



MEDIUM TERM FINANCIAL STRATEGY 2018-19 TO 2021-22 AND COUNCIL TAX 2018-19

1. INTRODUCTION

1.1 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 Well-being of Future Generations (Wales) Act 2015. 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.

1.2 Corporate Financial Overview

While the Council's net revenue budget is planned at £265.984 million for 2018-19, its overall expenditure far exceeds this. Taking into account expenditure and services which are funded by specific grants or fees and charges, the Council's gross budget will be around £400 million in 2018-19. Around £170 million of this amount is spent on the Council's own staff including teachers and school support staff. Much of the cost of the services provided by external organisations is also wage related – these include for example waste collection operatives, domiciliary care workers and foster carers.

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 (WG) either directly or indirectly – for example new requirements to register domiciliary care staff, new requirements arising from the Environment (Wales) Act 2016 to promote biodiversity, requirements arising from the Planning (Wales) Act 2015 such as increased obligations around pre-planning advice, consultation requirements associated with making changes to schools, school 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. Additionally, we are seeing an increase in the number of pupils at our schools, which places increased pressure on school budgets.

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 and double handling of

data through 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.

1.3 Education and Family Support

The Council is proposing to spend £108 million on services delivered by the Education & Family Support Directorate in 2018-19. The majority of this money will be spent by the 59 schools across the county – schools are the biggest single area of spend of the Council. In addition to the £88 million proposed budget to be delegated to schools in 2018-19, 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 £21.5 million in building and refurbishing schools as part of our 21st century school modernisation Band A programme and a further £23 million as part of the Band B programme. This comprises one-off capital expenditure across several years, match funded with Welsh Government funding. Welsh Government has provided approval in principle in respect of the Strategic Outline Programme submitted by the Council around our aspirations for Band B funding. This approval will be subject to the approval of individual project business cases. Whilst it is too early to say how this will progress, the concepts proposed are based around forecast demand for places, primarily in the primary sector. Whilst this is inevitably dependent to some extent on new housing, it is likely that this will represent the most significant area of capital expenditure for the Council in future years.

The Council has a longer term goal to make the overall schools system more efficient – for example through making sure we have the right number of school places available in the right parts of the county (including ensuring enough capacity for anticipated future increases in school age population). For the 2017-18 budget, the Council introduced an annual efficiency saving of 1% for each year of the MTFS. This recognised the need for a "One Council" approach, but was relatively lower than

reductions imposed elsewhere, recognising that schools have less discretion than some other areas of Council expenditure. The Council did however provide additional funding to meet nationally agreed pay awards and price inflation. The net impact of these changes was an overall cash increase. For 2018-19, the level of budget reductions required is not as great as had been feared. As a result, it has been possible to protect schools from the 1% saving for one year. However, the forecast pressure on Council budgets for future years is such that it is almost unavoidable for 2019-20 onwards, and so it will be necessary for head teachers and governing bodies to use the next year to plan ahead.

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, typically by annual 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 grants 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. We are proposing the following changes in 2018-19 that are reflected in the budget:

- We have already implemented increased efficiency and commerciality and a small increase in the price of a school meal during the 2017-18 financial year – further income should be generated in 2018-19 from a full year effect of both these initiatives (school year vs financial year) totalling £71,000.
- We would like to reduce our contribution to the Central South Consortium over coming years – this is however subject to agreement with our partners. For 2018-19 partners have agreed a small reduction of £12,000 (2%). We will continue discussions around savings that can be made in future years.
- We will review home to school transport arrangements for pupils attending special schools – we believe we can make efficiency savings of £75,000.
- We will continue our phased implementation of the changed learner transport policy, where we have established it is safe to do so. We expect to achieve at least £67,000 for each year of the MTFS.

- We will develop collaborative arrangements for our Additional Learning Needs Service, saving £50,000.
- Between 2013 and 2019 we are investing in six 21st Century school schemes. These schemes will see significant investment to replace Betws Primary, YGG Cwm Garw, Pencoed Primary and Brynmenyn Primary schools, along with the creation of special educational needs provision at Bryncethin. We are continuing to invest in improving our school estate and that includes creating more capacity at Heronsbridge Special School and ongoing road safety works in a number of schools.

1.4 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. Within the directorate there is a strong focus on social care as a professional discipline and by the two areas working more closely together it helps to identify efficiency savings. The directorate also has a team, formally the Sport, Play and Active Wellbeing team, who focus on the development of new approaches to better support prevention, early intervention and wellbeing.

There is a strong link between children's social care and early help and intervention services. Although these two services are located within different directorates there are mechanisms in place to ensure close working and appropriate and proportionate responses to families and children in need. There are also clear pathways for step up and step down and close cross directorate monitoring in place. This also supports the corporate priority of 'Helping People to be more Self-Reliant'.

Over the past four years the Council has identified savings of over £11 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 available budgets.

In total, the Council is proposing to spend £68 million on social care and wellbeing services. In addition to this the Council provides a range of housing services plus targeted grant funding. Welsh Government has determined that Communities First as a programme will cease in March 2018. In its place are two replacement grants – Communities for Work Plus and Legacy Grant Funding. In the final settlement the Welsh Government has indicated that against previous total Communities First funding of £19.647 million in 2017-18, the final 2018-19 allocation includes £6 million for Legacy Fund projects and a further £10.050 million for Communities Work plus across Wales. At an all Wales level, this is a reduction of £3.597 million (18.3%). These two grants are earmarked for inclusion in a "Flexible Funding" project proposed by Welsh Government, along with 8 other grants, including Supporting People, Families First, Flying Start and Promoting Positive Engagement for Young People, for which Bridgend has agreed to be a pilot project. The project will give the pilot authorities 100% flexibility to make more effective use of funding and meet local needs through more preventative, long term approaches.

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. It is still early days in the development of preventative approaches. The directorate has gathered much evidence to support the positive impacts of such initiatives and the longer term cost avoidance, however there is still work taking place in relation to the social capital aspects and potential financial savings.

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 2018-19 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. Introducing new ways of working which will be sustainable in the long term alongside a demand led service is inevitably taking time and as a result our MTFS reflects a greater proportion of savings in the outer years.

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 2018-19 build on the implementation plans that are already underway, such as the two new Extra Care facilities currently under construction, which are planned to open in October 2018. The re-modelling programmes focus on changing the culture and reviewing what has become 'custom and practice'. Extra Care will enable people to live more independently and will offer a real alternative to residential care.

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.

A new 52 week a year provision opened in October 2017 which is able to locally accommodate three children with very complex needs; without this provision these children would have been sent to high cost out of county placements. Plans are advancing to meet budget reductions in 2018-19 by re-modelling two Council-run residential homes for children, as well as developing the in-house foster care provision.

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 the last three years will continue to be built upon.
- 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 a 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 of capital funding 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 £70 per week. In addition we are currently unable to charge in Children's Services.

1.5 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 2018-19 the Council is likely to spend around £4.5 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 £19 million net budget on these services. The fact that schools have had a high degree of financial protection in previous years has meant that the Council's other services have been under considerable pressure to make savings and in many cases we have had to reduce levels of service.

Last year, with the advent of a new seven year contract, the costs associated with waste collection increased. The new contract included a new collection service for absorbent hygiene products – this has proven more popular than

expected and so we need to recognise a budget pressure to meet the increased costs. Initial indications are that there has been a significant reduction in the volume of our residual waste – we expect this to benefit the Council financially over time, subject to contractual conditions with our disposal arrangements. We expect to spend in the region of £11 million on the collection and disposal of waste in 2018-19.

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 included for the first time the creation of a new and recurrent fund ring-fenced for this purpose. It is proposed to use the funding for 2018-19 to offset reductions in street cleaning and also cover loss of income from an original proposal to charge for disabled blue badge parking.
- It is proposed to rationalise the number of subsidised bus services. From April 2018 approximately half of the Council supported bus service routes will potentially no longer be subsidised. Routes targeted for subsidy reduction will be those least utilised and with the best alternative public transport links. The removal of the subsidised bus routes will result in a saving in the region of £188,000 per annum. Consultation with the public on route reduction is due to commence in Winter 2017.
- 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. Whilst some limited toilet provision is likely to remain, we will mitigate any closures through the introduction of a local comfort scheme whereby shops and other public facilities are funded to make their facilities more readily available to public use.

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 and 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.

1.6 Supporting the Economy

Whilst this is a Council priority, the service has nevertheless made significant reductions to its budget over recent years. The Council has delivered this by employing fewer but more highly skilled staff, and focussing activity more narrowly on priority areas to maximise impact. Going forward, 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 £1.7 million net a year running these services, plus a further £700,000 as Bridgend's contribution to the Deal itself.

In addition, the Council is making good progress in pursuit of 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. Much of this investment is not the Council's own money, but together, these schemes amount to around £20 million in total. Achieving this scale of leverage (around £10 for every £1 spent by BCBC) is dependent on being able to provide match-funding from the Council's own Strategic Regeneration Fund (SRF). This fund is used tactically and strategically, to deliver regeneration priorities and maximise external funding.

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:

- Tourism events – the Council, often in partnership with Welsh Government, has supported a series of high profile, successful events, including the Senior Open Championships and the Urdd. In future years, where the costs of supporting such events exceed the available budget, a business case will need to be made for the required funding to bridge any shortfalls, subject to any funding being available.
- Community Asset Transfer (CAT) has been identified as a potential way of safeguarding community based services such as public toilets, community

centres and sports pavilions, for the future. Specialist support will continue to be available to community groups and Town and Community Councils, to develop robust plans, but the level of funding available for this will reduce by £40,000.

- The Council believes that in this period of considerable economic uncertainty, it is important to maintain support for local businesses. It is intended that the current support for Bridgend Business Forum will be continued, with a saving of £20,000 achieved through increasing earned income from the delivery of these services.

1.7 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 areas are as follows:

Regulatory Services

The Council proposes to spend around £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 the shared service. 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, Marriages and Deaths. 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 2018-19 which we expect to contribute towards savings.

Council Tax and Benefits

Whilst not immediately recognisable as a “service”, taxation 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 over £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. In 2017-18, we are implementing fines for non-compliance of residents in receipt of Single Person Discounts and will continue this.

Benefits are funded by the central UK government but the administration of Housing Benefit and the Council Tax Reduction Scheme falls to the Council. We have reviewed the service and identified opportunities to improve our recovery rates by £32,000 as well as looking at the Council’s bad debt provision and believe we can safely reduce this by £189,000 a year. Similar 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 of £300,000 from digitising these services. Developing the necessary systems has taken longer than expected, so the second half of this is now planned for 2019-20, recognising the need to realise widespread take up to deliver this level of savings.

1.8 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 2018-19 we are aiming to make savings totalling £484,000 through changes to the way some back office services are organised. This is in addition to specific proposals mentioned below. Our approach in each of these areas is summarised as follows:

Property and building maintenance

The Council is undertaking a review of its commercial property portfolio, to identify ways of increasing income through more intensive management and investment approaches. The review involves challenging the existing make-up and management of the portfolio, identifying asset management opportunities and the mechanisms

required to deliver a sustainable increase in income. It also advises on potential future growth in the investment portfolio.

Alongside this, the Council is continuing to dispose of assets it no longer requires to deliver services, in order to provide further investment in our capital programme. During 2018-19 the Council estimates that it will generate around £3-4 million in such sales.

The Council is bringing together its asset management and building maintenance functions, and centralising all premises repairs, maintenance and energy budgets into a single 'corporate landlord' service. This will better enable us to manage compliance, embed 'whole life costing' approaches into decision-making, manage the quality of work undertaken by contractors, and thereby deliver efficiencies in the management of our estate.

A priority for 2018-19 is to ensure that the division of premises responsibilities between individual schools and the Council are fully understood, properly implemented, and that appropriate support is provided to enable their responsibilities to be discharged appropriately.

Legal services

The Council needs to maintain effective legal support for all of its services. At a time when the Council is trying to transform services it is important to bring about these changes within the law. The service also directly supports front line services such as Education and Social Services, and 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 the use of external services, restructuring of responsibility and non-staffing budgets.

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 ensures transparency and accountability in the way that public money is used – for example in producing accounts which are then audited.

During 2018-19 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.

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 will determine a revised structure for this service.

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 enabling career progression in-house. This includes a number of successful apprenticeship schemes and in 2018-19 we will be developing more formal training to complement the actions already undertaken.

We plan to make a reduction in both software and hardware budgets and will make savings in some non-staff budgets for communications, supplies training and equipment (totalling £210,000).

Digital Transformation

A significant change that the Council is embarking on in 2017-18 is rolling out the use of digital approaches to how it engages with customers and provides some services. From 2017-18 we are 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 corporate wide

efficiencies in the operation of this service.

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.

The Council will re-align staff responsibilities and reduce non staff costs.

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. We have reduced spend in this area over recent years, and following a recent restructure wish to ensure stability before making any further decisions.

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. We will continue to discuss with the WAO how we can work together to reduce its fees.

2. STRATEGIC FINANCIAL CONTEXT

- 2.1 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.

2.2 The MTFS includes:-

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2018-19 and outline proposals for 2019-20 to 2021-22.
- The Capital Programme for 2017-18 to 2027-28, linked to priority areas for capital investment and capital financing strategy.
- The Treasury Management Strategy 2018-19 and Corporate Risk Register 2018-19.

The Financial Context

2.3 Since the draft MTFS was published in November 2017, the Chancellor of the Exchequer, Philip Hammond, has delivered his Autumn Budget. In it he announced that as the UK reaches a critical phase in terms of negotiations on our future relationship with the European Union, he would ensure that the country was prepared for every possible outcome and able to seize every opportunity, and set aside an additional £3 billion towards this. He also said that the budget sought to achieve a balanced approach in terms of fiscal responsibility, continuing to invest in skills and infrastructure but at the same time helping families to cope with the cost of living. To achieve this, and to ensure the UK lives within its means, he stated that the government would maintain fiscal responsibility by reducing debt, supporting key public services, keeping taxes low and providing a little help to families and businesses under pressure. In addition, the budget also included a further £1.5 billion package to deal with the issues and delays caused by the roll-out of Universal Credit.

Alongside the UK Government's Autumn Budget, the Office for Budget Responsibility (OBR) updated its economic and tax revenue forecasts, substantially downgrading its assessment of the economic outlook. It had assumed that productivity growth would return to its pre-crisis trend of about 2% a year, but it has remained stubbornly flat. Consequently the OBR has revised down the outlook for productivity growth, business investment and Gross Domestic Product (GDP) growth across the forecast period. Gross Domestic Product per head of population is expected to grow by less than 1% each year to 2022, down from approximately 1.5%, projected for the Spring Budget. This compares unfavourably with the average annual increase of 2.3% recorded in the 10 years before the financial crisis. This forecasted lower rate of growth reflects the OBR's judgement that productivity – the main source of improvement in living standards, which has stagnated over the last decade – will continue to disappoint.

The OBR's most recent announcement on government borrowing reported that annual borrowing would be around £49.9 billion in 2017, more than £8 billion lower than forecast in March, and further indicating an improving picture in public sector finances. In addition CPI inflation is expected to move back to the Bank of England's target of 2 per cent by 2019.

The Autumn Budget resulted in changes to the funding available to Wales – as a result of UK Government spending decisions. Wales received additional funding of £1.1 billion between 2018-19 and 2020-21, a mixture of revenue (£210 million) and capital (£885 million), some of which has restrictions about what it can be spent on and which must be repaid to HM Treasury.

2.4 The Welsh Government announced its final budget for 2018-19 on 19 December. The most significant headline changes relevant to the authority were:

- The provisional local government settlement included a £1.8 million funding floor to ensure no authority will have to manage a reduction of more than 1% in 2018-19. The funding floor has now been adjusted so that no authority will have to manage a reduction of more than 0.5% in 2018-19.
- An extra £7 million revenue has been allocated to local government in 2018-19 to deliver the second increase to the capital limit – the amount people can keep before they are charged for residential care – from £30,000 to £40,000. This increase was announced in a written statement by the Minister for Children and Social Care on 6 December 2017.
- Following the UK Budget, on 13 December 2017 the Cabinet Secretary for Finance announced an extra £9 million and £22 million will be allocated in the final Budget in 2018-19 and 2019-20 respectively, to support the switch from RPI to CPI for non domestic rates from April 2018. This will result in a slightly lower increase in rates than anticipated.
- Building on the £20 million announced in the draft Budget to tackle homelessness, Welsh Government are also providing an extra £10 million in 2019-20 to specifically target youth homelessness.

As a result of the additional funding available following the UK Budget, £251 million of revenue funding has been allocated in the final Welsh Government Budget. Within the final budget Local authorities will receive an additional £20 million in 2018-19 and a further £20 million in 2019-20 through the local government settlement to ease the pressure on frontline public services. In addition, £100 million has been allocated over the next two years to support transformation in the health service, including additional funding for the Integrated Care Fund (ICF).

Welsh Government Final Local Government Settlement

2.5 On 20 December, Councils received the Final Local Government Settlement. The headline figure is an overall increase of £8.7 million, or 0.2%, across Wales from 2017-18 and, for Bridgend, an increase of 0.1% in Aggregate External Finance (AEF), or £115,000. However when adjustments are made for new responsibilities in respect of increased capital limits on residential care (£298,000), to provide targeted relief to support local businesses (£58,000) and for homelessness prevention (£236,000 for Bridgend), the true impact for Bridgend is estimated to be a like-for-like reduction of £479,000 or -0.25% against the revised 2017-18 tax base position. Welsh Government reported in October that the settlement also includes an additional £42 million across Wales in recognition of social services pressures and £62 million in respect of school funding, but these amounts, which are not ring-

fenced or notified at individual authority level, are already included in the figures above. The settlement also includes £807,000 floor funding to ensure that no authority has to manage with a reduction of more than 0.5% to its Revenue Support Grant next year.

Settlement Implications for 2018-2021

- 2.6 The Cabinet Secretary for Local Government and Public Services, Alun Davies, stated that this is a realistic settlement that continues to protect local government from significant cuts against a backdrop of reducing budgets from the UK Government. He said that while Welsh local government continues to be protected from the impact of austerity, he recognised that this settlement is still a real terms cut in core funding, when authorities face real pressures from such things as an ageing population, pay and other inflationary pressures.

Unlike previous years, Welsh Government has provided an indication of funding levels for 2019-20. When the Provisional Settlement was announced, the Cabinet Secretary for Finance and Local Government, Mark Drakeford, stated that the indicative settlement for 2019-20 was a further reduction of 1.5%. However, following the Chancellor's Autumn Budget in November, with the announcement of additional funding for Wales, he revised this down to a reduction of 1%, a further £15 - £20 million to be made available to Councils.

Transfers into and out of the 2018-19 Revenue Settlement

- 2.7 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:
- The Waste element of the Single Revenue Grant has been transferred into the RSG, with £1.503 million for Bridgend. The balance has been retained as a specific grant for Local Environment Quality and Natural Resource Management, however this amount has reduced by £6 million across Wales.
 - A number of social care grants have transferred into the RSG, including £1.203 million for the Welsh Independent Living Fund, £846,000 for the Social Care Workforce Grant, £335,000 in respect of grants for Looked After Children, and £134,000 for the Carer's Respite Care Grant. As a consequence, the Council's net budget for social services will appear to rise, whereas a significant proportion of any change is accounted for by these transfers.
 - Social care provision for prisoners in the secure estate has in previous years been funded through a specific grant. This was worth £217,000 to Bridgend in 2017-18. For 2018-19, the grant has also transferred into the RSG, but under the standard social services funding formula. As a consequence, Bridgend has in effect lost almost all this funding, and faces

the largest impact of any Council given both the size and demographic of Parc prison population.

- The settlement also includes additional funding for new responsibilities in respect of homelessness prevention (£236,000 for Bridgend), increasing capital limits for residential care (£298,000) and for local authorities to use their discretionary powers to provide targeted relief to support local businesses which would benefit most from their assistance (around £58,000).

Council Tax

- 2.8 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 2018-19 final Revenue Budget, shown in Table 9, includes a Council tax increase of 4.5%. This is higher than the proposed 4.2% increase outlined in the draft budget in order to generate additional income (around £213,000) to provide flexibility to mitigate the impact of some of the proposed budget reductions on the citizens of Bridgend based on the outcome of consultation with the public and members. It will also enable members to further consider some of the recommendations of Corporate Resources and Improvement (CRI) Committee and seek to deliver these in a different way. The level of the increase seeks to strike an appropriate balance between the needs of the Council and its citizens.

Welsh Government Capital Settlement

- 2.9 In March 2017 Council approved a capital programme for 2016-17 to 2026-27, based on the assumption that annual Welsh Government capital funding would be flat lined from 2017-18 onwards. Council has approved revised versions of the capital programme during the financial year to incorporate budgets carried forward from 2016-17 and any new schemes and grant approvals. The final local government capital settlement provides this Council with £6.329 million capital funding for 2018-19, which is £41,000 more than 2017-18. No indications have been given for 2019-20 or beyond.

Current Year (2017-18) Financial Performance

2.10 The in-year financial position as at 31 December 2017 is shown in Table 1 below.

Table 1 – Comparison of budget against projected outturn at 31 December 2017

Directorate/Budget Area	Original Budget 2017-18 £'000	Revised Budget 2017-18 £'000	Projected Outturn 2017-18 £'000	Projected Over / (Under) Spend Qtr 3 2017-18 £'000	Projected Over / (Under) Spend Qtr 2 2017-18 £'000
Directorate					
Education and Family Support	108,448	108,396	108,230	(166)	(274)
Social Services and Wellbeing Communities	64,683	64,809	66,831	2,022	1,937
Operational and Partnership Services	23,858	23,795	23,783	(12)	(119)
Chief Executives and Finance	15,249	15,359	14,633	(726)	(723)
	3,886	3,921	3,750	(171)	(111)
Total Directorate Budgets	216,124	216,280	217,227	947	710
Council Wide Budgets					
Capital Financing	10,184	10,184	8,835	(1,349)	(1,325)
Levies	7,020	6,952	6,982	30	15
Apprenticeship Levy	700	700	612	(88)	(91)
Council Tax Reduction Scheme	14,254	14,254	13,667	(587)	(449)
Insurance Premiums	1,559	1,559	1,559	0	0
Building Maintenance	900	889	807	(82)	0
Pension Related Costs	1,258	1,203	430	(773)	(773)
Other Council Wide Budgets	6,094	6,072	3,585	(2,487)	(585)
Total Council Wide Budgets	41,969	41,813	36,477	(5,336)	(3,208)
Appropriations to / from Earmarked to Reserves			3,144	3,144	3
Total	258,093	258,093	256,848	(1,245)	(2,495)

2.11 The overall projected position at 31st December 2017 is a net under spend of £1.245 million, comprising £947,000 net over spend on directorates and £5.336 million net under spend on corporate budgets, offset by net transfers to earmarked reserves of £3.144 million. This position takes account of allocations totalling £200,000 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.

2.12 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 £5.852 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. Going forward, directorates will either have to realise any outstanding budget reductions in full or find alternative proposals to meet the saving, in addition to any new proposals for 2018-19 onwards.

- 2.13 In accordance with the Council's Financial Procedure Rules any planned over spends or under spends by directorates may be carried forward into next year. Fortuitous under spends in budgets may be applied to offset over spends on other budgets.

Medium Term Financial Strategy (MTFS) 2018-19 to 2021-22

- 2.14 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.
- 2.15 The development of the MTFS 2018-19 to 2021-22 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Budget Research and Evaluation Panel and issues arising during 2017-18, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 2.16 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

- 2.17 As stated in paragraph 2.15, 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 again this year to secure greater involvement of stakeholders in the development of the MTFS and the Corporate Plan. An eight week consultation 'Shaping Bridgend's Future 2017' was undertaken between 12 October and 3 December 2017. Views were captured through surveys (online and paper), use of the Council's Citizens' Panel, community engagement events, attendance at other meetings and events and via social media debates. Elected Members had the opportunity to take part in two budget workshops similar to the public engagement events.
- 2.18 In summary, 1.83% of the population (2619 interactions) responded to the consultation. Within this there were 1858 survey completions which can be

considered a robust sample and represents a 13.9% increase on last year's total of 1630. The full details of the consultation are detailed in a separate report that was presented to Cabinet in December 2017.

- 2.19 The majority of respondents agreed with the idea of protecting some services over others, with older people and services for disabled people being the most popular areas for protection, closely followed by schools, youth services and children's social services. The majority of respondents are willing to accept higher charges for some services, such as sports pitches and pest control, but not burials or car parking. In addition, 50% of respondents agreed that the current approach for transforming social services was the right approach and accepted that this takes time. In terms of investment the highest priority was schools, followed by roads and regeneration schemes. A full list of those services that respondents would wish to protect through an increase in council tax is given in Table 2 below.

Table 2 – Consultation response on services proposed for protection

Options	No.	%
Care of older people and services for disabled people	1703	20.0
Schools, youth services and children's social services	1519	17.9
Highways, street lighting and infrastructure improvements	1132	13.3
Recycling and waste	922	10.8
Homelessness services	777	9.1
Environmental health, trading standards, planning and building control	754	8.9
Sport and recreational services (including parks, leisure centres)	749	8.8
Libraries, arts centres, theatres and adult education	577	6.8
None, don't protect any services through council tax	286	3.4
Other	84	1.0
Total	8503	100

NB: Respondents were able to choose more than one option.

- 2.20 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.
- 2.21 Cabinet and CMB have reflected on the responses received from the public consultation and the CRI Committee and have confirmed the budget reduction proposals outlined in Appendix B. However, they have provided for two new discretionary budget pressures which are aimed at protecting citizens on low incomes through the continuation of the School Uniform Grant, following the cessation of funding by Welsh Government, and providing funding to support the roll-out of Universal Credit. Furthermore, the budget includes a new fund to be targeted

towards invest to save schemes, with a recurrent budget of £200,000, to be used to support initiatives that will either generate future savings or reduce costs. This is in addition to the increased funding to be generated from the revised council tax increase outlined in paragraph 2.8.

MTFS Principles

2.22 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 2018-2022 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.

The MTFS Budget Reduction Contingency Reserve referenced in Principle 12 enables the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. There has only been one allocation so far during 2017-18, as shown in Table 3, which is in mitigation of reductions to the budget for the Materials Recovery and Energy Centre (MREC), which are unlikely to be achieved following delays in the procurement process:

Table 3: MTFS Proposals supported by Budget Reductions Contingency Reserve in 2017-18

COM 18	MREC	£200,000
Total Allocated		£200,000

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

MTFS Resource Envelope

- 2.23 The 2018-19 AEF figure is an increase of 0.2% based on the published Final Settlement. In the November report to Cabinet on the draft MTFS, following the Cabinet Secretary for Finance and Local Government's announcement of an indicative settlement for 2019-20 of -1.5%, and in recognition of the twin risks around public sector pay (increased pay award and equal pay issues) it was proposed that the 2019-22 MTFS assumptions were adjusted to include:
- A most likely annual reduction of -1.5% in AEF, with best and worst case scenarios of -1.0% and -3.0% respectively
 - An uplift to the assumed annual provision for pay, prices, demographic and unavoidable pressures for the outer three years of the MTFS.

It is not proposed to change these further at this time. The proposed council tax increase would remain at 4.5% for each year.

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

	2018-19	2019-20	2020-21	2021-22
	% Change	% Change	% Change	% Change
Best Scenario	+0.1%	-1.0%	-1.0%	-1.0%
Most Likely Scenario	+0.1%	-1.5%	-1.5%	-1.5%
Worst Scenario	+0.1%	-3.0%	-3.0%	-3.0%

Managing within the MTFs Resource Envelope

2.24 The financial forecast for 2018-22 is predicated on £32.592 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. This is a much more significant risk compared to previous years as CPI has risen from around 1% a year ago to 3.0% at the time of writing.
- Potentially significant increases in energy costs following a relative decrease in previous years, which appears to be reversed in 2017-18.
- The future impact of national policies and new legislation which may not be accompanied by commensurate funding such as the ALN Reform Bill.
- Fees and Charges will increase by the statutory minimum or CPI (at prevailing rate, currently +3.0%) plus 1%.
- Significant increases in staffing costs arising not only from the increase in the national living wage from April 2018 (7.50 to £7.83), but also the proposed two-year pay offer of a minimum of 2% per annum for local government workers (non-teaching) and the consequential impact on the pay spine of the higher increases on the lower pay points.
- Funding to enable Cabinet to consider the outcome of public consultations and provide flexibility to enable them to respond.

- 2.25 For 2018-19, the MTFS includes an additional £6.535 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. £2.649 million of inescapable pressures have emerged during 2017-18 and are explained in more detail in paragraphs 3.13 and 3.14 below. In total, the Council has identified pressures of £9.184 million in 2018-19.

MTFS Budget Reduction Requirement

- 2.26 Table 5 below shows the Council's potential net budget reduction requirement based on the forecast resource envelope (paragraph 2.23 above), inescapable spending assumptions (paragraph 2.24 and 2.25 above) and assumed Council tax increases.

Table 5 – Budget reduction scenarios

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	Total £000
Best Scenario	6,123	9,228	8,308	6,132	29,791
Most Likely Scenario	6,123	10,185	9,242	7,042	32,592
Worst Scenario	6,123	13,059	11,986	9,662	40,830

- 2.27 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.
- 2.28 Table 6 shows current progress on identifying budget reduction proposals.

Table 6 – Risk Status of Budget Reduction Proposals 2018-19 to 2021-22

Year	GREEN:	AMBER:	RED:	Budget reductions Identified so far	Budget reductions not yet developed	Total Required
	Proposal developed and deliverable	Proposal in development but includes delivery risk	Proposals not fully developed and include high delivery risk			
	£000	£000	£000	£000	£000	£000
2018-19	1,496	4,513	114	6,123	0	6,123
2019-20	0	1,572	1,886	3,458	6,727	10,185
2020-21	0	947	1,719	2,666	6,576	9,242
2021-22	0	947	0	947	6,095	7,042
Total	1,496	7,979	3,719	13,194	19,398	32,592
Percentage of total required	5%	24%	11%	40%	60%	100%

2.29 The 2018-19 budget reduction proposals have not been amended since the draft budget report, however, as outlined in paragraph 2.8, some flexibility has been built into the budget to enable members to respond to the outcome of specific public consultations. A number of proposals for 2019-20 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;
- Further development of and efficiencies in the 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.

2.30 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 78% of the required budget reductions through smarter use of resources, such as:

- Efficiencies in services such as catering and engineering
- Rationalisation of hardware and software across the Council
- Rationalisation of core office estate
- Analysis and reduction of Council wide budgets
- Development of online services
- Staffing restructures and rigorous application of vacancy management

Table 7 – Budget Reduction Proposals 2018-19 to 2021-22

	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	Total £000	%
Smarter Use of Resources	4,540	2,248	2,591	872	10,251	78%
Managed Service Reductions	616	170	0	0	786	6%
Collaboration & Service Transformation	570	230	0	0	800	6%
Policy Changes	397	810	75	75	1,357	10%
Total Identified to date	6,123	3,458	2,666	947	13,194	

- 2.31 Budget reduction proposals relating to Collaboration and Service Transformation amount to 6% of the total budget reductions. These include implementation and roll-out of the Corporate Landlord model. Policy changes amount to 10% and include reducing services to the statutory minimum as well as cutting some discretionary services. The policy change proposals are subject to consultation
- 2.32 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 strong vacancy management, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be necessary.

Corporate Risk Assessment

- 2.33 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.

3. REVENUE BUDGET 2018-19

- 3.1 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated using the previous year's budget as the baseline, adding any inescapable budget pressures and specific transfers into the settlement from Welsh Government, and subtracting any budget reduction proposals.
- 3.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Table 8 summarises the 2018-19 budget requirement and how it will be financed.

Table 8 – Net Budget Requirement

	2018-19 £000
2017-18 Net Budget (Table 1)	258,093
2018-19 Pressures (Para 2.25)	9,184
2018-19 Budget Reductions (Table 5)	-6,123
Transfers and New Responsibilities (para 2.7)	4,830
2018-19 Net Budget Requirement	265,984
<i>Financed by:</i>	
2017-18 Net Budget (Table 1)	258,093
Net Increase in AEF (para 2.5)	3,944
Council tax increase of 4.5% (para 2.8)	3,947
2018-19 Net Funding Total	265,984

2018-19 Revenue Budget

- 3.3 Table 9 presents the detailed net revenue budget for 2018-19. This includes specific grants transferring into the settlement as outlined in paragraph 2.7.

Table 9 – Revenue Budget 2018-19

	Revised Budget 2017-18	Specific Transfers from WG	Inter-Directorate Transfers incl. Corporate Landlord	Pay / Prices / Demographics	Budget Pressures	Budget Reduction Proposals	Revenue Budget 2018-19
	£000	£000	£000	£000	£000	£000	£000
Service Directorate Budgets:							
Education & Family Support							
Education & Family Support	21,154	261	-1,411	159	425	-630	19,958
Schools	87,209			648	500		88,357
	108,363	261	-1,411	807	925	-630	108,315
Social Services & Wellbeing							
Communities	23,824	1,503	2,052	46	758	-1,454	26,729
Operational & Partnership Services	15,358	236	-150	25	37	-848	14,658
Chief Executives / Finance	3,921	58			55	-231	3,803
Total Directorate Budgets	216,257	4,830	178	1,620	1,863	-3,513	221,235
Corporate Budgets:							
Capital Financing	10,184				500	-1,170	9,514
Levies	6,952			8	86		7,046
Building Maintenance	900						900
Council Tax Reduction Scheme	14,254			500		-400	14,354
Apprenticeship Levy	700						700
Pension Related Costs	1,203					-773	430
Insurance Premiums	1,559			29			1,588
Other Corporate Budgets	6,084		-178	4,378	200	-267	10,217
Total Corporate Budgets	41,836	0	-178	4,915	786	-2,610	44,749
Net Budget Requirement	258,093	4,830	0	6,535	2,649	-6,123	265,984

3.4 There are a number of large inter-directorate transfers in 2018-19, following the introduction of the Corporate Landlord model within the Council. Corporate Landlord involves moving all estates and property management under a single management structure with the overall aim of improving service provision and compliance and making economies of scale and efficiencies. The success of the Corporate Landlord model requires the budgets for the Built Environment Service, Property Services, Energy Management, and Facilities Management (Cleaning / Caretaking) to be brought together, along with other premises budgets from across all directorates to drive a positive change for the authority, and these will be managed under the Communities directorate.

3.5 The net budget will be funded by:

Table 10 – Net Budget Funding

	£	%
Revenue Support Grant	145,779,915	54.81
Non Domestic Rates	45,801,827	17.22
Council Tax Income	74,402,355	27.97
Total	265,984,097	100%

Council Tax Implications

- 3.6 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 2018-19

2017-18 Average Band D	£1,335.42
2018-19 Average Band D	£1,395.51
% Increase	4.5%
Weekly Increase	£1.16

Pay, Prices, Pensions and Demographics

- 3.7 National pay increases for public sector workers have been capped at 1% for a number of years, with only those on the lowest pay grades receiving higher levels of pay to keep in line with the National Living Wage. Following recent pay offers to police and fire services above 1%, in December 2017 the National Employers for Local Government Services made an offer to the Trade Unions of a two-year pay increase from April 2018, which would provide the majority of employees with an uplift of 2% per annum in April 2018 and April 2019. Those on lower salaries would receive higher increases of up to 9% to bring them into line with the National Living Wage. This pay offer does not apply to Council Chief Executives, senior officers or teachers, who are covered by separate national pay arrangements. Employers are currently awaiting a response from the Unions on this offer.
- 3.8 The RSG increase of 0.1% does not take into account any pay and price increases, which have created an additional budget pressure for the Council. The draft budget for 2018-19 assumed a pay award of 1% only for 2018-19 so this has placed additional pressure on Council resources of over £2 million. For 2018-19 this is proposed to be met from funding set aside for price increases and additional budget pressures in 2017-18, that are no longer required in full, such as energy increases, and Bridgend's share of the additional £20 million provided to local authorities for 2018-19 in the final settlement following the Autumn Statement. The total cost of this increase is estimated to be in the region of £3.55 million in 2018-19 with a further pressure of £3.3 million in 2019-20. Any agreed pay increases for teachers (from September 2018) and senior management will add to these pressures.
- 3.9 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 inflationary provision will be retained centrally within corporate budgets and allocated during the year as any unknown or unforeseen contract price inflation is agreed, in particular where the index is set after the Council's budget is approved.

Schools' Budgets

- 3.10 The Council's 2017-18 Budget and MTFs included an annual 1% efficiency target for schools. This recognised that school funding accounts for around a third of net revenue expenditure, and that protection inevitably leads to increased pressure on other budgets. Following the better than expected settlement, it has been possible to remove this proposal for 2018-19. The schools' budget will include allowances for inflationary and inescapable pressures. Additional funding will be provided for pay awards, once determined. Furthermore, in recognition of the detrimental impact which the Welsh Government's decision to reduce the Education Improvement Grant is forecast to have, it is recommended that an additional £500,000 be delegated to school budgets to maintain educational improvement.
- 3.11 It should however be noted that the efficiency target is maintained for 2019-20 and beyond, in recognition of both forecast reductions to the settlement and mounting external pressures across Council services.

Budget Pressures

- 3.12 The November Draft Budget report explained that budget pressures identified at that time were subject to change before the Final Budget. These are outlined in paragraph 2.21 and identified in Table 12 below.

Unavoidable Pressures

- 3.13 During 2017-18 a number of unavoidable 2018-19 service budget pressures have arisen totalling £1.212 million, detailed in Appendix A.

Discretionary Budget Growth

- 3.14 In the context of continued pressure on budgets, the Council remains committed to the delivery of high quality services which improve people's lives. To support service improvement, there are a number of areas which it is proposed to provide a budgetary increase. In contrast to inescapable pressures and contractual inflationary costs, these represent a conscious decision by members to invest in enhancements, and are set out in Table 12 below.

Table 12: Discretionary Budget Growth Items

Item	Value £000	Description
Delegated School Budgets	500	To support Educational Improvement despite WG grant reduction
Unsupported Borrowing	500	Funding to support borrowing for future capital investment projects. Depending on schemes supported, estimated capital capacity of between £10 million - £12 million
Festival of Learning	65	To provide funding for a one-off week of

Item	Value £000	Description
		knowledge-sharing events involving schools and Bridgend College to share best practice and in particular address an Estyn recommendation
Valleys Taskforce	44	One-off funding for a fixed term appointment to identify and improve funding outcomes for our valley communities
School Uniform Grant	36	To continue to provide funding for year 7 eligible pupils following the cessation of the grant by Welsh Government
Housing Benefits	55	To mitigate the reduction in funding by DWP to enable continued support for citizens throughout the roll-out of Universal Credit.
Empty Properties	37	Creation of a new role to provide a co-ordinated approach to tackling empty properties
Invest to Save Fund	200	To provide a recurrent fund for invest to save initiatives, specific details and criteria of which are to be determined.
TOTAL	1,437	

- 3.15 The final schedule of unavoidable and discretionary pressures is attached at Appendix A, totalling £2.649 million.

Budget Reductions

- 3.16 Budget reduction proposals totalling £6.123 million have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in Appendix B.

Corporate Budgets

- 3.17 Corporate budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief and provision for redundancy related costs. A thorough review of recent years' under spends within corporate budgets has been undertaken, including an assessment of the risks associated with budget reductions to, in some cases, demand led expenditure. As a result, it is proposed to implement budget reductions totalling £2.610 million to corporate budgets, and to set aside an earmarked reserve which can provide one off temporary relief in the event of unforeseen over spends. This will mitigate against the need to make urgent, undesirable adjustments to directorate budgets in this scenario.

Fees and Charges

- 3.18 As a minimum, income from fees and charges will be increased by at least CPI (at the prevailing rate, currently 3.0%) 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 2018-19 budget and are above the general increase are shown in Appendix C.
- 3.19 Council approved a corporate income generation policy in March 2016 which 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

- 3.20 Appendix D details the Directorate Base Budgets for 2018-19. The MTFS supports the delivery of the Council's corporate priorities and Table 13 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 13 – 2018-19 Budget by Corporate Improvement Priority

Budget 2018-19 Corporate Improvement Priorities			
Directorate	Corporate Improvement Priorities £'000	Core Services & Statutory Functions £'000	Total £'000
Education & Family Support	7,942	12,016	19,958
Schools	35,742	52,615	88,357
Social Services and Wellbeing	49,577	18,153	67,730
Communities	7,436	19,293	26,729
Operational and Partnership Services	1,987	12,671	14,658
Chief Executive's and Finance	224	3,579	3,803
Corporate Budgets	138	44,611	44,749
NET BUDGET REQUIREMENT	103,046	162,938	265,984

4. COUNCIL RESERVES

- 4.1 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 2017 it was £7.960 million, which is 2.46% of Gross Revenue Expenditure (GRE) compared to a Welsh average of 3.0% for the same period. If the Council Fund was used to cover GRE, it would last 8.98 days compared to a Welsh average of 10.22 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. It is currently anticipated that the Council Fund will be increased by £300,000 by the end of 2017-18 to £8.260 million.
- 4.2 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 2017-18. Appendix F also sets out the forecast movement in the Council's Earmarked Reserves by the end of 2017-18 and 2018-19. At this point the forecast movement to 31 March 2018 on Earmarked Reserves is an overall reduction of £4.937 million on the assumption of:
- The forecast draw down of £502,000 from the Directorate Issues 16-17 Reserve, either by Directorates, or as a result of any reserve that is no longer required being unwound, both offset by additions of £1.144 million as a result of new Directorate Issues coming to light following the period 9 review. This results in a projected net increase on **Reserves Held for Directorates' Planned Developments** of £642,000;
 - The forecast draw down of £375,000 from **Specific Contingency Reserves**, together with additions of £1.262 million, resulting in a projected net increase of £887,000. There is one new earmarked reserve of £1 million – the Corporate Pressures Contingency Reserve - which was agreed by Cabinet in the Budget Monitoring Report for Quarter 3 2017-18;
 - The estimated draw down of a large amount of the Capital Programme Contribution reserve of £5.151 million which does rely on sizeable capital spend being achieved from January until March 2018. There is also £705,000 draw down from other **Capital Development or Asset Related Reserves** and, with new capital schemes funding being agreed at period 9 and the annual replenishment of some asset related reserves, leaves a projected net draw down of £4.030 million;
 - Within the category of reserves for **MTFS/Transformational Reserves**, there is an assumed draw down of £1 million from the Service Reconfiguration Reserve for the Extra Care Scheme that was approved in the MTFS 2016-17. A new reserve has also been created to support the Council's contribution to the Cardiff City Deal Region of £598,000 and this should be fully drawn down in the year. The projected net draw down on these reserves is £1.774 million. It should be

noted that this reserve has not been increased for any potential accrued Council Tax income (see paragraph 4.3 below);

- The projected net draw down from the **Equalisation and Grant Reserves** for 2017-18 is £662,000.

4.3 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 2018-19 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 2018-19 assumes:

- An overall reduction in Earmarked Reserves of £13.604 million during 2018-19;
- Full draw down from a number of reserves including the Safe Routes to Schools Reserve, the Waste Management Contract Reserve and the Public Realm Reserve;
- Draw down from the Capital Programme Contribution Reserve, Capital Feasibility Reserve and Asset Management Reserve in line with the current Capital Programme expenditure profile; and
- Draw down from the Major Claims reserve in line with assumptions on pensions and contractual claims.

It does not include the potential increase of reserves for 2018-19 as a result of fortuitous underspends at the end of the financial year. The forecast position is summarised in Table 14 below:

Table 14 – Summary of Usable Earmarked Reserves

Opening Balance 1 April 2017 £'000	Reserve	Movement 2017-18 £'000	Closing Balance 31 March 2018 £'000	Movement 2018-19 £'000	Closing Balance 31 March 2019 £'000
7,960	Council Fund Balance	300	8,260	-	8,260
46,344	Total Earmarked Reserves	(4,937)	41,407	(13,604)	27,803
54,304	Total Usable Reserves	(4,637)	49,667	(13,604)	36,063

5. CAPITAL PROGRAMME AND CAPITAL FINANCING STRATEGY

- 5.1 This section of the report deals with the proposed Capital Programme for 2017-18 to 2027-28, 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 2018-19. The Programme has been revised since the draft budget report to Cabinet on 29 November to bring it up to date and take into account new capital schemes either funded from external resources, or from internal resources following a review of the Council's capital investment requirements.

Capital Programme 2017-18 to 2027-28

- 5.2 This section of the report deals with the proposed Capital Programme for 2017-18 to 2027-28, which forms part of, but extends beyond the MTFS. It also covers the Council's capital financing strategy (including prudential borrowing and capital receipts forecast). Both have been developed in line with the MTFS principles and reflect the Welsh Government capital settlement for 2018-19, which provides general capital funding (GCF) for the Council of £6.329 million of which £3.935 million is provided through un-hypothecated supported borrowing and the remainder £2.394 million as general capital grant. No indicative allocations have been provided for 2019-20, so for now it is assumed that this level of funding will remain constant for the years after 2018-19, but this will be indicative only.
- 5.3 The current programme, which was last approved in full by Council in December 2017, contains a number of significant strategic investment projects that support a number of the corporate priorities. Since then a review has been undertaken to identify the Council's capital investment requirements for 2018 to 2028, compared to available capital funding. A revised capital strategy is being drafted, which will join together the strategic capital requirements of the Council to ensure that capital investment contributes to the achievement of the Council's objectives and the delivery of mandatory services. It should determine priorities between the capital needs of the various services and look for opportunities for cross cutting, and joined up investment. The governing principles which underpin the allocation of capital resources are set out in the following diagram:

Nature of Capital Expenditure	Funding Source				
	General Capital Funding / Supported Borrowing	Capital Receipts / Uncommitted Reserves	Interest Free Loan	Unsupported Borrowing - Corporate Funding	Unsupported Borrowing - Directorate Funding
Mandatory	Green	Green	Green	Green	Red
Corporate Priority	Green	Green	Green	Green	Red
Invest to Save / Income Generation	Red	Red	Green	Red	Green

In summary the main principles of capital allocation are:

General Capital Funding and Supported Borrowing from Welsh Government will be prioritised towards Mandatory capital investments, i.e. those which are necessary for the continued operation of statutory services. This includes investment required to meet health and safety requirements. This principle also applies to uncommitted capital receipts and capital reserves.

Beyond this, any consideration will be given to capital schemes which directly support the achievement of the Council's corporate objectives.

Unsupported (Prudential) Borrowing will be prioritised as follows:

- To mandatory capital expenditure, including health and safety requirements. This will be considered to be an inescapable budget pressure, and will be included in future years' budgets as part of the annual budget setting process.
- To capital expenditure which directly supports the achievement of the Council's corporate objectives. Borrowing for such projects will be funded corporately through an increase in budget allocation, which must be approved by full Council. Such borrowing commits the Council to interest and repayments during the asset life, and therefore it must be recognised that as budgets are reduced, the financing costs must be met by budget cuts elsewhere.
- To capital expenditure which provides a good financial return. Borrowing for such projects must be funded by the directorate, and therefore the financial benefit accruing to the directorate will be net of financing costs. This approach aligns the directorate incentives with the corporate benefit of such projects. Advantage will be taken of interest free loans where available.

5.4 Following a rigorous appraisal process and a review of the limited amount of funding available, the schemes set out in Table 15 are proposed to be included within the

Capital Programme for 2018-19 onwards. A number of schemes are subject to approval of business cases and/or confirmation of external funding and will only proceed once these agreements are secured. Furthermore, in January 2018 Council approved the capital funding envelope for the 21st Century Schools Band B programme. This is based on an estimated total cost of £43.2 million, with Council match funding of £23 million. The main capital pressures were outlined in the draft MTFS Report to Cabinet, and whilst some of these have been addressed in the final report there are still other pressures and opportunities outstanding, such as coastal defence works and commercial investment opportunities. Difficult decisions may be required in future years around their prioritisation against a scarcity of funding.

Table 15 – Proposed New Capital Schemes

Project Title	Scheme Outline	Total Scheme Cost £'000	BCBC Capital Required £'000	Other Funding Sources
Capital Minor Works	One-off funding to meet health and safety requirements	500	500	
Road Safety Improvements	To undertake urgent road safety improvements	400	400	
Carriageway resurfacing & Renewal of Footways	To fund a programme of carriageway and footpath renewals	5,000	5,000	
Car Park Pay and Display Machines	To upgrade machines in compliance with Welsh Language Standards	85	85	Funded through Earmarked Reserve
Corporate Landlord - Energy Savings Strategy	Programme of energy efficiency initiatives in Council buildings including schools	1,300	0	Prudential Borrowing - repay from savings
Burials and Cemeteries	Extensions to Porthcawl and Cornelly Cemeteries	360	360	
ARCH - Healthy Living and Wellbeing Centre	Development of a Wellbeing Hub, including health intervention services	500	100	WG Integrated Care Fund, HALO
Street Lighting Energy Efficiency	Replace current street lighting with LED technology	2,500	0	SALIX – repay from savings
Children's Residential Hub	Development of a Placements Hub	600	600	
Total		11,245	7,045	

- 5.5 In addition to this, in January 2018 Welsh Government announced a £30 million highways refurbishment capital grant, which local authorities could use to displace any item of their own current capital programme in the current year (2017-18) so long as an equivalent amount is then used for highways refurbishment works in 2018-19. The grant for Bridgend was £1,204,380 and was used to replace the Council's use of capital receipts on a number of schemes taking place in 2017-18, thus releasing that funding to be spent on additional highways works in 2018-19, bringing the total new investment in highways and footways, including £500,000 for school highways works, to £6.204 million over the next 3 years.
- 5.6 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.
- 5.7 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 two changes are made for 2018-19, as follows:
- Disabled Facilities Grants (DFGs) – DFGs are mandatory, means-tested, grants available to help disabled people to remain living independently in their own homes. Local authorities therefore have a duty to provide DFGs. This allocation was reduced in previous years due to reductions in referrals and in the average award. Funding currently allocated to DFGs is above the notional allocation provided by Welsh Government and it is therefore proposed to bring this into line with Welsh Government funding through an annual reduction of £200,000 from 2018-19.
 - Housing Renewal Schemes - The Council formally declared the Caerau ward as a housing renewal area on 13th September 2006, to remain in place for a minimum of 10 years. The renewal area therefore finished at the end of 2016-17. It is proposed to retain this allocation but widen the scope to fund housing renewal / deal with empty property issues across the County Borough.
- 5.8 In 2018-19 and 2019-20 the balance of the general capital funding is committed towards 21st Century Schools Band A schemes and previously approved capital schemes. The total proportion of general capital funding committed to annual allocations is to 77% of the 2018-19 general capital funding, as shown in Table 16:

Table 16 – Proposed Annual Allocations of Capital Funding

	2018-19 £'000
Highways Capitalised Repairs	200
Transportation Capitalised Repairs	250
Disabled Facilities Grant	2,150
Housing Renewal / Empty Property	100
Special Regeneration Funding	540
Minor Works	1,100
Community Projects	100
Bridgelinek / Telecare replacement	30
Street lighting / Bridge infrastructure replacement	400
Total	4,870

Capital Programme link to the Corporate Priorities

- 5.9 Table 17 outlines how the Council is using its capital programme to support the corporate priorities.

Table 17 – Capital Programme by Improvement Priority

Improvement Priority	Revised 2017-18 £000	2018-19 £000	2019-20 £000	2020-21 to 2027-28 £000	Total £000
1. Supporting a Successful Economy	6,140	8,653	5,600	48,534	68,927
2. Helping People to be more Self-Reliant	4,861	5,382	2,180	17,440	29,863
3. Smarter Use of Resources	34,009	18,998	6,976	61,348	121,331
Core Services & Statutory Functions	452	660	0	8,183	9,295
TOTAL	45,462	33,693	14,756	135,505	229,416

Supporting a Successful Economy

- 5.10 The proposed capital programme includes a number of new and existing projects which will help to support a successful economy by, for example, significant new investment in ensuring that the carriageways and footways are of a good standard to encourage the use of local services by the public and avoid the need to travel to out of town developments. There are also new allocations in respect of road safety improvements in a bid to improve access across the highway to residential and

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

Helping People to be more Self-Reliant

- 5.11 In addition to the two new Extra Care Schemes which are expected to open during 2018-19, enabling people to live more independently than they would in residential care, there are two new schemes included within the programme which meet the corporate priority of helping people to be more self reliant. The first is the ARCH – a healthy living and wellbeing centre, providing advice, support and signposting for a number of health intervention services, such as physiotherapy, exercise, substance misuse and lifestyle management; the other scheme involves remodelling of one of the Council's existing social services buildings to provide a 'children's accommodation hub', reducing the number of children who need to be placed out of county.

Smarter Use of Resources

- 5.12 The Schools' Modernisation Programme forms a cornerstone of the corporate priority making smarter use of resources, with a number of schemes in Band A of the 21st Century Schools programme coming to fruition towards the end of 2017 and during 2018. In addition, from 2018-19 the Council will embark on Band B of the 21st Century Schools Programme, which will result in further capital investment of around £70 million in the Council's schools' estate, either through WG capital grant, the Council's own resources, or the new Welsh Government Mutual Investment Model (MIM), whereby private partners will build and maintain schools, in return for a fee, which will cover the cost of construction, maintenance and financing the project. At the end of a specified period of time, the asset will be transferred to the local authority.

There are new two schemes proposed which will see significant investment in energy efficiency schemes, across Council buildings and street lighting, which will be repaid from recurrent revenue savings generated. Approval has been granted for An application was submitted for an interest free loan through the SALIX programme for the street lighting energy efficiency initiative. This is a collaboration between Salix Finance Ltd. and Welsh Government to provide interest-free government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The application has been successful and SALIX has offered an interest free loan of £2.5 million to the Council to undertake the project, which is repayable from savings generated over an eight year period. There is also a proposed one-off increase to the capital minor works budget to deal with health and safety related issues, such as lath and plaster in school buildings.

- 5.13 The revised capital programme is attached as Appendix G. With regard to the Cardiff Capital Region City Deal scheme, subject to the ten Councils that comprise the Cardiff Capital Region City Deal approving the Joint Working Arrangement Business

Plan by the end of March 2018, the profile of funding within the Council's capital programme for this scheme could change, with the Council spending more of its own resources up front, thus preserving part of Her Majesty's Treasury (HMT) revenue grant funding to support projects that come forward that have revenue funding requirements.

Capital Financing Strategy

5.14 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

5.15 The Council estimated that around £21 million could be generated as part of the enhanced disposals programme which commenced in 2014. So far, circa £15.8 million has already been delivered, with circa £5.2 million to be realised over the next 2 years (2018-2020). 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 (Unsupported) Borrowing

5.16 Total Prudential Borrowing taken out as at 1 April 2017 was £35.83 million, of which £22.45 million was outstanding. It is estimated that the total borrowed will increase to £41.73 million by the end of this financial year.

5.17 Future prudential borrowing will include an estimated £5.66 million of Local Government Borrowing Initiative (LGBI) funding towards the costs of the 21st Century Schools Programme, and £1.3 million toward the Corporate Landlord Energy Efficiency Scheme.

5.18 In recognition of the scale and importance of future capital expenditure requirements, the 2018-19 revenue budget includes £500,000 as a recurrent budget pressure to meet the costs of additional unsupported borrowing. In line with prudent accounting practice, the costs of any investments made will be repaid within the life of the particular asset. This funding will enable capital works of around £10 - £12 million to be undertaken, including a number of those outlined in Table 15. The amount of

borrowing required will depend on the availability of other funding sources such as uncommitted general capital funding and capital receipts.

Treasury Management Strategy 2018-19

- 5.19 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 2018-19 (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.
- 5.20 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 2018-19 revises some of the indicators for 2017-18, 2018-19, 2019-20 and 2020-21 and introduces new indicators for 2021-22 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.
- 5.21 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.

6. COUNCIL TAX 2018-19

- 6.1 Section 33 of the Local Government Finance Act 1992 requires billing authorities to calculate the basic amount of council tax in a financial year. Section 34 of the Act further requires the billing authority to calculate the basic amount of council tax for dwellings in those parts of its area to which one or more special items relate, such as a Community/Town Council precept requirement.
- 6.2 The net budget requirement for Bridgend County Borough Council for 2018-19 is £265.984 million, as outlined in Table 9, and the amount to be funded from Council Tax is £74,402,355, as shown in Table 10. This equates to a Council Tax of £1,395.51 on a Band D property, an increase of 4.5%.
- 6.3 The Police & Crime Commissioner for South Wales has notified the Council that their precept for the financial year ending 31 March 2019 will rise to £12,450,312 which equates to a Council Tax of £233.52 on a Band D property, a 7% increase. The 2018-19 precept was agreed by the South Wales Police and Crime Panel on 30 January 2018.

- 6.4 The average Council Tax for the County Borough for 2018-19 is shown in Table 18 below.

Table 18 – Average Council Tax Increase 2018-19

	2017-18	2018-19	% change
Council Tax Base - Band D equivalents	52,759.01	53,315.53	1.05%

	£	£	% change
Bridgend County Borough Council	1,335.42	1,395.51	4.50%
Community Council average	38.92	46.79	20.22%
Police & Crime Commissioner for South Wales	218.24	233.52	7.00%
Band D Property average council tax	1,592.58	1,675.82	5.23%

- 6.5 The Council, as the billing authority, is required to formally approve the Council Tax for its area. This must be set to meet the net budget requirement of the Council and its precepting authorities and is set out in Table 19 below.

Table 19 – Total Average Band D Council Tax Requirement 2018-19

Authority	Requirement £	Net Tax Base	Band D Council Tax £
Bridgend County Borough Council <u>Local Precepts</u>	74,402,355	53,315.53	1,395.51
Brackla Community Council	152,000	4,231.38	35.92
Bridgend Town Council	553,849	5,851.77	94.65
Cefn Cribbwr Community Council	30,000	535.37	56.04
Coity Higher Community Council	88,000	3,505.32	25.10
Cornelly Community Council	125,000	2,577.42	48.50
Coychurch Higher Community Council	10,000	333.00	30.03
Coychurch Lower Community Council	17,540	646.81	27.12
Garw Valley Community Council	104,000	2,230.88	46.62
Laleston Community Council	159,000	4,887.58	32.53
Llangynwyd Lower Community Council	8,000	172.50	46.38
Llangynwyd Middle Community Council	60,000	1,049.86	57.15
Maesteg Town Council	330,919	5,515.32	60.00
Merthyr Mawr Community Council	2,500	145.36	17.20
Newcastle Higher Community Council	41,000	1,709.57	23.98
Ogmore Vale Community Council	73,150	2,532.47	28.88
Pencoed Town Council	150,000	3,430.86	43.72
Porthcawl Town Council	400,850	7,982.15	50.22
Pyle Community Council	100,000	2,484.30	40.25
St Brides Minor Community Council	51,365	2,213.54	23.20
Ynysawdre Community Council	37,500	1,280.07	29.30
Borough Budget Requirement (including Community Councils)	76,897,028	53,315.53	1,442.30
Police & Crime Commissioner for South Wales	12,450,312	53,315.53	233.52
TOTAL	89,347,340	53,315.53	1,675.82

- 6.6 The Council is also required to approve the Council Tax charges for Band D properties for the chargeable financial year beginning 1 April for each of the community areas and these are shown in Table 20 below. All calculations are for a Band D equivalent property.

Table 20 – Council Tax 2018-19 per Town and Community Council

Town or Community Council	Bridgend CBC £	Community Council £	Police & Crime Commissioner for South Wales £	Total £
Brackla Community Council	1,395.51	35.92	233.52	1,664.95
Bridgend Town Council	1,395.51	94.65	233.52	1,723.68
Cefn Cribbwr Community Council	1,395.51	56.04	233.52	1,685.07
Coity Higher Community Council	1,395.51	25.10	233.52	1,654.13
Cornelly Community Council	1,395.51	48.50	233.52	1,677.53
Coychurch Higher Community Council	1,395.51	30.03	233.52	1,659.06
Coychurch Lower Community Council	1,395.51	27.12	233.52	1,656.15
Garw Valley Community Council	1,395.51	46.62	233.52	1,675.65
Laleston Community Council	1,395.51	32.53	233.52	1,661.56
Llangynwyd Lower Community Council	1,395.51	46.38	233.52	1,675.41
Llangynwyd Middle Community Council	1,395.51	57.15	233.52	1,686.18
Maesteg Town Council	1,395.51	60.00	233.52	1,689.03
Merthyr Mawr Community Council	1,395.51	17.20	233.52	1,646.23
Newcastle Higher Community Council	1,395.51	23.98	233.52	1,653.01
Ogmore Vale Community Council	1,395.51	28.88	233.52	1,657.91
Pencoed Town Council	1,395.51	43.72	233.52	1,672.75
Porthcawl Town Council	1,395.51	50.22	233.52	1,679.25
Pyle Community Council	1,395.51	40.25	233.52	1,669.28
St Brides Minor Community Council	1,395.51	23.20	233.52	1,652.23
Ynysawdre Community Council	1,395.51	29.30	233.52	1,658.33

6.7 For sake of clarity, the resulting charges for each Band are reproduced in Schedule C.

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

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