistive technology and investment in community coordinators (both measures intended to allow people greater control over their services and independence) and means that the Council plans to deliver budget reductions of over £2.2 million in 2017-18 whilst continuing to invest in early interventions that manage both current and future increases in demand.

#### **4.4.5 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 more direct and visible impact on everybody. This includes our work to maintain highways, parks and open spaces, clean our streets, collect and dispose of our waste.

In 2017-18 the Council is likely to spend around £6 million of direct Welsh Government grant on public realm services. This includes waste services, public transport, rights of way and road safety.

In addition to delivering these grant funded services the Council proposes to spend a further £17 million net budget on these services. The fact that schools have had a high degree of financial protection in previous years and that social care is hugely led by increasing demand 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.

In addition, the costs associated with waste collection are expected to increase significantly. We have had one of the most competitively priced collection services in Wales, but the cost of changes necessary to reach increasingly ambitious statutory recycling targets means we know this will become more expensive. We expect to spend in the region of £11 million on the collection and disposal of waste in 2017-18.

Therefore a major challenge for the Council is how to continue to meet public expectations for many highly visible and tangible services when the available 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.

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 significant in some areas. We will encourage others to work with us or assume direct responsibility in some cases. Our proposed changes in this respect are:

- To change the way that public convenience needs are met by encouraging the transfer of more of these facilities to local Town and Community Councils to operate, and closing those of the poorest quality or lowest usage. We will mitigate these closures by introducing a local comfort scheme whereby shops and other public facilities are funded to make their facilities more readily available to public use.
- To reduce our winter maintenance budget to £277,000 (saving £60,000). This budget isn't always needed but making the reduction isn't without some risk – the more severe and extended the extreme weather conditions, the further we will have to stretch this money and in some circumstances this would affect our ability to respond as fully as we have in the past.
- We will trial a reduction of highway weed spraying from twice a year to once a year – a small efficiency saving of £15,000.
- We will plan to move in future years to a more reactive and less proactive street cleaning service in our three main town areas. This may have a very visible impact and will require close liaison with the relevant town Councils to ensure effective joint working but will result in a saving to the tax payer of £270,000.
- We will make savings in future years in energy costs by selectively dimming street lights and, in some areas shutting off street lights where they do not need to shine all night. This may save up to £500,000.
- We will generate additional income through highway permitting. This is intended to generate approximately £100,000.

Reductions in spend in these areas will allow us to protect our investment in the Council's priorities and in areas where we have far less ability to exercise control (such as children's social care). In addition we will continue to invest in initiatives that allow others to either share responsibility for the delivery of services where they are beneficiaries, for example the new Parks Pavilions key holding and cleaning arrangements will mean the Council will ensure pavilions are cleaned to a good standard, usually once a week, but responsibility for any further cleaning, opening and closing will pass to those user clubs and organisations. Further to this, Community Asset transfer (CAT) will continue to be a major tranche of the Council's strategy to transfer buildings to local community groups to operate for themselves.

#### **4.4.6 Supporting the Economy**

This is a Council Priority and as such we will increasingly collaborate with the nine other Councils that make up the Cardiff Capital Region City Deal. The City Deal is creating a £1.2 billion fund for investment in the region over the next 20 years. This investment will be targeted to focus on raising economic prosperity, increasing job prospects and improving digital and transport connectivity. In order to play an effective part in the City Deal the Council will maintain as far as possible existing investment in its transport planning, spatial planning and regeneration teams. The Council will be spending in the region of £2.1 million net a year running these services.

In addition the Council will continue to pursue the development of each of our three main towns. These include the development of Cosy Corner and the Harbour Quarter in Porthcawl, the redevelopment of Maesteg Town Hall, and the redevelopment of the Rhiw in Bridgend and the Llynfi valley. Much of this investment is not the Council's own money, but together, these schemes amount to around £20 million in total.

The Council will continue to operate a number of grant funded programmes of work to support our most vulnerable groups and those furthest away from employment, including training and skills and work support programmes such as Bridges into Work.

We propose to introduce changes that will mean that the Council spends less on some specific activities. These are:

- To focus the Council's £1.7 million economic development budget more carefully, saving £21,000 on tourism. Tourism remains an important component of the Bridgend economy but over recent years the local tourism sector has itself become stronger and is starting to take more responsibility for marketing the area itself. The Council is therefore proposing this c. 1% reduction in line with its principle of supporting people and communities to create their own solutions and reduce dependency on the Council.
- We will renegotiate current arrangements with local lifesaving clubs and the RNLI. This has potential knock-on effects for the length of season and range of beaches that will be covered by lifeguards during the year. This will bring the lifeguarding provision in line with that in other similar resorts and target a financial saving of £60,000.
- Reduce Adult Community Learning budgets, decreasing the number and type of courses available by reducing the budget by £70,000.

#### **4.4.7 Other 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 most significant changes that are proposed in these areas are as follows:

##### Regulatory Services

The Council proposes to spend £1.8 million on this 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.

In 2015 the Council combined these services with Public Protection services in the Vale of Glamorgan and Cardiff City. This collaboration has allowed all Councils to make efficiency savings through sharing things like training and management costs. 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's service that deals primarily with the registration of Births Deaths and Marriages. The service also undertakes Citizenship ceremonies and supports researchers of family history. Councils are allowed to charge for these services, but by law are not allowed to make a profit. The Council operates these services so that they cover their own cost (i.e. they are not subsidised by the general tax payer). The Council will continue to ensure that the services are efficient and provide good service to our customers but beyond that, no significant changes are proposed that reflect in the Council's budget for the coming years.

## Housing

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 Council's housing service also oversees the Council's work on addressing domestic abuse and on collaboration with other organisations such as the police on wider community safety. Some changes to the way that services are funded are proposed for 2017-18.

These are:

- Continue to provide domestic abuse services using Welsh Government grants rather than core budgets.
- Review the current arrangements with Shelter Cymru and recommission to make efficiency savings in non-frontline aspects of the service.

## Council Tax and Benefits

Whilst not immediately recognisable as a "service" it is in fact an important part of the Council's business. If we were inefficient or ineffective in collecting Council tax, the burden of funding Council services would fall more heavily on those who do pay. The taxation service collects nearly £70 million in Council tax from around 65,000 households across the county borough. Our collection rates over the last two years have been the highest ever in the Council's history. We are determined to maintain this high level, but we are seizing the opportunity to reduce the cost of operating the service, by offering online services. We will offer a range of secure Council tax functions online, allowing residents to self-serve at a time and location convenient to them. This will allow us to reduce the cost of running the service. We will also look to implement fines for non-compliance of residents in receipt of Single Person Discounts – this power is set out in legislation.

Benefits are funded by the central UK government but the administration of Housing Benefit and the Council Tax Reduction Scheme falls to the Council. Similarly to the Council Tax service, the Council plans to make some significant savings through digitising this service. However, we are mindful that many of the people in receipt of benefits are not able to manage this online and we need to introduce this carefully.

In total we are expecting to save £300,000 over the next two years from the above measures.

#### **4.4.8 Behind the Scenes**

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. Over the course of 2017-18 we plan to make efficiency savings in these areas. Our approach in each of these areas is summarised as follows:

##### Property and building maintenance

The Council is working through the disposal of assets that it doesn't need to run or support services. This allows us to make significant investments in our capital programme – for example to build new schools. During 2017-18 the Council estimates that it will generate around £1.75 million in such sales. In addition the Council is looking for ways to develop its property portfolio so that increased revenue generation is achieved through rental income. A good example of this is Raven's Court, which the Council is aiming to lease out. This is made possible by decanting staff from that building to share space in the main civic centre which in turn is facilitated by more mobile or agile working practices.

The Council has an in house building maintenance service. This service oversees the design, build and maintenance of Council owned buildings. The Council has undertaken an efficiency review of this service and believes that by changing some existing business practices and bringing together expertise, we can realise significant efficiency savings in future years.

##### Legal services

The Council needs to maintain effective legal support for all of its services. At a time when the Council is trying to transform services it is often experiencing legal challenges – for example where people don't want to see changes to their local schools. The service is provided by a mix of permanent internal staff, staff shared with other Councils and expertise purchased from the private sector. One third of our in house legal team is specifically focussed on child protection cases.

The legal service also deals with Corporate Complaints and access to information through Data Protection and the Freedom of Information Act. The Council will make reductions in this budget through a reduction in planned use of legal counsel, some staffing changes and minor savings to the non-staffing budgets. In all the Council will plan to save £50,000 on this service. This may seem a small proportion of the overall budget but is against a backdrop of successive reductions in previous years – to reduce the budget further at this time would significantly impact on the Council's ability to deliver day to day services and major transformation.

##### Finance

The Council has a central team that manages the Council's accounts and supports the oversight and management of the Council's finances. The service fulfils certain legal requirements that ensure transparency and accountability in the way that public money is used – for example in producing accounts which are then audited.

During 2017-18 the Council will continue its existing strategy of improving the way the finance system works, making it easier to interrogate and understand the information it contains. This will make us more efficient, as well as empower budget holders from across the Council to access information directly - improving and speeding up decision making as well as freeing up resource in the finance team. We will also continue work to streamline invoice payments. This will provide an improved service, speeding up supplier payments, reducing workload across both the finance team and client departments, and will further enable more agile working.

In 2017-18 we propose to make savings in the core finance service by

- Restructuring the corporate leadership of the service by removing the post of Corporate Director of Resources saving £120,000 (we have already done this during 2016-17).
- Delivering internal efficiencies and increasing internal customers' ability to self-serve - £50,000 reduction.

### Human Resources and Organisational Development

With over 6,000 employees including schools, the Council needs a dedicated human resources service. This service is relatively lean with a low ratio of HR officers to staff. The service is also responsible for equalities – including oversight of and training in the new Welsh language standards (the additional cost of these standards is spread throughout all parts of the Council).

The Council has brought the HR team together with other support services and this, together with some reductions in staffing will allow a saving in 2017-18 of £140,000. In the medium term we anticipate needing more resource to support the organisational development needed to deliver new ways of working and this will be financed from a dedicated change fund that the Council has established.

### ICT

The Council will be spending around £5 million on its ICT services to support main Council activities and schools (which is provided in house or by external companies in the case of some schools). This service will be especially important in enabling changes across a range of services that in turn allow savings or improvements through more flexible working or new ways to access services.

Because of the market in the ICT sector we have struggled sometimes to recruit in this area. Therefore our strategy has been and will continue to be one of building skills and enable a career progression in-house. This includes a number of successful apprenticeship schemes and in 2017-18 we will be developing more formal training to complement the actions already undertaken.

Because we need to maintain investment in these skills to enable change we will be mostly maintaining this investment in 2017-18. However we do plan to make a reduction in the call tariff through contract renegotiation (targeting £90,000 over two years) and will make savings in some non-staff budgets for communications, supplies training and equipment (£65,000).

### Digital Transformation



A significant change that the Council will be embarking on in 2017-18 is rolling out the use of digital approaches to how it engages with customers and provides some services. In 2017-18 we will be prioritising the Council Tax and Benefits services, making it easier for residents to request services and manage their accounts online. Over the next four years the Council will be investing up to £2.5 million on this digital transformation on the basis that the new approaches will be more flexible and convenient for service users but also save significant amounts of money. Some of these savings are achieved through reduced staffing levels. By taking a phased approach we aim to maximise our ability to make staff reductions through “natural wastage” thus minimising impact on staff as well as reducing the Council’s exposure to redundancy costs.

### 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, but we will still continue to seek efficiencies, and are targeting £22,000 from our £300,000 investment in this team in 2017-18.

### Democratic Services

The Council is a democratic organisation with 54 elected members (Councillors) who make decisions, set policy direction and oversee the general performance of the Council. Like all Councils, Bridgend has a mayor whose job is to chair meetings of the Council and represent the Council in the community (this is completely different to the elected mayors in cities like London and Bristol).

These democratic processes require support to ensure accountability and transparency in decision making and elected members are paid salaries that are set independently. In 2017-18 member salaries will make up a quarter of one percent.

In 2017 the Council will target efficiency savings in the cost of supporting democratic processes of £78,000 – but the Council also wants to make other changes to bring the Council and the decisions of elected members closer to their communities. For this reason we are proposing to assign an individual allowance to each elected member of £5,000 to spend in their local wards during 2017-18 on matters that are important to those communities. The elected member will be accountable for that expenditure to their electorate and will be expected to adhere to all the normal rules around probity that apply.

This is a significant change and will involve the Council diverting £285,000 of its budget through these local arrangements, allowing for some extra administration costs. We will review how this works in 2017-18 before considering whether to extend it into future years.

### Audit

All public bodies have audit functions. Our internal audit is provided by a joint service that we share with the Vale of Glamorgan. The service carries out investigations and routine checks to ensure that the Council maintains good governance – especially as it relates to the proper accountability of money and other resources. The control

environment within the Council is strong (as measured by auditors) and so we will be reducing our spend on Internal Audit next year by £60,000 to £340,000.

In addition the Council undergoes external audit work that is set by the Wales Audit Office (WAO). The Council has little control over the fee that is set, though a good internal control environment is a strong argument for a lower fee being imposed. In 2017-18 we will discuss with the WAO how we can work together to reduce its fees.

### **MTFS Principles**

4.5 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 2017-2021 and which Members and others can examine and judge the Council's financial performance against. The fourteen key principles are to ensure that:

1. The Council continues to meet its statutory obligations and demonstrates how it directs resources to meet the Council's corporate priorities.
2. Adequate provision is made to meet outstanding and reasonably foreseen liabilities.
3. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks.
4. Budgets will be reviewed annually to ensure existing and forecast spend is still required and to identify further efficiency savings as required to meet inescapable budget pressures.
5. Financial plans provide an optimum balance between income and expenditure for both capital and revenue.
6. All services seek to provide value for money and contribute to public value.
7. 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.
8. The Council Fund balance will be maintained at a minimum of £7 million over the MTFS period and reach 2.7% of Gross Revenue Expenditure by 2019-20.
9. Capital investment decisions support the Council's corporate priorities and mitigate any statutory risks taking account of return on investment and sound option appraisals.
10. 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.
11. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.

12. Resources are allocated to deliver the Bridgend Change Programme based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS and a MTFS Budget Reduction Contingency Reserve will be maintained.
13. Other resource strategies (including the Workforce Development Plan, Treasury Management Strategy, ICT Strategy and Asset Management Plan) are kept under review to maintain alignment with the MTFS and the Corporate Plan.
14. Budgets will be managed by Corporate Directors in accordance with the Council's Financial Procedure Rules.

Principle 12 was expanded in the previous MTFS to include provision for a MTFS Budget Reduction Contingency Reserve to enable the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. There have been allocations so far during 2016-17 in mitigation of the following proposals:

**Table 2: MTFS Proposals supported by Budget Reductions Contingency Reserve in 2016-17**

COM 1	MREC	£150,000
COM 11	Blue Badges	£83,000
CH 9	School Transport	£100,000
Total Allocated		£333,000

The level of this reserve will be kept under review by the Section 151 officer in light of forecast difficulties in delivering future budget reduction proposals.

### **MTFS Resource Envelope**

- 4.6 The MTFS planning assumptions for 2018-21 are based on an annual reduction in AEF of -3.2% and an assumed increase in Council tax of 4.2% for 2018-19, 4.5% for 2019-20 and 4.5% for 2020-21 recognising the ongoing uncertainty around our funding in future years. The 2017-18 AEF figure is a reduction of -0.3% based on the published Provisional Settlement. However, these assumptions, together with forecast pressures and risks are all subject to change, not least due to continuing economic uncertainty as well as national legislative and policy developments. The MTFS will be 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. In view of the uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios, based on percentage changes in AEF shown in Table 3.

**Table 3 – MTFS Scenarios: % Change in AEF**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	% Change	% Change	% Change	% Change
Best Scenario		-1.5%	-1.5%	-1.5%
<b>Most Likely Scenario</b>	<b>-0.3%</b>	<b>-3.2%</b>	<b>-3.2%</b>	<b>-3.2%</b>
Worst Scenario		-4.5%	-4.5%	-4.5%

4.7 Table 4 shows the Council's potential net budget reduction requirement based on the forecast resource envelope (paragraph 4.6), inescapable spending assumptions (paragraph 4.8) and assumed Council tax increases.

**Table 4: MTFS Potential Net Budget Reductions Requirement**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<b>Best Scenario</b>	6,187	6,286	6,103	5,914	<b>24,490</b>
<b>Most Likely Scenario</b>	6,187	9,474	9,141	8,808	<b>33,610</b>
<b>Worst Scenario</b>	6,187	11,911	11,391	10,881	<b>40,370</b>

### **Managing within the MTFS Resource Envelope**

4.8 The financial forecast for 2017-21 is predicated on £33.610 million budget reductions being met from Directorate and Corporate budgets and these are referred to later in the report. It is also 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.
- Changes to energy cost inflation following a relative decrease in recent years.
- The future impact of national policies and new legislation not accompanied by commensurate funding e.g. Increases in the National Living Wage, further implementation costs of the Social Services and Wellbeing (Wales) Act, and the significant cost to large employers of the apprenticeships levy.
- Changes to employers' pension contributions, including separation of the contribution towards the historic deficit, which will be funded centrally, from the cost for future liabilities, which will be paid by directorates as a percentage of pay.
- Fees and Charges will increase by the statutory minimum or CPI (at prevailing rate, currently +0.9%) plus 1%.
- Services will absorb within budgets non contractual inflationary pressures up to the prevailing CPI rate.

- Significant increases in the cost of external contracts as a result of the increase in the living wage from April 2017.

### Net budget reduction requirement

4.9 Table 5 shows the current position in respect of addressing the forecast budget reduction requirement of £33.610 million. It shows that £14.7 million of budget reduction proposals have already been identified over the period of the MTFS, including the full £6.187 million required for 2017-18. The table shows that the Council still needs to develop proposals to the value of £18.9 million and a range of options are under consideration including:

- Digital transformation of wider Council services
- Income generation opportunities
- Further reductions in employee numbers
- Reconfiguration of post 16 education provision;
- Working with partners to protect community facilities;
- Review of nursery education provision;
- Improvements to the Built Environment service

**Table 5 - Risk Status of Budget Reduction Proposals 2017-18 to 2020-21**

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
2017-18	1,661	2,689	1,837	6,187	0	6,187
2018-19	21	3,369	1,074	4,464	5,010	9,474
2019-20	0	1,237	1,396	2,633	6,508	9,141
2020-21	0	944	512	1,456	7,352	8,808
<b>Total</b>	<b>1,682</b>	<b>8,239</b>	<b>4,819</b>	<b>14,740</b>	<b>18,870</b>	<b>33,610</b>
Percentage of total required	5%	25%	14%	44%	56%	100%

**Risk Status Key:**

**RED** Proposals not fully developed and include high delivery risk

**AMBER** Proposal in development, but includes delivery risk

**GREEN** Proposal developed and deliverable

4.10 The budget reduction proposals identified can be categorised as:

- I. Making Best Use of Resources
- II. Managed Service Reductions
- III. Collaboration and Service Transformation; and

#### IV. Policy Changes

4.11 The value of budget reduction proposals identified to date is shown in Table 6 by category. The categories are also shown by individual proposal in Appendix B.

**Table 6 – Budget Reduction Proposals Identified 2017-18 to 2020-21**

	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	Total £000	%
<b>Making Best Use of Resources</b>	3,441	2,161	1,484	1,241	8,327	56%
<b>Managed Service Reductions</b>	1,778	1,106	520	70	3,474	24%
<b>Collaboration &amp; Service Transformation</b>	605	300	129	0	1,034	7%
<b>Policy Changes</b>	363	897	500	145	1,905	13%
<b>Total Identified as at 14.11.16</b>	<b>6,187</b>	<b>4,464</b>	<b>2,633</b>	<b>1,456</b>	<b>14,740</b>	

4.12 The table shows that half of the proposed budget reductions identified so far will come from Making Best Use of Resources, for example through:

- School transport route efficiencies
- Efficiencies in school delegated budgets
- Review of the healthy living partnership contract
- Income generation from other public sector bodies
- Development of online services
- Staffing restructures

4.13 Budget reduction proposals relating to Collaboration and Service Transformation amount to 7% of the total budget reductions. These include remodelling of adult social care and delivering further budget reductions from the AWEN culture trust which has been created. Policy changes amount to 24% and include reducing services to the statutory minimum as well as cutting some discretionary services. These include eligibility criteria for adult social care, changes to nursery provision and a review of car park charges. The policy change proposals are subject to consultation.

4.14 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 a recruitment freeze, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be necessary.

#### **Scrutiny and Challenge**

4.15 A full consultation "Shaping Bridgend's Future" was launched in early October and runs until 1 December. This covers a broad range of budget proposals under consideration as well as seeking public views on resource allocation and priorities. The consultation includes an online survey, community engagement workshops, social media debates, community engagement stands, and meetings with third sector organisations. Members will have the opportunity to take part in a budget workshop

similar to the public engagement events to be held on 30 November. The results will be presented to Cabinet on 10 January.

## 2017-18 Draft Revenue Budget

4.16 The following table shows the draft revenue budget for 2017-18.

**Table 7 – Draft Revenue Budget 2017-18**

	Revised Budget 2016-17	Specific Transfers to/ (from) WG	Inter-Directorate Transfers	Pension Changes	Pay / Prices / Demographics	Inescapable Budget Pressures	Budget Reduction Proposals	Revenue Budget 2017-18
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Directorate Budgets:</b>								
<b>Education &amp; Family Support</b>								
Education & Family Support	21,308	45	76	-393	250	246	-577	20,955
Schools	86,901	-45	-256	-792	999		-869	85,938
	<b>108,209</b>	<b>0</b>	<b>-180</b>	<b>-1,185</b>	<b>1,249</b>	<b>246</b>	<b>-1,446</b>	<b>106,893</b>
<b>Social Services &amp; Wellbeing</b>	<b>60,534</b>	<b>342</b>	<b>3,138</b>	<b>-971</b>	<b>1,129</b>	<b>865</b>	<b>-2,244</b>	<b>62,793</b>
<b>Communities</b>	<b>24,820</b>	<b>131</b>	<b>-3,138</b>	<b>-406</b>	<b>259</b>	<b>1,614</b>	<b>-1,106</b>	<b>22,174</b>
<b>Operational &amp; Partnership Services</b>	<b>14,930</b>	<b>3</b>		<b>-297</b>	<b>136</b>	<b>410</b>	<b>-535</b>	<b>14,647</b>
<b>Chief Executives / Finance</b>	<b>4,331</b>			<b>-129</b>	<b>41</b>	<b>26</b>	<b>-414</b>	<b>3,855</b>
<b>Total Directorate Budgets</b>	<b>212,824</b>	<b>476</b>	<b>-180</b>	<b>-2,988</b>	<b>2,814</b>	<b>3,161</b>	<b>-5,745</b>	<b>210,362</b>
<b>Corporate Budgets:</b>								
Capital Financing	10,128		56					10,184
Levies	6,959						-35	6,924
Repairs and Maintenance	900							900
Council Tax Reduction Scheme	14,304				250		-300	14,254
Apprenticeship Levy	0					700		700
Sleep Ins	765							765
Pension Related Costs	1,258			3,148				4,406
Insurance Premiums	1,559							1,559
Other Corporate Budgets	6,194	1,113	124		-180		-107	7,144
<b>Total Corporate Budgets</b>	<b>42,067</b>	<b>1,113</b>	<b>180</b>	<b>3,148</b>	<b>70</b>	<b>700</b>	<b>-442</b>	<b>46,836</b>
<b>Net Budget Requirement</b>	<b>254,891</b>	<b>1,589</b>	<b>0</b>	<b>160</b>	<b>2,884</b>	<b>3,861</b>	<b>-6,187</b>	<b>257,198</b>

## Council Tax Implications

4.17 Based on the proposed budget of £257.198 million, the Council tax increase for 2017-18 will be 2.9%.

## Pay, Prices and Demographics

4.18 A national pay settlement has been agreed for National Joint Council (NJC) workers, based on an overall increase of 2.4% over two years (covering the period April 2016 to March 2018), of which approximately 0.4% is designed to meet obligations under the National Living Wage. For the majority of staff the increase is 1% for both 2016-17 and 2017-18. The same increase has been reached for Chief Officers, with teachers pay awards agreed at 1% for one year only, from September 2016, at this time.

4.19 Price inflation has been allocated to service budgets and includes provision for contractual increases in food costs, social care provision and other commitments.

These will be further reviewed for the final budget and amended where necessary with updated inflation rates.

- 4.20 The remaining inflation provision will be retained centrally within corporate budgets and reviewed pending the outcome of any unforeseen demand led contract price inflation in relation to, for example, out of county placement agreements or adjustments which may be required to meet contractual increases where the index is set after the Council's budget is approved.

The Actuary for the Local Government Pension Fund has indicated that from 2017-18 the Council will need to pay the historic deficit element of the employer's superannuation contribution as a cash sum, rather than as a percentage of salary costs as currently happens. Consequently this funding will be deducted from directorate budgets and centralised, leaving directorates to fund only future liabilities. In addition, provision has been made for an estimated increase in employer pension contributions from 1 April 2017.

### **Unavoidable Pressures**

- 4.21 During 2016-17 a number of unavoidable 2017-18 service budget pressures have arisen totalling £3.861 million, detailed in Appendix A. The pressures figures are provisional at this stage and will be refined as further information becomes available, for example specific information on Welsh Government grants. As such they may change between draft and final budget.

### **Schools' Budgets**

- 4.22 Unlike previous years, the draft settlement from Welsh Government did not include funding for Local Authorities to protect school budgets. The Council recognises that school funding accounts for around a third of net revenue expenditure, and that protection inevitably leads to increased pressure on other budgets. The draft 2017-18 budget includes both a 1% efficiency target for schools and allowances for inflationary and inescapable pressures to be met centrally, thus treating school budgets on an equivalent basis as other areas of the Council.

However, this is partly offset by a number of adjustments to the schools' delegated budgets, including:

- The transfer out of the RSG for Bridgend of £46,000 formerly provided in respect of teacher registration fee subsidies.
- Centralisation of the part of the employer's superannuation contribution that funds the historic deficit, as required by the fund's actuary. There will be a corresponding reduction in employer contributions payable by schools, which will now only cover the future liability.
- Reduction in the cost of business rates following the 2017 business rates revaluation.



## **Budget Reduction Proposals**

- 4.23 Budget reduction proposals of £6.187 million have been identified from service and corporate budgets to achieve a balanced budget, detailed in Appendix B.

## **Corporate Budgets**

- 4.24 Corporate budgets include funding for the Council tax reduction scheme, costs of financing capital expenditure, precepts and levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief, provision for redundancy related costs and the Carbon Reduction Commitment.

## **Fees and Charges**

- 4.25 Generally, income from fees and charges will be increased by CPI (at the prevailing rate, currently +0.9%) plus 1%, subject to rounding, or in line with statutory or service requirements. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers.

## **Council Reserves**

- 4.26 In line with the MTFS principle 8, the Council will maintain its general fund at no less than £7 million in 2017-18. Details of the Council's earmarked reserves position as at November 2016 are shown in Table 8. These are kept under review, and will be drawn down where required, and the position will be updated in the Final MTFS report to Council in March 2017.

**Table 8 – Usable Earmarked Reserves**

Opening Balance 1 April 2016	Reserve	Additions	Drawdown	Closing Balance November 2016
£'000		£'000	£'000	£'000
	Corporate Reserves:-			
	Chief Executives & Finance	-	(50)	
	Communities	14	(581)	
	Education & Family Support	-	(408)	
	Operational and Partnership Services	-	(446)	
	Social Services & Wellbeing	-	(72)	
	Non-Directorate	2,000	-	
<b>32,939</b>	<b>Total Corporate Reserve</b>	<b>2,014</b>	<b>(1,557)</b>	<b>33,396</b>
	Directorate Earmarked Reserves:-			
1,884	Communities	1	(598)	1,287
1,278	Education & Family Support	113	(82)	1,309
708	Operational and Partnership Services	-	(196)	512
92	Chief Executives & Finance	-	-	92
1,486	Social Services & Wellbeing	-	-	1,486
<b>5,448</b>	<b>Total Directorate Reserves</b>	<b>114</b>	<b>(876)</b>	<b>4,686</b>
<b>38,387</b>	<b>Total Usable Reserves</b>	<b>2,128</b>	<b>(2,433)</b>	<b>38,082</b>

### **Capital Programme and Capital Financing Strategy**

- 4.27 This section of the report deals with the proposed Capital Programme for 2016-17 to 2025-26, which forms part of, but extends beyond the MTFS. It also covers the Council's capital financing strategy (including prudential borrowing and capital receipts forecast). Both have been developed in line with the MTFS principles and reflect the Welsh Government draft capital settlement for 2017-18, which provides general capital funding (GCF) for the Council for 2017-18 of £6.288 million of which £3.909 million is provided through un-hypothecated supported borrowing and the remainder £2.379 million as general capital grant. No indicative allocations have been provided for 2018-19, so for now it is assumed that this level of funding will remain constant for the years after 2017-18, but this will be indicative only.
- 4.28 The Programme was last revised in October 2016. Since then a review is underway to identify the Council's capital investment requirements for 2016 to 2026, compared to available capital receipts, against the following criteria:

- Link to proposed new corporate priorities;

- High level of Risk of not progressing, in terms of impact on service delivery, ability to meet MTFS budget reductions, and prevention of building failure and closure;
- Service is able to meet any additional revenue costs arising from the scheme;
- Payback period (where appropriate)

4.29 The capital programme also contains a number of fixed annual allocations that are met from the total general capital funding for the Council. These allocations are shown in Table 9 below, and currently amount to 96.5% of the 2017-18 general capital funding:

**Table 9 – Current Annual Allocations of Capital Funding**

	2016-17 £'000
Highways Capitalised Repairs	200
Transportation Capitalised Repairs	250
Disabled Facilities Grant	2,350
Housing Renewal Schemes	100
Special Regeneration Funding	540
Minor Works	1,100
Community Projects	100
Bridgelink / Telecare replacement	30
Street lighting / Bridge infrastructure replacement	400
Contribution to 21 <sup>st</sup> Century Schools	1,000
<b>Total</b>	<b>6,070</b>

4.30 These annual allocations are also in the process of being reviewed for any further opportunities, and any changes will be recommended in the Final MTFS report in March 2017.

### **Capital Programme**

4.31 The current programme contains a number of significant strategic investment projects that support a number of the proposed new corporate priorities. Appendix C sets out the current capital programme for the period 2016-17 to 2025-26 as approved by Council in October 2016, updated to reflect additional schemes funded through external sources in line with financial procedure rules, which will be revised for any new schemes in the MTFS 2017-18 to 2020-21 final report.

### **Raising Aspirations and Improving Educational Attainment**

4.32 The Schools' Modernisation Programme forms a cornerstone of the corporate priority making smarter use of resources. School modernisation and school improvement complement each other, and well established collaborative arrangements are taking forward strategies to enhance teaching and learning and school leadership, supported

by state of the art buildings and the innovative use of new technology. The Welsh Government has committed to fund £24.725 million of the total costs (currently estimated at £49.489 million) for Band A priority projects, through a combination of capital grant and the Local Government Borrowing Initiative, with the balance met from Council resources. The original programme budget was £44.950 million, with £22.475 million provided by the Council. Since then, both Welsh Government and the Council have agreed to provide extra funding towards the programme to meet additional costs arising from site access issues, topographical issues and general increased construction costs. In addition, the Council has provided funding of over £1.6 million for additional highways requirements to allow the schemes to progress, which are outside of the 21<sup>st</sup> Century Schools Programme. The Council has agreed that its contribution of £24.764 million will be met from core funding allocations of £5 million, anticipated S106 funding of £5.228 million and projected receipts from the sale of schools and other sites, and central funding, of £14.536 million.

4.33 The programme is based on the current estimated expenditure profile over the funding period. This is an ambitious programme and it is essential that the planned capital receipts already committed and ring fenced from the sale of school sites to finance the programme are retained for this purpose. Any changes to this commitment will require Council approval.

4.34 The following projects are included in the Council's approved programme, but funding for each project will not be confirmed until Welsh Government approves the final business case and sufficient capital receipts have been generated:

**Table 10 – Status of 21<sup>st</sup> Century schools programme projects**

<b>Project</b>	<b>Current Status</b>
Coety / Parc Derwen Primary School	Construction complete – school opened 2 <sup>nd</sup> November 2015 as per the statutory notice. In defects period.
Special Education Needs Provision	Construction completed – school opened 15 <sup>th</sup> June 2015 as per the statutory notice. The Bridge Alternative Provision and education support services have transferred into the campus.
Garw Valley South Primary Provision	Full Business Case submitted and approved. Currently formulating funding contract. A protracted tender process has resulted in a delayed start on site therefore Cabinet has approved a January 2019 opening date for YGG Cwm Garw.
Pencoed Primary School	Cabinet approved the proposal to open the school in April 2018. Strategic Outline Case and Outline Business Case have received WG approval. Tender process for the construction of the school programmed to commence on 28 <sup>th</sup> November.
Brynmenyn Primary Provision	Outline Business Case approval received and the Full Business Case has been submitted to WG. Cabinet approval granted on 1 <sup>st</sup> November to accept and award the contract, subject to approval of the Welsh Government funding contract.
Mynydd Cynffig Primary School	Strategic Outline Programme approved by WG. Design progressing. Consultation is currently underway and closes on 22 <sup>nd</sup> November.
Héronsbridge Special School	Design of mezzanine floor underway.

## **Capital Financing Strategy**

- 4.35 The Capital Financing Strategy is underpinned by the Council's Treasury Management Strategy. The two key principles used in the Capital Financing Strategy are:
1. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
  2. 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.

## **Capital Receipts**

- 4.36 The Council estimates that around £21 million could be generated as part of the enhanced disposals programme, which commenced in 2014, with circa £13 million already delivered (anticipated to reach £14.3 million by the end of 2016-17), and circa £6.6 million over the next 3 years (2017-2020), of which £1.75 million is expected to be realised in 2017-18. Of the £21 million, £8.8 million relates to school buildings and land vacated through the 21st Century Schools Programme, to be used as match funding for the programme. It excludes any receipts anticipated from the sale of the Waterton or Porthcawl Regeneration sites. Receipts are subject to the exchange of contracts, so it is prudent not to commit them until we have a contractual agreement.

## **Prudential Borrowing**

- 4.37 Total Prudential Borrowing taken out as at 1 April 2016 was £35.08 million, of which £26.25 million was outstanding. It is estimated that the total borrowed will increase to £36.8 million by the end of this financial year.
- 4.38 Future prudential borrowing will include an estimated £5.6 million of Local Government Borrowing Initiative (LGBI) funding towards the costs of the 21<sup>st</sup> Century Schools Programme.

## **5. Effect on Policy Framework and Procedure Rules**

- 5.1 The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.

## **6. Equality Impact Assessment**

- 6.1 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.
- 6.2 Equality Impact Assessments will be undertaken on all budget reduction proposals before the final recommendations are made concerning next year's revenue budget.

## **7. Financial Implications**

7.1 The financial implications are reflected in the report.

## **8. RECOMMENDATIONS**

8.1 Committee Members are asked to:

- (i) Consider the information contained in the report and attached appendices;
- (ii) Determine whether it wishes to make any comments or recommendations which fall within their remit to submit to the Corporate Resources & Improvement Overview and Scrutiny Committee for consolidation and inclusion in their report to Cabinet on the draft budget proposals as part of the budget consultation process.

**Randal Hemingway CPFA**  
**Head of Finance and Section 151 Officer**  
**29 November 2016**

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**Background Papers:**

Cabinet Report – Medium Term Financial Strategy 2017-18 to 2020-21 – 6 July 2016  
Council Report – Capital Programme 2016-17 to 2025-26 – 4 October 2016