

Bridgend County Borough Council

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr



MEDIUM TERM FINANCIAL STRATEGY

2021-22 to 2024-25



Contents

Section 1. Introduction		Page No.
1.1	Aims and Purpose of the Medium Term Financial Strategy	2
1.2	MTFS Principles	2
1.3	Corporate Financial Overview	4

Section 2. Context		Page No.
2.1	Well-being Objectives	9
2.2	Key Statistics	9
2.3	Scrutiny and Challenge	15
2.4	Service Overview	17

Section 3. The Financial Climate		Page No.
3.1	Current Financial Situation	27
3.2	Welsh Government Local Government Settlement	28
3.3	Forecast Financial Position	30
3.4	Corporate Risk Assessment	33

Section 4. Budget 2021-22		Page No.
4.1	Revenue Budget 2021-22	34
4.2	Capital Programme and Capital Financing	40
4.3	Council Reserves	45
4.4	Council Tax	46

Section 5. Longer Term Outlook		Page No.
5.1	Longer Term Financial Outlook Considerations	48
5.2	Sources of Funding	48
5.3	Future Cost Pressures and Risks	51
5.4	Longer Term Strategy	54

SECTION 1. INTRODUCTION

1.1 Aims and Purpose of the Medium Term Financial Strategy

1.1.1 The Council's Medium Term Financial Strategy (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 well-being objectives 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.

1.1.2 The MTFS includes:-

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2021-22 and outline proposals for 2022-23 to 2024-25.
- The capital programme for 2020-21 to 2030-31, linked to priority areas for capital investment based upon the Council's Capital Strategy.
- The Corporate Risk Assessment.

1.1.3 The Council aspires to improve the understanding of its financial strategy, link more closely to its well-being objectives 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. It also seeks to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.

1.2 MTFS Principles

1.2.1 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 2021-2025 and which Members and others can examine and judge the Council's financial performance against. The thirteen key principles are to ensure that:

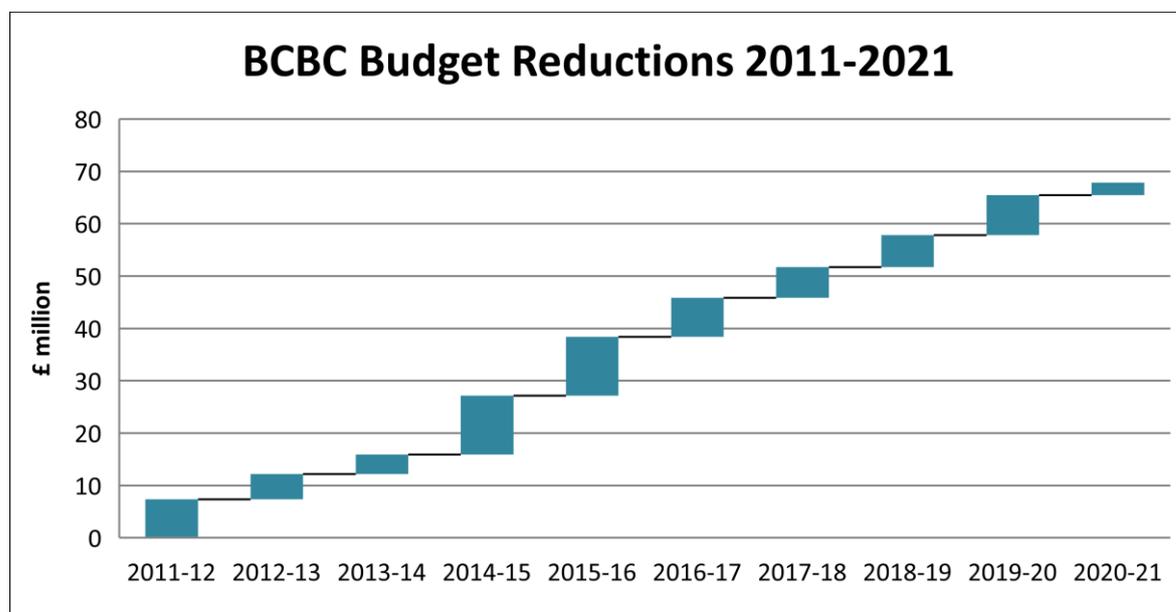
1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on re-shaping the Council over the full period of the MTFS.
2. All budget related decisions will align with the principles of the Well-being of Future 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 well-being objectives. 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.

1.3 Corporate Financial Overview

1.3.1 Over the last 10 years, the Council has made £68 million of budget reductions, as shown below. This represents almost 25% of the Council's current budget:

Chart 1: Bridgend County Borough Council (BCBC) Budget Reductions 2011 to 2021



While the Council's net revenue budget is planned at £298.956 million for 2021-22, 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 £435 million in 2021-22. The local authority's annual revenue budget covers the day-to-day running costs of the local authority (including staff salaries, building maintenance, pensions, operational costs etc.). Around £190 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, social care workers, leisure staff and foster carers.

1.3.2 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

1.3.3 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.

1.3.4 As well as having less income to fund services, there are other pressures that squeeze resources. Amongst these are:

- Legislative changes e.g. the Environmental (Wales) Act 2016, the Welsh Government's commitment to eradicate homelessness, the implications of the Local Government and Elections (Wales) Bill and the Additional Learning Needs and Education Tribunal (Wales) Act 2018.
- Demographic changes - People are living longer which is obviously good news but that also can bring increased dependency through people living with more complex or multiple conditions which require social care and support.
- An increase in the number of pupils at our schools, which places increased pressure on school budgets, along with an increase in free school meals entitlement which brings additional funding pressures.
- More recently, a reduction in the amount of council tax being collected, due to the difficult economic circumstances that people find themselves in. This is coupled with an increase in council tax support as more people find themselves on low incomes or claiming benefits.

1.3.5 The quarterly reports to Cabinet on the revenue position for 2020-21 have outlined in detail the impact on the budget of the additional cost pressures and loss of income faced by the Council throughout the year as a result of the pandemic. Welsh Government has played a significant role in mitigating the majority of these losses through their various funding streams, most notably the Covid-19 Hardship Fund.

However, Cabinet and Council now need to consider the longer term impact of the pandemic and how it will shape the Council as part of its Recovery Programme, which comprises the following strands:

- Restart
- Recover
- Renew

1.3.6 Clearly budget planning for the financial year 2021-22 is even more uncertain than usual due to the impact of the global Covid-19 pandemic, which is on top of the uncertainties around the end of the Brexit transition period. While, on the whole, the UK and Welsh Governments have been supportive of the initial additional costs and burdens that have emerged from Covid, and covered most of the directly incurred costs, moving forward it remains unclear how much of the loss of income and additional cost pressures will be covered in the 2021-22 financial year. In particular it is anticipated that some of the impact on levels of income in leisure, car parking and rental income, for example, may be a medium term problem. In addition it is likely that there will be an additional call on the council tax reduction scheme in view of the inevitable economic impact, and the level of council tax collection is estimated to fall. Furthermore, ongoing expenditure on matters relating to public health, such as the test, trace and protect scheme, use of personal protective equipment, arrangements for the public vaccination programme, additional Covid-19 enforcement as well as other expectations with regard to addressing homelessness more robustly, and supporting social care sustainability, are likely to be significant.

- 1.3.7 In these circumstances setting a balanced budget for 2021-22 is even more challenging than usual, particularly on the back of 10 years of significant budget savings during the austerity years.
- 1.3.8 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 disadvantage. 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 new socio-economic duty on public bodies, which comes into force on 31 March 2021, will reflect these aims.
 - The Council has three well-being objectives that reflect these and other principles. One of these objectives is to make "Smarter Use of Resources". This means we will ensure that all its resources (financial, physical, ecological, 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.
- 1.3.9 In seeking to continue to meet the council's identified priorities and protect its investment in Education and early intervention, Social Services and Wellbeing, and prioritise the most vulnerable in our society, we are proposing the following changes in the 2021-22 budget:

Additional Income

Where possible, and still recognising the ongoing economic challenges that local people and businesses will face next year, the council will seek to raise additional income. However, there will be limited opportunities to do so given the immense challenges that Covid-19 has brought to the population. We will continue to look for opportunities where that might be possible.

Alternative Delivery Models

We will continue to seek alternative ways of delivering services if that can ensure greater sustainability and efficiency. Over recent months there has been a significant acceleration in the Community Asset Transfer (CAT) Programme and it is anticipated that a saving of £300,000 can be made in 2021-22 by transferring responsibility for the management of assets, predominantly outdoor sports related playing fields and pavilions, to town and community councils or community clubs and groups. In addition the Covid-19 pandemic has shown how some Council services can be delivered differently, and it is important that where appropriate that is something that endures and that investment is made to ensure that services can be maintained and delivered safely. Specifically it is anticipated that an acceleration of the Council's digital programme will allow efficiency savings reflected in some of the proposed staff savings, in service areas such as Finance and Human Resources. In all, proposed staff savings in the Chief Executive's Directorate alone total over £89,000. Wherever possible, staff restructuring will be done sympathetically allowing those that wish to leave to do so, but also making appropriate investments in home and agile working and digital technology to ensure the Council is fit for the future.

Efficiency Savings

The best kind of budget savings of course remain ones where there is little or no direct impact on staff or residents. After a decade of substantial budget savings, opportunities for large scale savings of this sort are now more scarce, but where they emerge they remain an important component of the MTFs. For next year significant savings are proposed to the Council's ICT telephony budget of £41,000, and the insurance budget of £75,000. Further savings of £120,000 are proposed in prudential borrowing costs in the building maintenance budget, and of £60,000 for the fire suppression scheme in the Tondu Depot as the scheme is paid from capital rather than revenue. The ongoing investment in installing LED lighting in the Council's streetlights continues to offer further savings with a budget saving of £75,000 proposed for next year. There is also a potential saving of £19,000 by utilising Welsh Government grant to purchase a new vehicle to service the collection of the Council's Absorbent Hygiene Product waste and therefore negate the need for, and the current costs of, leasing a vehicle. The Council will continue to seek to apply and secure grants where they can lead to revenue savings and greater sustainability of important services. Other potential savings being considered going forward are in relation to the current contracts with Halo Leisure and Awen to run our leisure and cultural facilities, which may allow some ongoing revenue savings by varying the terms of the existing contracts with regard to issues such as energy and building maintenance.

Property Savings

The Covid-19 pandemic reinforced the need for the council to consider very closely the need for all of its portfolio of building assets. Over recent years savings have already been made by rationalising the number of operational depots and releasing one of the Council's major staff offices at Sunnyside. For 2021-22 further savings are proposed by housing the ICT staff and server in the Civic Offices and not

renewing the lease on Sunnyside House, for which an annual budget saving of £309,000 will result. Furthermore, the Council's investment in a new, modern, Community Recycling Centre in Pyle, due to open in 2021-22, will mean the lease for the site at Tythegston can be ended with a saving of £60,000 per year.

Changes to Service Provision

Unfortunately, despite the likely settlement we will receive for 2021-22 being an increase overall, it is highly unlikely that we will be able to balance the budget without also making changes to the level of services that we can provide and prioritising those services that are deemed most important in terms of meeting the Council's agreed priorities. In particular it is important that where the council runs a service that also benefits other organisations and partners that appropriate contributions are made, where possible, to complement the Council's investment.

SECTION 2. CONTEXT

2.1 Well-being Objectives

2.1.1 The Council's vision is to act as:

“One Council working together to improve lives”.

We will do this by delivering our well-being objectives. In setting our well-being objectives we set out what we aim to achieve and why they are important. Our well-being objectives are integrated, which ensures we are working together to achieve shared outcomes. Our well-being objectives are:



2.2 Key Statistics

2.2.1 Key Financial Statistics:

In order to consider the future direction of the Council, it is important to look back over recent years to understand how previous financial settlements have shaped the current financial position of the authority. Table 1, below, outlines the key budget changes over the last 10 years.

Table 1: BCBC Budget Statistics

	2010-11	2020-21	% increase
BCBC Council Budget	£232.515m	£286.885m	23.4
WG Funding	£180.750m	£203.127m	12.38
Council Tax Income	£51.765m	£83.758m	61.8
% of Budget funded by Council Tax	22.26%	29.20%	31.2

In real terms, Welsh Government (WG) funding is falling year on year and this has impacted on the proportion of funding that is required to be met from council tax, compared to external WG funding. The total collected from council tax has increased by 61.8% over the last 10 years – this is as a result of a combination of the increase in the number of chargeable properties and increases in council tax charges which have been required to balance the budget.

Financial Performance

Current Year (2020-21) Financial Performance

The in-year financial position as at 31 December 2020 is shown in Table 2 below.

Table 2 – Comparison of budget against projected outturn at 31 December 2020

Directorate/Budget Area	Original Budget 2020-21 £'000	Revised Budget 2020-21 £'000	Projected Outturn Q3 2020-21 £'000	Projected Over / (Under) Spend 2020-21 £'000	Projected Over / (Under) Spend Qtr 2 2020-21 £'000
Directorate					
Education and Family Support	120,931	123,512	124,839	1,327	1,494
Social Services and Wellbeing	70,894	73,240	74,052	812	420
Communities	27,790	28,379	27,627	(752)	456
Chief Executive's	18,228	18,773	18,573	(200)	1,118
Total Directorate Budgets	237,843	243,904	245,091	1,187	3,488
Council Wide Budgets					
Capital Financing	7,329	7,329	7,129	(200)	(200)
Levies	7,459	7,460	7,472	12	11
Apprenticeship Levy	650	650	655	5	(14)
Council Tax Reduction Scheme	15,254	15,254	15,254	0	1
Insurance Premiums	1,438	1,438	1,376	(62)	(51)
Repairs & Maintenance	870	753	753	0	0
Pension Related Costs	430	430	435	5	0
Other Council Wide Budgets	15,612	9,167	2,230	(6,937)	(3,266)
Total Council Wide Budgets	49,042	42,481	35,304	(7,177)	(3,519)
Earmarked Reserves	0	500	5,799	5,299	0
Total	286,885	286,885	286,194	(691)	(31)

The overall projected position at 31st December 2020 is a net under spend of £691,000, comprising £1.187 million net over spend on directorates and a £7.177 million net under spend on corporate budgets, offset by net appropriation to earmarked reserves of £5.299 million. Due to the Covid-19 pandemic, the position during this financial year has been very fluid and relies heavily on securing additional funding from Welsh Government to support cost pressures and loss of income. The directorate position has improved significantly since quarter 2 and it is hoped that it will continue to improve during the remainder of the financial year. The main reasons for the increase in under spend on 'Other Council Wide Budgets' are due to the movement on inflation rates since budget setting (CPI was 1.7% in February 2020 and had reduced to 0.6% by December 2020) and therefore the reduced requirement to allocate budget to service areas in-year (£1.5 million), successful WG Covid-19 claims of £3.4 million since quarter 2 that otherwise would have had to have been met from this budget and additional grant funding being made available from WG to contribute to the increased costs of teachers' pay.

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. No allocations have been made to date from this reserve, but further reviews will be undertaken during the remainder of the financial year, and draw down made accordingly, and 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.

Historical Financial Performance

Table 3 outlines the historical outturn position over the previous three financial years. It demonstrates a healthy outturn position with a net under spend overall on directorate and council wide budgets, which have enabled the Council to establish new and increased earmarked reserves to meet emerging pressures and commitments. Annually the Council has generally drawn down more from reserves than it has established in year. It has also been able to slightly increase the value of the Council Fund to its current level of £9.340 million which is in line with MTFs Principle 9.

Over recent years the year end position of the Council has been masked by year-end grant allocations from Welsh Government, for a number of areas including schools and social services, generating under spends that were not budgeted for during the financial year. For example, the 2019-20 outturn position was impacted by unexpected grant funding from Welsh Government of over £2.6 million, which the Council would have been unaware of when setting and approving its 2019-20 budget. Given the favourable outturn position, and the uncertainty around the impact of the Covid-19 pandemic on the Council's budget for 2020-21, and potentially longer, a specific Covid-19 earmarked reserve was established at the end of 2019-20 to mitigate additional cost pressures and loss of income, including council tax income, during 2020-21 and beyond. Year-end outturns are one-off and usually used to establish new earmarked reserves or pay off existing prudential borrowing, they cannot be used to offset future budget savings or reduce council tax.

Table 3: Historical Financial Outturn Position 2017-2020

	2017-18 £000	2018-19 £000	2019-20 £000
Council Budget	258,093	265,984	270,809
Outturn	251,639	258,131	261,354
(Under) Spend	(6,454)	(7,853)	(9,455)
Accrued Council Tax Income	(594)	(670)	(1,502)
Appropriations to Earmarked Reserves	6,661	8,094	10,394
Transfer to Council Fund	387	429	563
Draw Down from Reserves	10,703	9,996	8,299

Usable Reserves

In terms of financial reserves, the Council Fund balance has steadily risen over the last 10 years, to its current value of £9.340 million, as shown in Table 4. This represents 3.4% of the net revenue budget for 2019-20 or 5.27% of the net revenue budget, excluding schools. This aligns with MTFs Principle 9 which states that:

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.

Table 4: Usable Reserves 2017-2020

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000
2017-18	8,347	48,075	21,161	288	77,871
2018-19	8,776	48,107	17,922	1,482	76,287
2019-20	9,340	55,222	18,608	317	83,487

In total, usable reserves have increased over the 3 year period. The capital receipts reserve has fallen slightly, as major schemes within the capital programme have been progressed. In contrast, earmarked reserves have increased, but it is important to note that within this balance is a capital programme reserve which, similar to the capital receipts reserve, supports major capital schemes within the capital programme. As the potential to generate capital receipts from the sale of assets diminishes, this has become an important source of funding for the capital programme and enables major capital schemes to progress without the need for borrowing which

would put additional pressure on the revenue budget. As at 31 March 2020 the balance was £20.878 million, which constituted 38% of the total Earmarked Reserves balance, leaving £34.344 million for other pressures, including:

- £2.161 million Insurance
- £4.993 million Service Reconfiguration
- £4.668 million Building / Asset Management
- £3.695 million Equalisation Funds and Grants
- £2.622 million Specific Directorate Pressures
- £3.000 million Covid-19 Recovery

Earmarked reserves are reviewed regularly, drawn down when required and unwound when no longer necessary.

Borrowing and Investments

The Council's Treasury Management Strategy sets out its approach with regard to borrowing and investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high. However, with limited capital receipts likely to be available in future years and significant capital investment planned, including the 21st Century Schools Band B Programme, the Council is forecasting an increased capital financing requirement.

Capital interest costs as a percentage of the net revenue budget have historically averaged between 3% to 4%. However, this could increase if budgets are squeezed further and the Council's under-borrowed position diminishes.

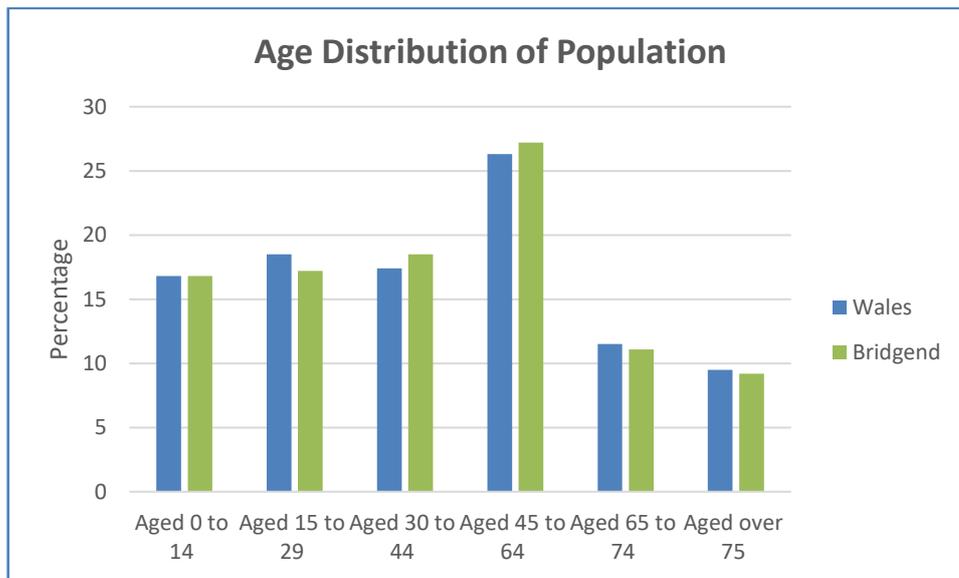
2.2.2 Non-Financial Statistics:

Population

Bridgend has a population of almost 147,049 (mid-year estimate 2019). Between 2008 and 2019 its population grew by 6.7% and this is expected to continue and reach around 150,000 by 2030, an increase of around 0.3% per annum.

The age distribution of the County Borough is broadly in line with the average for Wales, however there is a higher percentage of 30 to 64 year olds, and lower percentage of 15 to 29 and 65+ year olds.

Chart 2: Age Distribution of Population at mid-year 2019



A growth in population places greater demand on Council services including housing, education, environment services and social care. The level of unemployment is also instrumental in determining the demand for Council funded benefits such as council tax reduction or concessions when paying for Council services.

Employment

In terms of employment, for the year ending 31 March 2020 Bridgend's employment rate was 59% compared to an all-Wales level of 57.2%. Bridgend had a higher than average economic activity rate, and consequently a lower than average economic inactivity rate. This covers those people who are out of work and not looking for a job, including those who were looking after a home or retired.

The impact of Covid-19 and the closure of the Ford plant in September 2020 is likely to have an adverse effect on these figures by the end of the 2020-21 financial year. Any increase in the number of unemployed or on low incomes will create a pressure on a number of service areas, including housing and social services, but also on benefit related services such as council tax support.

Pupil Numbers

The Council has a total of 59 schools (infant, junior, primary, secondary and special, welsh medium and church schools) with around 22,000 pupils. A number of these buildings are in poor condition with a backlog of repairs and maintenance issues. Pupil numbers overall and within and across schools do not remain static, and are currently rising, which impacts upon the need to provide the right number of school places in the right locations. The Council has already invested £21.6 million in providing new and refurbished schools under Band A of the 21st Century Schools Programme and has also committed to spending a further £19 million of funding under Band B of the programme. The cost of financing these schemes, along with any future operating costs, will be reflected within future financial pressures.

Other statistics

Leisure and Well-being:

Life Centres	5
Swimming Pools	5
Sports Centres	8
Library services	11

We also develop, manage and maintain **280 hectares** of open spaces, including children's play areas, sports pitches, commons, highway verges, landscapes and horticultural features. All of these require regular maintenance and investment, in addition to the ongoing running costs required to keep them open for the public.

2.3 Scrutiny and Challenge

- 2.3.1 Cabinet and Corporate Management Board (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, despite the restrictions caused by the Covid-19 pandemic. An eight week consultation 'Fit for the Future' was undertaken between 19 October and 13 December 2020, the emphasis of which was on the Council's recovery plans, what the public felt were important services during the lockdown and what services they actually accessed. Due to social distancing requirements, which limited face to face interactions, the budget consultation was pre-launched on social media prior to the live survey date and the consultation itself focused more on online, social media and interactive ways of working.
- 2.3.2 A wide variety of methods of communication were used including surveys, social media, a number of online engagement sessions, online FAQ sessions as well as videos, radio adverts and media releases. In addition, in order to gather the views of young people, the consultation team attended a Bridgend Youth Council meeting and promoted the consultation amongst learners, staff and parents at Bridgend secondary schools and Bridgend College. The results were collated and presented to Cabinet on 19 January 2021 in order to further inform decisions on the MTFS.
- 2.3.3 The consultation was supported by a full communications and promotional plan. The main activities included three media releases, a BCBC budget explainer video, various press release/editorials in the media, a social media/web campaign, radio campaign, direct marketing to key target audiences e.g. businesses, schools, youth council and internal communications for staff and elected members.
- 2.3.4 Overall, the Council received 1,831 interactions from a combination of survey completions, engagement at various meetings, social media engagement and via the authority's Citizens' Panel. Due to the impact of Covid-19 this is a decrease of 5,606 (75%) on the 7,437 interactions from last year. A total of 1,421 survey responses were received, a decrease of 58% on last year's survey completions.
- 2.3.5 A summary of the main headlines arising from the consultation is provided in Table 5 below.

Table 5 – Headline Figures from Public Consultation

Headlines from the Public Consultation
Responding to the Pandemic
<ul style="list-style-type: none"> • 45% of respondents stated that customer services had performed well or very well during the pandemic.
<ul style="list-style-type: none"> • 47% of respondents stated that the support for vulnerable residents had been performed well or very well during the pandemic;
<ul style="list-style-type: none"> • When asked what services they had missed during lockdown respondents stated that the services that they had missed the most were community recycling centres, followed by gyms and or swimming pools and then parks and playing fields.
<ul style="list-style-type: none"> • When asked which maintained services should be a priority for the future respondents stated general waste and recycling collection services followed by street lighting including responding to street lighting faults and then domestic abuse support.
<ul style="list-style-type: none"> • 70% of respondents stated that the support for communities had been performed well or very well during the pandemic.
Business and the Economy
<ul style="list-style-type: none"> • 87% of respondents stated that support for local businesses was important or very important.
<ul style="list-style-type: none"> • 73% of respondents stated that promotion of town centres as places to visit was important or very important.
<ul style="list-style-type: none"> • When asked if respondents had any other ideas about how the council should support local businesses respondents stated reduce business rates and rents followed by need to invest/regenerate the town centres and empty properties, encourage more shops, ensure cleanliness and reduce anti-social behaviour and then better and free car parking.
Health and Wellbeing
<ul style="list-style-type: none"> • When asked which support services to help our most vulnerable residents the council should focus on as we recover from the pandemic 92% of respondents stated that support for older people was important or very important.
<ul style="list-style-type: none"> • 81% stated that ensuring those who are homeless are kept safe as lockdown restrictions ease was important or very important.
<ul style="list-style-type: none"> • 78% of respondents stated that food poverty – (for example should BCBC support and promote food banks and provide children eligible for free school meals with food parcels during school holidays) was important or very important.
<ul style="list-style-type: none"> • 77% of respondents stated that council tax support for residents who had difficulty paying their council tax as a direct result of the pandemic was important or very important.
<ul style="list-style-type: none"> • 88% of respondents stated that during the pandemic support from community organisations was either important or very important.
Civic Offices
<ul style="list-style-type: none"> • 81% of respondents stated that they had not missed coming into Civic Offices while it has been closed. When asked how they have accessed services while Civic Offices has been closed respondents stated the website, followed by telephone and then email.
<ul style="list-style-type: none"> • 60% of respondents stated that when Civic Offices do reopen the council should move to an appointment based system.
<ul style="list-style-type: none"> • 59% of respondents stated that when Civic Offices reopen they will continue to access services online, a further 20% of respondents stated that they always preferred to access services online.
Digitalisation
<ul style="list-style-type: none"> • When asked what would help you or someone you know access services online 44% stated that they didn't need any help accessing services online, this was followed by 15% stated that they would find printable 'how to' guides useful and 14% stated that they would like to have videos on the Bridgend council website. 12% of respondents stated that they would like access to community learning sessions and 11% stated that they would like appointments with a member of the customer services team to show them how to access services online.

Council Tax
<ul style="list-style-type: none"> When asked to select which statement best represent their views on setting the council tax for 2021-22, 37% of respondents were prepared to increase council tax a bit to help protect the most important services where possible (4.5% increase), followed by 36% of respondents who preferred to keep council tax levels the same level, which would result in a reduction in the level of services provided, followed by 19% of respondents who were prepared to increase council tax more significantly to protect more services (6% increase) and then 8% of respondents who were prepared to pay as much as is needed to maintain all council services at existing levels (16% increase).
The Future
<ul style="list-style-type: none"> When asked what do they think our long term priorities for the future should be, respondents selected making in house efficiencies, followed by focussing on services that benefit everyone in the borough and then encouraging citizens to take more responsibility. When asked which three services the council should prioritise when recovering from the pandemic, respondents most commonly chose care for older people, followed by schools and then recycling and waste.

2.3.6 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Panel (BREP) over the last six months to facilitate the budget planning process. The draft budget report approved by Cabinet in January 2021 has also been scrutinised by the Council's Scrutiny Committees resulting in a report to Cabinet on 9 February from the Corporate Overview and Scrutiny Committee (COSC), outlining a number of recommendations. Cabinet has considered COSC's recommendations, which include recommendations from BREP, and a response to these is provided in Appendix A.

2.3.7 Cabinet and CMB have reflected on the responses received from the public consultation and have compiled the budget based on the comments and responses received. This includes:

- protecting school budgets
- investment in new provision for additional learning needs
- support for homeless individuals
- enhancing our digitalisation capabilities
- support for waste and recycling
- additional funding to support an ageing population
- lower council tax increase than originally proposed

2.4 Service Overview

2.4.1 This overview 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

2.4.2 Education

The Council is proposing to spend £127 million on services delivered by the Education and Family Support Directorate in 2021-22. The majority of this money will be spent by Bridgend's 59 schools and one pupil referral unit.

In addition to the £103 million proposed budget to be delegated to schools in 2021-22, 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 21st 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. 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 2021-22 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% annual efficiency target for one year. However, the forecast pressure on Council budgets for future years is such that it may be unavoidable for 2022-23 onwards, and so it will be necessary for headteachers and governing bodies to plan ahead.

The Council has identified 'Helping people and communities to be more healthy and resilient' 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 2021-2022 that are reflected in the budget:

- We intend reviewing our staffing structures within the Education and Family Support Directorate, which we anticipate will secure efficiency savings of around £110,000.
- 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 2021-2022, we anticipate a further cut of £5,000 (1%). We will continue discussions around savings that can be made in future years.

We will continue to seek efficiencies in the application of the Council's Home-to-School / College Transport Policy. We have also reviewed other aspects of our transport provision including post-16 transport, following a full public consultation exercise.

2.4.3 Social Care and Well-being

After Education, the largest area of Council spend is on social care. This includes social care for children and for adults with care and support needs. Within the Directorate there is a focus on well-being and independence, outcome focussed practice which supports people to live the lives that matter to them. This way of working results in less dependency on commissioned social care services for many individuals and more effective and cost effective use of statutory services. 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 well-being objective of 'helping people and communities to be more healthy and resilient' 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 more effectively support independence and continue to remodel the way we work in order to lessen dependency and enable people to maximise their independence.

Social services is largely a needs 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 needs led and the financial pressure to meet need can fluctuate very rapidly. Needs are met and personal outcomes achieved within available budgets. In total, the Council is proposing to spend £74 million on social care and wellbeing services in 2021-22.

Though some pressures are allowed for in planning the 2021-22 budget, we are not simply increasing the budget to meet needs based on current models of care and support. 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 continue to transform how we work with people to support their independence and how services are delivered. Introducing new ways of working which will be sustainable in the long term, alongside a service which has to meet a range of statutory needs, requires a long term shift in culture and practice. 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. The impact of the Covid-19 pandemic on people with care and support needs and the social care sector is significant in the short and medium term and plans will need to be adjusted to reflect this changed context.

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 2021-22 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 the Council's foster care and remodelling residential services.

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, some of which are reflected in changes to the budget. These include a full review of the learning disability day opportunities and accommodation strategy and further remodelling of Children's residential and fostering services.

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 (Wales) 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 service has responded to the challenges of Covid-19 and new guidance introduced by Welsh Government in relation to homelessness presentations, and has recognised these as budget pressures for the Council, with the aim of providing temporary accommodation to people in need, in order to reduce the number of street homeless people. 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 Housing Support 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.

Housing will continue to adopt a strategic approach to homelessness prevention and provision by working with Welsh Government and partner organisations. Work with Registered Social Landlords is on-going to support new housing developments and housing will continue to use the Social Housing Grant effectively to increase the supply of social housing.

2.4.4 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 direct and visible impact on everybody. This includes our work to maintain highways, parks and open spaces, clean our streets, and collect and dispose of our waste.

In 2021-22 the Council is likely to receive around £4 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 around £21.8 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. Investment in this area is proposed to continue into 2021-22.

The seven year contract with Kier is now moving into its fourth year and the costs associated with waste collection still remain competitive on an all Wales basis. During the first few years of the contract there has been a significant increase in the amount of waste recycled, (Bridgend is consistently in the top 5 of best performing waste authorities in Wales), and therefore a significant reduction in the volume of our residual waste. This is expected 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). An agreement with Neath Port Talbot Council has now been made for waste disposal going forward until 2030 or until a regional facility comes on line. A £300,000 budget pressure is included in the MTFS for 2021-22 to mitigate the shortfall in savings until this time. We expect to spend in the region of £9.1 million on the collection and disposal of waste in 2021-22. Work will also commence on looking at the provision of waste and recycling services post 2024, when the Kier contract ends, and this will be reported to Cabinet in 2021.

A major challenge for the Council is how to continue to meet public expectations for many highly visible and tangible services when the available overall Council 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 this area will allow us to protect our investment in the Council's priorities and in areas where we have far less ability to exercise control.

2.4.5 Supporting the Economy

Whilst this is a Council priority, services such as regeneration and economic development as a discretionary service 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 £2.1 million 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 working through its employability programme to mitigate job losses as a result of the pandemic and major employers, such as Ford, leaving the County Borough. 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 regeneration of the waterfront at Porthcawl, including the Salt Lake site, the redevelopment of Maesteg Town Hall, and investment in initiatives to improve the town centre in Bridgend. This includes potentially relocating Bridgend College to a town centre location. 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.

2.4.6 Regulatory and Corporate 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

This is a combined service with the Vale of Glamorgan and Cardiff City Councils, for which Bridgend will contribute around £1.8 million towards a 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.

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 registrars service that deals primarily with the registration of Births, Marriages and Deaths. The service also undertakes Civil Partnership and Citizenship ceremonies. The main base for the registrars' service was moved from Tyr Ardd to the 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

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 were the highest ever in the Council's history, but this has been seriously impacted by the Covid-19 pandemic. We are determined to regain 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.

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.

2.4.7 Corporate Services

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.

Property and building maintenance

The Council is undertaking a review of its commercial property portfolio, identifying asset management opportunities and the mechanisms required to deliver a sustainable increase in income. 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. This focus on reducing our assets and energy efficiency will be essential if the Council is to meet Welsh Governments targets of all public sectors bodies being net carbon neutral by 2030. A draft "Bridgend 2030 Decarbonisation Strategy", setting out these intentions will be subject to public consultation in 2021.

The service will continue to review its processes in 2021-22 including seeking further operational efficiencies and streamlined business processes, from IT investment, improved procurement and contract management.

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.

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 all of the financial management of the Council. This includes high level strategic advice, the Council's accounts, monitoring of financial performance 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 and in delivering value for money in service delivery.

The Finance Section will be looking to further improve and enhance business processes to improve efficiency and also meet legislative changes. Significant

progress has been made in automating payments and the Council will continue to develop and extend this to a wider range of suppliers.

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, contracts and absence administration. Other services include training and development, recruitment and retention, developing employee skills and 'growing our own'. We intend making greater investment in recruiting more apprentices next year.

Working closely with our recognised trade unions, it maintains positive and transparent employee relations arrangements.

ICT

We are continuing to invest in the automation and digitisation of services in line with our recently approved Digital Strategy, where it is appropriate to do so, and work is ongoing to identify priority areas through the Digital Transformation Programme which will help achieve savings in future years of the MTFs.

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.

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.

Internal Audit

Our Regional Internal Audit Shared Service is provided by a joint service that we share with the Vale of Glamorgan, Rhondda Cynon Taf and Merthyr Councils. The service carries out routine checks and investigations to ensure that the Council maintains good governance – especially as it relates to the proper accountability of money and other resources.

SECTION 3. THE FINANCIAL CLIMATE

3.1 Current Financial Situation

3.1.1 In March 2020, following a one-year Spending Round in 2019, the Chancellor announced that the comprehensive spending review (CSR), setting out government expenditure plans for the next three years would be delayed because of the coronavirus outbreak. When the CSR was launched in July 2020, due to unprecedented uncertainty, the Chancellor did not fix a set spending envelope, but confirmed that departmental spending (both capital and resource) would grow in real terms across the CSR period and that the government would deliver on the commitments made in the March Budget to level up and invest in the priorities of the British people. Given the impact Covid-19 has had on the economy, the Chancellor was clear there will need be tough choices in other areas of spending at the review.

3.1.2 In October 2020 the Treasury confirmed that the Comprehensive Spending Review would only set departmental budgets for the following year, due to the economic disruption caused by Covid-19, and the ongoing uncertainties around Brexit, rather than the original plan of setting spending totals for three years and capital budgets for a further year. A statement from the Treasury said:

"In order to prioritise the response to Covid-19, and our focus on supporting jobs, the Chancellor and the Prime Minister have decided to conduct a one-year Spending Review, setting department's resource and capital budgets for 2021-22, and devolved administration's block grants for the same period."

"While the government would have liked to outline plans for the rest of this parliament, the right thing today is to focus entirely on the response to Covid-19 and supporting jobs - that's what the public would expect."

3.1.3 This is the second single year spending review in succession, and on 25 November 2020 the Chancellor delivered the outcome of the review, along with the Office for Budget Responsibility (OBR) forecast. In terms of the latter, the OBR forecasts that the economy will contract this year by 11.3% - the largest fall in output for more than 300 years. The Chancellor did say, however, that as the restrictions are eased, they expect the economy to start recovering, but that even with growth returning, *"our economic output is not expected to return to pre-crisis levels until the fourth quarter of 2022"*. He added that the economic damage would be lasting and that the economy would be 3% smaller than expected in the March budget.

3.1.4 In relation to the Spending Review he reported that this would deliver a "once in a generation" boost to infrastructure, with extra spending on schools, for councils and for the NHS. He said there would be £280 billion in spending "to get our country through coronavirus". He also said that the Spending Review would deliver stronger public services with billions in additional funding, including £1.3 billion for Wales. He also announced targeted pay increases for NHS workers and those on low pay, with a pay freeze for most of the rest of the public sector, alongside an increase in the National Living Wage of 2.2%.

3.1.5 In response to the Spending Round, the Minister for Finance and Trefnydd, announced that Welsh Government's revenue expenditure limit for 2021-22 would

increase by 4.6% in cash terms. This is in addition to additional funding for 2021-22 of £766 million in relation to Covid-19. She also expressed disappointment at the public sector pay freeze, the capital settlement, which was much lower than expected, and the low level of funding for the whole of the UK for the Shared Prosperity Fund, the replacement for EU funding, for 2021-22.

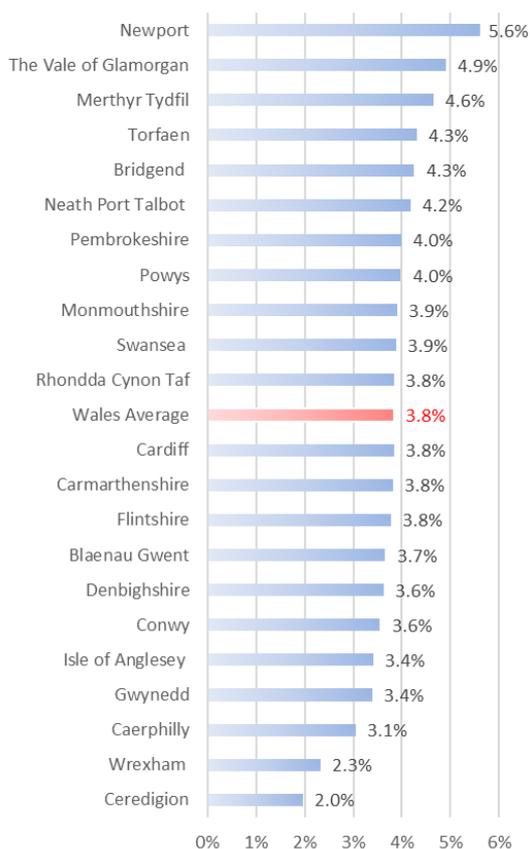
- 3.1.6 As a result of the late announcement of the Comprehensive Spending Review, Welsh Government decided to defer the announcement of their draft budget, along with the provisional local government settlement, until 21 and 22 December 2020, respectively. This also meant a delay in the announcement of the Welsh Government's final local government settlement until 2 March 2021, so the Medium Term Financial Strategy and the budget for 2021-22 is proposed on the basis of the provisional settlement.
- 3.1.7 The Welsh Government announced its draft budget for 2021-22 on 21 December 2020, in support of their key priorities to **protect, build and change**. The budget included an additional £420 million for health and social care (including £385 million for core NHS services and an additional £10 million for the Social Care Workforce Grant) to support the NHS's growth and recovery post-pandemic, a further £40 million for the Housing Support Grant, towards the long-term goal of ending homelessness in Wales, and an additional £23.3 million to extend free school meals in school holidays for the entirety of 2021-22. Other measures include funding to support catch up learning, additional funding for the predicted increase in demographic of 16-19 year olds in sixth forms and further education, funding for mental health services and an uplift of £176 million for local government. Welsh Government are also maintaining capital support to local government, to enable them to deliver joint priorities including decarbonisation, housing and economic recovery following Covid-19. To help build a greener future, an extra £40 million will also be provided for modern education infrastructure, including £5 million for a net-zero schools pilot.

3.2 Welsh Government Local Government Settlement

- 3.2.1 Bridgend's draft MTFs was presented to Cabinet on 19 January 2021, based on the provisional settlement, before being submitted for scrutiny. As outlined in that report, Bridgend's published provisional settlement was an increase in Aggregate External Funding (AEF) of 4.3%. Councils are not expected to receive their final settlements from Welsh Government until 2 March 2021, so the final MTFs is based upon the provisional settlement. The headline figure is an overall increase, after adjusting for transfers, of 3.8%, across Wales and, for Bridgend, an increase of 4.3% in Aggregate External Finance (AEF), or £9.064 million. This includes additional funding of £185,000 towards the full year effect of the teachers' pay award in September 2020. The Minister for Housing and Local Government stated that the settlement provided local authorities with a stable platform for planning their budgets for the forthcoming financial year, and that they would continue to provide funding to support Local Government's response to the pandemic, but that this would be considered separately, outside of the settlement. There are not intended to be any significant changes in the final settlement, which will be announced in March 2021.

This increase for Bridgend was the fifth highest increase across all Welsh Local Authorities as illustrated in Chart 3 below.

Chart 3: Revenue Funding for Welsh Councils 2021-22 (provisional settlement)



3.2.2 In announcing the provisional settlement the Minister for Housing and Local Government, stated *“this Settlement provides you with a stable platform for planning your budgets for the forthcoming financial year. I fully appreciate the pressures local government is facing and am committed to protecting local government, particularly at this difficult and challenging time. This is as good a Settlement as I can offer and one that should help to alleviate some of the pressures that you had been anticipating.”*

Transfers into and out of the 2020-21 Revenue Settlement

3.2.3 As mentioned in the draft MTFs report to Cabinet in January 2021, the provisional settlement includes information on a small number of transfers into the Revenue Support Grant (RSG) the only one affecting Bridgend being in respect of the Teachers’ Pay Grant 2020-21 (£3.981 million across Wales) for the period April 2021 to August 2021.

Specific Grants

- 3.2.4 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 2020-21 figure, there are decreases on an all-Wales level in the Sustainable Waste Management grant of around 5.7%, the Childcare Offer grant (18.3%), and the Health and Social Services Transformation Fund has reduced by 20%. However, there are also increases in other grant schemes, including the Social Care Workforce Grant which has increased by an additional £10 million, from £40 million to £50 million, as outlined in the Welsh Government Budget, and support for Minority Ethnic and Gypsy, Roma, Traveller learners. Welsh Government has advised that the specific information will be updated for the final settlement.
- 3.2.5 In relation to additional funding for Covid-19, the Welsh Government received £766 million in 'consequentials' from the November Spending Review. Some of this funding will go via specific grants to a small number of areas including the funding for free school meals in holidays, funding to support catch up learning in education and to top up the Homeless Prevention Grant.

3.3 Forecast Financial Position

- 3.3.1 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.
- 3.3.2 The development of the MTFs 2021-22 to 2024-25 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, scrutiny by Corporate Overview and Scrutiny Committee and other scrutiny committees, and issues arising during 2020-21, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 3.3.3 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).
- 3.3.4 As a result of the one-year Spending Round, Welsh Government has not provided any indications of likely funding levels for 2022-23 onwards, which makes forward planning quite difficult, particularly in the post-Brexit years.
- 3.3.5 The published provisional 2021-22 Aggregate External Finance (AEF) figure is an increase of 4.3%. In the MTFs 2020-21 to 2023-24, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2021-22 of an annual reduction in AEF of -1.5% and an assumed increase in

Council tax of 4.5% for 2021-22 to 2023-24, recognising the ongoing uncertainty around our funding in future years following Brexit. Whilst the settlement for next year is significantly better than anticipated, the proposed council tax increase is 3.9% to reflect the number of pressures facing the Council. Going forward, and given the uncertainty and the potential longer term pressures resulting from the impact of the pandemic, Brexit and demographic increases in 2021-22 onwards, the proposed Council Tax increase for 2022-23 onwards will remain at 4.5%.

3.3.6 The MTFS is 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 and the fallout from the Covid-19 pandemic, in the coming months and years. In view of these uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios based on revised percentage changes in AEF shown in Table 6. These were previously set at:

Best scenario: -1.0%
 Most likely scenario: -1.5%
 Worst scenario: -3.0%

They have been revised for the MTFS 2021-25 to take into account the actual funding levels received over recent years, the worst of which was -0.1% in 2019-20, but will continue to be monitored and will be amended as further fiscal and economic information is made known.

Table 6 – MTFS Scenarios: % Change in AEF

	2021-22	2022-23	2023-24	2024-25
Best Scenario	+4.3%	+1.0%	+1.0%	+1.0%
Most Likely Scenario	+4.3%	0%	0%	0%
Worst Scenario	+4.3%	-1.0%	-1.0%	-1.0%

3.3.7 The financial forecast for 2021-25 is predicated on £22.095 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. However, this is particularly uncertain at present, despite current inflation rates being low, and a risk to the Council, following the UK's departure from the European Union. The potential impact on delays in imports to the UK, and on the supply chain, could lead to higher prices faced by the Council for its goods and services.
- The future impact of national policies and new legislation which may not be accompanied by commensurate funding, such as the Welsh Government's

commitment to eradicate homelessness and the implications of the Local Government and Elections (Wales) Bill.

- Where appropriate, fees and charges will increase by the statutory minimum or CPI (+0.6% at December 2020) plus 1%. The Income Generation and Charging Policy will be reviewed for future years.
- Potential increases in staffing costs, including a confirmed 2.2% increase in the national living wage from April 2021 (from £8.72 to £8.91), along with the impact of staff pay increases in 2021-22. These include the full year effect of the teachers' pay increase of September 2020 (minimum 2.75%, overall increase 3.1%), the unknown teachers' pay increase in September 2021 and potential increases for non-teachers in April 2021 following the increase of 2.75% in 2020-21. During the Spending Review in November 2020 the Chancellor indicated that pay rises in most of the public sector, excluding the NHS, would be paused next year, but those who earn less than £24,000 will be guaranteed a pay rise of at least £250. However, this has been challenged by unions and could change. Therefore any increases higher than anticipated would significantly increase the overall pay bill, and the amount we pay in respect of external contracts.

3.3.8 Table 7 below shows the Council's potential net budget reduction requirement based on the forecast resource envelope and assumed council tax increases (paragraph 3.3.5 and 3.3.6 above) and inescapable spending assumptions (paragraph 3.3.7 above).

Table 7 – Budget reduction scenarios

	2021-22 £'000	2022-23 £'000	2023-24 £'000	2024-25 £'000	Total £'000
Best Scenario	1,760	4,837	4,637	4,431	15,665
Most Likely Scenario	1,760	6,959	6,780	6,596	22,095
Worst Scenario	1,760	9,081	8,881	8,676	28,398

3.3.9 Cabinet and CMB are working together to develop plans to meet the most likely scenario above for the four year period. 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.

3.3.10 Table 8 shows current progress on identifying budget reduction proposals.

Table 8 – Risk Status of Budget Reduction Proposals 2021-22 to 2024-25

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
2021-22	871	664	225	1,760	0	1,760
2022-23	0	1,123	391	1,514	5,445	6,959
2023-24	0	1,092	279	1,371	5,409	6,780
2024-25	0	1014	0	1,014	5,582	6,596
Total	871	3,893	895	5,659	16,436	22,095
Percentage of total required	4%	18%	4%	26%	74%	100%

3.4 Corporate Risk Assessment

3.4.1 The Council's Corporate Risk Assessment identifies the key corporate risks and mitigating actions and is attached as Appendix B. The Corporate Risk Assessment has been regularly reviewed during the financial year, to take into account risks arising from the Covid-19 pandemic, and has been scrutinised by Governance and Audit Committee. 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.

SECTION 4. BUDGET 2021-22

4.1 Revenue Budget 2021-22

- 4.1.1 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.
- 4.1.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Table 9 summarises the 2021-22 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

	2021-22 £'000
2020-21 Net Budget (Table 2)	286,885
Transfers and New Responsibilities (para 3.2.3)	185
2021-22 Pressures (para 4.1.3)	13,646
2021-22 Budget Reductions (para 4.1.15)	-1,760
2021-22 Net Budget Requirement	298,956
<i>Financed by:</i>	
2020-21 Net Budget (Table 2)	286,885
Net Cash Increase in AEF (para 3.2.1)	9,064
Council tax increase of 3.9% (para 3.3.5) plus increase in tax base	3,007
2021-22 Net Funding Total	298,956

2021-22 Revenue Budget

- 4.1.3 Table 10 presents the detailed net revenue budget for 2021-22. This includes
- An additional £6.329 million for the above known pay and price pressures, £185,000 of which was funded specifically through the settlement.
 - In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £7.502 million of inescapable pressures have emerged during 2020-21 and are explained in more detail in paragraphs 4.1.12 to 4.1.14 below.

In total, the Council has identified pressures of £13.831 million for 2021-22.

Table 10 – Net Revenue Budget 2021-22

	Revised Budget 2020-21	Pay / Prices	Budget Pressures	Budget Reduction Proposals	Revenue Budget 2021-22
	£000	£000	£000	£000	£000
Service Directorate Budgets:					
Central Education & Family Support	21,754	79	1,860	-116	23,577
Schools	101,414	1,019	1,045	0	103,478
Education and Family Support	123,168	1,098	2,905	-116	127,055
Social Services & Wellbeing	73,239	0	1,119	-315	74,043
Communities	28,579	0	381	-823	28,137
Chief Executives	18,660	0	2,774	-130	21,304
Total Directorate Budgets	243,646	1,098	7,179	-1,384	250,539
Council Wide Budgets:					
Capital Financing	7,329				7,329
Levies	7,460		323		7,783
Repairs and Maintenance	790			-120	670
Council Tax Reduction Scheme	15,254	400			15,654
Apprenticeship Levy	650				650
Pension Related Costs	430				430
Insurance Premiums	1,438			-75	1,363
Other Council Wide Budgets	9,888	4,831		-181	14,538
Total Council Wide Budgets	43,239	5,231	323	-376	48,417
Net Budget Requirement	286,885	6,329	7,502	-1,760	298,956

4.1.4 The net budget for 2021-22 will be funded by:

Table 11 – Net Budget Funding

	£	%
Revenue Support Grant	163,404,268	54.66
Non Domestic Rates	48,787,286	16.32
Council Tax Income	86,764,691	29.02
Total	298,956,245	100%

Pay, Prices, Pensions and Demographics

4.1.5 The National Joint Council (NJC) negotiating body had formulated three options (ranging from 5%, or £10 per hour, to 10%) for the 'headline' pay claim for NJC workers (which covers the majority of non-teaching local government workers) for 2021-22. The intention was for the trade union side (Unison, GMB and Unite) to agree a claim for submission to the Local Government Association early in 2021. This was announced prior to the outcome of the Comprehensive Spending Review in November where the Chancellor indicated that pay rises for the majority of public sector workers would be paused next year, but those earning under £24,000 would be guaranteed a pay rise of at least £250. The Welsh Local Government

Association (WLGA) Leader has made representations to the Chancellor, expressing his concerns about this, and the likely position is still unclear. Provision has been set aside for a potential pay award, but the value of this, and therefore the call on the budget, is very much unknown at this stage, and may not be known until during the 2021-22 financial year.

- 4.1.6 In addition, whilst the teachers' pay award has been agreed for the 2020-21 academic year, up until the end of August 2021, there will be additional pressure from any subsequent pay award to be implemented from September 2021.
- 4.1.7 Funding for price inflation has been allocated to service budgets, where known, but the majority, including provision for increases in rents, allowances and contractual commitments are still largely unknown. 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. Welsh Government has already announced that there will be no increase in the business rates multiplier for next year.
- 4.1.8 In addition to increases in pupil numbers in schools in recent years, which puts pressure on school delegated budgets, there is also evidence of an increase in the older persons' population. Over the last 6 years the average population increase has been around 1.8%, resulting in increased pressure on a number of service areas, including residential care, home care and the assessment and care management teams.

School Delegated Budgets

- 4.1.9 In 2020-21 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 2021-22 onwards, given that school budgets account for around a third of net revenue expenditure. However, following receipt of the better than anticipated 2021-22 provisional settlement from Welsh Government, the reducing balances that schools are experiencing and the additional costs they have incurred during the pandemic, school budgets have again been protected from the 1% efficiency target in 2021-22.
- 4.1.10 There are a significant number of pressures on school delegated budgets for 2021-22 and beyond, not least the full year cost of the teachers' pay award, increases in pupil numbers and pressures of funding additional learning needs. This includes the establishment of new provisions and support for pupils with complex medical needs, moderate learning difficulties and for those with autistic spectrum disorders, both through the medium of Welsh and English. The total impact of these pressures is around £2.06 million, and these are included in the proposed budget.
- 4.1.11 It should be noted that the 1% efficiency target is maintained for 2022-23 and beyond, in recognition of the pressures stated above, forecast reductions to the settlement and mounting external pressures across Council services.

Budget Pressures

- 4.1.12 The final schedule of budget pressures is attached at Appendix C and presents a number of recurrent pressures for 2021-22, totalling £7.502 million. These mainly

represent unavoidable pressures arising from legislative changes, increased costs and contractual changes. A number of these are also linked to the Covid-19 pandemic and will be recurrent pressures as we move into the “renew” phase. In addition, there are already at least £7 million of pressures identified for future years.

4.1.13 Some of the more significant pressures include:

- Provision of a range of support for pupils with additional learning needs in mainstream and special schools, through the medium of Welsh and English.
- Demographic growth, both pupil numbers in schools and increases in the older persons’ population, which place additional pressures on school budgets and adult social services.
- Increased costs of Direct Payments as more families choose to arrange and pay for their care services themselves, rather than through the Council.
- Responding to and providing support for homeless individuals, and eradicating rough sleeping, on a longer term basis.

4.1.14 In addition, a number of other pressures, particularly in the communities directorate, have been funded from earmarked reserves, where one-off expenditure, or via the annual £2 million public realm fund. This includes funding for highways clearance, rights of way maintenance and additional crematorium costs as a result of the pandemic.

Budget Reductions

4.1.15 Budget reduction proposals totalling £1.760 million have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in Appendix D. Since the draft MTFs was reported to Cabinet in January 2021, and following recommendations from Corporate Overview and Scrutiny Committee, a number of budget reduction proposals have been amended:

EFS1 – Home to School Transport – Phased implementation of Learner Transport Policy (£75,000) – this proposal has been deferred until 2022-23 to bring it into line with the outcome of the Welsh Government review of learner travel.

EFS2 – Home to School Transport - removal of Escorts on primary school service with fewer than 8 pupils (£35,000) – this proposed budget reduction has been removed to protect vulnerable pupils.

CEX2 – Domestic Pest Control Contract (£63,000) – this proposal has been removed following recommendations from COSC.

CEX3 – Reduction of Communications Licensing Budget (£8,000) – this proposal has been removed following receipt of additional advice on use of copyrighted materials if no license is in place.

4.1.16 To compensate for the total budget reductions removed or deferred, a new proposal has been included at CDW3 – a reduction in the provision for pay and prices (£181,000).

Council Wide Budgets

- 4.1.17 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 number of these budgets are fixed and unavoidable, and therefore cannot be reduced without putting the Council at risk. The higher than anticipated pay awards in recent years and unprecedented amount of budget pressures has put also additional pressure on these budgets.
- 4.1.18 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 2021-22 the levy on Bridgend, and consequently its Council Tax payers, is £7,363,938, an increase of 4.37% from 2020-21. This is as a result of demographic increases, specifically in Bridgend, and unavoidable pay and price increases.

Fees and Charges

- 4.1.19 Where appropriate, income from fees and charges will be increased by CPI (at the prevailing rate, 0.6% at December 2020) plus 1%, subject to rounding, or in line with statutory or service requirements, in line with the Council's Income Generation and Charging Policy. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers. New charges or charges that have been included in the 2021-22 budget and are above the general increase are shown in Appendix E.
- 4.1.20 The Income Generation and Charging Policy, which as approved by Council in March 2016, 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 Well-being Objectives

- 4.1.21 Appendix F details the Directorate Base Budgets for 2021-22. The MTFS supports the delivery of the Council's well-being objectives and Table 12 below summarises Directorate budgets which will be used to support these and core services and statutory functions. A more detailed analysis is shown in Appendix G.

Table 12 – 2021-22 Budget by Well-being Objective

Budget 2021-22 Well-being Objectives			
Directorate	Well-being Objectives	Core Services & Statutory Functions	Total
	£'000	£'000	£'000
Central Education & Family Support	9,104	14,473	23,577
Schools	43,172	60,306	103,478
Social Services and Wellbeing	55,142	18,901	74,043
Communities	8,750	19,387	28,137
Chief Executive's	4,415	16,889	21,304
Council Wide Budgets	351	48,066	48,417
NET BUDGET REQUIREMENT	120,934	178,022	298,956

4.1.22 As mentioned in paragraph 2.3.6, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2021-22. This resulted in removal of some initial budget reduction proposals, and additional investment in other key services, such as homelessness, additional learning needs and support for the ageing population. A number of proposals for 2022-25 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:

- Digital transformation of wider Council services
- Income generation opportunities
- Working with partners to asset transfer and protect community facilities;

4.1.23 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 13 shows the plans set out in this report will deliver 75% of the required budget reductions through smarter use of resources, such as:

- Smarter use of our assets and energy efficiencies;
- Further reductions in employee numbers through staffing reviews;
- Working with partners to protect sustainable community facilities.

Table 13 – Budget Reduction Proposals 2021-22 to 2024-25

	2021-22	2022-23	2023-24	2024-25	Total	%
	£'000	£'000	£'000	£'000	£'000	
Smarter Use of Resources	1,029	1,123	1,092	1,014	4,258	75%
Managed Service Reductions	431	316	279	0	1,026	18%
Collaboration & Service Transformation	300	0	0	0	300	6%
Policy Changes	0	75	0	0	75	1%
Total Identified to date	1,760	1,514	1,371	1,014	5,659	100%

- 4.1.24 Budget reduction proposals relating to Collaboration and Service Transformation amount to 6% of the total budget reductions. Policy changes amount to 1% and include reducing services to the statutory minimum as well as cutting some discretionary services. The policy change proposals are subject to consultation.
- 4.1.25 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.

4.2 Capital Programme and Capital Financing

- 4.2.1 This section of the report deals with the proposed Capital Programme for 2020-21 to 2030-31, which forms part of, but extends beyond the MTFS. It has been developed in line with the MTFS principles and the Council's Capital Strategy and reflects the Welsh Government capital settlement for 2021-22. 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.
- 4.2.2 The Welsh Government provisional capital settlement for 2021-22 provides general capital funding (GCF) for the Council of £7.916 million of which £3.953 million is un-hypothecated supported borrowing and the remainder £3.963 million is provided through general capital grant. Welsh Government has also informed local authorities that the £20 million public highways refurbishment grant, that was due to end in March 2021, will be extended for a further year.
- 4.2.3 No indicative allocations have been provided for 2022-23, 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.
- 4.2.4 The original budget approved by Council on 26 February 2020 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2019-20, slippage into 2021-22 and any new schemes and grant approvals. Following the approval by Council of the Capital Strategy in February each year, 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.
- 4.2.5 A review has 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.

- 4.2.6 Since the latest capital programme was approved by Council in January 2021 there are a small number of new schemes and amendments that need building into the programme:

Gateway to the Valleys Secondary School

Approval is sought to utilise the residual capital funding allocation of £96,000 from the Gateway to the Valleys Secondary School scheme to undertake works to the car park at Coleg Cymunedol Y Dderwen in order to address health and safety concerns in terms of its use. It is estimated that the total scheme cost is in the region of £140,000, and therefore approval is sought for the £44,000 shortfall to be met by viring from the approved school traffic safety budget allocation, already in the capital programme.

ICT for Digitally Excluded Pupils

Following a recent review of ICT provision for pupils who are home schooling due to the latest national lockdown restrictions, it has been identified that there is currently a shortfall of around 500 laptops for digitally excluded pupils. The 500 devices for digitally excluded learners was identified by the Schools ICT Strategy Group who surveyed the current position in schools. The Schools ICT Strategy Group is made up of headteachers, teachers, and officers of the Education and Family Support Directorate and ICT service. These devices will enable learners with no devices at home to continue their learning tasks during the Covid-19 pandemic. The total cost of these devices is £224,506 and this will be met from unallocated general capital funding in the capital programme.

WCCIS Hardware Refresh

Bridgend County Borough Council led on the procurement of the Welsh Community Care Information System (WCCIS), that supports both health and social care, and that went live in April 2016. A milestone has now been met for a Hardware Refresh at a total cost of £1.768 million in 2020-21 and £0.163 million in 2021-22. £1.197 million of funding is being transferred from the NHS Wales Informatics Service (NWIS) via Welsh Government to BCBC for payments in relation to the delivery of the above refresh in 2020-21. The balance in 2020-21 will be met by contributions from all partners of WCCIS, including £35,490 from BCBC. Further funding is being made available from the WCCIS capital programme in 2021-22.

Valleys Regional Park – Bryngarw Country Park Discovery Gateway

In September 2019, BCBC accepted a grant offer of £500,000 for the delivery of activity at Bryngarw Country Park through the Valleys Regional Park Discovery Sites Capital Grant 2019-21. We have now been successful in accessing a further £147,000 to extend the level of works at Bryngarw Country Park through Awen Cultural Trust as the delivery partner. The funding will extend the existing works to include solar panels, upgrade part of the boardwalk in the wet woodland area of the park, and carry out toilet and car park improvements along with a sculptural heritage trail.

Coastal Risk Management Programme (Eastern Promenade – Western Breakwater)

In January 2020 the scheme was identified by the Council as a priority as part of the Flood and Coastal works required to protect properties in the Porthcawl area, and a capital budget of £6.032 million was approved by Council and included in the Capital Programme. The scheme was to be funded 75% from Welsh Government grant (£4.523 million) and 25% from BCBC (£1.509 million) via an earmarked reserve. The scheme has now been tendered and the total cost of the contract is £6.459 million. However, there has been a change in the intervention rate by Welsh Government for Coastal Risk Management Programmes. Whereas the design phase and construction phase originally required a 25% contribution from BCBC, following a recent announcement by Welsh Government, this has reduced to a 15% contribution from the Council for construction with design works fully funded by WG. Bridgend's contribution has therefore reduced from £1.509 million to £969,000 with the balance being funded through the Local Government Borrowing Initiative (LGBI) whereby Welsh Government will provide revenue funding, via grant and ultimately through the local government settlement, to support borrowing costs.

There are small amounts of slippage also, forward into 2021-22 and back into 2020-21. Any new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2021-22 to 2030-31 and brought back to Council for approval at a later date.

- 4.2.7 The Capital Programme contains a number of fixed annual allocations that are met from the total general capital funding for the Council. The current allocations for 2020-21, along with the proposed allocations for 2021-22, are shown in Table 14 below:

Table 14 – 2020-21 and 2021-22 Annual Allocation of Capital Funding

	Actual 2020-21 £'000	Proposed 2021-22 £'000
Highways Structural Works	200	340
Carriageway Capital Works	250	250
Disabled Facilities Grant	1,950	1,950
Housing Renewal / Empty Property Schemes	100	100
Special Regeneration Funding	540	0
Minor Works	1,130	1,130
Community Projects	50	50
Corporate Capital Fund (Renewals / Match Funding)	200	200
Street lighting / Bridge infrastructure replacement	400	400
ICT equipment replacement	0	400
Total	4,820	4,820

- 4.2.8 In December 2014, Council agreed to extend the annual allocation for Special Regeneration Funding until 2020-21 to provide match funding for regeneration schemes under the Welsh Government's Structural Funding Programme 2014-20. This provided flexibility in the Capital Programme to enable the Council to take advantage of and maximise external funding opportunities, mitigate funding shortfalls which can occur between grant bid and offers stages and provide some contingency for additional spending pressures on regeneration projects. This has been considered in the light of Brexit and future funding opportunities and to mitigate this, the Council has established an earmarked reserve for once the SRF has been exhausted to provide an element of match funding for future schemes. Consequently it is proposed to remove this ring-fenced allocation for future years, with all bids for funding following the same process as outlined in the Capital Strategy.
- 4.2.9 Since the Covid-19 pandemic, a large proportion of the Council's staff have been working from home, and the Council has had to invest in significant amounts of ICT equipment, including laptops, supporting infrastructure, and other hardware and software. Whilst 50% of the funding has been met by Welsh Government, the Council has had to fund the balance, which has exhausted all existing capital ICT budgets. Funding is required on an annual basis to meet the costs of replacing warranty expired ICT equipment, and based on previous cohorts of laptops (pre Covid-19) it is known that the annual cost to replace will be in the region of £300,000 - £400,000. This will increase once the Covid-19 laptops become warranty expired.
- 4.2.10 It is therefore recommended that £400,000 of the unwound SRF funding be re-allocated towards ICT equipment replacement to enable the Council to replace and renew ICT on a timely basis. The balance would be used to supplement the funding for highways repairs, which could alleviate pressure on the highways revenue budget.

Capital Programme link to the Well-being Objectives

- 4.2.11 Table 15 outlines how the Council is using its capital programme to support the well-being objectives.

Table 15 – Capital Programme by Well-being Objective

Well-being Objective	Revised 2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 to 2030- 31 £'000	Total £'000
1. Supporting a Successful Sustainable Economy	10,026	25,421	6,770	1,260	43,477
2. Helping People and Communities to be Healthy and Resilient	4,903	4,310	1,950	15,600	26,763
3. Smarter Use of Resources	19,962	29,297	5,397	67,642	122,298
Core Services & Statutory Functions	549	3,335	367	8,943	13,194
TOTAL	35,440	62,363	14,484	93,445	205,732

Supporting a Successful Sustainable Economy

- 4.2.12 The proposed capital programme includes a number of new and existing projects which will help to support, and provide much needed investment in, the economy following the Covid-19 pandemic. These include, for example, the redevelopment of Maesteg Town Hall, a scheme designed to improve community facilities, as well as offering improved accessibility for visitors and creating jobs. This is in addition to 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 extensive investment in all of our town centres, with works progressing on the Porthcawl Waterfront Regeneration Scheme 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 and Communities to be more Healthy and Resilient

- 4.2.13 There is significant investment in Disabled Facilities Grants and other Housing Schemes, to enable people to live as independently as possible in their own homes. The Council receives Integrated Care Fund capital grant on an annual basis as part of its partnership with Cwm Taf Morgannwg University Health Board. This is built into the capital programme as it is approved for specific schemes. This includes funding towards the Children's Residential Accommodation Hub, a specially designed, purpose-built placements hub which will enable more seamless working and better outcomes for individuals.

Smarter Use of Resources

- 4.2.14 The Schools' Modernisation Programme forms a cornerstone of the well-being objective of smarter use of resources. Work is work commencing on Band B options, which will result in further capital investment of around £70 million in the Council's schools' estate.
- 4.2.15 There has been a total budget of £1 million in the capital programme for works to Council assets, to make them suitable for Community Asset Transfer (CAT). This is to ensure that as many Council facilities as possible can be kept open and provide long term community benefits.
- 4.2.16 In addition, Council has previously approved significant investment in upgrading existing buildings through the capital minor works programme and the Investing in Communities fund to reduce running costs, including maintenance, and improving energy efficiency across its assets. 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.
- 4.2.17 The revised capital programme is attached as Appendix H. This includes those amendments outlined in paragraph 4.2.6, along with any other changes to the programme since it was approved in January 2021.

Capital Receipts

4.2.18 The Council originally estimated that around £21 million could be generated as part of the enhanced disposals programme which commenced in 2014. The final sale of this programme completed on 2 December 2020 bringing in a capital receipt of £2.56 million. This has brought the total receipts for the enhanced disposal programme to £21.36 million. In addition to this, there is an additional £176,000 held in escrow, part of which may also be released to the Council. Of the total sum received, around £9 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

4.2.19 Total Prudential Borrowing taken out as at 1 April 2020 was £44.563 million, of which £26.413 million was outstanding. It is estimated that the total borrowed will increase to £47.136 million by the end of this financial year.

4.2.20 Future prudential borrowing could include an estimated £2.3 million towards the costs of the 21st Century Schools Band B Programme.

4.3 Council Reserves

4.3.1 The Council's Reserves and Balances Protocol attached at Appendix I 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 £8 million and at 31 March 2020 it was £9.340 million, which is 5.27% of the net budget excluding school delegated budgets. In the face of continued uncertainty regarding the economy and public finances, and in line with the revised MTFS Principles, it is recommended that the Council maintains its Council Fund balance at a minimum level of 5% of the Council's net budget, excluding schools. 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.

4.3.2 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 2020-21. Appendix I also sets out the forecast movement in the Council's earmarked reserves by the end of 2020-21 and 2021-22. The current forecast movement on earmarked reserves to 31 March 2021 will result in balances of £54.872 million at year end on the assumption of:

- The estimated draw down of £3.839 million from the Capital Programme reserve, which does rely on capital spend being incurred from January until March 2021. This includes estimated draw-down of £1.017 million from the Schools Maintenance Grant, along with £1.2 million for mobile classrooms at Mynydd Cynffig Primary School. Offsetting this is an increase to the Capital

Programme reserve during the year of £2.5 million, which includes £2 million to meet the cost of potential new capital programme schemes;

- Estimated draw down of £0.118 million of funding from the Change Fund;
- The forecast draw down of £0.813 million from the Directorate Earmarked Reserves, either by Directorates, and a further £0.562 million of equalisation and grant earmarked reserves.
- £0.516 million of reserves unwound;
- Creation of a Covid pandemic recovery fund of £1 million.

4.3.3 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 outturn, 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 2021-22 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 2021-22 assumes:

- An overall reduction in earmarked reserves of £15.799 million during 2021-22;
- Significant drawdown of funding from 21st Century Schools Band B and associated highways reserves, which is dependent on the speed and scale of capital expenditure on new schools;
- Draw down from the Capital Programme, City Deal and Capital Feasibility reserves in line with the current capital programme expenditure profile.

It does not include the potential increase of reserves for 2021-22 as a result of fortuitous under spends at the end of this financial year. The forecast position is summarised in Table 16 below:

Table 16 – Summary of Earmarked Reserves

Opening Balance 01 April 2020	Reserve	Movement 2020-21	Projected Closing Balance 31 March 2021	Projected Movement 2021-22	Projected Closing Balance 31 March 2022
£'000		£'000	£'000	£'000	£'000
(55,223)	Total Earmarked Reserves	351	(54,872)	15,799	(39,073)

4.4 Council Tax

4.4.1 The 2021-22 final Revenue Budget, shown in Table 10, includes a Council Tax increase of 3.9%, as proposed in the draft MTFs report to Cabinet in January 2021. This is lower than the proposed increase of 4.5% included in the budget consultation and reflects the views of the majority of respondents who were in favour of only increasing council tax slightly or up to 4.5% in order to protect the most important services. It also takes into account the better than anticipated settlement, but is mindful of the ongoing pressures still facing the Council. 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% continues to be included for 2022-2025.

4.4.2 The implications in terms of the Council Tax increase for 2021-22 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in Table 17.

Table 17 – Council Tax Increase 2021-22

2020-21 Average Band D	£1,537.06
2021-22 Average Band D	£1,597.01
% Increase	3.90%
Weekly Increase	£1.15

SECTION 5. LONGER TERM OUTLOOK

5.1 Longer Term Financial Outlook Considerations

- 5.1.1 The assumptions included in this Medium Term Financial Strategy are based upon the best available information at the time, although given one year budget settlements and constantly changing economic situations, there is clearly a degree of estimation in this, and the assumptions will change over time. This section of the report is to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.
- 5.1.2 The longer term outlook is not intended to be a 10 budget strategy tool in the same way that the Medium Term Financial Strategy is for the next 4 years; there are so many political, financial, social and economic variables that it is not possible to forecast the level of funding that will be available to the Council in ten years' time, and expenditure levels will be determined by political decisions that are not yet made. It provides a financial framework (the business rules) to reference against when preparing both annual and longer term financial plans.
- 5.1.3 However, the value of it comes from being able to understand the broad direction of financial travel that the organisation is currently on, and the impact that current decision making will have on the long term financial health of the Council. This will be driven by the financial and non-financial projections outlined in Section 5.2.
- 5.1.4 This section will focus on the longer term financial outlook, cost pressures, potential risks, major timelines for key contracts and economic factors that will affect the financial health of the organisation for the next 10 years up to 2031 if the current direction of travel continues, and to present possible alternative scenarios. The main areas it will cover are:
- Future sources of funding – the best estimate of future Welsh Government grant levels and Council Tax income;
 - Future cost pressures – this includes general inflation, potential pay awards, pension and national insurance increases, financing future capital investment, and the impact that forecast demographic changes are likely to have on future council budgets;
 - The Council's strategy to meet the challenges.

5.2 Sources of Funding

The Council has 3 main sources of funding:

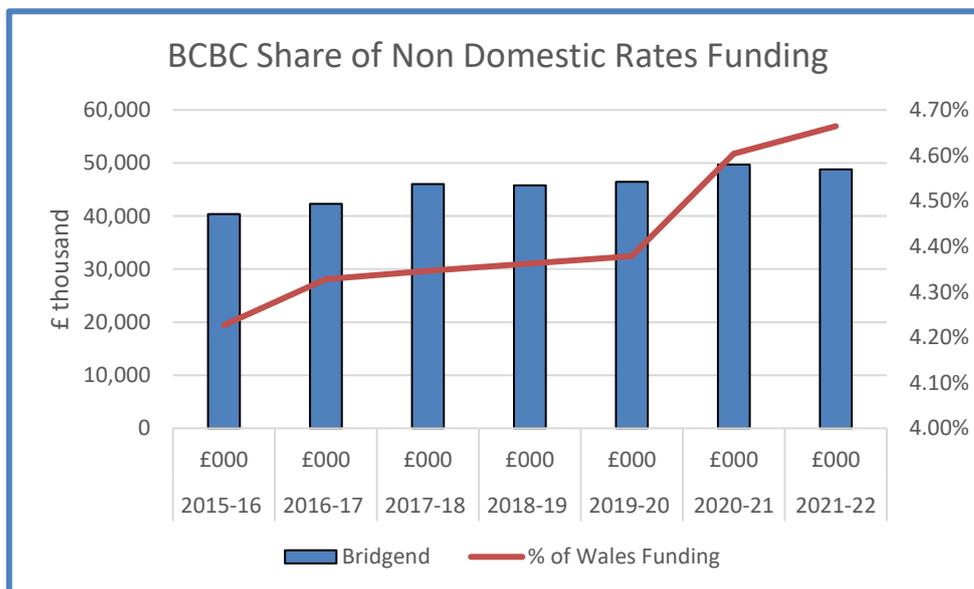
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

5.2.1 This funding is then supplemented by any income received as a result of charging for services, and any specific external grants to come to the total of what the Council can afford to spend each year.

The **Revenue Support Grant** is by far the most significant element of the Council's funding, so the Council will remain susceptible to external economic factors that drive the size of the core grant. In real terms this funding has reduced significantly over the last few years, and this is often masked by transfers of grant funding into the settlement, along with funding for new responsibilities that the Council is required to take on.

Welsh Government distribute the **non-domestic rates** funding to local authorities based upon its pro rata share of adult population. Bridgend's percentage share of non-domestic rates has steadily risen over the last 10 years as is seen in Chart 4. It is worth noting that the overall quantum in the settlement across Wales which is funded via non-domestic rates has fallen in 2021-22 by 3% as a consequence of the Covid-19 pandemic and the impact on non-domestic rates collection overall. This has been offset by a subsequent increase in revenue support grant to compensate. The higher percentage share of funding received by Bridgend is a reflection of the higher than average adult population increase over that period of time.

Chart 4: Bridgend's Share of Non Domestic Rates



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. Going forward, the MTFS includes an assumption that council tax will increase annually by 4.5%. There is no formal capping process for council tax in Wales, and Ministers have previously ruled out caps and set an informal limit of a 5% rise. However, in recent years a number of authorities (including Bridgend Council in 2019-20) have breached this informal limit in order to balance the budget. Bridgend's population has increased in recent years, impacting on the council tax base, which in itself generates additional

council tax income. Since 2013-14 the council tax base has increased by around 0.75% to 1.0% on an annual basis, taking into account any changes to assumed collection rate. It is reasonable to assume this rate of growth could continue with a growing population, but collection itself may be difficult due to the removal of the penalty of imprisonment for non-payment and the economic hardship a large number of people are finding themselves in as a result of the Covid-19 pandemic.

5.2.2 In line with the Medium Term Financial Strategy, and based on no more up-to-date information, the longer term strategy will be based on the most likely scenario of:

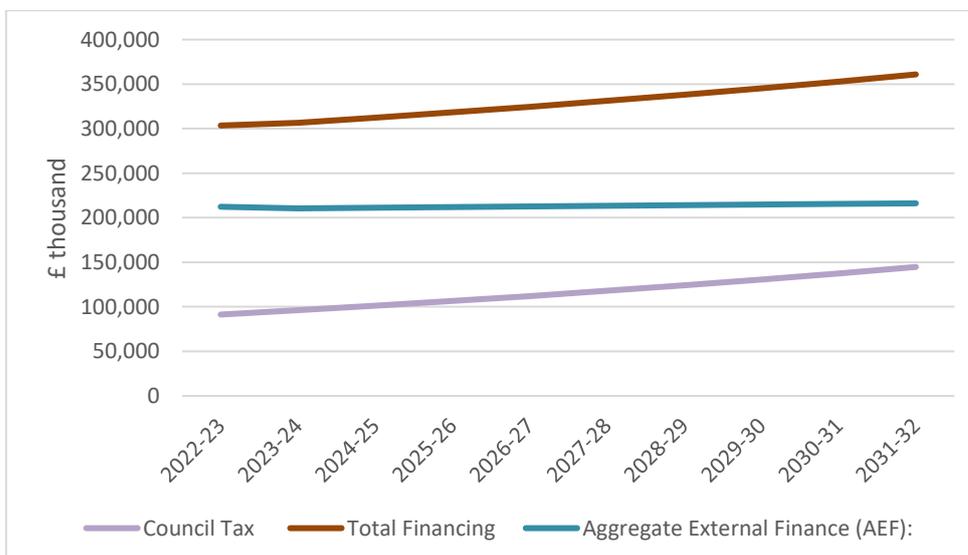
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

5.2.3 Chart 4 showed that since 2015-16 Bridgend’s amount and percentage share of Welsh Government’s distributable amount of non-domestic rates has increased, from 4.2% to 4.67%. This is in line with an increasing population. On this basis the share of non-domestic rates is projected to continue to increase gradually, but this will depend largely on the amount collected by Welsh Government across Wales which will be impacted by the economic situation, especially following the Covid-19 pandemic and post-Brexit, and the actual population change compared to the rest of Wales. However, any potential increase in non-domestic rates is likely to be compensated for by a reduction in revenue support grant.

5.2.4 Based on the funding scenarios outlined above, over the 10 year period the estimated reduction in Revenue Support Grant is anticipated to be offset by additional income from council tax and potentially non domestic rates.

5.2.5 Chart 5, below shows the potential changes in Aggregate External Funding over the 10 year period, offset in the main from the increase in council tax over that period. There would be a 58% increase in council tax income between 2020-21 and 2029-30 if we continue with this model of funding, and the proportion of the budget funded from council tax would increase from its current 29% to 42%.

Chart 5: Estimated Funding over life of Longer Term Financial Strategy



However, even with this level of funding, it is unlikely to be sufficient to meet the various pressures that the Council will face, which will be outlined in the next section, and this will result in significant budget reduction requirements going forward.

5.3 Future Cost Pressures and Risks

5.3.1 The Auditor General for Wales has identified some key long-term issues that Welsh public bodies need to take into account as they shift their planning horizons to the longer term. These include:

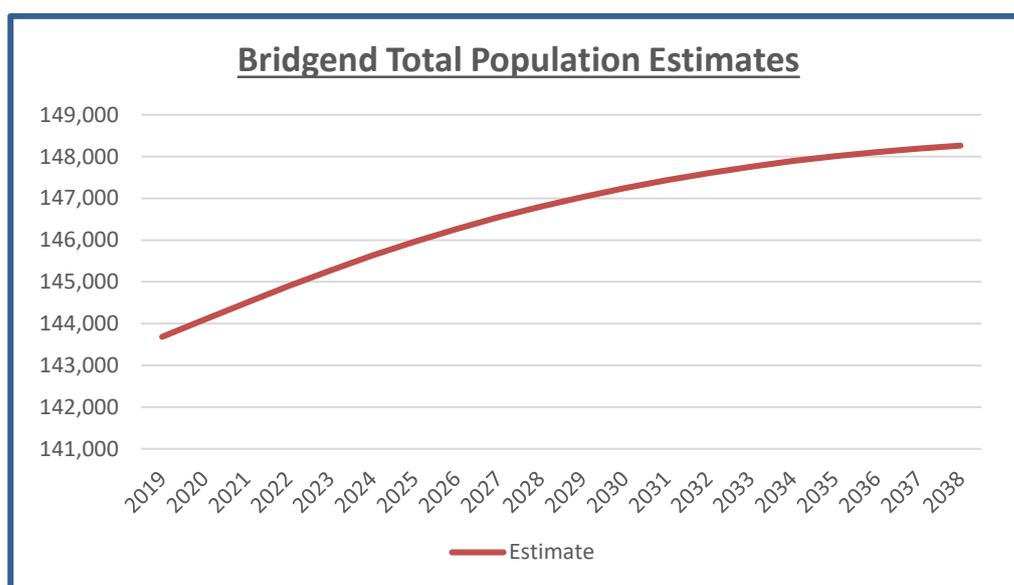
Demographic changes	Office for National Statistics data shows that between 2018 and 2048, the proportion of the population aged over 80 is set to increase from 6% in 2018 to 11% in 2048, and the proportion of the population aged 20-59 will fall from 51% in 2018 to 46% in 2048. The fact that people live longer is a very positive development. But it does mean that the nature of demand for some public services will change. Also, the decline in the working age population potentially affects the tax base in Wales.
Austerity	Public bodies are currently making difficult decisions in a period of unprecedented financial austerity. Public bodies need to have a clear understanding of the potential long-term impacts on individuals and communities of their decisions.
Poverty	The Institute for Fiscal Studies predicts that there will be approximately a 3% increase in the relative poverty rate in Wales from 2013-2015 to 2019-2021, and approximately a 10% increase in the relative child poverty rate from 2013-2015 to 2019-2021.
Brexit	The impact is still widely unknown, but public bodies will need to be alert and adapt swiftly to the risks and opportunities.
Technological developments	Public bodies need to balance the opportunities that technological changes provide with a need to ensure that they do not exclude those who are less comfortable and able to use digital technologies.
Climate change	The Environment (Wales) Act 2016 places a duty on the Welsh Ministers to ensure that in 2050 net emissions are at least 80% lower than the baseline set in legislation.

These are in addition to specific challenges known to the Council at present, including:

Population increases

5.3.2 Indications are that the population will continue to increase over the next 10 to 15 years, from 143,000 in 2020 to 148,000 in 2038, as outlined in Welsh Government population projections in Chart 6 below. This will place increased pressure on the Council's budget if no additional funding is provided, particularly in terms of school places, adult social care, infrastructure and transportation. However, whether or not this will attract additional funding will depend on population growth across Wales as a whole.

Chart 6: Bridgend Population Estimates



Pupil numbers

5.3.3 An increase in pupil numbers in schools places significant pressure on both the capital and revenue budgets, in terms of ensuring there are sufficient school places in the right location for pupils. This can result in capital investment in new schools, adaptations to schools or re-balancing the mix of schools, primary, secondary and special, but also Welsh medium and English medium. Chart 7 below shows that there has been a significant increase in secondary and special school pupils over the period, with no corresponding reduction in primary pupils. The funding per pupil in special schools, in particular, is significantly higher due to the additional staffing resource required to provide for these pupils, which places additional demands on a limited budget.

Chart 7: Bridgend Pupil Numbers

	Primary	Secondary	Special	Totals
September 2016	13,082	9,271	352	22,705
September 2017	13,169	9,172	338	22,679
September 2018	13,127	9,289	376	22,792
September 2019	13,101	9,425	407	22,933
September 2020 - estimated	13,016	9,631	399	23,046

Pay awards

5.3.4 The public sector underwent a pay freeze from 2011 and since 2013 most annual public sector pay rises were limited to an average of 1% per year until April 2018 when higher pay awards were introduced, particularly for those on lower incomes. Since then increases have been generally higher than inflation, particularly for those on lower grades and for teachers at the bottom of the pay scales. This is in addition to rises in the National Living Wage which is currently at £8.72 (rising to £8.91 in April 2021) but for which the Government had set a new target for it to reach two-thirds of median earnings by 2024. In addition, the Department for Education had pledged for all teacher starting salaries to rise to at least £30,000 by 2022. Whilst this applies to England, there would be pressure to also implement such changes in Wales. However, as previously outlined, the Chancellor has announced a pay freeze in 2021-22 for a large number of public sector workers as part of the Spending Review 2020 but whether this will be achieved and maintained will need to be kept under review.

In 2020 the Council became a Real Living Wage employer, supporting those on the lower grades even further. Given these pressures on pay for the lower paid staff, it is likely that, going forward, the increase in total pay will exceed the level of inflation and this will be a real pressure on the MTFS if unfunded.

Contracts

5.3.5 The Council has a number of major multi-year contracts for the provision of its services, some of which are due to expire over the coming 10 years, and could create unavoidable significant financial pressures upon re-tender. These include:

Contract	Contract Length	Expiry Date	Current Annual Cost
Waste Collection	7 years (plus possible 7 years extension)	31/3/24 earliest, up to 31/3/31	£6.9 million
Home to School Transport	5 years (plus possible 2 years extension)	March 2021	£4.88 million

As with all re-tender exercises there are a number of risks, including:

- the risk of not securing a suitable partner;
- the risk of increased costs of running the contract going forward;
- the risk of the company remaining viable in the long term;
- start-up and transition problems, especially where there are changes in contractor;
- potential reductions in quality with a new contractor.

There may be opportunities to bring the services back in-house where this is deemed more economically and operationally viable. However, account must also be taken of the potential wider economies of scale and expertise that an external contractor may be able to bring to the Council, and each case must be considered

on its own merits. In addition, Brexit could place additional pressure on the supply chain and contractor prices, the impact of which is still largely unknown.

In addition, over the medium to longer term there are contracts due to end, with no requirement to renew, and contracts due to start for new service provision, including:

Maesteg School Private Finance Initiative (PFI) – due to end in 2034 with potential revenue savings of £2.5 million.

Bridgend Special School (Mutual Investment Model) – 25 year contract to design, build and maintain 2 new primary schools, one Welsh medium, one English Medium, from 2023-24 with an annual revenue commitment of around £500,000.

5.4 Longer Term Strategy

- 5.4.1 The recent Covid-19 pandemic, and the devastating impact that this has had worldwide, has reinforced how it is impossible to predict the economic climate in the short term in some instances, let alone in the longer term, with the usual single year budgets, local and national elections and other external forces at play.
- 5.4.2 However, the Council must take a view on what strategies it can adopt to try to mitigate any negative impacts on its finances, and some of these are highlighted below.

Digitalisation

Cabinet has approved a Digital Strategy for the Council which has been divided into three key areas – Digital Citizen, Digital Council and Digital Place. The aim is to provide digital services that:

- are designed around the people who are going to use them, across the whole sphere of service delivery,
- are integrated to deliver seamless connectivity, and are simple and intuitive,
- are designed to safely and usefully share information, to better support the vulnerable in communities,
- demonstrate digital leadership, creating conditions for genuine channel shift,
- challenge the status quo to ensure the Council is working smarter.

Commercialisation

The Council has considered, and will continue to seek, opportunities to become more commercially minded in its business, including maximising income from the sale of its goods and services or other cost reducing opportunities such as community asset transfer. The aim will be to continue to provide as wide a range of services as possible, at minimum cost. However, HM Treasury issued revised lending terms for Public Works Loans Board (PWLB) borrowing by local authorities in November 2020. As a condition of accessing the PWLB, local

authorities will be asked to confirm that there is no intention to buy investment assets primarily for yield in the current, or next two financial years. Local Authorities' section 151 Officers or equivalent will be required to confirm that capital expenditure plans are current and that the plans are within acceptable use of the PWLB. This could restrict any commercial ambitions that the Council may have.

Charging policy

The Council's Income Generation and Charging Policy clarifies the important role that charging and income generation has in supporting the Medium Term Financial Strategy. It provides a clear and consistent approach to charging across the Council. The Council will charge for services, except where a clear decision is taken not to do so.

In particular, charges should be levied to support Council well-being objectives and to encourage behaviour change of our customers. In certain circumstances the Council may target groups (e.g. those in receipt of means-tested benefits) who would be disadvantaged or would not be able to access the service without a concession. Without certain concessions the Council may not be able to achieve its well-being objectives. The policy will be reviewed and updated in line with other Council strategies and policies.

Community Asset Transfer

The Council recognises that the current level of subsidy provided to manage and maintain a number of its assets is financially unsustainable and will lead to the inevitable closure of facilities over time unless there is a significant shift to self-management. The status quo position is not sustainable and will lead to significant detriment to future generations. The Council has insufficient funding to consistently invest in them and the condition of many others is critical unless the operating model is changed. The transfer of assets or services to Town and Community Councils, sports clubs or community groups offers opportunities to maintain and preserve valuable community services which may otherwise be under threat; or alternatively improve the provision that is already available.

Climate Emergency Response

In July 2020 Bridgend Council approved a Notice of Motion to develop a Climate Emergency Response Strategy and prioritised action plan that sets out short, medium and long term actions to respond to the climate emergency declared by Welsh Government in April 2019.

Statutory versus non Statutory Services

The Council provides a wide range of statutory services across all of its directorates, in addition to non-statutory services. For some services there is a very grey line between statutory or non-statutory, and it comes down to either scope or amount of provision.

Whilst the Council will focus attention and funding on its statutory services, there are also a wide range of non-statutory services that can be provided which serve as preventative services, reducing longer term costs in line with the principles of

the Well-being of Future Generations (Wales) Act 2015. The Council will look to invest to save in these services, investing in the short term for longer term savings.

In addition, the Council will seek to secure the best provider of services to meet the needs of its citizens, whether that be through its own staff or through partnerships with external providers or the Third Sector.

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