

**BRIDGEND COUNTY BOROUGH COUNCIL**  
**REPORT TO OVERVIEW AND SCRUTINY COMMITTEE 2**

**29 NOVEMBER 2018**

**REPORT OF THE INTERIM SECTION 151 OFFICER**

**MEDIUM TERM FINANCIAL STRATEGY 2019-20 to 2022-23**

**1.0 Purpose of this report**

1.1 The purpose of this report is to present the Committee with the draft Medium Term Financial Strategy 2019-20 to 2022-23, which sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2019-2023 and a detailed draft revenue budget for 2019-20.

**2.0 Connections to Corporate Improvement Objectives / Other Corporate Priorities**

2.1 This report assists in the achievement of the following corporate priorities:-

1. Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
2. Helping people to be more self-reliant – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
3. Smarter use of resources – ensuring 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.

2.2 The Corporate Plan and Medium Term Financial Strategy (MTFS) identify the Council's service and resource priorities for the next four financial years, with particular focus on 2019-20.

**3.0 Background**

**Corporate Plan - Policy Context**

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

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

3.2 This draft MTFS has been significantly guided by these priorities. Although year-on-year reductions in Aggregate External Finance (AEF) have necessitated significant budget reductions across different service areas, the Council still plays a very significant role in the local economy of Bridgend County Borough and is responsible for annual gross

expenditure of around £400 million and is the largest employer in the county borough. The Corporate Plan will be presented to Council for approval alongside the MTFS 2019-23 in February 2019 and will be fully aligned with the MTFS including explicit links between resources and corporate priorities.

### **3.3 Budget Narrative**

3.3.1 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 2017-2021 MTFS introduced a budget narrative, which aims to articulate the continued and significant investment in public services that the Council will make. It sets out how the Council aims to change particular areas of service delivery and the financial consequences of this.

#### **3.3.2 Corporate Financial Overview**

While the Council's net revenue budget is planned at £269.340 million for 2019-20, 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 2019-20. Around £175 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, leisure staff 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 pressures and new responsibilities arising from the Social Services and Well-Being (Wales) Act 2014, Additional Learning Needs and Education Tribunal (Wales) Act 2018.

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.

### **3.3.3 Education**

The Council is proposing to spend £115 million on services delivered by the Education and Family Support Directorate in 2019-2020. The majority of this money will be spent by the 59 schools across the County Borough – schools are the biggest single area of spend of the Council.

In addition to the £94 million proposed budget to be delegated to schools in 2019-2020, 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 has provisionally committed to 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. While it is too early to say how this will progress, the concepts proposed are based around forecast demand for primary school places, our support to promote the growth in Welsh-medium education and our desire to create additional capacity to meet the needs of children with additional learning needs in our main special school, primarily in the primary sector. While 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 (e.g. 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 2018-2019, the level of budget reductions required was not as great as had been feared. As a result, it was 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 2019-2020 onwards, and so it will be necessary for headteachers and governing bodies 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.

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 2019-2020 that are reflected in the budget:

- We intend restructuring our Inclusion Service which we anticipate will secure efficiency savings of around £257,000.
- We would like to reduce our contribution to Central South Consortium over the coming years. This is, however, subject to agreement with our partners. For 2019-2020, we predict a further cut of £30,000 (5%). We will continue discussions around savings that can be made in future years.
- We will continue our phased implementation of the Council's revised Home-to-School/College Transport Policy, where we have established it is safe to do so. We expect to achieve at least £67,000 of efficiency savings during 2019-2020.

### **3.3.4 Social Care and Early Help**

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 ethos on social care as a professional discipline and by the two areas working more closely together there is a strong focus on ensuring positive outcomes for those people we work to support. The Directorate continues to develop new approaches to service delivery and this includes better support and outcomes for prevention, early intervention and wellbeing. This approach supports the corporate priority of 'helping people be more self-reliant' and is also part of the Directorate's transformation plan with a clear link to the Directorate's medium term financial strategy.

There are established working relationships 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.

Over the past five years the Council has identified savings of over £12.6 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 £67 million on social care and wellbeing services.

The Council's priority of "Helping People to be more Self-Reliant" is integral to our approach to social care and early help. Our vision is to actively promote independence, wellbeing and choice that will support individuals in achieving their full potential. The Council is responsible for the planning, commissioning, assessment and, where appropriate, the direct provision of social services. The Directorate has gathered much evidence to support the positive impacts of such initiatives and longer term cost avoidance, however we recognise that this is an ongoing and long term piece of work and 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 2019-20 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. The service has made good progress in achieving the required savings, however the increase in demand and complexity of care required continues to put pressure on our budgets.

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 2019-20 build on the implementation plans that are already underway. The re-modelling programmes focus on changing the culture and reviewing what has become 'custom and practice'.

The Council has already made changes. In adult social care we have changed the assessment framework in order to improve the outcomes for people who need care and support whilst also reducing the numbers of people who require long term support. The Council focuses on helping people to achieve the outcomes they want for themselves, targeting our interventions on what is missing, rather than going straight to what package of care we can give them. We are also actively reviewing the way we deliver domiciliary care, day services and residential care for children. There has also been an increased focus on developing foster care.

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. These include a full review of the learning disability accommodation strategy for complex needs and remodelling of Children's residential and fostering services

Income generation has been hard to achieve as Welsh Government legislation limits the charges for services due to the application of a cap of £80 per week for non-residential services. In addition we are currently unable to charge for Children's Services.

The Council is 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 many of these interventions have some fragility (e.g. 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 European Social Fund grants.

Housing as a determinant of physical and mental health is widely recognised and this link is reinforced by the range of activities and services provided by the Housing Team. The Housing Act (2014) introduced the need to move to a more preventative approach to

homelessness and this is a core principle of the work undertaken. The Council does not have any housing stock of its own but retains a number of statutory functions relating to addressing housing need and combatting homelessness. The service also administers the Supporting People Grant from Welsh Government (£5.8 million).

The support activities is both broad and diverse. This is done both through a range of corporate joint working and contract arrangements with third sector organisations, delivering specific projects for people who are vulnerable with complex needs. These projects include services for people suffering domestic abuse, mental health and substance misuse issues, learning disabilities, accommodation for young people, people with mental health support needs and other housing related support for people who need help to access or maintain accommodation successfully.

As a demand led, statutory service it is difficult to predict trends or patterns of needs. It is intended to ensure that the use of grant and core funding is effective, efficient and used to its optimal effect to ensure it supports the Council in meeting the needs of its citizens.

Housing will be looking at service efficiencies in 2019-20 through changing the way we operate in terms of Disabled Facilities Grants (DFGs) and the development of an interactive experience for housing applicants. Alongside the continued adoption of a strategic approach to homelessness prevention and provision by working with partner organisations, housing will continue to use the Social Housing Grant effectively to increase the supply of social housing despite an expected reduction in our base level budget from £5.8 million this year to £1.6 million next year.

### **3.3.5 Public Realm**

Most of the Council's net budget is spent on education and social care – these are very valued services, but are naturally aimed at certain groups within our community. However, the Council's work on the public realm has a more direct and visible impact on everybody. This includes our work to maintain highways, parks and open spaces, clean our streets, collect and dispose of our waste.

In 2019-20 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.

With the advent of a new seven year contract, the costs associated with waste collection increased. During the first year of the contract there has been a significant increase in the amount of waste recycled and therefore 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. An indicative net saving of £1.3 million has been identified in 2019-20 as a result of negotiating new operating arrangements at the Materials Recovery and Energy Centre (MREC) but achieving these savings is dependent on reaching agreement with Neath Port Talbot Council to appoint a new operator able to run the site in a more cost efficient manner recognising the substantial reduction in the overall tonnage of residual waste Bridgend now takes to the

facility. We expect to spend in the region of £9 million on the collection and disposal of waste in 2019-20. The Council is consulting as part of its public budget consultation exercise on other savings to its waste collection contract, including reductions in the opening hours of its Community Recycling Centres, changes to the charges applied to the collection of green waste and bulky waste, and options around changing the arrangements for provision of blue bags to householders for residual waste, swapping food waste bags from bio-degradable to single use plastic, and stopping the separate collection and recycling of Absorbent Hygiene Products (AHP) waste. This package of measures, if they were all implemented, would save the Council £439,000 over 2019-20 and 2020-21 but of course also have other consequential implications including in terms of the Council's overall recycling performance.

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:

- It is proposed to consult on proposals to significantly increase charges applied to sports clubs and other organisations using the Council's playing fields and pavilions. This is intended to stimulate greater interest in the community asset transfer of facilities with support provided by the Council to allow this to happen in a sustainable manner. This is part of a range of measures in the parks and playing fields service aimed at reducing costs by £138,000 in 2019-20 and a further £300,000 in 2020-21. Other proposals include a reduction of grass cut areas and maintained parkland and a rationalisation of the number of children's play areas, together with a proposal to remove the current annual bowls club grant. It is proposed to remove all subsidies for bus services from 2019-20 subject to a public consultation exercise. The removal of the subsidised bus routes will result in a saving in the region of £148,000 per annum. Consultation with the public on route reduction is due to commence in winter 2018-19. The removal of the Council subsidy for some routes during 2018-19 resulted in many cases in the commercial operator continuing to run the route regardless of the loss of subsidy. There can however be no guarantee of this and additionally changes to the way in which Welsh Government provide each local authority with an allocation in support of bus and community transport networks may result in a larger impact overall to the network of bus routes throughout the county borough.
- Further reductions to the 'other cleaning' service will make savings to the street cleaning budget. These include removing one of the Council's street cleaning sweepers, reallocating routes and moving primarily to a reactive service. This is a significant change reducing overall capacity substantially. Where possible the Council will seek to mitigate this by making arrangements with town and community councils to increase litter picking etc. in some areas, but the anticipated saving of £270,000 over two years from 2019-20 will obviously have consequences in terms of the Council's overall performance in this area.

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).

### **3.3.6 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 has made and continues to make good progress in pursuit of the development of our 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 include increasing the charges for pre-application planning fees by 10% and introducing new categories of enquiry not currently covered by the scheme. We also aim to introduce a new pre-sale information pack for householders providing details of planning consents, constraints etc. These measures are intended to bring in an additional £10,000 in income. The end of the management lease at Kenfig National Nature Reserve provides an opportunity to reduce the direct costs to the Council at the site. It is proposed that Kenfig Corporation Trust enter into a new agreement with a tenant to run the centre. The Council's saving over two years from 2019-20 is estimated to be £40,000.

### **3.3.7 Other Services**

The Council operates a number of other services which it recognises fulfil specific and important roles. In many cases these are statutory though the precise level of service to be provided is not defined in law. The most significant 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 Councils. 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. 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.

## 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 now offer a range of secure Council tax functions online, allowing residents to self-serve at a time and location convenient to them. This will allow us to reduce the cost of running the service.

Benefits are funded by the central UK government but the administration of Housing Benefit and the Council Tax Reduction Scheme falls to the Council. 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.

Universal Credit (UC) for working age people was fully introduced in Bridgend during June 2018. In conjunction with Citizens Advice, the Benefits Service will provide digital and personal budgeting support to assist people making new claims for UC.

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.

### 3.3.8 Behind the Scenes

There are a number of things that the Council does that support the delivery of services but which themselves are not visible to the public. We need to maintain these services with sufficient capacity to support our services whilst making them as efficient and effective as possible. In many cases we operate such services by sharing with other organisations. Opportunities for further collaboration or sharing in these service areas has been and will continue to be explored.

During 2018 we merged a number of these functions into a single Directorate that reports directly to the Chief Executive. As well as releasing savings through a reduction in senior management, this change is allowing for further savings by moving to common systems, for example by sharing business support (we aim to save £250,000 next year through this approach, and think that further savings are possible by building on that approach). However the creation of the single Directorate is also allowing us to better support new ways of working – in these support services and across the organisation.

#### 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. The Council has brought together its asset management and building maintenance functions, and has centralised all premises repairs, maintenance and energy budgets into a single 'corporate landlord' service within the Communities Directorate. This 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 2019-20 is to ensure the ongoing implementation of the Corporate Landlord model. This is intended to produce further savings of £350,000 with effect from 2020-21 including from further operational efficiencies, streamlined business processes, IT investment, improved procurement and contract management and the deletion of some vacant staff posts.

#### 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 and expertise purchased from the private sector when necessary. One third of our in-house legal team is specifically focussed on child protection cases.

In previous years, we have made reductions in this service but we have no plans to do so again in the coming year because of the level of transformation across services that will

require legal support. The service is nevertheless very lean and so our focus will be on ensuring that we can build more resilience and responsiveness into the service through some changes in responsibilities and operating practice.

## 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.

The Council is in the process of upgrading its finance system to achieve improvements in the way the Finance Section works, including improved data processing and reporting capabilities. Significant progress has been made in automating payments and we will continue to develop and extend this to a wider range of suppliers. Work continues to implement electronic invoicing and the use of on-line ordering processes. The Council will continue to develop improved year-end reporting processes to meet the challenges of earlier closing of accounts in advance of statutory changes.

## Human Resources (HR) and Organisational Development (OD)

With over 6,000 employees including schools, the Council needs a dedicated human resources service. The primary role of the service is to provide professional advice, guidance and support to managers and staff on a wide range of HR and OD issues as well as provide HR services for the payment of salaries, pension, contract and absence administration.

As the Council changes and reduces in size, (for example over the past four years we have reduced the number of employees by approximately 400, which has included redundancies) the HR service is increasingly called upon to support managers to deal with complex case management issues relating to change, performance and attendance. Working closely with our recognised trade unions, it maintains positive and transparent employee relations arrangements.

The service also supports managers and staff through the provision of training, in particular providing development opportunities to enable our managers to be the best they can be in managing their employees. Opportunities for accessing funded training are maximised and promoted across the Council.

Planning for changes to our workforce is important and the HR service provides advice and guidance on: recruitment and retention issues, developing employee skills and "growing our own". For example we have increased the number of apprenticeship positions across the Council over the past 4 years with 28 apprentices currently in post.

## ICT

The ICT service is assisting the Digital Transformation programme, supporting the changes across a range of services that in turn allow savings or improvements through more flexible working or new ways to access services. The Council spends around £5 million on its ICT services provision to support main Council activities and schools. The ICT service has focused on developing staff through the apprenticeship programme in conjunction with HR, developing skills and enabling career progression in-house. ICT plan to make a reduction across its budgets totalling £200,000 in 2019-20.

## Digital Transformation

The Digital Transformation programme is focused on the use of digital approaches, and how the Council engages with citizens, providing the digital channel as an alternative to “Face to Face” and “Telephony”. Council Tax and Benefits services were prioritised, making it easier for residents to request services and manage their accounts online. Phase 1 of the digital programme went live in April 2019 and has achieved the following:

- A new responsive Website;
- Over 10,400 people registering for My Account;
- 4,281 people registering their Council Tax account (2,249 subscribing to eBilling),
- 227 people registering for Housing Benefits;
- 1,353 online forms completed, including:
  - 821 school admissions (comprehensive)
  - 215 single person discounts
  - 119 free school meals/distinctive school uniform
- 8,318 Council Tax payments made via My Account totalling £1.174 million

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 linked to tangible savings within Service areas. Some of these savings will be 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 the 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 many 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. The number of elected members in each authority is set independently. Their remuneration is also determined by an independent Panel.

## Audit

All public bodies have audit functions. Our internal audit is provided by a joint service that we share with the Vale of Glamorgan Council. 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 are now extending the shared service to include Merthyr Tydfil and Rhondda Cynon Taf Councils as well – bringing further resilience and potentially some savings.

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.

## **4.0 Current Situation / Proposal**

### **The Financial Context**

- 4.1 The Council's MTFS is set within the context of UK economic and public expenditure plans, Welsh Government's priorities and legislative programme. The MTFS articulates how the Council plans to use its resources to support the achievement of its corporate priorities and statutory duties, including the management of financial pressures and risks over the next four years. It helps the Council to work more effectively with partners in other sectors and provides a strategy for the use of balances to meet changes in resources or demands from year to year without impacting unduly on services or Council tax payers.
- 4.2 The MTFS includes:
- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2019-20 and outline proposals for 2020-21 to 2022-23.
  - The capital programme for 2019-20 to 2028-29, linked to priority areas for capital investment and the Capital Strategy, which will be presented for approval by Council in February 2019, along with the Treasury Management Strategy 2019-20.
  - The Corporate Risk Register, which will both be updated and included in the final MTFS in February 2019.
- 4.3 The Finance Secretary, Mark Drakeford, announced the Welsh Government's draft budget for 2019-20 on 2 October. The most significant headline change was an additional £500 million in 2019-20 on health and social care, the vast majority of which would be used for meeting the Nuffield gap (the Nuffield Trust's calculation of the extra funding required, on top of NHS efficiencies, to maintain the delivery of NHS Wales services at a time of increased demand and pressures) and funding pay, performance and prevention in the NHS. An additional £30 million for social care is to be allocated to local government via a special grant, and an extra £20 million for social care is to be allocated via the local government Revenue Support Grant (RSG), bringing the total additional investment for social care to £50 million. Other announcements included an additional £15 million for schools, £3.5 million to extend the Pupil Development Grant (PDG) - Access scheme to target disadvantaged learners, £7 million to support extended eligibility for free school meals, and £60 million of capital funding for a local authority road refurbishment scheme to repair the damage caused by a series of hard winters and this summer's heat wave.
- 4.4 Since then, the Chancellor, Philip Hammond, presented his Autumn Budget on 29 October. In it he stated that the Welsh Government will receive an extra £550 million over the next three years (2018-19 to 2020-21) and the Welsh Government will be able to choose how to spend this allocation. Prior to this announcement, the First Minister had indicated that Councils would be first in the queue for any new money Wales gets as a result of the UK Government's budget, however any impact may not be known until the final settlement is announced towards the end of December.

## **Welsh Government Provisional Local Government Settlement 2019-20**

- 4.5 Councils received their provisional settlements from Welsh Government on 9 October. The headline figure is a reduction of £12.3 million, or 0.3%, across Wales and, for Bridgend, a reduction of 0.6% in Aggregate External Finance (AEF), or £1.22 million. However when adjustments are made for new funding included within the settlement towards the full year effect of the September 2018 teachers' pay award, and for increases in the number of pupils eligible for free school meals following the roll out of Universal Credit, the true impact for Bridgend is estimated to be a like-for-like reduction of £1.616 million or -0.84%. Welsh Government also indicated that the settlement contained an additional £20 million to ease pressures on social services. If this is taken into account the real position for Bridgend is a reduction of -1.3% or £2.5 million. The settlement also includes £2.5 million floor funding to ensure that no authority has to manage with a reduction of greater than 1% to its Revenue Support Grant next year.
- 4.6 The provisional settlement is in line with the -1.5% "most likely" assumption that is contained within the Council's original MTFs for 2019-20 but it does not recognise a number of new pressures that the Council will have to meet.

## **Settlement Implications for 2019 to 2023**

- 4.7 The Cabinet Secretary for Local Government and Public Services, Alun Davies, stated that Welsh Government recognise the pressures local authorities are facing and will continue to do all that they can to shield them from the worst effects of austerity. He stated that following the UK Autumn Budget on 29 October, Local Government is the Government's priority for additional funding in the event of additional resources being made available to the Welsh Government. As stated above, the impact of the additional funding announced for Wales in the Autumn Budget may not be known until the final settlement. In the meantime, Members will continue to lobby Welsh Government for additional funding. Welsh Government has not provided an indication of funding levels for 2020-21.

## **Transfers into and out of the 2019-20 Revenue Settlement**

- 4.8 The picture on changes to specific grants is not yet clear, although Welsh Government has advised that they have been able to restore funding to a number of grants to local authorities and made other funding decisions from which local authorities will directly benefit, including an additional £30 million targeted grant funding for social care and £15 million for schools. The provisional settlement includes information on a couple of transfers into the Revenue Support Grant (RSG) for additional costs arising from the September 2018 teachers' pay award, and for free school meals, given the changes in eligibility criteria following the roll out of Universal Credit. No other transfers are mentioned at this time.

## **Council Tax**

- 4.9 The draft 2019-20 draft Revenue Budget, shown in Table 7, assumes a Council tax increase of 5.4%. This has been increased from original proposals to help mitigate against a number of unfunded, unavoidable pressures, including pay increases and demographic changes, not least in school delegated budgets. Going forward the scale of the financial challenge remains considerable once external pressures and risks have been taken into consideration so an assumed annual increase of 4.5% has been included for 2020-2023.

## Welsh Government Capital Settlement

- 4.10 In February 2018 Council approved a capital programme for 2017-18 to 2027-28, based on the assumption that annual Welsh Government capital funding would be flat lined from 2018-19 onwards. Council has approved revised versions of the capital programme during the financial year to incorporate budgets carried forward from 2017-18 and any new schemes and grant approvals. The draft local government capital settlement provides this Council with £6.335 million capital funding for 2019-20, which is £6,000 more than 2018-19. No indications have been given for 2020-21 or beyond.

### Current Year (2018-19) Financial Performance

- 4.11 The in-year financial position as at 30 September 2018 is shown below.

**Table 1- Comparison of budget against projected outturn at 30 September 2018**

| Directorate/Budget Area                               | Original Budget 2018-19<br>£'000 | Revised Budget 2018-19<br>£'000 | Re-Structuring Transfers 2018-19<br>£'000 | Current Budget 2018-19<br>£'000 | Projected Outturn Q2 2018-19<br>£'000 | Projected Over / (Under) Spend 2018-19<br>£'000 | Projected Over / (Under) Spend Qtr 1 2018-19<br>£'000 |
|---|----------------------------------|---------------------------------|---|---------------------------------|---------------------------------------|---|---|
| <b>Directorate</b>                                    |                                  |                                 |   |                                 |                                       |   |   |
| Education and Family Support                          | 108,315                          | 110,773                         | 230                                       | 111,003                         | 111,399                               | 396   | (44)  |
| Social Services and Wellbeing                         | 67,730                           | 69,954                          | 0   | 69,954                          | 71,206                                | 1,252   | 1,860   |
| Communities   | 26,729                           | 27,456                          | -665                                      | 26,791                          | 27,051                                | 260   | 539   |
| Chief Executive's                                     | 3,803                            | 3,971                           | 15,374                                    | 19,345                          | 18,175                                | (1,170)   | (1,163)   |
| Operational and Partnership Services                  | 14,658                           | 14,939                          | -14,939                                   | 0                               | 0                                     | 0   | 0   |
| <b>Total Directorate Budgets</b>                      | <b>221,235</b>                   | <b>227,093</b>                  | <b>0</b>                                  | <b>227,093</b>                  | <b>227,831</b>                        | <b>738</b>                                      | <b>1,192</b>  |
| <b>Council Wide Budgets</b>                           |                                  |                                 |   |                                 |                                       |   |   |
| Capital Financing                                     | 9,514                            | 9,405                           |   | 9,405                           | 7,003                                 | (2,402)   | (18)  |
| Levies  | 7,046                            | 7,046                           |   | 7,046                           | 7,046                                 | 0   | 0   |
| Apprenticeship Levy                                   | 700                              | 700                             |   | 700                             | 630                                   | (70)  | (35)  |
| Council Tax Reduction Scheme                          | 14,354                           | 14,354                          |   | 14,354                          | 14,240                                | (114)   | 19  |
| Insurance Premiums                                    | 1,588                            | 1,588                           |   | 1,588                           | 1,198                                 | (390)   | (242)   |
| Building Maintenance                                  | 900                              | 870                             |   | 870                             | 870                                   | 0   | 0   |
| Pension Related Costs                                 | 430                              | 430                             |   | 430                             | 435                                   | 5   | 0   |
| Other Council Wide Budgets                            | 10,217                           | 4,498                           |   | 4,498                           | 2,200                                 | (2,298)   | (2,214)   |
| <b>Total Council Wide Budgets</b>                     | <b>44,749</b>                    | <b>38,891</b>                   | <b>0</b>                                  | <b>38,891</b>                   | <b>33,622</b>                         | <b>(5,269)</b>                                  | <b>(2,490)</b>  |
| <b>Appropriations to / from Earmarked to Reserves</b> |                                  |                                 |   |                                 | <b>1,980</b>                          | <b>1,980</b>                                    | <b>0</b>  |
| <b>Total</b>  | <b>265,984</b>                   | <b>265,984</b>                  | <b>0</b>                                  | <b>265,984</b>                  | <b>263,433</b>                        | <b>(2,551)</b>                                  | <b>(1,298)</b>  |

- 4.12 The overall projected position at 30th September 2018 is a net under spend of £2.551 million, comprising £738,000 net over spend on Directorates and £5.269 million net under spend on corporate budgets, offset by new net earmarked reserves of £1.98 million. Directorates are seeking to identify mitigating actions to meet the balance of the budget reduction shortfalls in this financial year, both current year and historic shortfalls, and the Section 151 officer will give consideration to further allocations from the MTFs Budget Reduction Contingency Reserve in quarter 3 to meet some of these shortfalls. In the longer term, these proposals must be realised or must be met through alternative budget reduction proposals in order to deliver a balanced budget position and relieve any pressure on Council funds. These will continue to be closely monitored and draw down from this contingency reserve will be made as part of the overall review of earmarked reserves.

- 4.13 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 to meet known funding pressures. Fortuitous under spends in budgets may be applied to offset over spends on other budgets.

### **Medium Term Financial Strategy (MTFS) 2019-20 to 2022-23**

- 4.14 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.
- 4.15 The development of the MTFS 2019-20 to 2022-23 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 2018-19, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 4.16 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).

### **MTFS Principles**

- 4.17 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 2019-2023 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 2018-19 in mitigation of the following 2017-18 budget reduction proposal:

**Table 2: MTFS Proposals supported by Budget Reductions Contingency Reserve in 2018-19**

|                 |      |          |
|-----------------|------|----------|
| 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**

- 4.18 The published 2019-20 AEF figure is a reduction of -0.6% based on the Provisional Settlement. In the MTFS 2018-19 to 2021-22, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2019-20 of an annual reduction in AEF of -1.5% and an assumed increase in Council tax of 4.5% for 2019-20 to 2021-21, recognising the ongoing uncertainty around our funding in future years. However, as stated above, given the significant pressures resulting from pay and demographic increases in 2019-20 onwards, which were unknown at the time the MTFS 2018-19 to 2021-22 was approved, the Council Tax increase for 2019-20 has now been increased to 5.4%.

The MTFS will be regularly reviewed against service performance and external economic and fiscal information to ensure that early action can be taken as necessary to keep it and the Corporate Plan on track. In view of the uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios, based on percentage changes in AEF shown in Table 3.

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

|                             | <b>2019-20</b><br><b>%</b><br><b>Change</b> | <b>2020-21</b><br><b>%</b><br><b>Change</b> | <b>2021-22</b><br><b>%</b><br><b>Change</b> | <b>2022-23</b><br><b>%</b><br><b>Change</b> |
|-----------------------------|---|---|---|---|
| Best Scenario               | -0.6%                                       | -1.0%                                       | -1.0%                                       | -1.0%                                       |
| <b>Most Likely Scenario</b> | -0.6%                                       | -1.5%                                       | -1.5%                                       | -1.5%                                       |
| Worst Scenario              | -0.6%                                       | -3.0%                                       | -3.0%                                       | -3.0%                                       |

4.19 Table 4 shows the Council’s potential net budget reduction requirement based on the forecast resource envelope, inescapable spending assumptions and assumed Council Tax increases.

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

|                             | <b>2019-20</b><br><b>£000</b> | <b>2020-21</b><br><b>£000</b> | <b>2021-22</b><br><b>£000</b> | <b>2022-23</b><br><b>£000</b> | <b>Total</b><br><b>£000</b> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------------|
| <b>Best Scenario</b>        | 8,836                         | 9,790                         | 7,602                         | 7,417                         | <b>33,645</b>               |
| <b>Most Likely Scenario</b> | 8,836                         | 10,745                        | 8,533                         | 8,325                         | <b>36,439</b>               |
| <b>Worst Scenario</b>       | 8,836                         | 13,609                        | 11,268                        | 10,935                        | <b>44,648</b>               |

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

- 4.20 The financial forecast for 2019-2023 is predicated on £36.439 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 including increases in energy costs.
  - 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 (+2.4% at September) plus 1%.
  - Significant increases in staffing costs as a result of the increase in the national living wage from April 2018 (with further increases expected in April 2019), along with an agreed 2 year pay deal for NJC and JNC workers, in addition to a 1 year pay deal for teachers which sees those on the lowest pay scales having

their pay increased by 3.5%. These agreements have significantly increased the overall pay bill, and the amount we pay in respect of external contracts.

- In addition, in September, HM Treasury published draft directions to be used in the valuation of public service pension schemes. The Government Actuary's Department provided indicative results of the 2016 valuation of the Teachers' Pension Scheme (TPS) to the Department for Education (DfE), which has resulted in an increase of 43% in the employer contribution rate from 16.48% to an estimated 23.6% from September 2019. This was significantly higher than previously indicated, and for Bridgend will result in a full year cost of around £3.5 million. No additional funding has been provided through the draft settlement for this pressure.

## Net Budget Reduction Requirement

4.21 Table 5 shows the current position in respect of addressing the most likely forecast budget reduction requirement of £36.439 million. It shows that £15 million of budget reduction proposals have already been identified over the period of the MTFs, including the full £8.836 million required for 2019-20. The table shows that the Council still needs to develop proposals to the value of £21.3 million and a range of options are under consideration including:

- Digital transformation of wider Council services
- Income generation opportunities
- Further reductions in employee numbers
- Working with partners to asset transfer and protect community facilities;
- Further implementation of the Corporate Landlord Model.

**Table 5 - Risk Status of Budget Reduction Proposals 2019-20 to 2022-23**

| Year                | GREEN:<br>Proposal developed and deliverable | AMBER:<br>Proposal in development but includes delivery risk | RED:<br>Proposals not fully developed and include high delivery risk | Budget reductions Identified so far | Budget reductions not yet developed | Total Required |
|---------------------|--|--|--|-------------------------------------|-------------------------------------|----------------|
|                     | £000   | £000   | £000   | £000                                | £000                                | £000           |
| 2019-20             | 1,271  | 4,888  | 2,677  | 8,836                               | 0                                   | 8,836          |
| 2020-21             | 37   | 1,005  | 2,738  | 3,780                               | 6,965                               | 10,745         |
| 2021-22             | 0  | 975  | 584  | 1,559                               | 6,974                               | 8,533          |
| 2022-23             | 0  | 900  | 0  | 900                                 | 7,425                               | 8,325          |
| <b>Total</b>        | <b>1,308</b>                                 | <b>7,768</b>   | <b>5,999</b>   | <b>15,075</b>                       | <b>21,364</b>                       | <b>36,439</b>  |
| % of total required | 4%   | 21%  | 16%  | 41%                                 | 59%                                 | 100%           |

**Risk Status Key:**

- RED Proposals not fully developed and include high delivery risk
- AMBER Proposal in development, but includes delivery risk
- GREEN Proposal developed and deliverable

4.22 Table 5 illustrates the difficult position that the Council finds itself in financially over the life of the MTFS. For 2020-21 only £3.780 million (35%) of savings have been identified, which leaves the Council at risk of balancing the budget. If the Council receives a similar settlement to that proposed for 2019-20 then there will again be a series of difficult decisions to make, not least the potential for a significant increase in Council Tax in excess of 10%. We will continue to identify options to close the gap during the remainder of the financial year and into 2019-20, at the same time seeking additional funding from Welsh Government.

4.23 The budget reduction proposals identified can be categorised as:

- I. Smarter Use of Resources;
- II. Managed Service Reductions;
- III. Collaboration and Service Transformation; and
- IV. Policy Changes.

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

**Table 6 – Budget Reduction Proposals Identified 2019-20 to 2022-23**

|   | 2019-20<br>£000 | 2020-21<br>£000 | 2021-22<br>£000 | 2022-23<br>£000 | Total<br>£000 | %   |
|---|-----------------|-----------------|-----------------|-----------------|---------------|-----|
| <b>Smarter Use of Resources</b>                   | 7,576           | 1,534           | 900             | 900             | 10,910        | 72% |
| <b>Managed Service Reductions</b>                 | 812             | 1,806           | 584             | 0               | 3,202         | 21% |
| <b>Collaboration &amp; Service Transformation</b> | 51              | 330             | 0               | 0               | 381           | 3%  |
| <b>Policy Changes</b>                             | 397             | 110             | 75              | 0               | 582           | 4%  |
| <b>Total Identified</b>                           | <b>8,836</b>    | <b>3,780</b>    | <b>1,559</b>    | <b>900</b>      | <b>15,075</b> |     |

4.25 The table shows that almost three quarters of the proposed budget reductions identified so far will come from Smarter Use of Resources, for example through:

- Review of business support services
- Efficiencies in collaborative services
- Review of contractual arrangements
- Changes to capital financing
- Staffing restructures and rigorous application of vacancy management

4.26 Budget reduction proposals relating to Collaboration and Service Transformation amount to 3% of the total budget reductions. Policy changes amount to 4% and include reducing services to the statutory minimum as well as cutting some discretionary services. The policy change proposals are subject to consultation.

4.27 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.

## Scrutiny and Challenge

4.28 A full consultation “Shaping Bridgend’s Future” was launched on 24th September and runs until 18th November. This covers a range of budget proposals under consideration as well as seeking public views on resource allocation, priorities and the principles around budget protections and taxation levels. The consultation includes an online survey, community engagement stands and social media debates. Members have also had the opportunity to take part in a budget workshop. The results will be collated and presented to Cabinet on 18 December in order to further inform decisions on the final MTFs.

### 2019-20 Draft Revenue Budget

4.29 The following table shows the draft revenue budget for 2019-20.

**Table 7 – Draft Revenue Budget 2019-20**

|  | Revised Budget 2018-19 | Specific Transfers to/ (from) WG | Inter-Directorate Transfers | Pensions Changes | Pay / Prices / Demographics | Budget Pressures | Budget Reduction Proposals | Revenue Budget 2019-20 |
|--|------------------------|----------------------------------|-----------------------------|------------------|-----------------------------|------------------|----------------------------|------------------------|
|  | £000                   | £000                             | £000                        | £000             | £000                        | £000             | £000                       | £000                   |
| <b>Service Directorate Budgets:</b>    |                        |                                  |                             |                  |                             |                  |                            |                        |
| Central Education & Family Support     | 20,587                 |                                  |                             | 78               | 480                         | 667              | -616                       | 21,196                 |
| Schools                                | 90,321                 | 954                              |                             | 1,977            | 1,289                       | 320              | -900                       | 93,961                 |
| <b>Education and Family Support</b>    | <b>110,908</b>         | <b>954</b>                       | <b>0</b>                    | <b>2,055</b>     | <b>1,769</b>                | <b>987</b>       | <b>-1,516</b>              | <b>115,157</b>         |
| <b>Social Services &amp; Wellbeing</b> | <b>69,923</b>          |                                  |                             |                  | 1,418                       | 253              | -1,285                     | <b>70,309</b>          |
| <b>Communities</b>                     | <b>26,718</b>          |                                  | -185                        |                  | 504                         | 328              | -2,133                     | <b>25,232</b>          |
| <b>Chief Executives</b>                | <b>19,345</b>          |                                  |                             |                  | 421                         |                  | -1,514                     | <b>18,252</b>          |
| <b>Total Directorate Budgets</b>       | <b>226,894</b>         | <b>954</b>                       | <b>-185</b>                 | <b>2,055</b>     | <b>4,112</b>                | <b>1,568</b>     | <b>-6,448</b>              | <b>228,950</b>         |
| <b>Council Wide Budgets:</b>           |                        |                                  |                             |                  |                             |                  |                            |                        |
| Capital Financing                      | 9,405                  |                                  |                             |                  |                             | 0                | -1,975                     | 7,430                  |
| Levies                                 | 7,046                  |                                  |                             |                  |                             | 0                |                            | 7,046                  |
| Repairs and Maintenance                | 870                    |                                  |                             |                  |                             |                  |                            | 870                    |
| Council Tax Reduction Scheme           | 14,354                 |                                  |                             |                  | 500                         |                  | 0                          | 14,854                 |
| Apprenticeship Levy                    | 700                    |                                  |                             |                  |                             |                  |                            | 700                    |
| Pension Related Costs                  | 430                    |                                  |                             |                  |                             |                  | 0                          | 430                    |
| Insurance Premiums                     | 1,587                  |                                  |                             |                  | 0                           |                  |                            | 1,587                  |
| Other Corporate Budgets                | 4,698                  |                                  | 185                         |                  | 3,003                       |                  | -413                       | 7,473                  |
| <b>Total Council Wide Budgets</b>      | <b>39,090</b>          | <b>0</b>                         | <b>185</b>                  | <b>0</b>         | <b>3,503</b>                | <b>0</b>         | <b>-2,388</b>              | <b>40,390</b>          |
| <b>Net Budget Requirement</b>          | <b>265,984</b>         | <b>954</b>                       | <b>0</b>                    | <b>2,055</b>     | <b>7,615</b>                | <b>1,568</b>     | <b>-8,836</b>              | <b>269,340</b>         |

### Council Tax Implications

4.30 Based on the proposed budget of £269.340 million, the Council Tax increase for 2019-20 will be 5.4%.

### Pay, Prices and Demographics

4.31 In April 2018, agreement was reached between the National Employers and the NJC Trade Union Side on rates of pay applicable from 1 April 2018 and 1 April 2019. Whilst the majority of staff would receive pay increases of 2% per annum, there were higher increases on the lower pay points in order to continue to close the significant gap with the National Living Wage (NLW). A new national pay spine will be introduced in April 2019 which has been applied to our pay and grading structure and created new scale points. Agreement has also been reached on pay increases for Chief Officers (2 years agreement at 2% per annum) and teachers for 2018-19 only (ranging from 1.5% to 3.5%). This has

created budget pressures for the Council of around £5 million per annum. Welsh Government has provided some additional funding through the settlement towards teachers' pay, but it does not fully meet the costs.

- 4.32 Funding for price inflation has been allocated to service budgets, where known. This funding includes provision for increases in business rates, rents, allowances and contractual commitments, where known. A further review of allocations will be undertaken before the final budget is agreed and any necessary amendments made.
- 4.33 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**

- 4.34 Following a better than anticipated settlement in 2018-19, school budgets were protected from the proposed 1% annual efficiency target. However, the forecast pressure on Council budgets for future years was deemed to be such that it was felt to be almost impossible not to impose the efficiency target for 2019-20 onwards, given that school budgets account for around a third of net revenue expenditure, so head teachers and governing bodies were advised to use the 2018-19 financial year to plan ahead.

There are a significant number of pressures on school delegated budgets for 2019-20 and beyond, not least the cost of the teachers' and non-teachers' pay awards, growth in pupil numbers, pressures of funding additional learning needs and significant increases in teachers' pensions costs. The total impact of these pressures is around £4.5 million.

It should be noted that the efficiency target is maintained for 2019-20 and beyond, in recognition of the pressures stated above, forecast reductions to the settlement and mounting external pressures across Council services.

### **Unavoidable Pressures**

- 4.35 During 2018-19 a number of unavoidable 2019-20 service budget pressures have arisen totalling £1.568 million, detailed in Appendix A. A number of the figures are provisional at this stage and will be refined as further information becomes available. As such they may change between draft and final budget.

A full breakdown of budget pressures is provided in Appendix A.

### **Budget Reduction Proposals**

- 4.36 Budget reduction proposals of £8.836 million have been identified from service and corporate budgets to achieve a balanced budget, detailed in Appendix B.

### **Council Wide Budgets**

- 4.37 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief and provision for redundancy related costs. A thorough review of recent years' under spends within corporate budgets was undertaken in 2017-18 and the MTFs 2018-19 to 2021-22 included budget reductions totalling £2.610 million to corporate budgets. Consequently the scope available for further reductions is quite limited,

as a number of these budgets are fixed and unavoidable, without putting the Council at risk. The higher than anticipated pay awards, pensions' increases and inflationary increases has put also additional pressure on these budgets.

## Fees and Charges

- 4.38 Generally, income from fees and charges will be increased by CPI (+2.4% at September) plus 1%, subject to rounding, or in line with statutory or service requirements. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers.

## Council Reserves

- 4.39 In line with the MTFs principle 8, the Council will maintain its Council Fund at no less than £7 million in 2019-20. Details of the Council's earmarked reserves position at 30 September 2018 (as previously reported to Cabinet) are shown in Table 9. These are kept under review, and will be drawn down where required, and the position will be updated in the Final MTFs report to Council in February 2019.

**Table 9 – Usable Earmarked Reserves**

| Opening Balance<br>01-Apr-2018<br>£'000 | Reserve  | Net Additions/<br>Reclassification<br>£'000 | Draw-down<br>£'000 | Closing Balance<br>30-Sep-2018<br>£'000 |
|---|--|---|--------------------|---|
|   | <b>Corporate Reserves:-</b>                          |   |                    |   |
| -                                       | Education & Family Support                           | -   | (343)              | -                                       |
| -                                       | Social Services & Wellbeing                          | -   | (945)              | -                                       |
| -                                       | Communities  | -   | (704)              | -                                       |
| -                                       | Chief Executives                                     | -   | (311)              | -                                       |
| -                                       | Non-Directorate                                      | 1,588                                       | -                  | -                                       |
| <b>39,155</b>                           | <b>Total Corporate Reserve</b>                       | <b>1,588</b>                                | <b>(2,303)</b>     | <b>38,440</b>                           |
|   | <b>Directorate Earmarked Reserves:-</b>              |   |                    |   |
| 463                                     | Education & Family Support                           | 152   | (46)               | 569                                     |
| 1,661                                   | Social Services & Wellbeing                          | -   | -                  | 1,661                                   |
| 2,448                                   | Communities  | 233   | (120)              | 2,561                                   |
| 1,081                                   | Chief Executives                                     | -   | (188)              | 893                                     |
| <b>5,653</b>                            | <b>Total Directorate Reserves</b>                    | <b>385</b>                                  | <b>(354)</b>       | <b>5,684</b>                            |
|   | <b>Equalisation &amp; Grant Earmarked Reserves:-</b> |   |                    |   |
| 339                                     | Education & Family Support                           | -   | -                  | 339                                     |
| 2,314                                   | Communities  | 7   | (11)               | 2,310                                   |
| 254                                     | Chief Executives                                     | -   | -                  | 254                                     |
| <b>2,907</b>                            | <b>Total Equalisation Reserves</b>                   | <b>7</b>                                    | <b>(11)</b>        | <b>2,903</b>                            |
|   |  |   |                    |   |
| <b>360</b>                              | <b>School Balances</b>                               | <b>-</b>                                    | <b>-</b>           | <b>360</b>                              |
|   |  |   |                    |   |
| <b>48,075</b>                           | <b>Total Usable Reserves</b>                         | <b>1,980</b>                                | <b>(2,668)</b>     | <b>47,387</b>                           |

## Capital Programme and Capital Financing Strategy

- 4.40 This section of the report deals with the proposed Capital Programme for 2018-19 to 2028-29, which forms part of, but extends beyond the MTFs. It has been developed in line with

the MTFs principles and reflects the Welsh Government draft capital settlement for 2019-20, which provides General Capital Funding (GCF) for the Council for 2019-20 of £6.335 million of which £3.938 million is un-hypothecated supported borrowing and the remainder £2.397 million provided through general capital grant. No indicative allocations have been provided for 2020-21, so for now it is assumed that this level of funding will remain constant for the years after 2019-20, but this will be indicative only.

- 4.41 The original budget approved by Council on 28th February 2018 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2017-18 and any new schemes and grant approvals. A review has also been undertaken of the capital resources available to the Council, along with the capital pressures that it faces. Due to the limited capital resource available, following a number of years of significant investment in the Council's infrastructure, it was agreed by Cabinet and CMB not to ask service managers to submit capital bids for funding, but for Cabinet and CMB to determine its strategy in terms of capital priorities and build this into the new Capital Strategy, to be approved by full Council in February 2019.
- 4.42 There are a number of priority schemes that require capital funding which will be considered by Cabinet and Council before the end of the financial year and, if approved, they will be built into the capital programme in readiness for the Final MTFs in February.
- 4.43 In the provisional settlement, Welsh Government indicated that they will be providing £60 million of grant funding over three years (£20 million each year for 2018-19 to 2020-21) for a public highways refurbishment scheme to help repair the damage caused by a series of hard winters and this summer's heat wave. This will be funded by way of specific grant.
- 4.44 The capital programme contains a number of annual allocations that are met from the total general capital funding for the Council. The allocations for 2018-19 are shown in Table 10 below:

**Table 10 – 2018-19 Annual Allocations of Capital Funding**

|   | <b>2018-19<br/>£'000</b> |
|---|--------------------------|
| Highways Structural Works                           | 200                      |
| Carriageway Capital Works                           | 250                      |
| Disabled Facilities Grant                           | 2,150                    |
| Housing Renewal / Empty Property Schemes            | 100                      |
| Special Regeneration Funding                        | 540                      |
| Minor Works   | 1,130                    |
| Community Projects                                  | 100                      |
| Street lighting / Bridge infrastructure replacement | 400                      |
| <b>Total</b>  | <b>4,870</b>             |

- 4.45 These annual allocations are being reviewed, and any proposed changes will be built into the final MTFs in February. This will give the opportunity to release funding for new schemes.



## **Capital Receipts**

- 4.46 The Council estimated that around £21 million could be generated as part of the enhanced disposals programme which commenced in 2014. So far, circa £16.1 million has already been delivered, with £4.3 million under contractual agreement and the balance projected to be realised over the next 18 months (2018-2020). Of the £21 million, £9.8 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 Waterton or Porthcawl Regeneration sites which will be the focus of the disposal programme in the future. 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**

- 4.47 Total Prudential Borrowing taken out as at 1 April 2018 was £41.77 million, of which £27.03 million was outstanding. It is estimated that the total borrowed will increase to £44.28 million by the end of this financial year.
- 4.48 Future prudential borrowing will include an estimated £5.66 million of Local Government Borrowing Initiative (LGBI) funding towards the costs of the 21<sup>st</sup> Century Schools Programme.

## **5.0 Effect on Policy Framework and Procedure Rules**

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

## **6.0 Equality Impact Assessment**

- 6.1 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.
- 6.2 An Equality Impact Assessment will be carried out and included within the Final MTFS in February 2019.

## **7.0 Well-being of Future Generations (Wales) Act 2015 Implications**

- 7.1 The Well-being of Future Generations (Wales) Act 2015 provides a framework for embedding sustainable development principles within the activities of Council and has major implications for the long-term planning of finances and service provision. The 7 well-being goals identified in the Act have driven the Council's three wellbeing objectives:
1. Supporting a successful economy
  2. Helping people to be more self-reliant
  3. Smarter use of resources

The wellbeing objectives are designed to complement each other and be part of an integrated way of working to improve wellbeing for people in Bridgend County. In

developing the MTFs, officers have considered the importance of balancing short-term needs in terms of meeting savings targets, with safeguarding the ability to meet longer-term objectives.

- 7.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the wellbeing goals in different ways. A Wellbeing of Future Generations Assessment will be undertaken on proposed individual projects and activities where relevant and will feed into specific reports to Cabinet or Council.
- 7.3 The Council's approach to meeting its responsibilities under the Well-being of Future Generations (Wales) Act 2015, including acting in accordance with the sustainable development principle, is reflected in a number of areas within the Medium Term Financial Strategy, not least:

| <b>5 Ways of Working</b> | <b>Examples</b>   |
|--------------------------|---|
| Long Term                | <ul style="list-style-type: none"> <li>• Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.</li> <li>• Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort.</li> <li>• The development of a 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing.</li> <li>• Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.</li> </ul> |
| Prevention               | <ul style="list-style-type: none"> <li>• Investment in preventative measures to reduce the burden on more costly statutory services.</li> </ul>   |
| Collaboration            | <ul style="list-style-type: none"> <li>• Savings generated from collaboration and integrated working.</li> </ul>  |
| Integration              | <ul style="list-style-type: none"> <li>• Explicit links between the Corporate Plan and the Medium Term Financial Strategy</li> </ul>  |
| Involvement              | <ul style="list-style-type: none"> <li>• A robust budget consultation exercise, including surveys, community engagement stands and social media debates, to inform proposals.</li> </ul>  |

- 7.4 The above features are aimed at ensuring the Council's finances are as healthy as they can be for future generations. Although resources are limited, they have been targeted in a way that reflects the Council's priorities, including the seven wellbeing goals included in Bridgend's Well-being Plan, and this is reflected in the relevant appendices. Where possible, the Council has aimed to protect front line services and invest to save, with budget reductions targeted at making smarter use of resources, commercialisation, collaboration and transformation. The Well-Being of Future Generations (Wales) Act 2015 Assessment is attached at Appendix C.

## **8.0 Financial Implications**

- 8.1 This report outlines the financial issues that Council is requested to consider as part of the 2019-20 to 2022-23 MTFs. The Council's Section 151 Officer is required to report annually on the robustness of the level of reserves. The current and future anticipated level of

Council reserves is sufficient to protect the Council in light of unknown demands or emergencies and current funding levels. It must be emphasised that the biggest financial risks the Council is exposed to at the present time relate to the uncertainty of Welsh Government funding, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFS Principle 8, as set out in the MTFS, and it is essential that revenue service expenditure and capital expenditure is contained within the identified budgets.

- 8.2 The Section 151 Officer is also required to report to Council if they do not believe that they have sufficient resource to discharge their role as required by s114 of the Local Government Act 1988. Members should note that there is currently sufficient resource to discharge this role.
- 8.3 The proposed budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparation. Subject to the risks identified the proposed MTFS provides a firm basis for managing the Council's resources for the year 2019-20 and beyond.

## **9.0 Recommendations**

- 9.1 Consider the information contained in the report and attached appendices;
- 9.2 Determine whether it wishes to make any comments or recommendations for consolidation and inclusion in their report to Cabinet on the draft budget proposals as part of the budget consultation process.

**Gill Lewis**  
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**November 2018**

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**Background documents:** Individual Directorate Monitoring Reports  
MTFS Report to Council – 28 February 2018  
Provisional Local Government Revenue and Capital Settlements  
2019-20