

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO THE CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

20 JANUARY 2020

### REPORT OF THE INTERIM SECTION 151 OFFICER

#### MEDIUM TERM FINANCIAL STRATEGY 2020-21 to 2023-24

##### 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 2020-21 to 2023-24, 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 2020-2024 and a detailed draft revenue budget for 2020-21.

##### 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 2020-21.

##### 3.0 Background

###### Corporate Plan - Policy Context

3.1 The Council's well-being objectives under the Well-being of Future Generations (Wales) Act 2015 are currently:

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

3.2 This draft MTFS has been significantly guided by these priorities. Although previous 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 £420 million and is the largest employer in the county borough. The Corporate Plan will be presented to Council for approval alongside the MTFs 2020-24 in February 2020 and will be fully aligned with the MTFs including explicit links between resources and corporate priorities.

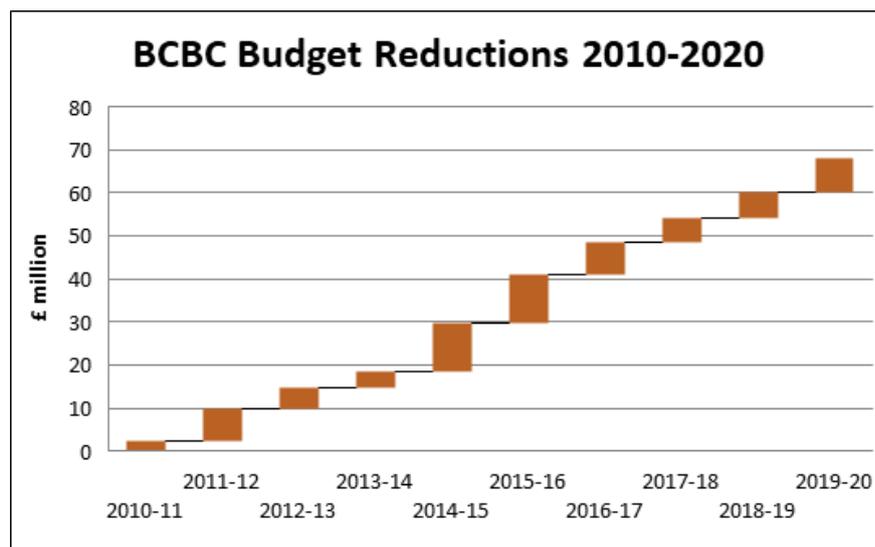
### 3.3 Budget Narrative

3.3.1 The Council aspires to improve understanding of its financial strategy, link more closely to the agreed corporate wellbeing 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

Over the last 10 years, the Council has made £68 million of budget reductions, as shown below. This represents 30% of the Council’s 2009-10 budget:

#### Bridgend County Borough Council Budget Reductions 2010 to 2020



While the Council’s net revenue budget is planned at £286.885 million for 2020-21, 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 £420 million in 2020-21. The local authority’s annual revenue budget covers the day-to-day running costs of the local authority (including staff salaries, housing maintenance, pensions, operational costs etc.). Around £175 million of the gross budget 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.

The Council gets the majority of its revenue funding from Welsh Government through the Revenue Support Grant and a share of Non Domestic Rates. It supplements this through

council tax collection, other grants and fees and charges. Council tax is a charge that local authorities charge to help to pay for their services. The amount that council tax payers pay is made up of 3 elements:

- Bridgend County Borough Council charge
- Community Council charge
- Police and Crime Commissioner for South Wales charge

In terms of council tax, the proportion of council tax required to balance the Council's budget has steadily increased over recent years and it currently funds almost 30% of the budget.

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, for example, the Environmental (Wales) Act 2016, the Well-being of Future Generations (Wales) Act 2015, 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 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 citizens and communities in Bridgend. 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 become more resilient by creating their own solutions and reducing 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 in sustaining and often enhancing local services. The Council has a role in encouraging, enabling 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 and dis-advantage. 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 £121 million on services delivered by the Education and Family Support Directorate in 2020-21. The majority of this money will be spent by Bridgend's 59 schools and one pupil referral unit.

In addition to the £100 million proposed budget to be delegated to schools in 2020-21, 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 already spent £21.6 million in building and refurbishing schools as part of our 21<sup>st</sup> Century School Modernisation Band A Programme and has provisionally committed to a further £19 million as part of the Band B Programme. This comprises one-off capital expenditure across several years, with significant match funding from Welsh Government. 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. However, approval will also be required for 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, mainly in the primary sector. While this is inevitably dependent to some extent on an increased population as a result of 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 2020-21 the level of budget reductions required is not as great as had been feared. As a result, it has been possible to protect schools from a proposed 1% saving for one year. However, the forecast pressure on Council budgets for future years is such that it may be unavoidable for 2021-2022 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 'Well-being Objective' 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 2020-2021 that are reflected in the budget:

- We intend reviewing our staffing structures within the directorate, which we anticipate will secure efficiency savings of around £50,000.
- 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 2020-2021, we

predict a further cut of £56,000 (10%). We will continue discussions around savings that can be made in future years.

- We will review the management of our ancillary support in primary schools, with proposals to delegate funding to primary schools, in line with what happens in secondary schools.

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 2020-21. We are also reviewing other aspects of our transport provision including post-16 transport and a full consultation exercise is being carried out to inform this.

### **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 to be more self-reliant' and is also part of the Directorate's transformation plan with a clear link to the Medium Term Financial Strategy.

There are established working relationships between children's social care and early help and intervention services with mechanisms in place to ensure close working and appropriate and proportionate responses to families and children in need.

Our 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.

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. This needs to be achieved within available budgets. In total, the Council is proposing to spend £71 million on social care and wellbeing services in 2020-21.

Though some pressures are allowed for in planning the 2020-21 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 2020-21 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 £90 per week (current rate, but rising to £100 in 2020-21) 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 the Children and Communities Grant, Housing Support Grant 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 are 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.

### **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 2020-21 the Council is likely to receive around £4.5 million of direct Welsh Government grant for public realm services. This includes waste services, public transport, rights of way and road safety.

The overall net budget that the Council proposes to spend on public realm services is £19.6 million. 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. However the services in the Communities Directorate have also been subject to service changes that have resulted in alternative delivery models that have increased productivity, as well as collaborative approaches that have increased both efficiency and service resilience.

With the advent of a new seven year contract with Kier, the costs associated with waste collection increased but still remain competitive on an all Wales basis. During the first two years of the contract there has been a significant increase in the amount of waste recycled, (Bridgend is currently the second best performing authority in Wales), 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 was 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, with a reduced cost per tonne, 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 £8.5 million on the collection and disposal of waste in 2020-21.

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 also develop alternative ways of delivering and sustaining services including greater and more effective collaboration and encouraging others to work with us or assume direct responsibility for services in some cases. The

most significant proposed change in this respect is:

- A move to shift the responsibility for the management and maintenance of sports fields and pavilions from the Council to user clubs and groups or local town and community councils. The Council will adopt a flexible approach to community asset transfer (CAT), utilising the new streamlined CAT process, and ensuring that appropriate advice and both capital investment (from the CAT fund in the capital programme) and revenue support (from the new sports club support fund) are made available. The Council aims to achieve savings of £300,000 in 2021-22 from transferring these assets.

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, services such as regeneration and economic development have nevertheless made significant reductions to their budgets 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 on a regional basis with the nine other Councils that make up the Cardiff Capital Region City Deal, particularly in areas such as transport, economic development and strategic planning. The City Deal is creating a £1.2 billion fund for investment in the region over the next 20 years. This long term 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 to reflect this direction of travel. 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. These teams will ensure successful delivery of high profile regeneration projects as well as efforts to mitigate the Ford engine plant closure. We are also in the process of developing a new Local Development Plan and an important part of our budget planning is making sure that it is resourced appropriately to ensure our plan is properly researched and evidenced and sets out the development planning proposals for the County Borough which will shape its future, including housing growth. More specifically, 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 and the marketing of the initial development sites at Salt Lake in Porthcawl, the redevelopment of Maesteg Town Hall, and investment in initiatives to improve the town centre in Bridgend. Much of this investment is not the Council's own money, but skilled teams are required to bid successfully in a competitive environment to ensure money is levered in.

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.

### **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 and it is proposed that the main base for the registrars' service is moved from Tyr Ardd to Civic Offices during 2020-21, creating efficiencies in terms of operating costs by rationalising the Council's estate and generating an additional capital receipt.

### 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 £80 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.

We are continuing to invest in the automation and digitisation of services where appropriate, for example the schools admissions service is now almost entirely automated, and while some of the financial benefits have taken longer to achieve, as developing the necessary systems has taken longer than anticipated, work is ongoing to identify priority areas throughout the council which will help achieve savings in future years of the MTFs.

### **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 have saved £150,000 in 2019-20 and propose to save a further £100,000 next year through this 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 the council 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. Almost half 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 are seeking to avoid doing 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.

A full review of the HR/OD service has been completed and a new delivery model is currently being implemented to increase resilience and focus resource more effectively on priority areas of work.

## 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 reductions across its budgets in 2020-21 as part of the overall saving against Partnership Services.

## 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”, “Telephony” and “Email”. Council Tax and Housing Benefits services were prioritised, making it easier for residents to make applications and manage their accounts online. Phase 1 of the digital programme went live in April 2018 and has achieved the following:

- Over 29,180 people registering for My Account;
- 13,551 people registering their Council Tax account (9,587 subscribing to eBilling),
- 514 people registering for Housing Benefits;
- Over 18,000 online forms completed:
  - 7,354 school admissions
  - 3,964 council tax discounts and exemptions
  - 2,522 direct debits created and amended
  - 2,149 housing benefit claims and applications for discretionary housing payments, free school meals and distinctive school uniform
  - 1,150 school transport
  - 1,053 blue badge applications
- 31,795 Council Tax payments made via My Account totalling £4.628 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. The service is also focusing more efforts on developing the foundational economy based on local procurement as well as reviewing its overall approach in an effort to secure better outcomes for the Council from its large annual spend in this area.

## 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 2020-21 and outline proposals for 2021-22 to 2023-24.
- The capital programme for 2019-20 to 2029-30, linked to priority areas for capital investment and the Capital Strategy, which will be presented for approval by Council in February 2020, along with the Treasury Management Strategy 2020-21.
- The Corporate Risk Assessment, which will be updated and included in the final MTFS in February 2020.

- 4.3 In September 2019 the Chancellor, Sajid Javid, undertook a fast tracked one-year Spending Round to set departmental budgets for 2020-21. In his report he announced that the UK government will ramp up government spending next year at the fastest rate in 15 years, vowing to “turn the page on austerity”. This included new funds to boost the NHS, improve schools and tackle violent crime, along with £600 million extra for the Welsh Government's budget in 2020-21. In response to the Spending Round, Rebecca Evans AM, Minister for Finance and Trefnydd, announced that Welsh Government's revenue budget for 2020-21 would increase by 2.3% or £593 million. The spending round also included an increase of £18 million to the WG capital budget, which had already been set for 2020-21. She also stated that on the basis of the Chancellor's announcement, the Welsh Government's budget in 2020-21 will still be 2 per cent, or £300 million, lower in real terms than in 2010-11. She added that the additional funding does not even return our spending power to the levels of a decade ago.
- 4.4 Following this, on 28 October 2019 EU ambassadors agreed to further delay Brexit until 31 January 2020, and then on 6 November 2019 the Prime Minister, Boris Johnson, called a UK General Election for 12 December 2019. As a result of this, Welsh Government decided to defer the announcement of their draft budget until 16 December 2019 but stated that they would also publish the provisional local government settlement for 2020-21 on the same day to “*enable Authorities to engage with their communities and undertake their own democratic scrutiny before settling their budgets and council tax rates by 11 March*”.
- 4.5 The Minister for Finance and Trefnydd, Rebecca Evans, announced the Welsh Government's draft budget for 2020-21 on 16 December. Due to the nature of the spending round in September, the budget set by Welsh Government includes a one year only revenue budget and makes additional allocations to previously published indicative capital plans for 2020-21. She stated that “This Budget delivers on our promises, and commits new funding to deliver new ambitions to help protect the future of our planet. Our proposals underpin the delivery of our Programme for Government, and key pledges we made to the people of Wales on our NHS, affordable housing, all-age apprenticeships, childcare, help for small businesses, and much more.”
- 4.6 The budget includes an above-inflation increase of more than £400 million in health and social care, a new package of more than £140 million of capital funding to support WG ambitions for decarbonisation and to protect the environment, £175 million of capital targeted at housing investment, and an additional £19 million in a package of measures which are specifically targeted to help some of the most vulnerable people living in poverty in our communities. Measures include “new funding to extend PDG Access, ongoing funding to tackle period poverty, as well as extending provision for the School Holiday Enrichment Programme”.

### **Welsh Government Provisional Local Government Settlement 2020-21**

- 4.7 Councils also received their provisional settlements from Welsh Government on 16 December. The headline figure is an overall increase, after adjusting for transfers, of £183.8 million, or 4.3%, across Wales and, for Bridgend, an increase of 4.7% in Aggregate External Finance (AEF), or £9.18 million. However once the adjustment for the change in the tax base is taken into account the real increase is 4.57% or £8.878 million. This increase will be required to fund the full year effect of the teachers' pay and pensions increases for the period April to August 2020, the future impacts of teachers' pay awards which will come into effect from September 2020 and to provide funding for free school meals, given the continued rollout of Universal Credit by the UK Government. This is in

addition to other pressures such as the non-teachers' pay increase from April 2020 and other legislative and demographic pressures, including rising pupil numbers.

- 4.8 Whilst the provisional settlement is a significant improvement compared to the -1.5% "most likely" assumption that is contained within the Council's original MTFS for 2020-21, as stated it does not recognise a number of new pressures that the Council will have to meet so should be viewed with a degree of caution.

#### **Settlement Implications for 2021 to 2024**

- 4.9 The Minister for Finance and Trefnydd stated that, following the one-year budget for 2020-21, funding implications for the WG Budget beyond that will be determined as part of the next UK Comprehensive Spending Review. As announced by the UK Government at the end of August, a full multi-year Comprehensive Spending Review is planned for 2020.

#### **Transfers into and out of the 2020-21 Revenue Settlement**

- 4.10 The provisional settlement includes information on a small number of transfers into the Revenue Support Grant (RSG) in respect of the Teachers' Pensions Grant (£1.807 million) and the Teachers' Pay Grant (£555,000) for the period September 2019 to March 2020, along with £80,000 towards the costs of social care tasks performed by registered nurses in nursing homes.

#### **Specific Grants**

- 4.11 The picture on changes to specific grants is available at an all Wales level, but not yet at an individual authority level for most grants. While many of the grants remain unchanged from the 2019-20 figure, there is a significant decrease in the Sustainable Waste Management grant of around 10%. However, there are also increases in several grant schemes, including the Social Care Workforce and Sustainability Pressures Grant which has increased by an additional £10 million, from £30 million to £40 million, an increase of £8 million to the PDG Access Grant to cover more year groups and an increase to the Pupil Development Grant. Welsh Government has advised that the specific information will be updated for the final settlement.

#### **Council Tax**

- 4.12 The 2020-21 draft Revenue Budget, shown in Table 8, assumes a Council tax increase of 4.5%. This is lower than the options included in the public budget consultation (6.5% minimum), due to the better than anticipated settlement, but it also needs to strike a balance between the responses received from residents about council tax increases, and the need to mitigate against a number of unfunded, unavoidable pressures, including pay increases and demographic changes. 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 2021-2024.

#### **Welsh Government Capital Settlement**

- 4.13 In February 2019 Council approved a capital programme for 2018-19 to 2028-29, based on the assumption that local authorities would receive the third tranche of the additional £100 million capital funding allocated for 2018-19 to 2020-21 (£20 million for 2020-21) and

then funding would return to its pre 2018-19 level. Council has approved revised versions of the capital programme during the financial year to incorporate budgets carried forward from 2018-19 and any new schemes and grant approvals. The provisional local government capital settlement provides this Council with £7.983 million capital funding for 2020-21, which is £318,000 more than 2019-20 but £761,000 more than was originally anticipated. This is as a result of an additional un-hypothecated allocation of £15 million which Welsh Government hopes “will enable local authorities to respond to the urgent need to decarbonise, in light of the climate emergency declared by the Welsh Government and many councils over the past year”. No indications have been given for 2021-22 or beyond but it is anticipated that the funding will return to the pre 2018-19 levels.

### Current Year (2019-20) Financial Performance

4.14 The in-year financial position as at 30 September 2019 is shown below.

**Table 1- Comparison of budget against projected outturn at 30 September 2019**

Directorate/Budget Area	Original Budget 2019-20 £'000	Revised Budget 2019-20 £'000	Projected Outturn Q2 2019-20 £'000	Projected Over / (Under) Spend 2019-20 £'000	Projected Over / (Under) Spend Qtr 1 2019-20 £'000
<b>Directorate</b>					
Education and Family Support	116,208	113,848	114,442	594	548
Social Services and Wellbeing	70,834	70,948	71,866	918	274
Communities	25,331	25,886	25,918	32	559
Chief Executive's	18,609	18,573	17,688	(885)	(618)
<b>Total Directorate Budgets</b>	<b>230,982</b>	<b>229,255</b>	<b>229,914</b>	<b>659</b>	<b>763</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,430	7,329	6,759	(570)	0
Levies	7,376	7,134	7,134	0	0
Apprenticeship Levy	700	700	623	(77)	(80)
Council Tax Reduction Scheme	14,854	14,854	14,751	(103)	(162)
Insurance Premiums	1,588	1,588	1,330	(258)	(257)
Repairs & Maintenance	870	870	870	0	0
Pension Related Costs	430	430	430	0	0
Other Corporate Budgets	6,579	8,649	4,849	(3,800)	0
<b>Total Council Wide Budgets</b>	<b>39,827</b>	<b>41,554</b>	<b>36,746</b>	<b>(4,808)</b>	<b>(499)</b>
<b>Appropriations to Earmarked to Reserves</b>			<b>3,574</b>	<b>3,574</b>	<b>0</b>
<b>Total</b>	<b>270,809</b>	<b>270,809</b>	<b>270,234</b>	<b>(575)</b>	<b>264</b>

4.15 The overall projected position at 30 September 2019 is a net under spend of £575,000, comprising £659,000 net over spend on directorates and £4.808 million net under spend on corporate budgets, offset by net appropriation to earmarked reserves of £3.574 million. The main reason for the under spend of £3.8 million on ‘Other Corporate Budgets’ is due to Welsh Government advising local authorities of additional grant funding being made available during 2019-20 to meet the increased cost of teachers’ pensions, fire service pensions and teachers’ pay increases, all of which were originally funded in full through the MTFs. 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. 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.

- 4.16 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) 2020-21 to 2023-24**

- 4.17 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 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.
- 4.18 The development of the MTFS 2020-21 to 2023-24 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Budget Research and Evaluation Panel (BREP) and issues arising during 2019-20, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 4.19 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**

- 4.20 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 2020-2024 and which Members and others can examine and judge the Council's financial performance against. The fourteen key principles included within the MTFS for 2019-20 to 2022-23 have been considered by BREP and Cabinet and updated to reflect the current Council situation. There are now thirteen updated principles as follows:
1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on re-shaping the Council over the full period of the MTFS.
  2. All budget related decisions will align with the principles of the Well-being of Future Generations (Wales) Act 2015.
  3. The Council will continue to meet its statutory obligations and demonstrate how it directs resources to meet the Council's corporate priorities. Other resource strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.

4. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks, with adequate provision being made to meet outstanding and reasonably foreseen liabilities.
5. All services will seek to provide value for money and contribute to public value, and will continuously review budgets to identify efficiency savings.
6. Financial plans will provide an optimum balance between income and expenditure for both capital and revenue, with opportunities for generating additional income taken in line with the Council's Income Generation and Charging Policy.
7. Savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays.
8. 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.
9. The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.
10. Capital investment decisions are in alignment with the Council's Capital Strategy, and mitigate any statutory risks taking account of return on investment and sound option appraisals.
11. 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.
12. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
13. Resources are allocated to deliver transformational projects based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS.

The MTFS Budget Reduction Contingency Reserve referenced in Principle 7 enables the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. Table 2 below identifies the allocations to date from this reserve during 2019-20:

**Table 2: MTFS Proposals supported by MTFS Budget Reduction Contingency Reserve in 2019-20**

<b>MTFS Reference</b>	<b>Original Saving Proposal £'000</b>	<b>Funding from MTFS Budget Reduction Contingency £'000</b>
COM 52 - MREC	1,300	500
EFS 1 – Learner Transport Policy (17-18)	20	20
EFS 2 – School Transport Route Efficiencies (17-18)	40	40
EFS 1 – Learner Transport Policy (18-19)	67	67
EFS 1 – Learner Transport Policy (19-20)	67	67
<b>TOTAL</b>	<b>1,494</b>	<b>694</b>

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**

- 4.21 The published provisional 2020-21 Aggregate External Finance (AEF) figure is an increase of 4.7%. In the MTFS 2019-20 to 2022-23, it was stated that the Council would 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 2020-21 to 2022-23, recognising the ongoing uncertainty around our funding in future years following Brexit. Whilst the settlement for next year is significantly better than anticipated, which allows us to set a council tax increase of 4.5% for 2020-21, which is lower than the level that was consulted on, given the uncertainty going forward and the significant pressures resulting from pay, pensions and demographic increases in 2020-21 onwards, the proposed Council Tax increase for 2021-22 onwards will remain at 4.5%.
- 4.22 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. These will be amended as further fiscal and economic information is made known.

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

	<b>2020-21 % Change</b>	<b>2021-22 % Change</b>	<b>2022-23 % Change</b>	<b>2023-24 % Change</b>
Best Scenario	+4.7%	-1.0%	-1.0%	-1.0%
<b>Most Likely Scenario</b>	+4.7%	-1.5%	-1.5%	-1.5%
Worst Scenario	+4.7%	-3.0%	-3.0%	-3.0%

- 4.23 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>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Best Scenario</b>	2,452	8,162	7,972	7,775	<b>26,361</b>
<b>Most Likely Scenario</b>	2,452	9,178	8,962	8,740	<b>29,332</b>
<b>Worst Scenario</b>	2,452	12,225	11,872	11,518	<b>38,067</b>

### Managing within the MTFS Resource Envelope

- 4.24 The financial forecast for 2020-2024 is predicated on £29.332 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 Educational (Tribunal) Act Wales 2018 and the Environment (Wales) Act 2016.
  - Fees and Charges will increase by the statutory minimum or CPI (+1.5% at November 2019) plus 1%.
  - Significant increases in staffing costs as a result of the 6.2% increase in the national living wage from April 2020 (with further increases expected in April 2021), along with the impact of staff pay increases in 2020-21. These include the full year effect of the teachers' pay increase in September 2019 (minimum 2.75%) and potential increases for non-teachers following the unions recent pay claim, which includes a 10% pay increase for all NJC pay points, an increase in annual leave and reduction in the working week. If these were agreed, in part or in full, they would be completely unaffordable for the Council and would require a significant increase in the value of budget reductions required or a significant increase in council tax, beyond that proposed already. These agreements would significantly increase the overall pay bill, and the amount we pay in respect of external contracts.
  - With regard to pensions' contributions, the employer contribution rate for teachers' pensions increased from 16.48% to 23.68% from September 2019. The part-year cost for Bridgend for 2019-20 is around £2.1 million, and this was met in the main from one-off grant funding from Welsh Government. This grant has transferred into the settlement in 2020-21 and the amount allocated to Bridgend is £1.807 million, which just falls short of the total requirement. The full year effect is around £3.6 million, an additional £1.8 million for 2020-21, and this is one of the pressures to be funded from within the 4.7% increase in AEF announced by the Welsh Government.

## Net Budget Reduction Requirement

4.25 Table 5 shows the current position in respect of addressing the most likely forecast budget reduction requirement of £29.332 million. It shows that £8.257 million of budget reduction proposals have already been identified over the period of the MTFs, including the full £2.452 million required for 2020-21. The table shows that the Council still needs to develop proposals to the value of £21.1 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 2020-21 to 2023-24**

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
2020-21	919	1,028	505	2,452	0	2,452
2021-22	309	1,924	1,231	3,464	5,714	9,178
2022-23	0	955	208	1,163	7,799	8,962
2023-24	0	955	223	1,178	7,562	8,740
<b>Total</b>	<b>1,228</b>	<b>4,862</b>	<b>2,167</b>	<b>8,257</b>	<b>21,075</b>	<b>29,332</b>
Percentage of total required	4%	17%	7%	28%	72%	100%

4.26 Table 5 illustrates the difficult position that the Council finds itself in financially over the life of the MTFs. For 2021-22 only £3.464 million (38%) of savings have been identified, which leaves the Council at risk of balancing the budget. This will depend on the level of settlement that the Council receives and the total budget reductions required to balance the budget. If the Council receives a similar settlement to that proposed for 2020-21 then the position will not be as stark, but there are a number of uncertainties going forward which do not allow us to plan on this basis. Consequently we will continue to identify options to close the gap during the remainder of the financial year and into 2020-21, at the same time seeking additional funding from Welsh Government, particularly for new responsibilities.

4.27 The budget reduction proposals identified can be categorised as:

- Smarter Use of Resources;
- Managed Service Reductions;
- Collaboration and Service Transformation; and

iv. Policy Changes.

4.28 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 2020-21 to 2023-24**

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000	Total £'000	%
<b>Smarter Use of Resources</b>	1,561	1,649	955	955	5,120	62%
<b>Managed Service Reductions</b>	541	1,405	208	223	2,377	29%
<b>Collaboration &amp; Service Transformation</b>	35	300	0	0	335	4%
<b>Policy Changes</b>	315	110	0	0	425	5%
<b>Total Identified</b>	<b>2,452</b>	<b>3,464</b>	<b>1,163</b>	<b>1,178</b>	<b>8,257</b>	<b>100%</b>

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

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

4.30 Budget reduction proposals relating to Collaboration and Service Transformation amount to 4% of the total budget reductions. Policy changes amount to 5% and include reducing services to the statutory minimum as well as cutting some discretionary services. The policy change proposals are subject to consultation.

4.31 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**

4.32 A full consultation "Shaping Bridgend's Future" was launched on 9 September 2019 and ran until 3 November 2019. This covered 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 included an online survey, community engagement stands, attendance at town and community council meetings and social media debates. The results were collated and presented to Cabinet on 17 December in order to further inform decisions on the MTFs. A summary of the headline figures and themes is presented in Table 7 below:

**Table 7 – Budget Consultation Headlines**

<b>Headlines from the Public Consultation</b>	
<b>Council Tax</b>	
64% of respondents stated that they would be prepared to pay an additional 6.5% council tax (this was the lowest amount that could be chosen).	
83% of respondents were not willing to pay an additional 13.6% council tax in order to protect all services for 12 months.	
<b>The proposals to make savings that were supported by respondents were:</b>	
Close Community Recycling Centres for one day per week each (70%).	
The council is not best placed to provide pest control services (58%).	
Remove funding for town centre events (54%).	
Remove funding for all strategic events (40%) and remove funding for Elvis Festival (32%).	
Remove funding for Bridgend Business Forum (72%).	
Reduce the funding for Adult Community Learning to save £65k (58%).	
Support for a model of localised day services through the development of Community Hubs (69%).	
Remove escorts from school transport where there are less than eight pupils (56%).	
Delegate funding to primary schools for pupils with additional learning needs (57%).	
Move to less face to face interactions within the Customer Services Contact Centre within Civic Offices (70%).	
Move to an appointment based system in the Customer Services Contact Centre (59%).	
<b>The proposals that were not supported by respondents were:</b>	
Move to a reactive street cleaning service (63%).	
Removal of funding for CCTV (70%).	
Removal of funding for Pop-up Business School (58%).	
Reconfiguration of the homelessness service (54%).	
Reconfiguration of the homelessness service (54%).	
Delegation of money for cognition and learning services to schools (52%).	
<b>Generating Income</b>	
61% of respondents agreed that the council should consider commercial ventures to fund and protect front line services.	
60% of respondents stated that the council should consider the possibility of providing energy to its residents to generate income.	
<b>Social Media Responses – most common comments:</b>	
<b>Theme</b>	<b>No.</b>
Don't increase council tax by 13.6%	242
We pay more council tax yet receive less services	203
Cut council staff/wages/expenses/pensions	200
Requests for more information on annual accounts and budget reductions	116
Cut councillors/wages/expenses	99
Council should challenge central government funding cuts	88
Issues with recycling and waste service	73

4.33 Cabinet and CMB have reflected on the responses received from the public consultation and have drafted the budget based on the comments and responses received.

Consequently, some budget reduction proposals which were previously under consideration have either been amended, deferred or removed for this draft budget. These included:

- removal of adult community learning
- reduced funding for the pop-up business school
- removal of the CCTV service
- reducing or removing street cleaning provision
- removal of certain community recycling centres, and
- reduced funding for highways.

## 2020-21 Draft Revenue Budget

4.34 The following table shows the draft revenue budget for 2020-21.

**Table 8 – Draft Revenue Budget 2020-21**

	Revised Budget 2019-20	Specific Transfers to/ (from) WG	Inter-Directorate Transfers	Pay / Prices / Pupil Growth	Budget Pressures	Budget Reduction Proposals	Revenue Budget 2020-21
	£000	£000	£000	£000	£000	£000	£000
<b>Service Directorate Budgets:</b>							
Central Education & Family Support	21,319	45	-166	64	356	-278	21,340
Schools	95,546	2,121	-298	808	1,375	0	99,552
<b>Education and Family Support</b>	<b>116,865</b>	<b>2,166</b>	<b>-464</b>	<b>872</b>	<b>1,731</b>	<b>-278</b>	<b>120,892</b>
<b>Social Services &amp; Wellbeing</b>	<b>71,577</b>	<b>80</b>	<b>-353</b>	<b>0</b>	<b>410</b>	<b>-820</b>	<b>70,894</b>
<b>Communities</b>	<b>25,862</b>		<b>-157</b>	<b>45</b>	<b>2,686</b>	<b>-646</b>	<b>27,790</b>
<b>Chief Executives</b>	<b>18,622</b>		<b>-152</b>	<b>0</b>	<b>266</b>	<b>-508</b>	<b>18,228</b>
<b>Total Directorate Budgets</b>	<b>232,926</b>	<b>2,246</b>	<b>-1,126</b>	<b>917</b>	<b>5,093</b>	<b>-2,252</b>	<b>237,804</b>
<b>Council Wide Budgets:</b>							
Capital Financing	7,329						7,329
Levies	7,406						7,406
Repairs and Maintenance	870						870
Council Tax Reduction Scheme	14,854			400			15,254
Apprenticeship Levy	700					-50	650
Pension Related Costs	430						430
Insurance Premiums	1,588			0		-150	1,438
Other Council Wide Budgets	4,706	196	1,126	8,639	1,037		15,704
<b>Total Council Wide Budgets</b>	<b>37,883</b>	<b>196</b>	<b>1,126</b>	<b>9,039</b>	<b>1,037</b>	<b>-200</b>	<b>49,081</b>
<b>Net Budget Requirement</b>	<b>270,809</b>	<b>2,442</b>	<b>0</b>	<b>9,956</b>	<b>6,130</b>	<b>-2,452</b>	<b>286,885</b>

## Council Tax Implications

4.35 Based on the proposed budget of £286.885 million, the Council Tax increase for 2020-21 will be 4.5%.

## Pay, Prices and Demographics

4.36 As mentioned in paragraph 4.24, the National Joint Council (NJC) negotiating body has submitted a pay claim for non-teaching local government workers for 2020-21 and discussions are ongoing. No agreement has been reached on this at present. Depending on the final outcome of these discussions there could be additional budget pressures that the Council has to meet, which may not be known until during the 2020-21 financial year.

In addition, whilst the teachers' pay award has been agreed for the 2019-20 academic year, there will be additional pressure from any new pay award to be implemented from September 2020. Welsh Government has indicated that the increased funding that it has provided through the settlement should recognise the future impacts of teachers' pay awards which will come into effect from September 2020.

- 4.37 Funding for price inflation has been allocated to service budgets, where known, including provision for increases in business rates, rents, allowances and contractual commitments. A further review of allocations will be undertaken before the final budget is agreed and any necessary amendments made.
- 4.38 The remaining inflationary provision will be retained centrally 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.

### **Non-Teachers' Pensions**

- 4.39 The Council has received the provisional results of the actuarial valuation of the Local Government Pension Fund as at 31 March 2019. The valuation shows that, based on the performance of the fund at that time, the employer's contributions required by the authority from April 2020 for the next three years is a potential reduction from the current 21.3% to a proposed 19.8%. This is based on changes to the assumptions used to value liabilities and changes to membership since the last valuation. The impact of this is a potential reduced cost of employer's contributions of £1.126 million per annum, the budget for which has been centralised under 'Inter-Directorate Transfers' in Table 8 to be set aside for the unknown non-teachers' pay award referred to above until such time as the final contribution rate and the costs of the pay award are known with certainty.

### **Schools' Budgets**

- 4.40 In 2019-20 school budgets were again protected from the proposed 1% annual efficiency target. However, the forecast pressure and uncertainty around Council budgets for future years was deemed to be such that it was felt to be almost impossible not to include the 1% efficiency target in proposals for 2020-21 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 2019-20 financial year to plan ahead. However, following receipt of the better than anticipated 2020-21 provisional settlement from Welsh Government, and recommendations from the various consultation events, school budgets have again been protected from the 1% efficiency target in 2020-21.
- 4.41 There are a significant number of pressures on school delegated budgets for 2020-21 and beyond, not least the full year cost of the teachers' pay award and pensions increase, and pressures of funding additional learning needs. The total impact of these pressures is around £4.3 million, which is partly met from transfers into the settlement and partly from funding for pay, prices and unavoidable pressures.
- 4.42 It should be noted that the efficiency target is maintained for 2021-22 and beyond, in recognition of the pressures stated above, uncertainty around future budget settlements and mounting external pressures across Council services.

## **Budget Pressures**

- 4.43 During 2019-20 a number of unavoidable 2020-21 service budget pressures have arisen, detailed in Appendix A. In addition to this, Cabinet have considered the responses to the budget consultation and other issues arising during the year and have included a new recurrent budget pressure of £2 million to address a number of public realm and place shaping issues, not least carriageway resurfacing, transport and road safety, gulley cleaning, pitch drainage and play areas, site preparation for housing and commercial development and general maintenance issues throughout the county borough, along with supporting infrastructure. This will, in part, help to address the estimated £50 million backlog of highways repairs and maintenance work that exists. This could be a combination of capital or revenue spend, and any capital requirements will be subject to full Council approval in line with financial procedures.
- 4.44 Further provision has been made to develop an apprenticeship programme throughout the Council to enable staff to undertake formal training alongside the development of practical skills. The aim is to “grow our own” skilled and professional workforce particularly in services where we are struggling to recruit to specialist posts, e.g. building control, transportation officers, engineers, planners and surveyors. The total pressures identified equate to £6.130 million. 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.

## **Budget Reduction Proposals**

- 4.45 Budget reduction proposals of £2.452 million have been identified from service and corporate budgets to achieve a balanced budget, detailed in Appendix B.

## **Council Wide Budgets**

- 4.46 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 which led to budget reductions totalling £2.610 million in 2018-19 and a further £2.388 million in 2019-20. 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**

- 4.47 Generally, income from fees and charges will be increased by CPI (+1.5% at November 2019) 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**

- 4.48 In line with the MTFs principle 9, the Council Fund will normally be maintained at a level of 5% of the Council's net budget, excluding schools. Details of the Council's earmarked reserves position at 30 September 2019 (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 2020.

**Table 9 – Usable Earmarked Reserves**

Opening Balance 01-Apr-19	Reserve	Net Additions/ Reclassification	Draw-down	Unwound	Closing Balance 30-Sep-19
£'000		£'000	£'000	£'000	£'000
	<b>Corporate Reserves:</b>				
(9,243)	Education & Family Support	-	41	-	(9,202)
(841)	Social Services & Wellbeing	-	15	-	(826)
(7,397)	Communities	(2,297)	476	313	(8,905)
(5,415)	Chief Executives	770	223	47	(4,375)
(13,833)	Non-Directorate	(2,530)	770	248	(15,345)
<b>(36,729)</b>	<b>Total Corporate Reserves</b>	<b>(4,057)</b>	<b>1,525</b>	<b>608</b>	<b>(38,653)</b>
	<b>Directorate Earmarked Reserves:</b>				
(634)	Education & Family Support				(634)
(1,854)	Social Services & Wellbeing		152		(1,702)
(2,539)	Communities		115		(2,424)
(2,770)	Chief Executives	(125)	111		(2,784)
<b>(7,797)</b>	<b>Total Directorate Reserves</b>	<b>(125)</b>	<b>378</b>	<b>-</b>	<b>(7,544)</b>
	<b>Equalisation &amp; Grant Earmarked Reserves:</b>				
(850)	Education & Family Support	(7)	452		(405)
(1,634)	Communities				(1,634)
(483)	Chief Executives	7			(476)
<b>(2,967)</b>	<b>Total Equalisation Reserves</b>	<b>-</b>	<b>452</b>	<b>-</b>	<b>(2,515)</b>
<b>(614)</b>	<b>School Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(614)</b>
<b>(48,107)</b>	<b>Total Usable Reserves</b>	<b>(4,182)</b>	<b>2,355</b>	<b>608</b>	<b>(49,326)</b>

### Capital Programme and Capital Financing Strategy

- 4.49 This section of the report deals with the proposed Capital Programme for 2019-20 to 2029-30, 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 2020-21, which provides General Capital Funding (GCF) for the Council for 2020-21 of £7.983 million of which £3.986 million is un-hypothecated supported borrowing and the remainder £3.997 million provided through general capital grant.
- 4.50 In the Final Local Government Settlement 2019-20 the Welsh Government announced an additional £100 million capital across all local authorities in Wales, £50 million in 2018-19, £30 million in 2019-20 and £20 million in 2020-21. The draft capital settlement for 2020-21 includes the final tranche of this funding, along with an additional £15 million to enable local authorities to respond to the urgent need to decarbonise, in light of the climate emergency declared by the Welsh Government and many councils over the past year. This is in addition to the additional £60 million capital provided over the same three years for a local authority road refurbishment scheme, funded by grant. No indicative allocations have been provided for 2021-22, so for now it is assumed that the level of funding will revert to the pre 2018-19 level, assuming the end of the £100 million capital grant, but this will be indicative only.

- 4.51 The original budget approved by Council on 20th February 2019 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2018-19 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, service managers have not been asked to submit capital bids for funding at this stage.
- 4.52 Following the approval by Council of the new Capital Strategy in February 2019, and the subsequent quarterly monitoring reports to Cabinet and Council, any amendments to the capital programme are usually dealt with during the year rather than just as part of the MTFS. Any new schemes that require funding will be picked up in the quarter 3 monitoring reports to Cabinet and Council, or they will be built into the capital programme in readiness for the final MTFS in February 2020.
- 4.53 The capital programme contains a number of annual allocations that are met from the total general capital funding for the Council. The allocations for 2019-20 are shown in Table 10 below:

**Table 10 – 2019-20 Annual Allocations of Capital Funding**

	<b>2019-20 £'000</b>
Highways Structural Works	200
Carriageway Capital Works	250
Disabled Facilities Grant	1,950
Housing Renewal / Empty Property Schemes	100
Special Regeneration Funding	540
Minor Works	1,130
Community Projects	50
Corporate Capital Fund (Renewals / Match Funding)	200
Street lighting / Bridge infrastructure replacement	400
<b>Total</b>	<b>4,820</b>

- 4.54 These annual allocations have been reviewed by Cabinet and Corporate Management Board, and no changes are proposed to be made to them in 2020-21 at this time.

### **Capital Receipts**

- 4.55 The Council estimated that around £21 million could be generated as part of the enhanced disposals programme which commenced in 2014. So far, circa £18 million has already been delivered, with £2.56 million under contractual agreement and the balance projected to be realised over the next 6 months (2019-2020). 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**

- 4.56 Total Prudential Borrowing taken out as at 1 April 2019 was £43.998 million, of which £27.796 million was outstanding. It is estimated that the total borrowed will increase to £44.95 million by the end of this financial year.
- 4.57 Future prudential borrowing could include an estimated £2 million towards the costs of the 21<sup>st</sup> Century Schools Band B 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 2020.

### **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 well-being objectives:

1. Supporting a successful economy
2. Helping people to be more self-reliant
3. Smarter use of resources

The well-being 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:

5 Ways of Working	Examples
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 Capital Strategy and 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, the Capital Strategy, the Treasury Management Strategy 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 2020-21 to 2023-24 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 9, 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 2020-21 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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**January 2020**

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**Background documents:** Individual Directorate Monitoring Reports  
MTFS Report to Council – 20 February 2019  
Provisional Local Government Revenue and Capital Settlements  
2020-21