

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

14 FEBRUARY 2017

JOINT REPORT OF THE CHIEF EXECUTIVE AND SECTION 151 OFFICER

MEDIUM TERM FINANCIAL STRATEGY 2017-18 to 2020-21

1. Purpose

- 1.1 The purpose of this report is to present Cabinet with the Medium Term Financial Strategy 2017-18 to 2020-21, which includes a financial forecast for 2017-21, a detailed revenue budget for 2017-18 and a Capital Programme for 2017-18 to 2026-27.

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 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.

- 3.2 The Council's Corporate Plan is being presented to Council for approval alongside the MTFS 2017-21 and the two documents are aligned to each other, enabling the reader to make explicit links between the Council's priorities and the resources directed to support them. These linkages are further strengthened by the addition of the Budget Narrative below.

3.3 Budget Narrative

- 3.3.1 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 narrative 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.

3.3.2 Corporate Financial Overview

While the Council's net revenue budget is set at £258.093 million for 2017-18, its overall expenditure far exceeds this. Allowing for specific grant funded expenditure and services which are funded by the income they generate, 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.

3.3.3 Education and Family Support

The Council is proposing to spend £108 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 £87 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 £24.7 million in building and refurbishing schools as part of our 21st century school modernisation programme (one-off capital expenditure across several years, match funded with £24.7 million of Welsh Government funding).

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. The Council however recognises that schools, like other services, face financial pressures which they cannot avoid. The Council will provide additional central funding to meet nationally agreed pay awards and price inflation – the net impact of the 1% efficiency target and this extra funding means that schools budgets overall will see a very small increase.

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 a small increase in the price of a 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 21st 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.

3.3.4 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 £65 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. The Welsh Government has recently indicated that no decision has been made on the future of Communities First and a decision will not be taken until the current engagement programme is complete. Consequently, irrespective of any decision on the future of Communities First, funding at current levels will be maintained until end June 2017, with any changes taking place thereafter. Any changes beyond this date represent an unquantifiable risk to the Council.

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, which is due to increase to £70 per week from April 2017. 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.

3.3.5 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:

- In recognition of the Council's vital role in maintaining the public realm and in response to wider Member concerns over the cumulative impact of historic budget reductions, the 2017-18 budget includes the creation of a new and recurrent fund earmarked for this purpose. This will be allocated by the Corporate Director – Communities on areas of greatest need and while specific investment plans have not been finalised, indicatively the fund may be directed towards such areas as highways and other public realm maintenance, match

funding for Town and Community Council schemes, renovation of playgrounds by way of example. Where a proposed investment is in direct contrast with a planned future MTFS reduction, consideration will be given to mitigating the reduction from the fund.

- To change the way that public convenience needs are met by the transfer of more of these facilities to local Town and Community Councils to operate, and closing those of the poorest quality or where there is no appetite for transfer. 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 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 explore different options to make savings in future years in energy costs, prioritising energy efficiency measures, but where these are not possible, we will consider selectively dimming street lights or, in some areas reducing operating hours where they do not need to shine all night. We aim to save up to £500,000 in this way, but we are mindful of the impact both on traffic safety as well as community safety.
- 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 element of the Council's strategy to transfer buildings to local community groups to operate for themselves.

3.3.6 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 increased strength of the local tourism sector has made this saving possible, as the sector 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.

3.3.7 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 Civil Partnership and 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 targeting savings £300,000 over the next two years from the above measures, though are mindful of the public consultation finding that over 40% of respondents did not want digitisation to be at the expense of traditional contact methods.

3.3.8 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, 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 turnover 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.

4. Current Situation

4.1 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.

4.2 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 2017-18 to 2026-27, linked to priority areas for capital investment and Capital Financing Strategy.
- The Treasury Management Strategy 2017-18 and Corporate Risk Register.

The Financial Context

4.3 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 than 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. The UK government has therefore set new fiscal targets which aim for 2% underlying deficit and debt falling by 2020, and a balanced budget as soon as possible thereafter.

4.4 The Welsh Government announced its final budget for 2017-18 on 20 December. The most significant headline change was an additional £136 million of capital funding for affordable housing development, flooding schemes and regeneration projects. There was also an additional £10 million revenue funding announced for social services plus £6 million to support homelessness prevention. The Welsh Government also announced an additional £10 million of revenue funding, through a special grant, to support high street retailers, pubs and restaurants with business rates, following the 2017 revaluation.

Welsh Government Final Local Government Settlement

- 4.5 On 21 December, Councils received the Final Local Government Settlement. The headline figure was an overall increase of 0.2% in Aggregate External Finance (AEF) from 2016-17. However, whilst this takes into account a number of transfers into the settlement, it also includes funding for a number of additional responsibilities placed on local authorities, along with funding for town centre car parks and school transport. This is in addition to an extra £25 million across Wales in recognition of the contribution which social services make to the success of the health service. There is an actual cash increase in AEF from 2016-17 of £123,000, due to the additional funding included in the settlement. However, Bridgend's funding on a like-for-like basis is a reduction of £0.6 million, or -0.3%. Unlike previous years, the final settlement did not include funding to protect school budgets.

Settlement Implications for 2018-2021

- 4.6 Whilst the 2017-18 settlement is the most favourable in recent years, the Finance Secretary Mark Drakeford has 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 currently 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 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 MTFFS "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 £33 million from 2017-18 to 2020-21.

Transfers into and out of the 2017-18 Revenue Settlement

- 4.7 The full picture on specific grants is still not yet clear, particularly at an individual authority level, but the final 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.
- The final settlement includes new funding of £235,000 (£6 million across Wales) in recognition of the particular pressures around homelessness prevention.
- A 6.7% reduction in the Single Environment Grant across Wales (BCBC received £2.777 million in 2016-17).
- Welsh Government has also provided through the settlement £46,000 for school transport and £131,000 to support town centre car parking. The specific details of how this funding is to be used have not yet been received.

Intermediate Care Fund

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

Council Tax

- 4.9 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 2017-18 final Revenue Budget, shown in Table 9, includes a Council tax increase of 2.9%. The level of the increase seeks to strike an appropriate balance between the needs of the Council and its citizens.

Welsh Government Capital Settlement

- 4.10 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 final 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

- 4.11 The in-year financial position as at 31 December 2016 is shown in Table 1 below.

Table 1 – Comparison of budget against projected outturn at 31 December 2016

Directorate/Divisions	Original Budget 2016-17 £'000	Revised Budget 2016-17 £'000	Projected Outturn 2016-17 £'000	Projected Over / (Under) Spend Qtr 3 2016-17 £'000	Projected Over / (Under) Spend Qtr 2 2016-17 £'000
Directorate Budgets					
Education and Family Support	108,034	108,209	108,061	(148)	64
Social Services and Wellbeing	59,697	60,534	61,370	836	743
Communities	24,644	24,786	24,812	26	805
Operational and Partnership Services	14,899	14,952	12,963	(1,989)	(1,565)
Chief Executives and Finance	4,333	4,237	3,987	(250)	(380)
Total Directorate Budgets	211,607	212,718	211,193	(1,525)	(333)
Council Wide Budgets					
Capital Financing	10,128	10,128	11,296	1,168	(1,294)
Precepts and Levies	6,959	6,959	6,960	1	0
Sleep Ins	800	765	495	(270)	0
Council Tax Reduction Scheme	14,304	14,304	13,418	(886)	(650)
Insurance Costs	1,559	1,559	1,559	0	0
Building Maintenance	900	881	800	(81)	0
Centrally held Budget Pressures	1,394	1,349	10	(1,339)	0
Other Corporate Budgets	7,240	6,228	2,272	(3,956)	(1,400)
Total Council Wide Budgets	43,284	42,173	36,810	(5,363)	(3,344)
Appropriations to / from Earmarked to Reserves			6,470	6,470	0
Total	254,891	254,891	254,473	(418)	(3,677)

- 4.12 The overall projected position at 31st December 2016 is a net under spend of £418,000, comprising £1.525 million net under spend on directorates and £5.363 million net under spend on corporate budgets, offset by net transfers to earmarked reserves of £6.470 million. This position takes account of allocations totalling £528,000 from the MTFs Budget Reduction Contingency. The projected under spend is significantly reduced from the quarter 2 position as a result of the decision to establish a number of new earmarked reserves in quarter 3.
- 4.13 The net budget for the financial year has been set assuming full implementation of the current year budget reduction requirements across the Council's budget which amount to £7.477 million. Where proposals to meet this requirement have been delayed or are not achievable directorates have been tasked with identifying alternative proposals to meet their requirements such as vacancy management, or bringing forward alternative budget reduction proposals.
- 4.14 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.

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

- 4.15 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.
- 4.16 The development of the MTFS 2017-18 to 2020-21 has been led by Cabinet and Corporate Management Board (CMB) and has taken 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.
- 4.17 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. As usual 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).

Scrutiny and Challenge

- 4.18 As stated in paragraph 4.16, Cabinet and CMB continue to seek to embed a culture of medium term financial planning within the Council. Against that background, further efforts have been made this year to secure greater involvement of stakeholders in the development of the MTFS and the Corporate Plan. "Shaping Bridgend's Future" an eight week consultation was undertaken during October and November 2016 and included an online survey, community engagement workshops, social media debates, community engagement stands and a meeting with third sector organisations. Members had the opportunity to take part in a budget workshop similar to the public engagement events. The results have been presented in a separate Cabinet report and are therefore not detailed here. 1.8% of the population (2,533 responses) responded to the consultation with positive support for the majority of proposals put forward. The response rate (18 per 1000) is considered in statistical terms to be a valid sample size and is a 65% increase on the response rate last year which is welcomed.
- 4.19 The majority of respondents agreed with the idea of protecting some services over others, with schools and social services being the most popular areas for protection. Equally the majority of respondents felt that schools should be expected to make efficiency savings too. Overall, 10 of the 11 budget reduction proposals put forward received majority support, with the weakest support for automated services at the expense of traditional contact methods. A full list is given below in Table 2 below.
- 4.20 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Plan over the last six months to facilitate the budget planning process. The draft budget report approved by Cabinet in November has also been scrutinised by the Council's Overview and Scrutiny Committees resulting in a report from the Corporate Resources and Improvement (CRI) Committee. Cabinet has considered the CRI Committee's recommendations and a response to these is provided in Schedule A.

Table 2 – Budget Reduction Proposals consultation response

Rank	Proposal	Disagree (%)	Neither (%)	Agree (%)
1	The Council should look to collaborate on services with other authorities where possible savings could be made	7	7	86
2	Reviewing our arts, culture and libraries partnership	7	9	85
3	The Council should look to increase vigilance on checking resident eligibility to all council tax discounts or exemptions	11	12	77
4	Surplus school places	12	13	75
5	Adult social care reform	14	16	70
6	Street lighting provision	22	11	67
7	Reviewing our leisure facilities partnership	20	19	61
8	Joining service locations together	17	25	58
9	Increasing cost to use playing fields	28	14	58
10	Increasing cost of school meals	32	13	54
11	The Council should automate more services to save money, even if this means losing traditional methods of contract	44	14	42

4.21 Cabinet and CMB have reflected on the responses received from the public consultation and the CRI Committee and has made a number of changes to its budget reduction proposals as a result. In particular budget reductions impacting on the public realm have been significantly reduced. The proposal to cease proactive resurfacing has been removed (£215,000), gully cleaning frequency will not be reduced (£40,000), and weed spraying will be maintained at the current level (£15,000), as will management of rear lanes and footpaths overgrowth (£30,000). Furthermore, the budget includes a new fund to be targeted towards public realm improvements, with a recurrent budget of £400,000.

MTFS Principles

4.22 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 3: 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
RES29	Raven's Court	£195,000
Total Allocated		£528,000

This reserve has been restored to its original level in quarter 3 by the Section 151 officer in light of increasing challenges in delivering future budget reduction proposals.

MTFS Resource Envelope

- 4.23 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 Final 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 4.

Table 4 – MTFS Scenarios: % Change in AEF

	2017-18	2018-19	2019-20	2020-21
	% Change	% Change	% Change	% Change
Best Scenario		-1.50%	-1.50%	-1.50%
Most Likely Scenario	-0.30%	-3.20%	-3.20%	-3.20%
Worst Scenario		-4.50%	-4.50%	-4.50%

Most Likely Net Budget	£258.093m	£255.048m	£252.539m	£250.365m
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Managing within the MTFS Resource Envelope

- 4.24 The financial forecast for 2017-21 is predicated on £32.844 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.
- Fees and Charges will increase by the statutory minimum or CPI (at prevailing rate, currently +1.6%) 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.

4.25 For 2017-18, the MTFFS includes an additional £2.167 million for the above known pressures. In addition, each year consideration is given to any inescapable unforeseen Directorate pressures that cannot be accommodated within existing budgets. £5.063 million of inescapable pressures have emerged during 2016-17 and are explained in more detail in paragraph 4.43 below. In total, the Council has unavoidable pressures of £7.230 million in 2017-18.

MTFS Budget Reduction Requirement

4.26 Table 5 below shows the Council's potential net budget reduction requirement based on the forecast resource envelope (paragraph 4.23 above), inescapable spending assumptions (paragraph 4.25 above) and assumed Council tax increases.

Table 5 – Budget reduction scenarios

	2017-18	2018-19	2019-20	2020-21	Total
	£000	£000	£000	£000	£000
Best Scenario	5,852	6,284	5,883	5,699	23,718
Most Likely Scenario	5,852	9,474	8,923	8,595	32,844
Worst Scenario	5,852	11,914	11,174	10,670	39,609

4.27 Cabinet and CMB are working together to develop plans to meet the most likely scenario above. In the event of the worst case materialising in any year, the budget shortfall would have to be met from the Council Fund and or a further increase in Council Tax while additional budget reduction plans could be developed. Should the best case scenario arise then Cabinet and CMB would look to reduce the impact on services as well as Council Tax.

4.28 Table 6 shows current progress on identifying budget reduction proposals.

Table 6 – 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	2,393	2,774	685	5,852	0	5,852
2018-19	174	3,666	624	4,464	5,010	9,474
2019-20	50	1,437	1,146	2,633	6,290	8,923
2020-21	0	1,014	442	1,456	7,139	8,595
Total	2,617	8,891	2,897	14,405	18,439	32,844
Percentage of total required	8%	27%	9%	44%	56%	100%

RED Proposals not fully developed and include high delivery risk

AMBER Proposal in development, but includes delivery risk

GREEN Proposal developed and deliverable

4.29 The 2017-18 proposals have been amended since the Draft Budget report to reflect the removal of a number of proposals in response to the budget consultation, as outlined in paragraph 4.45. A number of proposals for 2018-19 onwards require further information and analysis and so are not sufficiently well developed to be included at this point in time. Proposals currently under consideration include:

- The wider digital transformation of Council services;
- Efficiencies in the built environment service and the creation of a corporate landlord function;
- Income generation opportunities;
- Further reductions in employee numbers;
- Reconfiguration of post 16 education provision;
- Working with partners to protect sustainable community facilities; and
- Review of nursery education provision.

4.30 Cabinet and CMB have given a commitment to try and find at least 50% of the budget reductions through smarter use of resources rather than by cutting the quality or level of services. This gets incrementally harder to achieve, but as Table 7 shows the plans set out in this report will deliver 58% of the required budget reductions through efficiency measures, such as:

- 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

Table 7 – Budget Reduction Proposals 2017-18 to 2020-21

	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	Total £000	%
Making Best Use of Resources	3,449	2,161	1,484	1,241	8,335	58%
Managed Service Reductions	1,478	1,106	520	70	3,174	22%
Collaboration & Service Transformation	605	300	129	0	1,034	7%
Policy Changes	320	897	500	145	1,862	13%
Total Identified to date	5,852	4,464	2,633	1,456	14,405	

- 4.31 Budget reduction proposals relating to Collaboration and Service Transformation amount to 7% of the total budget reductions. These include remodelling of adult social care, digital transformation and delivering further budget reductions through the Shared Regulatory Services. Policy changes amount to 13% and include reducing services to the statutory minimum as well as cutting some discretionary services. These include eligibility criteria for adult social care, school transport and a review of car park charges. The policy change proposals are subject to consultation.
- 4.32 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 tight vacancy management, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be necessary. Over the MTFs period, the Council will need to ensure there are sufficient funds in the corporate redundancy budget and service reconfiguration earmarked reserve to meet VER costs.

Corporate Risk Assessment

- 4.33 The Council's Risk Assessment identifies the key corporate risks and mitigating actions and is attached as Schedule B. 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, such as the costs associated with full implementation of Welsh Language Standards currently under appeal, the risk is covered by the Council Fund.

2017-18 Net Budget Requirement

- 4.34 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 subtracting any budget reduction proposals.
- 4.35 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Table 8 summarises the 2017-18 budget requirement and how it will be financed.

Table 8 – Net Budget Requirement

	2017-18 £000
2016-17 Net Budget (Table 1)	254,891
2017-18 Pressures (Para 4.25)	7,230
2017-18 Budget Reductions (Table 5)	-5,852
Transfers and New Responsibilities (para 4.7)	1,824
2016-17 Net Budget Requirement	258,093
<i>Financed by:</i>	
2016-17 Net Budget (Table 1)	254,891
Net Increase in AEF (para 4.5)	123
Council tax increase of 2.9% (para 4.38) plus change in tax base	3,079
2017-18 Net Funding Total	258,093

2017-18 Revenue Budget

4.36 Table 9 presents the detailed net revenue budget for 2017-18. This includes specific grants transferring into the settlement as outlined in paragraph 4.7.

Table 9 – Revenue Budget 2017-18

	Revised Budget 2016-17 £'000	Specific Transfers to/ (from) WG £'000	Inter-Directorate Transfers £'000	Pay / Prices / Demographics £'000	Inescapable Budget Pressures £'000	Budget Reduction Proposals £'000	Revenue Budget 2017-18 £'000
<u>Service Directorate Budgets:</u>							
Education & Family Support							
Education & Family Support	21,308	45	224	249	263	-577	21,512
Schools	86,901	-45	-256	1,205		-869	86,936
	108,209	0	-32	1,454	263	-1,446	108,448
Social Services & Wellbeing	61,345	342	3,138	1,237	865	-2,244	64,683
Communities	24,822	131	-3,286	259	2,738	-806	23,858
Operational & Partnership Services	14,944	238		192	410	-535	15,249
Chief Executives / Finance	4,233			41	26	-414	3,886
Total Directorate Budgets	213,553	711	-180	3,183	4,302	-5,445	216,124
<u>Corporate Budgets:</u>							
Capital Financing	10,128		56				10,184
Levies	6,959				61		7,020
Repairs and Maintenance	900						900
Council Tax Reduction Scheme	14,304			250		-300	14,254
Apprenticeship Levy	0				700		700
Sleep Ins	271						271
Pension Related Costs	1,258						1,258
Insurance Premiums	1,559						1,559
Other Corporate Budgets	5,959	1,113	124	-1,266		-107	5,823
Total Corporate Budgets	41,338	1,113	180	-1,016	761	-407	41,969
Net Budget Requirement	254,891	1,824	0	2,167	5,063	-5,852	258,093

4.37 The net budget will be funded by:

Table 10 – Net Budget Funding

	£	%
Revenue Support Grant	141,610,389	54.87
Non Domestic Rates	46,027,476	17.83
Council Tax Income	70,455,437	27.30
Total	258,093,302	100%

Council Tax Implications

4.38 The implications in terms of the Council Tax increase (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in Table 11.

Table 11 – Council Tax Increase 2017-18

2016-17 Average Band D	£1,297.78
2017-18 Average Band D	£1,335.42
% Increase	2.90%
Weekly Increase	£0.72

Pay, Prices, Pensions and Demographics

- 4.39 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.
- 4.40 Price inflation has been allocated to service budgets and includes provision for contractual increases in food costs, social care provision and other commitments. 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.
- 4.41 The Council has historically made pension deficit contributions as part of its overall employer contributions, currently set at 21.3% of pensionable pay. It was foreseen in the draft budget that the Actuary would require that the deficit contributions would need to be made as a lump sum payment in future. The Council has agreed with the actuary that this change is not necessary. There is no true financial impact on the Council, or on individual directorates, but this explains a presentational difference between Table 9 in the draft and final budgets. The overall contribution rate of 21.3% remains unchanged for the next triennial period.

Schools' Budgets

- 4.42 Unlike previous years, the final 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 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. Taken together, there is a small increase in overall school budgets.

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.
- Reduction in the cost of business rates following the 2017 business rates revaluation.

Unavoidable Pressures

- 4.43 The final schedule of unavoidable pressures is attached at Appendix A and presents a number of recurrent pressures, totalling £5.063 million. The November Draft Budget report explained that budget pressures identified at that time were subject to change before the Final Budget. The main changes are:

- A new pressure of £598,000 in respect of the local authority's contribution to the Cardiff Capital Region City Deal. This funding will provide a revenue contribution to meet Bridgend's share of the overall £120 million local authority capital funding requirement.
- An additional pressure of £94,000 to meet the project management and joint committee costs associated with the City Deal.
- Amendments to the pressures for Autistic Spectrum Disorder provision and the new Waste Collection contract following receipt of additional information.
- A new pressure of £61,000 to meet unavoidable pressures faced by the South Wales Fire and Rescue Authority, for which the Council is subject to an annual levy.
- A new pressure of £400,000 in respect of public realm works.

- 4.44 Funding was set aside as a budget pressure to pay for the implementation of the Welsh Language Standards in the MTFS 2016-17 to 2019-20. A number of standards were under appeal, so the actual cost could not be determined with accuracy, but were estimated to be significant. The outcome of the appeals is still awaited, along with the appeal against additional standards introduced from September 2017. Should these appeals be unsuccessful the Council would have to meet the costs in the short term from a combination of corporate contingency (normally reserved for emergencies such as extreme weather events) or the Council Fund until recurrent funding could be identified either from further budget reductions elsewhere or Council Tax increases.

Budget Reductions

- 4.45 Budget reduction proposals totalling £5.852 million have been identified from service

and corporate budgets to achieve a balanced budget. These are detailed in Appendix B. There are a number of changes since the draft budget including:

- Removal of CWD1 Reduction in Levies, £35,000 for 2017-18, following notification by the South Wales Fire and Rescue Authority of an increase of 1% in levy due to unavoidable pressures. This has also led to a need for an additional budget pressure of £61,000.
- Recognition that the budget reduction proposals in respect of Learner Transport are not likely to be fully delivered in 2017-18, due to increases in the number of pupils requiring transport and work required on determining safe routes to schools, so more realistic targets have been included in Appendix B. Consequently the balance of budget reductions required will now be met through a reduction in the budget for the Development Team, following identification of an alternative funding source for this service.
- Removal of the following reductions from the Communities directorate following the consultation and scrutiny process:

COM6	Weed spraying	£15,000
COM22	Carriageway resurfacing	£215,000
COM23	Gully cleaning	£40,000
COM25	Rear lanes overgrowth	£30,000

Corporate Budgets

- 4.46 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

- 4.47 As a minimum, income from fees and charges will be increased by at least CPI (at the prevailing rate, currently 1.6%) plus 1%, subject to rounding, or in line with statutory requirements. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers. New charges or charges that have been included in the 2017-18 budget and are above the general increase are shown in Appendix C.
- 4.48 Council approved a corporate income generation policy in March 2016 which 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.

MTFS Support for Corporate Priorities

- 4.49 Appendix D details the Directorate Base Budgets for 2017-18. The MTFS supports the delivery of the Council's corporate priorities and Table 12 below summarises Directorate budgets which will be used to support these and core services and statutory functions. A more detailed analysis is shown in Appendix E.

Table 12 – 2017-18 Budget by Corporate Improvement Priority

Budget 2017-18 Corporate Improvement Priorities			
Directorate	Corporate Improvement Priorities	Core Services & Statutory Functions	Total
	£'000	£'000	£'000
Education & Family Support	8,508	13,004	21,512
Schools	35,364	51,572	86,936
Social Services and Wellbeing	46,561	18,122	64,683
Communities	3,955	19,903	23,858
Operational and Partnership Services	1,897	13,352	15,249
Chief Executive's and Finance	232	3,654	3,886
Corporate Budgets	138	41,831	41,969
NET BUDGET REQUIREMENT	96,655	161,438	258,093

Council Reserves

- 4.50 The Council's Reserves and Balances Protocol attached at Appendix F sets out the principles used to assess the adequacy of reserves, the rationale for establishing reserves and the arrangements for monitoring reserves. For the last three years, the Council has maintained its Council Fund at a minimum of £7 million and at 31 March 2016 it was £7.604 million, which is 2.32% of Gross Revenue Expenditure (GRE) compared to a Welsh average of 2.96% for the same period. If the Council Fund was used to cover GRE, it would last 8.5 days compared to a Welsh average of 10.8 days. Against that background and in the face of continued uncertainty regarding the economy and public finances, it is recommended that the Council seeks to increase its Council Fund to 2.7% of GRE (£8.840 million based on 2015-16) by the end of the MTFS period. This will be monitored and will depend upon financial performance during future periods and the need to cover against specific risks as they arise through the earmarked reserves process.
- 4.51 In accordance with the Protocol, a review of the Council's financial risks, pressures and reserves was undertaken at period 6 and period 9 in 2016-17. Appendix F also sets out the forecast movement in the Council's Earmarked Reserves and the Council Fund by the end of 2016-17 and 2017-18. At this point the forecast movement to 31 March 2017 is an increase of £418,000 to the Council Fund based on the period 9 revenue monitoring and an overall reduction in Earmarked Reserves of £1.451 million on the assumption of:
- The forecast drawdown of £1,368,000 from the Directorate Issues 15-16 Reserve either by Directorates or as a result of any reserve that is no longer required being unwound;
 - The drawdown or unwinding of the current Asset Management Reserve for demolitions and the increase of the reserve to £0.5 million to allow further necessary demolitions going forward;
 - The addition to the Looked After Children Reserve of £1 million at period 9 and the drawdown of £788,000;

- The net release of £2.08 million from the Major Claims Reserve following a reassessment of outstanding liabilities;
- The forecast drawdown of £345,000 from the Change Management fund in respect of a number of projects including the remodelling of Adult Social Care;
- The increases of existing Earmarked Reserves and creation of new reserves that took place during the period 6 and period 9 review including increase of the MTFS Contingency Reserve back to £1 million and the creation of a Public Realm Works Reserve;
- The reclassification of £0.5 million between the Insurance Earmarked Reserve and the Insurance Provision, the drawdown of £0.2 million towards health and safety works both partly offset by an insurance rebate of £0.17 million; and
- The addition of £1 million into the Service Reconfiguration Reserve for Extra Care provision and £1m for redundancy costs necessary to support MTFS savings.

4.52 In line with the Protocol, a further review will be undertaken at the end of the current financial year and transfers made at this point taking account of the overall financial position of the Council including the final out-turn, actual accrued Council Tax income, Earmarked Reserve levels, the Council Fund level and any new pressures or risks that need to be provided for. At this time Directors will be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2017-18 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole. In advance of that process the forecast movement in reserves for 2017-18 assumes:

- An overall reduction in Earmarked Reserves of £11.654 million during 2017-18;
- The full drawdown of a number of reserves including the Safe Routes to Schools Reserve, the Waste Management Contract and Awareness Reserves and the Property Reserve;
- The drawdown of the Capital Programme Contribution Reserve, Capital Feasibility Reserve and Asset Management Reserve in line with the current Capital Programme expenditure profile; and
- The drawdown of the Change Fund reserve in line with amounts allocated for the 2017-18 financial year.

It does not include the potential increase of reserves for 2017-18 as a result of fortuitous underspends within the year.

Table 13 – Summary of Usable Earmarked Reserves

Opening Balance 1 April 2016 £'000	Reserve	Movement 2016-17 £'000	Closing Balance 31 March 2017 £'000	Movement 2017-18 £'000	Closing Balance 31 March 2018 £'000
7,604	Council Fund Balance	418	8,022*	-	8,022*
38,387	Total Earmarked Reserves	(1,451)	36,936	(11,654)	25,282
45,991	Total Usable Reserves	(1,033)	44,958	(11,654)	33,304

* The increase in Council Fund balance is based on the Period 9 projection for 2016-17.

Capital Programme and Capital Financing Strategy

4.53 This section of the report deals with the proposed Capital Programme for 2016-17 to 2026-27, which forms part of, but extends beyond the MTFS. It also covers the Council's capital financing strategy. Both have been developed in line with the MTFS principles and reflect the Welsh Government capital settlement for 2017-18. The Programme has been revised since the draft budget report to Cabinet on 29 November to take into account proposed new capital schemes following a review of the Council's capital investment requirements.

Capital Programme 2016-17 to 2026-27

4.54 Appendix G sets out the proposed Capital Programme for the period 2016-17 to 2026-27. The Welsh Government capital settlement for 2017-18 provides General Capital Funding (GCF) for the Council of £6.288 million in 2017-18, of which £3.909 million is un-hypothecated supported borrowing and the remainder £2.379 million is 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 years after 2017-18, but this will be indicative only.

4.55 The Programme was last revised in October 2016. Since then a review has been underway to identify the Council's capital investment requirements, compared to available capital, against the following four criteria:

- Link to corporate priorities;
- Level of risk associated with investing (in terms of impact on service delivery, ability to meet MTFS budget reductions, and prevention of building failure and closure);
- Budgetary provision for any additional revenue costs arising from the scheme;
- Payback period (where appropriate).

4.56 Following a rigorous appraisal process and a review of the limited amount of funding available, the schemes set out in Table 14 are proposed to be included within the Capital Programme for 2017-18 onwards. A number of schemes are subject to Cabinet approval of business cases and/or confirmation of external funding and will only proceed once these agreements are secured. Furthermore, there are potentially large capital pressures for which funding has not currently been identified. These include (but are not limited to) significant highways schemes, 21st Century Schools band B and a permanent depot solution. Difficult decisions may be required in future years around their prioritisation against a scarcity of funding

Table 14 – Proposed New Capital Schemes

Project Title	Scheme Outline	Total Scheme Cost £'000	Estimated BCBC Funding Required £'000	Other Funding Sources
Bridgend Science Park	Replacement of drain / roadway at Unit 1 Science Park	200	200	
Highways Retaining Wall, Bettws	Replacement Highway Retaining Wall at Bettws Road, Bettws	175	175	
Complex and Medical Needs	Accessibility works to meet complex and medical needs at 5 secondary schools.	600	600	
Cardiff Capital Region City Deal	An agreement between UK government, Welsh Government and 10 local authorities to invest £1.2 billion in the Cardiff Capital Region's infrastructure.	46,724	11,328	UK Government £35.396 million
Laptop Replacement	Replacement of laptops that are life expired	550	275	Prudential Borrowing 50%

4.57 Subsequent to further funding becoming available, additional projects may be added to the capital programme during the next financial year. However, this will be subject to retaining a contingency amount of capital receipts to meet any unforeseen risks.

4.58 The Capital Programme also contains a number of fixed annual allocations that are met from the total general capital funding for the Council. These annual allocations have been reviewed as part of the capital planning process and it is proposed that they remain at current levels for 2017-18, as follows:

- Highways and Transportation Capitalised Repairs – given the backlog of repairs and maintenance of highways it is recommended that this annual allocation be maintained at the current level;
- Disabled Facilities Grants and Housing Renewal Schemes – Cabinet agreed in September 2015 to amend the Private Sector Housing Renewal and Disabled Adaptations Policy, which this funding supports, to amend two existing grants (Empty Homes Grant and Assistance to RSLs), and to include a new grant – the Home Security Grant to assist people suffering from domestic abuse. It is proposed to keep these allocations at existing levels;

There has been slippage against this budget in recent years, due to delays in Occupational Therapy referrals, so the service is cautious not to reduce this budget in case it cannot meet the cost of referrals;

- Strategic Regeneration Fund (SRF) allocations are committed to projects up to 2020-21 to provide matched funding for the Welsh Government's Structural Funding Programme 2014-20. As outlined in the report to Council in July 2014 this provides flexibility in the Capital Programme to enable the Council to take advantage of and maximise external funding opportunities, mitigate funding

shortfalls which can occur between grant bid and offers stages and provide some contingency for additional spending pressures on regeneration projects.

- Minor works – The Capital Programme currently includes an allocation of £1.1 million to tackle the backlog of capital minor repairs and maintenance works in the Council’s existing buildings and non-buildings infrastructure, as well as energy management, fire prevention and DDA capital schemes. There is also a £450,000 revenue budget available to meet revenue repairs and maintenance. The revenue budget was reduced by £150,000 in 2016-17 as part of the MTFS following rationalisation of administrative assets, so it is proposed to maintain the capital allocation at this level. The Corporate Property Group is responsible for allocating this funding to projects during the financial year.
- Since 2008-09 Town and Community Councils have been able to apply for match funding from the Council for local projects and as a result a number of worthwhile community projects have been developed. In October 2015, Council agreed to increase the funding in the Capital Programme to £100,000 to support Community Asset Transfer (CAT).
- In February 2014 Council confirmed its commitment to contribute £1 million per year from core capital funding (£5 million total across the life of the 21st Century Schools Programme), as part of the local authority matched funding contribution for the Programme.

4.59 This brings the total commitment to 96.5% of the 2017-18 General Capital Funding, as shown in Table 15 and leaves a balance of general capital funding of £218,000:

Table 15 – 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
Bridgeline / Telecare replacement	30
Street lighting / Bridge infrastructure replacement	400
Contribution to 21 st Century Schools	1,000
Total	6,070

Capital Programme link to the Corporate Priorities

- 4.60 Table 16 outlines how the Council is using its capital programme to support the new corporate priorities.

Table 16 – Capital Programme by Improvement Priority

Improvement Priority	Revised 2016-17 £000	2017-18 £000	2018-19 £000	2019-20 to 2026-27 £000	Total £000
1. Supporting a Successful Economy	6,705	14,611	5,631	44,751	71,698
2. Helping People to be more Self-Reliant	3,489	5,452	2,380	19,040	30,361
3. Making Smarter Use of Resources	13,968	41,951	3,198	4,738	63,855
Core Services & Statutory Functions	2,735	1,840	1,550	25,592	31,717
TOTAL	26,897	63,854	12,759	94,121	197,631

Supporting a Successful Economy

- 4.61 The proposed capital programme includes a number of projects which will help to support a successful economy by, for example, investing in the three main towns in the County Borough through infrastructure investment, regeneration and town centre developments. This also involves investing in works to ensure our highways network remains accessible, and is not hampered by road closures to towns and industrial centres. Funding has been provided to replace a highways retaining wall in Bettws, which is necessary for safety reasons and proactive investment before the infrastructure deteriorates further. This both reduces the scheme cost and helps to minimise the disruption to residents and local businesses who rely on the local road network.
- 4.62 The 2017-18 MTFS includes as its most significant addition to the capital programme, Bridgend's contribution of £11.3 million towards the overall £1.2 billion Cardiff Capital Region City Deal. Whilst specific projects have not been determined, it is clear that a successful deal will improve the connectivity, skills and job opportunities across the region, and Bridgend's citizens will share in these benefits. There is also specific investment necessary to maintain the science park, which impacts on business and employment, as well as supporting the Council's commercial income portfolio.

Supporting Vulnerable People to Remain Independent

- 4.63 Many enhancement works have been completed in our primary schools to meet the requirements of pupils with complex medical needs, including changing rooms, ramps etc. Works are now required in a number of secondary schools to meet the identified needs of a number of pupils, to improve accessibility to, and in, the schools. This will also include accessibility for other pupils, staff and visitors including out of hours users and groups. There is evidence of increasing demands in all schools across the borough, particularly with changing parental choices and new residents. This both demonstrates our commitment to equalities and supports independence in education.

- 4.64 £2.35 million of annual capital funding is allocated to Disabled Facility Grants which form a recurrent investment in helping people to be more self-reliant and remain in their own homes.

Smarter Use of Resources

- 4.65 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 21st 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.
- 4.66 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 change to this commitment would require Council approval.
- 4.67 In the meantime, 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 17 – 21st Century School Programme – Band A

Project	Current Status
Coety / Parc Derwen Primary School	<ul style="list-style-type: none"> • Construction complete – school opened 2nd November 2015 as per the statutory notice. • In defects period.
Special Education Needs Provision	<ul style="list-style-type: none"> • Construction completed – school opened 15th 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	<ul style="list-style-type: none"> • WG approved the Full Business Case. • Entered into an agreement for WG funding's contribution. • Entered into a contract with Andrew Scott Ltd for the construction of the schools. • Pre-commencement planning conditions discharged.

Project	Current Status
	<ul style="list-style-type: none"> • Construction commenced on site on 16th January 17.
Pencoed Primary School	<ul style="list-style-type: none"> • Full business case has been approved by WG. • Tender process underway and due to complete on 10th February 17. • Demolition contract commenced in January 17 and due to be completed by the end of February 17.
Brynmenyn Primary Provision	<ul style="list-style-type: none"> • Contract in the process of being awarded to Bam Construction. • Pre-commencement planning conditions have been discharged. • Contractor currently mobilising with construction commencing prior to the end of February 17.
Mynydd Cynffig Primary School	<ul style="list-style-type: none"> • Outcome of the consultation process reported to Cabinet on 10th January. • Currently reviewing sites/options as approved by Cabinet. • Consultation report to be published on 17th February. • Outcome of review to be reported to cabinet on 28th February.
Heronsbridge Special School	<ul style="list-style-type: none"> • Design of mezzanine floor continuing. • Out to tender March 17.

4.68 There is a need to amend the budget for two of the schemes currently within the programme, and the background and reason for this is outlined below:

Brynmenyn Primary School

In June 2015 Cabinet determined to enlarge the existing Brynmenyn Primary School and to relocate the school to the site adjacent to Coleg Cymunedol Y Dderwen with effect from January 2018. Bam Construction Ltd was appointed to undertake the design of the new school via the SEWSCAP Framework and on completion of the design process Cabinet approval was received to appoint the company to construct the school. The £8.15m scheme, which is funded via the 21st Century Schools Programme and BCBC's capital programme, has been subject to the Welsh Government business case process, and has received the necessary approvals.

In recent years, the Council has entered into S106 agreements for primary education contributions from housing developers building within the Valleys Gateway area to create places at Brynmenyn Primary School. Although an amount of £228,382 had been secured via a S106 agreement and also earmarked toward BCBC's contribution in respect of the overall £8.15m cost of the scheme, the education contribution is index linked and has resulted in an increase i.e. £274,058, a net increase of £45,676. In addition, there are a further two S106 agreements for primary education contributions in place, totalling £489,390. In order to bring the project to a successful completion, it is necessary that all of the funding identified from the S106 agreements is used for the Brynmenyn Primary School project, which including the S106

agreements, result in a total project budget of £8,685,066. However, given that construction of the school will commence in the very near future, and the funding arising from the two housing developments are dependent on 'triggers', the majority of these contributions will not be received potentially until after the scheme is near completion or has been completed. There is also a risk to the Council that these housing developments are not progressed, and if this occurs, a further report will be brought to Cabinet indicating how the shortfall will be addressed.

Digital Transformation & ICT

When Council approved the budget in March 2016 a prudent estimate of £2.5 million was included within the capital programme, until such time as the tender process was completed and a firmer estimate of future costs known. It is now envisaged that the capital costs will not be as high as anticipated, but that there will be revenue costs to be met instead from the earmarked reserve set aside for this project, including business process reengineering and website re-design. Consequently the amount of funding held within the capital programme will be reduced by £1.5 million to £1 million total, and the balance of the earmarked reserve held to fund revenue costs.

- 4.69 Other schemes included within the programme are focused on maximising the use of ICT and other assets to provide a better quality of service at the same or reduced cost, including the replacement of life expired assets, which are now out of the support period.

Capital Financing Strategy

- 4.70 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

- 4.71 The Council estimates that around £21 million could be generated as part of the enhanced disposals programme, which commenced in 2014, with circa £14.3 million already delivered, and circa £6.7 million to be realised over the next 3 years (2017-2020). It is anticipated that £1.5 million is expected to be realised by the end of 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

- 4.72 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 £35.8 million by the end of this financial year. In addition, the resourcing of a number of schemes within the programme has been changed, for example between parks pavilions and civic offices external envelope works, but this has not changed the overall level of funding or level of prudential borrowing requirement.

- 4.73 Future prudential borrowing will include an estimated £5.6 million of Local Government Borrowing Initiative (LGBI) funding towards the costs of the 21st Century Schools Programme.

Treasury Management Strategy 2017-18

- 4.74 The Council adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Treasury Management in the Public Services: Code of Practice' 2011 Edition (the CIPFA Code) in February 2012 which requires the Council to approve a Treasury Management Strategy before the start of each financial year. In addition to the CIPFA Code, the Welsh Government (WG) issued revised 'Guidance on Local Authority Investments' in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year. The Treasury Management Strategy 2017-18 (TMS) in Appendix H fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the WG Guidance.
- 4.75 The CIPFA Code and CIPFA's 2011 'Prudential Code for Capital Finance in Local Authorities' (amended 2012) requires the Council to set a number of Treasury Management and Prudential Indicators and the TMS 2017-18 revises some of the indicators for 2016-17, 2017-18, 2018-19 and 2019-20 and introduces new indicators for 2020-21 which are detailed in Appendix H – Schedule A. The indicators either summarise the expected activity or introduce limits upon the activity, and reflect the underlying capital programme.
- 4.76 The 'Local Authority (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008', require the Council to produce and approve an Annual Minimum Revenue Provision (MRP) Statement before the start of the financial year. Where a Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years and this amount charged to revenue is called the Minimum Revenue Provision (MRP) and is detailed in Appendix H – Schedule B.

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 A high level equality impact assessment (EIA) has been undertaken on the Council's budget proposals and updated MTFS (see Appendix I). Individual EIAs are completed

for 2017-18 proposed budget reduction proposals which may impact on certain groups of citizens within the County Borough.

7. Financial Implications

- 7.1 This report outlines the financial issues that Council is requested to consider as part of the 2017-18 to 2020-21 MTFS. The Council's Section 151 Officer is required to report annually on the robustness of the level of reserves. The 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, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFS Principle 8 in paragraph 4.22 above and essential that revenue service expenditure and capital expenditure is contained within the identified budgets.
- 7.2 The Section 151 Officer is also required to report to Council if he does not believe that he has sufficient resource to discharge his role as required by s114 of the Local Government Act 1988. Members should note that there is sufficient resource to discharge this role.
- 7.3 The budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparing the budget. The budget has been prepared following consultation with Members, the School Budget Forum and service managers. Subject to the risks identified in the body of the report the MTFS provides a firm basis for managing the Council's resources for the year 2017-18 and beyond.

8. Recommendations

- 8.1 Cabinet is asked to approve the MTFS 2017-18 to 2020-21 including the 2017-18 revenue budget, the Capital Programme 2016-17 to 2026-27 and the Treasury Management Strategy 2017-18 and recommend these to Council for adoption. In particular it is asked to approve that the following specific elements are forwarded to Council for approval:
- The MTFS 2017-18 to 2020-21
 - The Net Budget Requirement of £258,093,302 in 2017-18.
 - A Band D Council Tax for Bridgend County Borough Council of £1,335.42 for 2017-18 (Table 11).
 - The 2017-18 budgets as allocated in accordance with Table 9 in paragraph 4.36.
 - The Capital Programme 2016-17 to 2026-27 (Appendix G).
 - The Treasury Management Strategy 2017-18 and Treasury Management and Prudential Indicators 2017-18 to 2020-21 (Appendix H).

Darren Mepham
Chief Executive

Randal Hemingway CPFA
Head of Finance and Section 151 Officer

14 February 2017

Contact Officer:
Deborah Exton CPFA
Group Manager – Financial Planning and Budget Management
Ext.3604. E_mail: deborah.exton@bridgend.gov.uk

Background Papers:
Final Local Government Revenue and Capital Settlements 2017-18
Cabinet Report – MTFS 2017-18 to 2020-21 – 29 November 2016
Provisional Local Government Revenue and Capital Settlements 2017-18