

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



MEDIUM TERM FINANCIAL STRATEGY 2019-20 TO 2022-23





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1. INTRODUCTION

1.1 The Council aspires to improve understanding of its financial strategy, link more closely to corporate priorities and explain the Council's goal of delivering sustainable services in line with the overarching ambition of the Well-being of Future Generations (Wales) Act 2015. This narrative summarises the continued and significant investment in public services that the Council will make. It also sets out where we will be making significant changes to particular areas of service and consequences of these to the budget.

1.2 Corporate Financial Overview

The Council's gross budget for 2019-20 will be around £420 million. A Council's gross budget is similar to "turnover" in the private sector. Many services are funded by specific grants or supported by fees and charges which in public sector accounting are not considered as part of the net revenue budget. The Council's net revenue budget for 2019-20 is £270.809 million.

Around £180 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 and the 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 can also 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 different rules or opportunities often 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 the Council’s resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council’s priorities.

1.3 Education

The Council is proposing to spend £111 million on services delivered by Education in 2019-2020. This supports 22,792 pupils (13,127 primary, 9,289 secondary and 376 special school pupils as at September 2018) and constitutes 41% of the Council’s net revenue budget. 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.

Most of the education budget is delegated to individual schools and they manage their own budgets to pay the running costs of their schools – including staff costs. The Council keeps the remainder of this budget to provide services centrally, for example, where it is more efficient than 59 schools trying to do so separately.

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 2019-20 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 2019-20.

The Council has already spent almost £21.5 million in building and refurbishing schools and has provisionally committed to a further £26.5 million for a further phase of building. These sums comprise one-off capital expenditure across several years, i.e. they are not part of either the gross or net revenue budget but do in fact form the major part of our capital programme.

Our plans for the next phase of new schools are intended to respond to 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.

1.4 Social Care, Early Help and Homelessness services

After Education, these areas account for the largest area of Council spend, with a total budget of £73 million which constitutes 27% of the Council's net revenue budget. Of this, the Council is proposing to spend £71 million on social care and wellbeing services.

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. There are currently 4,905 people in receipt of social services, including 2,843 older people, 724 people with learning and physical disabilities and 1,063 children.

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 support later on.

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. In 2017-18 there were 1,032 households presenting as homeless, who were offered advice and assistance, and for more than half of these homelessness was either prevented or relieved. The total number of homelessness presentations is expected to increase by the end of 2018-19.

Some aspects of homeless support and adult social care are supported through the Supporting People Grant which we receive from Welsh Government (£5.8 million per annum). Similarly much of the early support that we are able to give to children and families is funded separately, typically by annual grants from Welsh Government or

Europe. 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).

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. There are also 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.

We will be seeking service efficiencies in housing services, for example through changing the way we operate the administration of Disabled Facilities Grants (DFGs) and through a different approach to working with housing applicants.

Alongside the continued adoption of a strategic approach to homelessness prevention and provision by working with partner organisations, the Council 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 next year.

1.5 Public Realm

Most of the Council's net budget is spent on education and social care – these are very valued services, but are naturally aimed at certain groups within our community. However, the Council's work on the public realm has a more direct and visible impact on everybody. This includes our work to maintain highways, parks and open spaces, clean our streets, collect and dispose of our waste, public transport, rights of way and road safety. In 2019-20 the Council is likely to spend around £19.5 million on public realm services, around 7% of the Council's net revenue budget.

With the advent of a new seven year waste collection contract in April 2017, the costs associated with waste collection increased. During the first year of the contract there was a significant increase in the amount of waste recycled and therefore a significant reduction in the volume of our non-recyclable waste – we expect this to benefit the Council financially over time. For example we anticipate a net recurrent saving of £1.3 million as a result of negotiating new operating arrangements with Neath Port Talbot Council who currently dispose of our non-recyclable waste.

As part of the budget consultation exercise the Council consulted on other savings to its waste collection contract, including reductions in the opening hours of its

Community Recycling Centres, changes to charges applied to the collection of green and bulky waste, and options around changing the arrangements for the provision of blue bags to householders for residual waste, as well as stopping the separate collection and recycling of Absorbent Hygiene Products (AHP) waste. The percentage of waste recycled in the County Borough has risen substantially over the last two years since the implementation of the new waste collection arrangements with our contractor Kier and the support and assistance of householders. Bridgend now performs the second best Council in Wales. Clearly the Council wishes to seek to maintain and improve its level of recycling which was reinforced by some of the responses from the public consultation. However, there was significant support for looking further at measures such as increasing charges for green waste and bulky waste. The Council will now discuss these potential measures with its waste management contractor with a view to developing proposals that will contribute to the MTFS without impacting significantly on overall recycling performance. The total anticipated savings from the waste management contract over 2019-20 and 2020-21 is £104,000.

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 as follows (NB many of these proposals will be the subject of specific further consultation):

- 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.
- To reduce grass cut areas and maintained parkland and rationalise the number of children's play areas, together with a proposal to remove the current annual bowls club grant.
- 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 commenced 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.

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).

1.6 Supporting the Economy

Whilst this is a Council priority, the service has nevertheless made significant reductions to its budget over recent years. The Council has delivered this by employing fewer but more highly skilled staff, and focussing activity 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 £1.6 million a year running these services. In addition, a multi-million-pound programme of investment will also see the biggest ever investment in Business Properties by BCBC to help support start-up businesses, including new light industrial blocks at the Village Farm Industrial Estate in Pyle and the refurbishment of the Innovation Centre at the Bridgend Science Park.

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 Employability Bridgend that has supported 283 in to work since September 2015 to 31 December 2018 and is forecast to help a further 440 into employment over the next 4 years.

We propose to introduce changes that will mean that the Council spends less on some specific activities, including increasing planning fees.

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.

1.7 Other Services

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

Regulatory Services

The Council proposes to spend around £1.8 million on this group of services that includes Trading Standards, Environmental Health, Food Hygiene and Standards, 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 customer service. We are currently planning to relocate the service to the Civic Offices, which will further reduce the cost of the service.

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 later in the MTFs, recognising the need to realise widespread take up to deliver this level of savings.

1.8 Behind the Scenes

There are a number of things that the Council does that support the delivery of services but which themselves are not visible to the public. We need to maintain these services with sufficient capacity to support our services whilst making them as efficient and effective as possible. 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 of £235,000 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.

Other specific developments in corporate services include:

- Property and building maintenance - 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.
- Finance - 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.
- Legal services - 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.
- ICT - the 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. Phase 1 of the digital programme went live in April 2018 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.
- Internal 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.

2. STRATEGIC FINANCIAL CONTEXT

2.1 The Council's MTFS is set within the context of UK economic and public expenditure plans, Welsh Government priorities and legislative programme. The MTFS articulates how the Council plans to use its resources to support the achievement of its corporate priorities and statutory duties, including the management of financial pressures and risks over the next four years. It helps the Council to work more effectively with partners in other sectors and provides a strategy for the use of balances to meet changes in resources or demands from year to year without impacting unduly on services or Council Tax payers.

2.2 The MTFS includes:-

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2019-20 and outline proposals for 2020-21 to 2022-23.
- The capital programme for 2018-19 to 2028-29, linked to priority areas for capital investment based upon the Council's Capital Strategy.
- The Corporate Risk Assessment.

The Financial Context

2.3 After Welsh Government had announced the provisional local government settlement on 9 October 2018, the Chancellor, Philip Hammond, presented his Autumn Budget on 29 October 2018. 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 would 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.

Alongside the UK Government's Autumn Budget, the Office for Budget Responsibility (OBR) updated its economic and tax revenue forecasts. It stated that buoyant tax receipts and an improved outlook for employment have delivered the Government a significant fiscal windfall since March, sufficient to deliver its objective of a balanced budget by 2025. But the Budget spends the fiscal windfall rather than saving it which leaves the medium-term outlook for government borrowing little changed since March 2018.

2.4 Following the Autumn Budget, on 20 November 2018, the then First Minister, Carwyn Jones, wrote to all local authorities, confirming a package of additional funding proposals for local government, which would be incorporated in the final budget. These included:

- an additional £13 million in the revenue support grant for 2019-20 to provide a cash flat settlement, with an additional £1.2 million to ensure no authority faces a reduction of more than -0.5%;

- an additional £7.5 million of revenue funding in both 2018-19 and 2019-20 to meet the financial pressures associated with implementing the teachers' pay award. This is on top of the funding announced in the provisional settlement for 2019-20 and will be funded through specific grants;
- £2.3 million revenue funding for children's social services in 2019-20, to help prevent children from being taken into care. This will be funded through a specific grant;
- increases in general capital funding for 2018-19, 2019-20 and 2020-21 (£100 million in total).

2.5 The Welsh Government announced its final budget for 2019-20 on 18 December 2018. The main changes affecting local authorities, other than those referred to above, were:

- an extra £23.6 million to enhance the current high street rates relief scheme with an additional £2.4 million for local authorities to provide discretionary rates relief;
- an allocation of £7 million of revenue funding in 2019-20 to deliver the third increase to the residential care capital limit, raising it to £50,000.
- an additional £1.6 million of grant funding in 2019-20 to further extend the Pupil Development Grant (PDG) - Access scheme to enable it to be available to more families at more points in a child's school career.

Welsh Government Final Local Government Settlement

2.6 Councils received their final settlements from Welsh Government on 19 December 2018. The headline figure is an increase of £10.3 million, or 0.2%, across Wales, compared to 2018-19, and, for Bridgend, a reduction of 0.1% in Aggregate External Finance (AEF), or £258,000, on a like-for-like basis. However when adjustments are made for funding included within the settlement for new responsibilities, the true impact for Bridgend is estimated to be a reduction of £1.182 million or -0.61% compared to 2018-19. Welsh Government also indicated in October that this settlement contains an additional £20 million across Wales to ease pressures on social services. If this is taken into account as new monies the real position for Bridgend is a reduction of -1.07% or £2.07 million.

2.7 The Minister for Housing and Local Government, Julie James, stated that there is an expectation that the improved package of funding announced by the Welsh Government on 20 November 2018 must be matched by a commitment from local authorities to regional working, for example with health boards and the education consortia, to secure improved outcomes and increased resilience, and a re-commitment to the spirit and the letter of the terms and conditions of the Working Group on Local Government.

Settlement Implications for 2020-2023

2.8 Welsh Government has not provided any indications of likely funding levels for 2020-21 onwards, which makes forward planning quite difficult, particularly in the post-Brexit years.

Transfers into and out of the 2019-20 Revenue Settlement

- 2.9 The final settlement includes information on a number of transfers into the Revenue Support Grant (RSG), both grant funding and for new responsibilities, which impact on the Council's resources. This funding is intended to meet:
- additional costs arising from the September 2018 teachers' pay award,
 - the increased numbers of free school meals given the changes in eligibility criteria following the roll out of Universal Credit,
 - shortfalls in income arising from increases to the capital limit for residential care to £50,000,
 - the costs of providing additional discretionary rates relief.

The full picture on specific grants is still not yet clear, particularly at an individual authority level, although Welsh Government has advised that it has been able to restore funding to a number of grants to local authorities and made other funding decisions for 2019-20 from which local authorities will directly benefit. This includes an additional £30 million targeted grant funding for social care and £15 million to help schools meet the demands of the new National Approach to Professional Learning (NAPL), in addition to new grant funding towards teachers' pay and children's social services, referred to in paragraph 2.4 above.

Council Tax

- 2.10 The 2019-20 final Revenue Budget, shown in Table 9, includes a Council Tax increase of 5.4%, as proposed in the draft MTFs report to Cabinet in November 2018. This level of Council Tax has been deemed necessary to fund the significant pressures facing the Council, particularly significant pay, price and pensions pressures. The level of the increase seeks to strike an appropriate balance between the needs of the Council and its citizens.

Welsh Government Capital Settlement

- 2.11 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. Further to the First Minister's announcement of an additional £100 million of capital funding on 20 November 2018, of which £30 million would be allocated in 2019-20, the final local government capital settlement provides this Council with £7.665 million of capital funding for 2019-20, which is £1.336 million more than 2018-19. A further £20 million of general capital funding has also been announced for 2020-21. Welsh Government has also announced a separate Public Highways Refurbishment Grant which will be notified separately (£20 million each year from 2018-19 to 2020-21) and will be funded via specific grant. The allocations for 2018-19 and 2019-20 are £802,920 and £796,672 respectively.

Current Year (2018-19) Financial Performance

2.12 The in-year financial position as at 31 December 2018 is shown in Table 1 below.

Table 1 – Comparison of budget against projected outturn at 31 December 2018

Directorate/Budget Area	Original Budget 2018-19 £'000	Current Budget 2018-19 £'000	Projected Outturn Q3 2018-19 £'000	Projected Over / (Under) Spend 2018-19 £'000	Projected Over / (Under) Spend Qtr 2 2018-19 £'000
Directorate					
Education and Family Support	108,315	110,896	111,438	542	396
Social Services and Wellbeing	67,730	70,023	70,017	(6)	1,252
Communities	26,729	26,622	26,873	251	260
Chief Executive's	3,803	19,539	18,160	(1,379)	(1,170)
Operational and Partnership Services	14,658	0	0	0	0
Total Directorate Budgets	221,235	227,080	226,488	(592)	738
Council Wide Budgets					
Capital Financing	9,514	9,405	6,993	(2,412)	(2,402)
Levies	7,046	7,046	7,070	24	0
Apprenticeship Levy	700	700	625	(75)	(70)
Council Tax Reduction Scheme	14,354	14,354	14,113	(241)	(114)
Insurance Premiums	1,588	1,588	1,160	(428)	(390)
Building Maintenance	900	831	831	0	0
Pension Related Costs	430	430	435	5	5
Other Council Wide Budgets	10,217	4,550	1,035	(3,515)	(2,298)
Total Council Wide Budgets	44,749	38,904	32,262	(6,642)	(5,269)
Appropriations to / from Earmarked to Reserves			1,922	1,922	1,980
Total	265,984	265,984	260,672	(5,312)	(2,551)

2.13 The overall projected position at 31 December 2018 is a net under spend of £5.312 million, comprising £592,000 net under spend on directorates and £6.642 million net under spend on corporate budgets, offset by net new earmarked reserves of £1.922 million. This position is better than anticipated due to the recent award of one-off grants from Welsh Government towards costs associated with supporting sustainable social services, and towards teachers' pay for 2018-19. Bridgend's share of the grants was £620,528 for social services and £718,701 for teachers' pay. Without these the net under spend would have been £3.973 million. Given the significant funding required to meet pay, prices and pensions costs in 2019-20 any uncommitted funding in 2018-19 will be carried forward to meet those pressures in the new financial year.

2.14 The net budget for the financial year has been set assuming full implementation of the current year budget reduction requirements across the Council's budget which amount to £6.123 million. Where proposals to meet this requirement have been delayed or are not achievable directorates have been tasked with identifying alternative proposals to meet their requirements such as vacancy management, or bringing forward alternative budget reduction proposals. Going forward, directorates will either have to realise any outstanding budget reductions in full or

find alternative proposals to meet the saving, in addition to any new proposals for 2019-20 onwards.

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

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

- 2.16 This section of the report sets out the proposed MTFS for the Council for the next four financial years, based on the latest information available from the Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.
- 2.17 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, the public consultation, 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.
- 2.18 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. As usual Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).

Scrutiny and Challenge

- 2.19 As stated in paragraph 2.17, Cabinet and CMB continue to seek to embed a culture of medium term financial planning within the Council. Against that background, further efforts have been made again this year to secure greater involvement of stakeholders in the development of the MTFS and the Corporate Plan. An eight week consultation 'Shaping Bridgend's Future 2018' was undertaken between 24 September and 18 November 2018. Views were captured through surveys (online and paper), use of the Council's Citizens' Panel, community engagement stands, attendance at other meetings and events and via social media debates. Elected Members have also had the opportunity to take part in a budget workshop.
- 2.20 The consultation received 5,288 interactions from the various consultation events and methods. Within this there were 2,677 survey completions which can be considered a robust sample and demonstrates a 44% increase on last year. Within this there was a significant increase in youth survey completions. The full details of the consultation are detailed in a separate report that was presented to Cabinet in December 2018.
- 2.21 The majority of respondents agreed with the idea of protecting some services over others, with schools, care of older people and services for disabled people being the

most popular areas for protection through Council Tax increases. The proposals most frequently selected to make cuts were separate collection for absorbent hygiene products, weed spraying and funding for post-16 home to school and college transport. The four most popular revenue-generating proposals were Blue Badge holders to pay for parking, increasing charges for garden waste, increasing charges for three bulky items and consider increasing charges for sports pitches and pavilions. A summary of the main headlines arising from the consultation is provided in Table 2 below.

Table 2 – Headline Figures from Public Consultation

Headlines from the Public Consultation	
Council Tax	
48% of respondents stated that they would not be willing to pay more Council Tax in order to protect services (other than the 4.9% increase proposed in the budget consultation). However, 17% of respondents would be willing to pay an additional 1% and 14% of respondents were willing to pay up to 9.9% additional council tax in order to protect services.	
Services to Protect	
Most popular services to protect (through Council Tax or by comparing all proposals) were schools, care of older people, services for disabled people and leisure services.	
53% of respondents disagreed with the proposal to ask schools to make budget savings of 1% per year over the next four years.	
66% of respondents disagreed with the proposal to make savings through reducing day centres or services.	
Increasing Revenue	
79% of respondents stated that Blue Badge holders should pay for parking, 48% stated Blue Badge holders should pay the same amount as non-Blue Badge holders. A further 31% stated that Blue Badge holders should pay a reduced rate.	
60% of respondents stated that they would be willing to pay more to access sports facilities, pavilions and parks (10% stated significantly more and 50% stated a small amount more).	
48% of respondents stated that the council should explore the option of charging for shopmobility.	
When asked about increased revenue within recycling and waste 53% of respondents were willing to pay an increased charge to £20 for three bulky item collection.	
Services to Cut	
Services most frequently selected to make cuts were libraries, arts centres and theatres, sports and recreation services, weed spraying, funding for post-16 transport and separate collection for absorbent hygiene products.	
48% of respondents agreed that nursery provision should be reduced to 15 hours per week in order to make budget savings.	
47% of respondents agreed that funding for post-16 transport should be removed in order to make budget savings.	
46% of respondents agreed that the bus station should be closed in order to make budget savings.	

- 2.22 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Plan over the last six months to facilitate the budget planning process. The draft budget report approved by Cabinet in November has also been scrutinised by the Council's Overview and Scrutiny Committees resulting in a report to Cabinet from the Corporate Resources and Improvement (CRI) Committee, outlining a number of recommendations. Cabinet has considered the CRI Committee's recommendations and a response to these is provided in Appendix H.
- 2.23 Cabinet and CMB have reflected on the responses received from the public consultation and the recommendations of the CRI Committee and have removed a number of budget reduction proposals which were in the draft report in November as follows:

SCH1	Efficiency Savings Delegated School Budgets	£900,000
EFS46	Health and Safety Non-Staffing Budgets	£20,000
COM41	Reductions to Other Cleaning Services	£70,000
COM41a	Further reductions to Other Cleaning Services	£100,000
COM48	Reduction in Weed Spraying	£20,000

In addition, the following budget reduction proposals have been amended:

SSW26	Rationalising Day Service Provision	-	reduced by £50,000
COM26	Shopmobility	-	reduced by £5,000
CEX9	Customer Contact / Communications	-	reduced by £50,000

MTFS Principles

- 2.24 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 MTFFS 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 MTFFS and a MTFFS Budget Reduction Contingency Reserve will be maintained.
13. Other resource strategies (including the Workforce Development Plan, Treasury Management Strategy, Capital Strategy, ICT Strategy and Asset Management Plan) are kept under review to maintain alignment with the MTFFS and the Corporate Plan.
14. Budgets will be managed by Corporate Directors in accordance with the Council's Financial Procedure Rules.

The MTFFS Budget Reduction Contingency Reserve referenced in Principle 12 enables the Council to manage delays or unforeseen obstacles to the delivery of significant MTFFS budget reduction proposals. There has only been one allocation so far during 2018-19, as shown in Table 3, which is in mitigation of reductions to the budget for the Materials Recovery and Energy Centre (MREC), which are unlikely to be achieved following delays in the procurement process:

Table 3: MTFFS 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

- 2.25 The 2019-20 AEF figure is a decrease of -0.1% based on the published Final Settlement. In the November 2018 report to Cabinet on the draft MTFS, it was proposed that the Council continue to work towards a most likely scenario in its planning assumptions for 2020-21 of an annual reduction in AEF of -1.5% and an assumed increase in Council Tax of 4.5% for each of the remaining MTFS years, recognising the ongoing uncertainty around our funding in future years. It is not proposed to change these further at this time. The proposed Council Tax increase would remain at 5.4% for 2019-20 and then 4.5% for each following year.

The MTFS will be regularly reviewed against service performance and external economic and fiscal information to ensure that early action can be taken as necessary to keep it and the Corporate Plan on track. This is particularly important given the uncertainties around Brexit in the coming months and years. In view of the uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios, based on percentage changes in AEF shown in Table 4.

Table 4 – MTFS Scenarios: % Change in AEF

	2019-20	2020-21	2021-22	2022-23
	% Change	% Change	% Change	% Change
Best Scenario	-0.1%	-1.0%	-1.0%	-1.0%
Most Likely Scenario	-0.1%	-1.5%	-1.5%	-1.5%
Worst Scenario	-0.1%	-3.0%	-3.0%	-3.0%

Managing within the MTFS Resource Envelope

- 2.26 The financial forecast for 2019-23 is predicated on £35.181 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 Additional Learning Needs and Education Tribunal (Wales) Bill.
 - Fees and Charges will increase by the statutory minimum or CPI (+2.1% at December 2018) plus 1%.

- Significant increases in staffing costs as a result of the increase in the national living wage, 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 2018, 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 final settlement for this pressure.

- 2.27 For 2019-20, the MTFs includes an additional £8.894 million for the above known pressures. In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £2.191 million of inescapable pressures have emerged during 2018-19 and are explained in more detail in paragraphs 3.12 and 3.13 below. In total, the Council has identified pressures of £11.085 million in 2019-20.

MTFS Budget Reduction Requirement

- 2.28 Table 5 below shows the Council's potential net budget reduction requirement based on the forecast resource envelope (paragraph 2.25 above), inescapable spending assumptions (paragraph 2.26 and 2.27 above) and assumed Council Tax increases.

Table 5 – Budget reduction scenarios

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Total £'000
Best Scenario	7,621	9,773	7,584	7,398	32,376
Most Likely Scenario	7,621	10,732	8,519	8,309	35,181
Worst Scenario	7,621	13,609	11,267	10,932	43,429

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

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

Table 6 – Risk Status of Budget Reduction Proposals 2019-20 to 2022-23

Year	GREEN: Proposal developed and deliverable	AMBER: Proposal in development but includes delivery risk	RED: Proposals not fully developed and include high delivery risk	Budget reductions Identified so far	Budget reductions not yet developed	Total Required
	£'000	£'000	£'000	£'000	£'000	£'000
2019-20	3,024	2,703	1,894	7,621	0	7,621
2020-21	37	1,040	2,603	3,680	7,052	10,732
2021-22	0	975	584	1,559	6,960	8,519
2022-23	0	900	0	900	7,409	8,309
Total	3,061	5,618	5,081	13,760	21,421	35,181
% of total required	9%	16%	14%	39%	61%	100%

2.31 As mentioned in paragraph 2.23, a number of the 2019-20 budget reduction proposals have been removed or amended since the draft budget report following the public consultation and member scrutiny. A number of proposals for 2020-21 onwards require further information and analysis and so are not sufficiently well developed to be included at this point in time. Proposals currently under consideration include:

- The wider digital transformation of Council services;
- Further development of efficiencies in the corporate landlord function;
- Income generation opportunities;
- Further reductions in employee numbers;
- Possible reconfiguration of post 16 education provision;
- Working with partners to protect sustainable community facilities.

2.32 Cabinet and CMB have given a commitment to try and find at least 50% of the budget reductions through smarter use of resources rather than by cutting the quality or level of services. This gets incrementally harder to achieve, but as Table 7 shows the plans set out in this report will deliver 72% of the required budget reductions through smarter use of resources, such as:

- 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

Table 7 – Budget Reduction Proposals 2019-20 to 2022-23

	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Total £'000	%
Smarter Use of Resources	6,626	1,534	900	900	9,960	72%
Managed Service Reductions	547	1,706	584	0	2,837	21%
Collaboration & Service Transformation	51	330	0	0	381	3%
Policy Changes	397	110	75	0	582	4%
Total Identified to date	7,621	3,680	1,559	900	13,760	

- 2.33 Budget reduction proposals relating to Collaboration and Service Transformation amount to 3% of the total budget reductions. These include further development of the Corporate Landlord model. 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
- 2.34 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 term's reductions in Council budgets over the next four years will lead to a reduced workforce over the MTFs period. The intention is to manage such a reduction through the continuation of strong vacancy management, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be necessary.

Corporate Risk Assessment

- 2.35 The Council's Corporate Risk Assessment identifies the key corporate risks and mitigating actions and is attached as Appendix I. These risks have been taken into account in the preparation of the MTFs and where there are identifiable financial implications these have been provided for either within the budget or earmarked reserves. Where the financial risks are not clear, the risk is covered by the Council Fund.

3. REVENUE BUDGET 2019-20

- 3.1 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated using the previous year's budget as the baseline, adding any inescapable budget pressures and specific transfers into the settlement from Welsh Government, and subtracting any budget reduction proposals.
- 3.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Table 8 summarises the 2019-20 budget requirement and how it will be financed.

Table 8 – Net Budget Requirement

	2019-20 £'000
2018-19 Net Budget (Table 1)	265,984
Transfers and New Responsibilities (para 2.9)	1,361
2019-20 Pressures (para 2.27)	11,085
2019-20 Budget Reductions (Table 5)	-7,621
2019-20 Net Budget Requirement	270,809
<i>Financed by:</i>	
2018-19 Net Budget (Table 1)	265,984
Net Cash Increase in AEF (para 2.6)	225
Council tax increase of 5.4% (para 2.10)	4,600
2019-20 Net Funding Total	270,809

2019-20 Revenue Budget

- 3.3 Table 9 presents the detailed net revenue budget for 2019-20. This includes specific grants transferring into the settlement as outlined in paragraph 2.9.

Table 9 – 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
Service Directorate Budgets:								
Central Education & Family Support	20,555			78	493	817	-596	21,347
Schools	90,321	954		1,977	1,289	320	0	94,861
Education and Family Support	110,876	954	0	2,055	1,782	1,137	-596	116,208
Social Services & Wellbeing	69,955	299			1,524	291	-1,235	70,834
Communities	26,527		-185		569	358	-1,938	25,331
Chief Executive's	19,538				460	75	-1,464	18,609
Total Directorate Budgets	226,896	1,253	-185	2,055	4,335	1,861	-5,233	230,982
Council Wide Budgets:								
Capital Financing	9,405						-1,975	7,430
Levies	7,046					330		7,376
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	1,588				0			1,588
Other Corporate Budgets	4,695	108	185		2,004		-413	6,579
Total Council Wide Budgets	39,088	108	185	0	2,504	330	-2,388	39,827
Net Budget Requirement	265,984	1,361	0	2,055	6,839	2,191	-7,621	270,809

3.4 The net budget will be funded by:

Table 10 – Net Budget Funding

	£	%
Revenue Support Grant	145,354,407	53.67
Non Domestic Rates	46,452,373	17.15
Council Tax Income	79,001,854	29.17
Total	270,808,634	100%

Council Tax Implications

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

Table 11 – Council Tax Increase 2019-20

2018-19 Average Band D	£1,395.51
2019-20 Average Band D	£1,470.87
% Increase	5.40%
Weekly Increase	£1.45

Pay, Prices, Pensions and Demographics

- 3.6 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). Since then 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 £634,000 additional funding through the settlement towards teachers' pay in 2019-20, and has also stated that it will provide further support through a one-off specific grant in 2019-20, but it may not fully meet the costs. There are no guarantees that this grant funding will continue to be available from 2020-21 onwards, so this could create a budget pressure in those years.
- 3.7 As noted in paragraph 2.26, there is an estimated increase of 43% in the employer contribution rate for teachers' pensions 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 final settlement for this pressure.
- 3.8 Price inflation has been allocated to service budgets and includes provision for contractual increases in food costs, social care provision and other commitments. The remaining inflationary provision will be retained centrally within Council wide budgets and allocated during the year as any unknown or unforeseen contract price inflation is agreed, in particular where the index is set after the Council's budget is approved.

Schools' Budgets

- 3.9 Following a better than anticipated settlement in 2018-19, school budgets were protected from the proposed 1% annual efficiency target, but given the forecast pressure on Council budgets for future years, this was not considered to be sustainable in future years, so headteachers and governing bodies were advised to use the 2018-19 financial year to plan ahead. However, following the additional funding announced by the First Minister in November 2018, and the subsequent improved final settlement, along with the outcome of the public consultation and Scrutiny Committees' recommendations, school budgets have again been protected from the 1% efficiency reduction in 2019-20.
- 3.10 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. Total funding provided to schools to meet these pressures in 2019-20 is around £4.5 million.
- 3.11 It should be noted that the 1% efficiency target is maintained for 2020-21 and beyond, in recognition of the pressures stated above, forecast reductions to the settlement and mounting external pressures across Council services.

Budget Pressures

- 3.12 The final schedule of budget pressures is attached at Appendix A and presents a number of recurrent pressures, totalling £2.191 million. These represent unavoidable pressures arising from legislative changes, increased costs and contractual changes, along with a conscious decision by members to invest in areas to meet the Council's corporate priorities.
- 3.13 The November Draft Budget report explained that budget pressures identified at that time were subject to change before the Final Budget. The main changes are identified in Table 12 below:

Table 12: New Budget Pressures

Item	Value £'000	Description
Health and Safety	150	Health and Safety support for the Council to ensure compliance through more structured and rigorous monitoring to avoid future incidents.
Social Services Registration Fees	38	To meet the requirement for residential (Adult Social Care) and domiciliary care workers to be registered with Social Care Wales under the Regulation and Inspection of Social Care (Wales) Act 2016.
Hartshorn House	30	Running costs of Hartshorn House, a multi-agency base – to replace the grant funding from Welsh Government which has ended.
Housing Benefits	75	Funding to mitigate the net reduction in grant from the Department for Work and Pensions for administering Housing Benefit and Universal Credit.
TOTAL	293	

Budget Reductions

- 3.14 Budget reduction proposals totalling £7.621 million have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in Appendix B.

Council Wide Budgets

- 3.15 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies (including for the Fire and Rescue Authority), 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.

- 3.16 The South Wales Fire and Rescue Authority covers 10 South Wales Council areas including Bridgend County. It is funded by raising a levy on its constituent Councils, based on population. For 2018-19 the levy on Bridgend, and consequently its Council Tax payers, is £6,688,835. The Authority is facing similar pension increase pressures on its budget as teachers, and consequently the levy for 2019-20 could increase by £330,000, unless it receives additional funding from, for example, Welsh Government towards this pressure. This is a significant increase in the levy (4.9%) for which the Council has received no additional funding, but must provide for assuming the worst case scenario.

Fees and Charges

- 3.17 Generally, income from fees and charges will be increased by CPI (at the prevailing rate, 2.1% at December 2018) 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. New charges or charges that have been included in the 2019-20 budget and are above the general increase are shown in Appendix C.
- 3.18 Council approved a corporate income generation policy in March 2016 which aims to set a consistent approach across Council services and outline key principles to be applied. As a key principle, where a decision has been taken to charge for a service, the Council will aim for full cost recovery, except where there is a conscious decision which is consistent with Council priorities, recognising that the service would then be subsidised by Council Tax payers.

MTFS Support for Corporate Priorities / Well-being Objectives

- 3.19 Appendix D details the Directorate Base Budgets for 2019-20. The MTFS supports the delivery of the Council's corporate priorities / well-being objectives and Table 13 below summarises Directorate budgets which will be used to support these and core services and statutory functions. A more detailed analysis is shown in Appendix E.

Table 13 – 2019-20 Budget by Corporate Priority / Well-being Objective

Budget 2019-20 Corporate Priorities / Well-being Objectives			
Directorate	Corporate Priorities	Core Services & Statutory Functions	Total
	£'000	£'000	£'000
Education & Family Support	8,067	13,280	21,347
Schools	38,796	56,065	94,861
Social Services and Wellbeing	53,430	17,404	70,834
Communities	6,803	18,528	25,331
Chief Executive's	1931	16,678	18,609
Corporate Budgets	304	39,523	39,827
NET BUDGET REQUIREMENT	109,331	161,478	270,809

4. COUNCIL RESERVES

- 4.1 The Council's Reserves and Balances Protocol attached at Appendix F sets out the principles used to assess the adequacy of reserves, the rationale for establishing reserves and the arrangements for monitoring reserves. For the last three years, the Council has maintained its Council Fund at a minimum of £7 million and at 31 March 2018 it was £8.347 million, which is 2.47% of Gross Revenue Expenditure (GRE) compared to a Welsh average of 2.99% for the same period. If the Council Fund was used to cover GRE, it would last 9.03 days (8.98 days in 2016-17) compared to a Welsh average of 10.06 days. Against that background and in the face of continued uncertainty regarding the economy and public finances, it is recommended that the Council seeks to increase its Council Fund to 2.7% of GRE (£8.840 million based on 2015-16 when the indicator was set) by the end of the MTFS period. This will be monitored and will depend upon financial performance during future periods and the need to cover against specific risks as they arise through the earmarked reserves process.
- 4.2 In accordance with the Protocol, a review of the Council's financial risks, pressures and reserves was undertaken at period 6 and period 9 in 2018-19. Appendix F also sets out the forecast movement in the Council's Earmarked Reserves by the end of 2018-19 and 2019-20. At this point the forecast movement to 31 March 2019 on Earmarked Reserves is an overall reduction of £10.925 million on the assumption of:
- The forecast draw down of £1,729,000 from the Directorate Issues Reserve, either by Directorates, or as a result of any reserve that is no longer required being unwound, both offset by additions of £0.323 million as a result of new Directorate Issues coming to light following the various reviews. This results in a projected net decrease on **Reserves Held for Directorates' Planned Developments** of £1,406,000;
 - The forecast draw down of £5,495,000 from **Specific Contingency Reserves**, offset by additions of £428,000, resulting in a projected net decrease of £5,067,000. There are two assumed draw downs during the last quarter of the year, but if these do not happen, there will only be a net decrease of £628,000;
 - The estimated draw down of a large amount of the Capital Programme Contribution reserve of £2.165 million which does rely on capital spend being incurred from January until March 2019. There is also £171,000 draw down from other **Capital Development or Asset Related Reserves**. As part of the new Capital Strategy 2019-20 onwards, two new Earmarked Reserves are being created. These are a Capital Asset Management Reserve of £500,000 and a Highways Asset Management Fund of £1.290 million. These have been created from previous funding within other Earmarked Reserves being amalgamated together with additional funding. The draw down from both of these reserves will form part of the monitoring requirements on the Capital Strategy. There will be a net increase on these Reserves of £953,000;
 - Within the category of reserves for **MTFS/Transformational Reserves**, there is an assumed draw down of £2.222 million from the Service Reconfiguration Reserve for the Extra Care Scheme on the current capital spend projection. The projected net draw down on these reserves is £3.486 million. It should be noted that this reserve has not been increased for any potential accrued Council Tax income (see paragraph 4.3 below);

- The projected net draw down from the **Equalisation and Grant Reserves** for 2018-19 is £1,063,000.

4.3 In line with the Protocol, a further review will be undertaken at the end of the current financial year and transfers made at this point taking account of the overall financial position of the Council including the final out-turn, actual accrued Council Tax income, Earmarked Reserve levels, the Council Fund level and any new pressures or risks that need to be provided for. At this time Directors will be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2019-20 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole. In advance of that process, the forecast movement in reserves for 2019-20 assumes:

- An overall reduction in Earmarked Reserves of £7.891 million during 2019-20;
- Full draw down from a number of reserves including the Property Reserve, Chief Executives Partnership Reserve and the Waste Awareness Reserve.
- Draw down from the Capital Programme Contribution Reserve, Capital Feasibility Reserve and Asset Management Reserve in line with the current Capital Programme expenditure profile; and
- Draw down from the Service Reconfiguration reserve in line with assumptions on transformational change.

It does not include the potential increase of reserves for 2019-20 as a result of fortuitous under spends at the end of this financial year. The forecast position is summarised in Table 14 below:

Table 14 – Summary of Usable Earmarked Reserves

Opening Balance 1 April 2018 £'000	Reserve	Movement 2018-19 £'000	Closing Balance 31 March 2019 £'000	Movement 2019-20 £'000	Closing Balance 31 March 2019 £'000
47,715	Total Earmarked Reserves	(10,925)	36,790	(7,891)	28,900

NB: Differences due to rounding of £'000s

5. CAPITAL PROGRAMME AND CAPITAL FINANCING STRATEGY

- 5.1 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 the Council's proposed Capital Strategy and reflects the Welsh Government capital settlement for 2019-20. The Programme has been revised during the financial year to bring it up to date and take into account new capital schemes either funded from external resources, or from internal resources following a review of the Council's capital investment requirements.

Capital Programme 2018-19 to 2028-29

- 5.2 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 reflects the Welsh Government final capital settlement for 2019-20, which provides general capital funding (GCF) for the Council for 2019-20 of £7.665 million of which £3.938 million is provided through un-hypothecated supported borrowing and the remainder £3.727 million as general capital grant. This includes the 2019-20 share (£30 million) of the additional £100 million of general capital funding (across 2018-19 to 2020-21) announced by Welsh Government in the provisional settlement. The Council has already received £2.215 million as its share of the £50 million allocation for 2018-19. Whilst no indicative allocations have been provided for 2020-21, there will be extra funding arising from the additional £20 million of general capital funding for 2020-21. From 2021-22 it is assumed that the level of funding will revert to the 2018-19 general capital funding level.
- 5.3 The Programme was last approved by Council in full in December 2018 to incorporate major new schemes approved during the year, including the regeneration of Porthcawl and rationalisation of the Council's depots, along with other changes to existing schemes. Council also approved a change to the funding package for the School Modernisation Band B Programme in a separate report in December. 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 for approval by Council in February 2019.
- 5.4 The additional general capital funding provided through the settlement for 2019-20 equates to £1.336 million. It is proposed to establish a Capital Asset Management Fund of £1.5 million to meet the costs of works to comply with any health and safety or other legislative requirements in respect of the Council's assets, taking into account the results of condition surveys. This will be funded partly from a contribution of £1 million from the additional general capital funding, and partly from an earmarked reserve of £500,000. Any allocations from this budget will be agreed by Corporate Management Board. The balance of the additional general capital funding is being used to fund existing schemes to reduce the reliance on borrowing for schemes already included within the capital programme, and thus reduce future revenue budget commitments. An in-year review of capital will be undertaken and any new proposals will be considered in light of, and in line with, the proposed new Capital Strategy and brought back to Council for approval at a later date.

- 5.5 Welsh Government has also announced a separate Public Highways Refurbishment Grant 2018-21 which has been notified separately (£20m each year 2018-19 to 2020-21) and will be funded via specific grant. As outlined in paragraph 2.11, Bridgend has been notified that it will receive £802,920 for 2018-19 and £796,672 for 2019-20, with a similar amount for 2020-21. The 2018-19 grant funding will be carried forward into 2019-20, in line with the conditions of the grant, resulting in total additional funding for 2019-20 of £1,599,592 and around £2.4 million between 2018 and 2021, leading to significant new investment in highways and footways over the 3 year period. This will be included in the capital programme in-year once the grant has been accepted.
- 5.6 The Capital Programme contains a number of fixed annual allocations that are met from the total general capital funding for the Council. These annual allocations have been reviewed as part of the capital planning process and it is proposed that two changes are made for 2019-20, as follows:
- Disabled Facilities Grants (DFGs) – DFGs are mandatory, means-tested, grants available to help disabled people to remain living independently in their own homes. Local authorities therefore have a duty to provide DFGs. This allocation was reduced in previous years due to reductions in referrals and in the average award. Funding currently allocated to DFGs is above the notional allocation provided by Welsh Government and it is therefore proposed to bring this into line with Welsh Government funding through a reduction of £200,000.
 - A new allocation will be established, using the £200,000 released, to set up a corporate capital fund. This will be used for match funding for capital projects, and ICT / equipment renewals, and will be subject to approval and allocation by Corporate Management Board.

This will result in revised allocations as outlined in Table 15:

Table 15 – Proposed Annual Allocations of Capital Funding

	2019-20 £'000
Highways Structural Works	200
Carriageway Capital Works	250
Disabled Facilities Grant	1,950
Housing Renewal / Empty Property	100
Special Regeneration Funding	540
Minor Works	1,100
Community Projects	100
Bridgelink / Telecare replacement	30
Corporate Capital Fund (Renewals / Match Funding)	200
Street lighting / Bridge infrastructure replacement	400
Total	4,870

Capital Programme link to the Corporate Priorities

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

Table 16 – Capital Programme by Corporate Priority

Corporate Priority	Revised 2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 to 2028-29 £'000	Total £'000
1. Supporting a Successful Economy	7,431	8,648	8,863	39,289	64,231
2. Helping People to be more Self-Reliant	5,634	3,050	1,950	15,600	26,234
3. Smarter Use of Resources	22,111	23,929	10,900	87,556	144,496
Core Services & Statutory Functions	298	530	0	7,190	8,018
TOTAL	35,474	36,157	21,713	149,635	242,979

Supporting a Successful Economy

- 5.8 The proposed capital programme includes a number of new and existing projects which will help to support a successful economy by, for example, significant new investment in ensuring that the highways and footways are of a good standard to encourage the use of local services by the public and avoid the need to travel to out of town developments. There is also significant investment in all of our town centres, with new schemes approved by Council earlier in the year in respect of Porthcawl Regeneration and the development of Enterprise Hubs, to build on previous investment and initiatives. These supplement those existing schemes, such as the Cardiff Capital Region City Deal (CCRCD) investment which will be targeted to focus on raising economic prosperity, increasing job prospects and improving digital and transport connectivity.

Helping People to be more Self-Reliant

- 5.9 In addition to the two new Extra Care Schemes, one of which has opened, with the other due to open towards the end of 2018-19, and which will enable people to live more independently than they would in residential care, there remains significant investment in Disabled Facilities Grants and other Housing Schemes, to enable people to live as independently as possible in their own homes.

Smarter Use of Resources

- 5.10 The Schools' Modernisation Programme forms a cornerstone of the corporate priority making smarter use of resources, with the remaining schemes in Band A of the 21st Century Schools programme coming to fruition towards the end of 2018-19. From 2019-20 the Council will embark on Band B of the 21st Century Schools Programme, which will result in further capital investment of around £70 million in the Council's schools' estate.

- 5.11 There is currently a budget of £1 million in the capital programme for works to parks and pavilions, to make them suitable for Community Asset Transfer (CAT). The scope for this funding is being widened to also include works undertaken on other Council facilities such as community centres and public toilets, to support the CAT process. This is to ensure that as many buildings as possible can be kept open and provide long term community benefits.
- 5.12 In addition, Council has previously approved significant investment in upgrading the Waterton depot to make it fit for the future, in addition to recurrent funding to improve and upgrade existing buildings through the capital minor works programme to reduce running costs, including maintenance, and improving energy efficiency. This is in addition to the two existing schemes within the programme which will see significant investment in energy efficiency schemes, across Council buildings and street lighting, which will be repaid from recurrent revenue savings generated.
- 5.13 The revised capital programme is attached as Appendix G. There are no significant changes since it was approved by Council in December 2018, other than amendments to reflect the agreed funding mechanism for the Band B school modernisation programme.

Capital Receipts

- 5.14 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

- 5.15 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 £43.75 million by the end of this financial year.

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