

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

MEDIUM TERM FINANCIAL STRATEGY

2022-23 to 2025-26



| 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 | 29 |
| 3.3 | Forecast Financial Position | 31 |
| 3.4 | Corporate Risk Assessment | 34 |

| Section 4. Budget 2022-23 | | Page No. |
|---------------------------|-----------------------------------------|----------|
| 4.1 | Revenue Budget 2022-23 | 35 |
| 4.2 | Capital Programme and Capital Financing | 41 |
| 4.3 | Council Reserves | 45 |
| 4.4 | Council Tax | 46 |

| Section 5. Longer Term Outlook | | Page No. |
|--------------------------------|----------------------------------------------|----------|
| 5.1 | Longer Term Financial Outlook Considerations | 47 |
| 5.2 | Sources of Funding | 47 |
| 5.3 | Future Cost Pressures and Risks | 50 |
| 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 2022-23 and outline proposals for 2023-24 to 2025-26.
- The capital programme for 2021-22 to 2031-32, 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 2022-2026 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

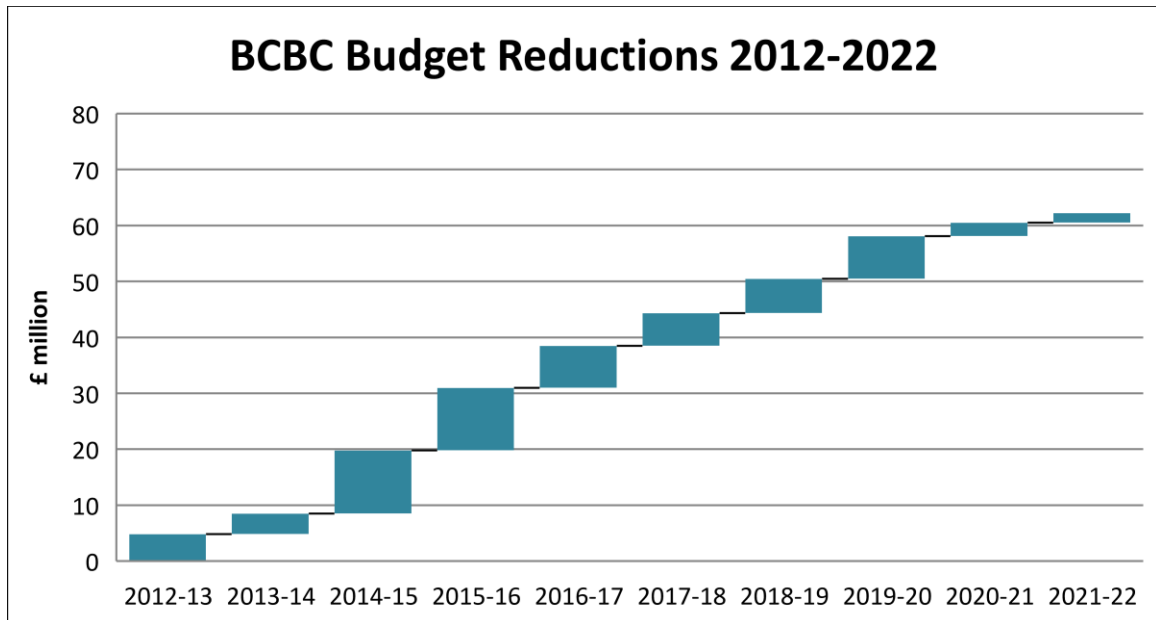
strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.

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 Fees and Charges 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 £62 million of budget reductions, as shown below. This represents almost 21% of the Council's 2021-22 net budget:

Chart 1: Bridgend County Borough Council (BCBC) Budget Reductions 2012 to 2022



While the Council's net revenue budget is planned at £319.510 million for 2022-23, 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 £459 million in 2022-23. 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 real 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, local authorities' responsibilities in respect of responding to climate change and meeting net zero carbon targets, the implications of the Local Government and Elections (Wales) Act 2021 and the Additional Learning Needs and Education Tribunal (Wales) Act 2018 and legislative changes in social care including new adult protection safeguarding requirements and changes to the Public Law Outline for children.
- Demographic changes – the population is increasing and also 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. This has been exacerbated by the pandemic as there have been delays in access to NHS treatment and an impact on physical and mental health from extended lockdown periods. In addition the complexities and challenges for children and families are very evident.
- 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 following the end of the furlough scheme.

1.3.5 The quarterly reports to Cabinet on the revenue position for 2021-22 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, given that the Hardship Fund is due to come to an end in March 2022.

1.3.6 Budget planning for the financial year 2022-23 is still more uncertain than usual due to the impact of the global Covid-19 pandemic, which is on top of the ongoing uncertainties and financial pressures arising from the United Kingdom's (UK) withdrawal from the European Union (EU). While, on the whole, the UK and Welsh Governments have been supportive of the additional costs and burdens that have emerged from Covid, and covered most of the directly incurred costs, we are aware that this funding is not going to be available going forward. 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 of the pandemic and the end of the furlough scheme, and the level of council tax collection is estimated to be lower than pre-pandemic levels. Furthermore, ongoing expenditure on matters relating to public health, such as the test, trace and protect scheme, use of personal protective equipment and

arrangements for the public vaccination programme, as well as other expectations with regard to addressing homelessness more robustly, and supporting social care which is experiencing increased costs and need and demand for services, are likely to be significant.

1.3.7 In these circumstances setting a balanced budget for 2022-23 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 is not 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 came into force on 31 March 2021, reflects 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 resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council’s well-being objectives.

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 2022-23 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 an overall total saving of £300,000 will be made as a result of the programme 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, this 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 may allow staff efficiency savings. 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 savings include reviewing and rationalising the Council's supplies and services budgets. Further savings are proposed from a review and rationalisation of office accommodation following the pandemic. The ongoing investment in installing energy efficiency measures in the Council's buildings, including schools, will continue to offer savings. 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 are being considered in relation to the remodelling of social services provision, which may allow some ongoing revenue savings but also provide a better service for individuals following the pandemic.

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 two of the Council's major staff offices at Sunnyside and Sunnyside House. For 2022-23, as part of the Council's Future Service Delivery Review, further savings are proposed by commercially letting a wing of Ravens Court to a partner organisation or business. Furthermore, the Council's investment in a new, modern, Community Recycling Centre in Pyle, due to open in 2022-23, will mean the lease for the site at Tythegston can be ended thus realising the 2021-22 saving of £60,000 per year.

Changes to Service Provision

Unfortunately, despite the settlement we will receive for 2022-23 being an increase overall, due to the number of unavoidable pressures we are facing 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 | 2021-22 | % increase |
|-----------------------------------|-----------|-----------|--------------|
| BCBC Council Budget | £232.957m | £298.956m | 28.33 |
| WG Funding | £178.719m | £212.192m | 18.73 |
| | | | |
| Council Tax Income | £54.238m | £86.765m | 59.97 |
| | | | |
| % of Budget funded by Council Tax | 23.28% | 29.02% | 24.66 |

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 almost 60% 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 (2021-22) Financial Performance

The in-year financial position as at 31 December 2021 is shown in Table 2 below.

Table 2 – Comparison of budget against projected outturn at 31 December 2021

| Directorate/Budget Area | Original Budget 2021-22 £'000 | Revised Budget 2021-22 £'000 | Projected Outturn Q3 2021-22 £'000 | Projected Over / (Under) Spend 2021-22 £'000 | Projected Over / (Under) Spend Qtr 2 2021-22 £'000 |
|---------------------------------------------|-------------------------------------|------------------------------------|---------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------|
| Directorate | | | | | |
| Education and Family Support | 127,055 | 127,580 | 128,599 | 1,019 | 1,089 |
| Social Services and Wellbeing | 74,043 | 74,536 | 73,443 | (1,093) | 471 |
| Communities | 28,137 | 28,317 | 28,407 | 90 | (313) |
| Chief Executive's | 21,304 | 21,520 | 19,432 | (2,088) | (1,417) |
| Total Directorate Budgets | 250,539 | 251,953 | 249,881 | (2,072) | (170) |
| Council Wide Budgets | | | | | |
| Capital Financing | 7,329 | 7,329 | 8,329 | 1,000 | 1,000 |
| Levies | 7,783 | 7,797 | 7,775 | (22) | (22) |
| Apprenticeship Levy | 650 | 650 | 673 | 23 | 17 |
| Council Tax Reduction Scheme | 15,654 | 15,654 | 15,504 | (150) | 0 |
| Insurance Premiums | 1,363 | 1,363 | 1,425 | 62 | 67 |
| Repairs & Maintenance | 670 | 670 | 520 | (150) | (100) |
| Pension Related Costs | 430 | 430 | 430 | 0 | 2 |
| Other Corporate Budgets | 14,538 | 13,110 | 4,890 | (8,220) | (6,882) |
| Total Council Wide Budgets | 48,417 | 47,003 | 39,546 | (7,457) | (5,918) |
| Appropriations to Earmarked Reserves | | | | 7,004 | 4,004 |
| Total | 298,956 | 298,956 | 289,427 | (2,525) | (2,084) |

The overall projected position at 31 December 2021 is a net under spend of £2.525 million, which comprises a £2.072 million net under spend on directorates and a £7.457 million net under spend on council wide budgets, offset by a net appropriation to earmarked reserves of £7.004 million, the majority of which is to support capital expenditure. Due to the Covid-19 pandemic, the position during this financial year has again been very fluid and has relied heavily on securing additional funding from Welsh Government to support cost pressures and loss of income. At the start of the financial year we had no indication that this funding would be available for the full financial year, so this has led to an overall improved budgetary position for the year. The position on directorate budgets has improved since quarter 2, with the projected under spend increasing by £1.9 million. This is primarily due to additional income relating to Homelessness accommodation costs being received from the Covid-19 Hardship Fund, with £1.313 million being successfully claimed during quarter 3. The main reasons for the increase in under spend on 'Other Council Wide Budgets' are:

- lower than anticipated inflation rates at the start of the financial year, although they have seen significant increases more recently;
- funding from Welsh Government towards teachers' pay increases in September 2021;
- delays in spending on repairs and maintenance and feasibility due to the Covid-19 pandemic.

The projected under spend on the Council budget at quarter 3 significantly masks the underlying budget pressures in some service areas that were reported in 2020-21 and still persist in 2021-22. The main financial pressures are in Home to School Transport, Social Services and Wellbeing, Homelessness and Waste.

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 continues to review its reserves and draws down in line with need before establishing new reserves for emerging pressures. It has also been able to slightly increase the value of the Council Fund to its current level of £9.772 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 2020-21 outturn position was impacted by unexpected grant funding from Welsh Government of over £10 million, which the Council would have been unaware of when setting and approving its 2020-21 budget.

Given the favourable outturn position, the Council used a significant element of this funding for investments to help accelerate the recovery of the County Borough from Covid-19 and to support its residents. 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 2018-2021

| | 2018-19 £'000 | 2019-20 £'000 | 2020-21 £'000 |
|--------------------------------------|------------------|------------------|------------------|
| Council Budget | 265,984 | 270,809 | 286,885 |
| Outturn | 258,131 | 261,354 | 269,180 |
| (Under) Spend | (7,853) | (9,455) | (17,705) |
| Accrued Council Tax Income | (670) | (1,502) | (1,702) |
| Appropriations to Earmarked Reserves | 8,094 | 10,394 | 18,975 |
| Transfer to Council Fund | 429 | 563 | 432 |
| Draw Down from Reserves | 9,996 | 8,299 | 4,104 |

Usable Reserves

In terms of financial reserves, the Council Fund balance has steadily risen over the last 10 years, to its current value of £9.772 million, as shown in Table 4. This represents 3.3% of the net revenue budget for 2021-22 or 5.01% 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 2018-2021

| | Council Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves |
|----------------|----------------------------|-----------------------|--------------------------------|--------------------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 2018-19 | 8,776 | 48,107 | 17,922 | 1,482 | 76,287 |
| 2019-20 | 9,340 | 55,222 | 18,608 | 317 | 83,487 |
| 2020-21 | 9,772 | 82,848 | 21,519 | 288 | 114,427 |

In total, usable reserves have increased over the 3 year period. There was little draw down on the capital receipts reserve in 2020-21 due to delays in progressing capital

schemes as a result of the Covid-19 pandemic. Alongside this the Council was able to establish a number of new earmarked reserves partly as a result of the significant number of year-end grants provided to the Council from Welsh Government to mitigate the effects of the pandemic, and partly from under spends in services which stopped or reduced during the pandemic. Whilst overall earmarked reserves have increased, 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 2021 the balance was £28.920 million, which constituted 35% of the total Earmarked Reserves balance, leaving £53.928 million for other pressures, including:

- £2.161 million Insurance
- £4.993 million Service Reconfiguration
- £4.793 million Building / Asset Management
- £9.898 million Equalisation Funds and Grants
- £7.209 million Specific Directorate Pressures
- £3.118 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.

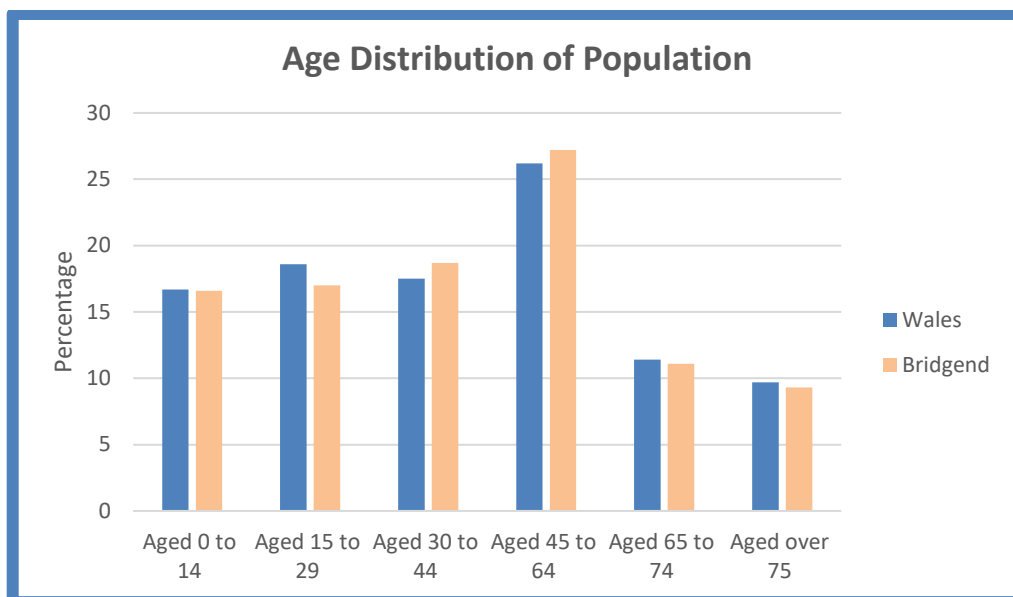
2.2.2 Non-Financial Statistics:

Population

Bridgend has a population of almost 147,539 (mid-year estimate 2020). Between 2010 and 2020 this is an increase of 6.5% and this is expected to continue and reach around 151,600 by 2028, 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 2020



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 2021, Bridgend's employment rate was 72.4% compared to an all-Wales level of 73.2%, based on the working age population. Bridgend had a lower than average economic activity rate, and consequently a higher than average economic inactivity rate for the working age population. This covers those people who are out of work and not looking for a job, but excludes persons of pensionable age who are generally retired and therefore economically inactive.

The long term impact of Covid-19 and the closure of the Ford plant in September 2020 are likely to have impacted these figures. 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), along with a pupil referral unit, with around 23,000 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 'Shaping Bridgend's Future' was undertaken between 20 September and 14 November 2021, the emphasis of which was on what the public felt worked well during the pandemic, and where we need to continue to make changes or improvements as we recover from the pandemic to ensure that the council is able to deliver sustainable and effective services for the next five to ten years. 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 14 December 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 1,115 interactions from a combination of survey completions, engagement at various meetings, social media engagement and via the Authority's Citizens' Panel. Due to the ongoing impact of Covid-19 this is a decrease

of 716 (39%) on the 1,831 interactions from last year. A total of 737 survey responses were received, a decrease of 48% 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 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Performance over the past 12 months |
| <ul style="list-style-type: none"> Overall respondents stated that the council had not been effective in meeting its values over the past 12 months. Overall respondents did not feel that council had met its strategic aims over the past 12 months. |
| Support for Business, Tourism and the Economy |
| <ul style="list-style-type: none"> Overall respondents stated that support for local businesses, the promotion of the town centres and supporting the visitor economy and the sustainability of culture and leisure venues was important or very important. Respondents also stated that labour market opportunities and business start-up opportunities were important or very important. |
| Well-being |
| <ul style="list-style-type: none"> Overall respondents stated that the council had performed OK in delivering well-being services over the past 12 months. The top three services to be prioritise for the future were support for older people, followed by food poverty and then homelessness. The majority of respondents stated that the council should continue to deliver services such as period dignity, domestic abuse support, flying start, school applications, reporting an issue such as fly tipping, youth justice and youth services remotely/online. |
| Customer Face-to-Face Access |
| <ul style="list-style-type: none"> The most common methods for contacting the council in place of face-to-face services while Civic Offices have been closed were telephone followed by email and then website. The majority of respondents stated that it is a priority for the council to reopen the face-to-face channel to the public. The majority of respondents stated that they would prefer to access services in their local community rather than in Civic Offices. |
| Digitalisation |
| <ul style="list-style-type: none"> The majority of respondents stated that when Civic Offices reopen they will continue to access services online, a further 24% of respondents stated that they always preferred to access services online. When asked what would help you or someone you know access services online the majority stated improved internet access/Wi-Fi followed by digital champions in libraries and then printable 'how to' guides. The majority of respondents stated that had signed up to govDelivery, when asked to rate the content of the weekly emails 20% stated excellent and a further 39% stated good. |
| Investment in Services |
| <ul style="list-style-type: none"> Respondents stated that the council should prioritise spending on regeneration projects followed by roads and then schools. |
| Fees and Charges |
| <ul style="list-style-type: none"> The majority of respondents stated that the council should resume charges for services that have not been charged for during the pandemic. |

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> When asked 'Do you think there are any other services the council could charge for to increase revenue' the most common responses were charge for car parking, followed by reassess current spending and then fines for littering and dog fouling, reduce the number of staff in the council and their pay and recycling and waste collection charges. |
| <p>Council Tax</p> |
| <ul style="list-style-type: none"> When asked to select which statement best represents your views on setting the council tax for 2022-2023 the majority of respondents (54%) stated to keep council tax levels the same level and 29% of respondents were prepared to increase council tax by 3.5%. |
| <p>The Future</p> |
| <ul style="list-style-type: none"> When asked 'What do you think our long term priorities for the future should be' respondents selected make more efficiencies in-house i.e. review processes and rationalise the number of offices followed by encourage citizens to take more responsibility i.e. litter, graffiti etc. and then focus on economic growth i.e. supporting businesses. |
| <ul style="list-style-type: none"> The three services that had been the most important to residents over the past 12 months were recycling and waste followed by highways and infrastructure improvements and then sport and recreational services (including parks, leisure centres and open spaces). |

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 2022 has also been scrutinised by the Council's Scrutiny Committees resulting in a report to Cabinet on 8 February 2022 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 from discussions with and recommendations from BREP and Scrutiny Committees, and have compiled the budget based on the comments and responses received. This includes:

- protecting school budgets
- support for waste and recycling
- additional funding to support an ageing population
- continuing to provide support for homeless individuals
- continuing to invest in our digitalisation capabilities
- continuing to invest in our highways and infrastructure
- a freeze in council tax to support residents to meet the significant rise in the cost of living

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 £131 million on services delivered by the Education and Family Support Directorate in 2022-23. The majority of this money will be spent by Bridgend's 59 schools and one pupil referral unit.

In addition to the £105 million proposed budget to be delegated to schools in 2022-23, 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. 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 one of our special schools, 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 2022-23 the level of budget reductions required is not as great as had been feared. As a result, it has been possible to protect schools from the 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 2023-2024 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. We will be investing in our youth services, including through youth centres and digital outreach workers, to provide more social opportunities for young people, and thus reduce the risk of isolation that has increased during the pandemic.

In seeking to protect our investment in education and early intervention, and to provide as much support as possible to pupils following the disruption caused by the pandemic, the Council is making minimal changes to the services delivered at this time. However, we will continue to seek efficiencies in the application of the Council's Home-to-School / College Transport Policy.

2.4.3 Social Care and Well-being

After Education, the largest area of Council spend is on social care. This includes social work and 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 can result 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 well-being. 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. It is evident that the complexity of issues facing children and families has increased and requires a high level of professional social work intervention, working closely with partners, as well as access to service provision.

Our strategy for the next few years is to more effectively embed strength based practice and support individuals and families to live their best lives, remodelling the way we work in order to deliver outcome focussed services and approaches which enable people to maximise their independence and families to stay together with targeted support where needed.

Social services is largely a needs led service and whilst the long term strategy is to enable people and families to live well and inter-dependently, 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 £78 million on social care and wellbeing services in 2022-23.

The Council's strategy is to continue to transform how we work with people and ensure that service and financial strategies align. The cost, as well as the need for services, is changing and the Council recognises that all the roles in social care are professional and should be recognised through the terms and conditions which the Council and third party providers pay. 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 strength-based culture and practice. The service has made good progress in achieving the required savings to date, however the increase in demand, complexity and fair price 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 are being 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, and co-produced with the people that such changes impact on with us, as well as the general workforce. This work has

already commenced and the budget saving proposals for 2022-23 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 and children's social work we are implementing strength-based practice 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 care and support at home, day opportunities and accommodation, and care and support for children. There has also been an increased focus on developing the Council's in-house foster care and remodelling residential services.

Importantly these transformations are designed to both better support people to live well and make best use of investments. 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 already 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 (£7.8 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 2022-23 the Council is likely to receive around £4 million of direct Welsh Government revenue 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 £23 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 2022-23.

The seven year contract with Kier is now moving into its fifth 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 was 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, which is expected to benefit the Council financially over time, subject to contractual conditions with our disposal arrangements. However, the Council has seen higher overall domestic waste due to the impact of the pandemic and the higher number of people continuing to work from home. An indicative net saving of £1 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 been made for waste disposal going forward until 2030 or until a regional facility comes online. We expect to spend in the region of £9.4 million on the collection and disposal of waste in 2022-23. 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 during 2022-23.

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 has adopted a flexible approach to community asset transfer (CAT), utilising a 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 sports club support fund) are made available. The Council aims to achieve savings of £300,000 over 2021-22 and 2022-23 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 £2.3 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, including the numerous regeneration projects in Porthcawl such as the regeneration of Cosy Corner, development of a retail store and the Placemaking Strategy. Other schemes include the redevelopment of the Ewenny Road in Maesteg for both housing and employment uses and the comprehensive re-development of Parc Afon Ewenni in Bridgend through City Deal and Welsh Government funding. In addition, through its Metro programme, and together with Welsh Government, the Cardiff Capital Region provides the principal funding mechanism for large strategic transport projects within the region. Current projects include the Porthcawl Metrolink bus facility as well as feasibility and design work on the replacement Penprysg Road/Active Travel Bridge and removal of the level crossing in Pencoed. The delivery of this regionally significant Penprysg Bridge project will be dependent on a successful bid to the UK Government Levelling Up Fund. We are also in the process of delivering a replacement 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 under the Employability Bridgend programme.

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 £1.7 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 Ty'r 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 £85 million in council tax from around 65,000 households across the county borough. Our collection rates in recent 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 Other Council Wide 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 continues to review 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 decarbonisation strategy entitled "Bridgend 2030" is under development with the Carbon Trust and will be supported with a detailed action plan, setting out how the Council will aim to reach a net zero carbon position in Bridgend by 2030. This will be presented for approval to Cabinet in early 2022.

The service will continue to review its processes in 2022-23 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 and graduates 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 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. This was the second single year spending review in succession, and on 25 November 2020 the Chancellor delivered the outcome of the review. On 7 September 2021 the Chancellor of the Exchequer wrote to the Secretaries of State to launch the Spending Review 2021 (SR21), which would conclude on 27 October 2021 alongside an Autumn Budget and set out the government's spending priorities for the Parliament. The three-year review (2022-23 to 2024-25) would set the devolved administrations' block grants for the same period. At its launch the Chancellor stated:

“At the Spending Review later this year, I will set out how we will continue to invest in public services and drive growth while keeping the public finances on a sustainable path.”

3.1.2 On 27 October 2021 the Chancellor announced his Autumn Budget, alongside the results of the spending review, which would set out how the government would fund public services for the next three years. The Office for Budget Responsibility (OBR) also published an update on the economic and fiscal outlook on that date. A number of measures were announced in advance of the Budget, including a rise in the National Living Wage from £8.91 per hour to £9.50 and an end to the public sector pay freeze, and in his speech the Chancellor promised that his budget would deliver a "stronger economy for the British people". In terms of the state of the economy, it was reported that the OBR had revised up its forecasts for UK economic growth and now expected gross domestic product (GDP) to expand by 6.5% this year compared to the 4% it forecast at the Budget in March 2021, which is faster than expected. However, the OBR also estimated that inflation is likely to rise to an average 4% over the next year.

3.1.3 The Chancellor pledged a major increase in public spending amid higher than expected economic growth with extra money for schools, tax cuts for businesses and changes to Universal Credit to allow working claimants to retain more of their benefits. In terms of the devolved administrations, the Chancellor said that through the Barnett formula Welsh government funding would go up by £2.5 billion. The Chancellor acknowledged concerns about rising inflation and the cost of living but said that the government would be responsible with the public finances, with borrowing as a percentage of GDP forecast to fall from 7.9% this year to 3.3% next year, and lower again in the following four years.

3.1.4 In response to the Spending Round the Welsh Government Finance Minister stated that:

“This UK government Spending Review hasn't delivered for Wales. Vital funding priorities, such as the long-term remediation of coal tips and greater funding in rail infrastructure, have been ignored. While the Spending Review does give us some

medium term financial certainty and some additional investment, it is more than offset by the inflationary and system pressures that we are facing. The budget fails to meet the scale of the challenge that families, public services and the wider economy are still facing as a result of the pandemic”.

She also expressed concern over future arrangements for replacing EU structural funds, but stated that she was determined to “*deliver a Budget that builds a stronger, greener, fairer Wales - helping public services and our economy recover from the pandemic, and moving us closer towards being a zero-carbon nation*”.

- 3.1.5 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 20 and 21 December 2021, respectively. This also meant a delay in the announcement of the Welsh Government’s final local government settlement until 1 March 2022, so the Medium Term Financial Strategy and the budget for 2022-23 is proposed on the basis of the provisional settlement.
- 3.1.6 On 20 December 2021 the Minister for Finance and Local Government (the Minister) announced the Welsh Government’s draft budget for 2022-23, and the first multi-year Welsh budget since 2017. The draft budget set out revenue and general capital spending plans for 2022-23, alongside planned allocations for 2023-24 and 2024-25. The Minister indicated that the budget was to be used to support the Welsh Government’s plans to ensure a stronger, fairer and greener future for Wales. She stated that they would use the budget to deliver on their ambitious Programme for Government, and support their path to recovery by continuing to protect, rebuild and develop our public services. This included investing close to an additional £1.3 billion in the Welsh NHS to enable high quality and sustainable healthcare to help us to recover from the pandemic, and prioritising social care.
- 3.1.7 The budget included an additional £60 million direct additional grant funding up to 2024-25 to drive forward reforms to the social care sector, to improve delivery and increase the sustainability of services across the social care sector. To respond to ongoing recruitment and retention issues within the sector Welsh Government has also included funding through the Local Government settlement to enable authorities to meet the additional costs of starting to pay the Real Living Wage of £9.90 an hour to social care workers from April 2022. There is also an additional £100 million targeted at mental health, including more than £10 million for children and young people, recognising the risks of the lasting and long-term impacts of the pandemic. Again, in response to the pandemic, and the ongoing impacts of the UK leaving the European Union, £110 million has been provided for 2022-23 in additional non-domestic rates relief to businesses in the retail, leisure and hospitality sectors, to support 50% rates relief.
- 3.1.8 The Minister outlined that investing in early years and education remains one of their most powerful levers to tackle inequality, embed prevention and invest in our future generations, and that the budget contained an additional £320 million up to 2024-25 to continue their long-term programme of education reform, and ensure educational inequalities narrow and standards rise. This funding included an additional £30 million for childcare and early years provision; £40 million for Flying Start and Families First; £90 million for free school meals; £64.5 million for wider schools and curriculum reform; and £63.5 million investment in post 16 provision.

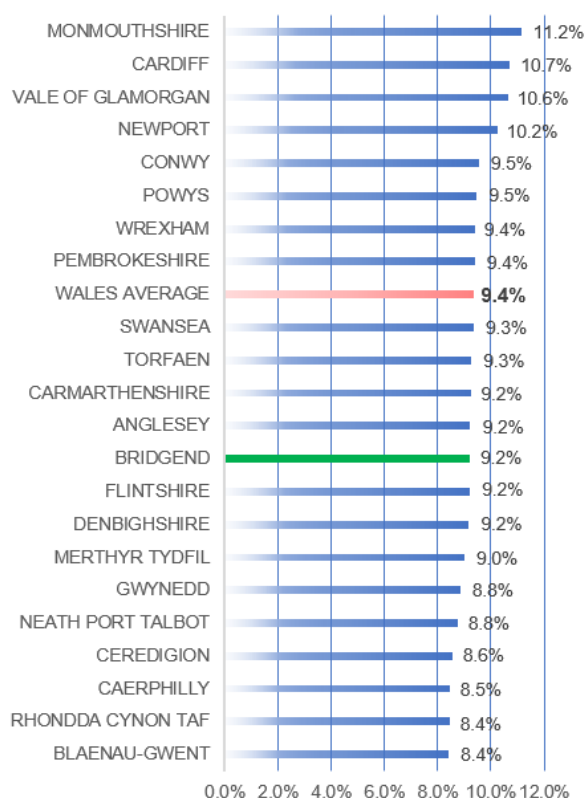
3.1.9 In terms of capital investment the Minister indicated that she has published a new three year Infrastructure Finance Plan underpinned by £8 billion of capital expenditure, including full use of their capital borrowing powers over this three year period. At the heart of this new plan is a £1.8 billion targeted investment in the Welsh Government's response to the climate and nature emergency including the national forest, biodiversity, active travel, decarbonising housing, the circular economy, renewable energy, and flood prevention. Alongside the investment in decarbonising housing they are also investing close to £1.6 billion capital in their housing priorities, including £1 billion in social housing and £375 million for building safety. This was supported by close to £30 million of revenue in support of their housing and homelessness priorities.

3.2 Welsh Government Local Government Settlement

3.2.1 Bridgend's draft MTFS was presented to Cabinet on 18 January 2022, based on the provisional settlement, before being submitted for scrutiny. Councils are not expected to receive their final settlements from Welsh Government until 1 March 2022, so the final MTFS is based upon the provisional settlement. The headline figure is an overall increase, after adjusting for transfers, of 9.4%, across Wales and, for Bridgend, an increase of 9.2% in Aggregate External Finance (AEF), or £19.6 million. The settlement includes additional funding for the costs arising from the 2021-22 teachers' pay deal and funding for the costs arising from the 2022-23 pay deal, as well as funding to cover the increased costs that local authorities will face arising from the UK government's announcement to increase National Insurance Contributions for employers to fund a Health and Social Care levy. It also includes funding to enable local authorities to meet the additional costs of introducing the Real Living Wage for care workers. Further funding was included within the provisional settlement to support the core operations of corporate joint committees, which are to be established under the Local Government and Elections (Wales) Act 2021. There are not intended to be any significant changes in the final settlement, which will be announced in March 2022.

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

Chart 3: Revenue Funding for Welsh Councils (Provisional Settlement)



Source: WG Provisional LGF Settlement 2022-23

- 3.2.2 In announcing the provisional settlement the Minister for Finance and Local Government, stated *“This is a good Settlement for local government, including Wales-level core funding allocations for 2023-24 and 2024-25. It provides local authorities with a stable platform on which to plan their budgets for the coming financial year and beyond. We have worked closely with local government and we appreciate the pressures local government is facing. We will continue to protect local government, particularly at this difficult and challenging time”*.

Transfers into and out of the 2022-23 Revenue Settlement

- 3.2.3 As mentioned in the draft MTFS report to Cabinet in January 2022, the provisional settlement includes information on a small number of transfers into the Revenue Support Grant (RSG), in respect of funding for the Eastern Promenade Coastal Risk Management scheme (£296,000 to fund borrowing costs) and Social Care Workforce and Sustainability Grant (£222,000).

Specific Grants

- 3.2.4 The picture on changes to specific grants is available at an all-Wales level for most grants, but not at an individual authority level for all. Many of the grants remain unchanged from 2021-22 figures, and some are yet to be finalised. The biggest change is the end of the Local Government Hardship Grant, for which funding is now included within the settlement. A new grant of £40 million for 2022-23, with further allocations of £70 million in 2023-24 and £90 million in 2024-25 is included in Welsh Government’s budget to support the increased entitlement to free school meals for

all primary aged pupils as agreed as part of the Welsh Government's Co-operation Agreement 2021 with Plaid Cymru.

- 3.2.5 While many of the grants remain unchanged from the 2021-22 figure, there are increases on an all-Wales level in the Pupil Development Grant (10.8%), the Childcare Offer grant (39.5%), Bus Services Support (3.5%) and the Children and Communities Grant of around 2.2%. There are indicative reductions in the Regional Consortia School Improvement Grant of 8.4% and the Recruit, Recover, Raise Standards grant of around 45% in 2022-23 as this tapers out over the next few years. Welsh Government has advised that the specific information will be updated for the final settlement.

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 2022-23 to 2025-26 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 2021-22, 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 The published provisional 2022-23 Aggregate External Finance (AEF) figure is an increase of 9.2% for Bridgend. In the MTFs 2021-22 to 2024-25, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2022-23 of an annual 0% change in AEF and an assumed increase in council tax of 4.5% for 2022-23 to 2024-25, recognising the ongoing uncertainty around our funding in future years. However, as stated above, as a result of the significantly better than anticipated settlement for next year, it is proposed to freeze the level of council tax for 2022-23 only, to support the citizens of Bridgend to deal with the rising cost of living, such as increased energy and food bills, other inflationary increases, mortgage interest rises and national insurance increases.
- 3.3.5 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 percentage changes in AEF shown in Table 6.

- 3.3.6 Given the Welsh Government’s lower indicative changes to AEF for 2023-24 and 2024-25 than that published for 2022-23, the fact that the settlement usually includes funding for new responsibilities, and the other pressures already outlined, not least rising inflation, these assumptions will be maintained, along with an estimated council tax increase of 4.5%. However, they will continue to be monitored and will be amended as further fiscal and economic information is made known.

Table 6 – MTF5 Scenarios: % Change in AEF

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|-----------------------------|--------------|-----------|-----------|-----------|
| Best Scenario | +9.2% | +1.0% | +1.0% | +1.0% |
| Most Likely Scenario | +9.2% | 0% | 0% | 0% |
| Worst Scenario | +9.2% | -1.0% | -1.0% | -1.0% |

- 3.3.7 The financial forecast for 2022-26 is predicated on £21.029 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 recent sharp increases in energy costs. However, this is particularly uncertain at present, with inflation rates recently rising above 5% (5.4% in the 12 months to December 2021, up from 5.1% in November), the highest in thirty years, and the Bank of England has warned that UK inflation is likely to hit or surpass 6% by Spring 2022, although they expect it to start to come down after that. There is also a risk to the Council of rising prices following the UK’s departure from the European Union and the impact of the Covid-19 pandemic. The Office of National Statistics has highlighted the impact of supply chain problems, which businesses have been struggling with for several months as they adjust to labour shortages and disruption at container ports. The impact is leading 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, local authorities’ responsibilities in respect of responding to climate change and meeting net zero carbon targets, and the implications of the Local Government and Elections (Wales) Act 2021.
- Fees and Charges will increase by the statutory minimum or CPI (as at December 2021) in line with the revised Fees and Charges Policy, approved by Cabinet in October 2021, unless determined otherwise.

- Increases in staffing costs, including a confirmed 6.6% increase in the national living wage from April 2022 (from £8.91 to £9.50), along with the impact of staff pay increases in both 2021-22 and 2022-23. These include the full year effect of the teachers' pay increase of September 2021 (1.75% increase), the unknown teachers' pay increase in September 2022 and increases for non-teachers for 2021-22, which is still to be determined, and subsequently any increases in April 2022. This also includes the impact on the Council's employer National Insurance Contributions as a result of the introduction of the Health and Social Care Levy. This results in an increase of 1.25% (from 13.8% to 15.05%) in contributions on earnings above the secondary threshold. The cost of this is estimated to be in the region of £1.2 million. 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

| | 2022-23 £'000 | 2023-24 £'000 | 2024-25 £'000 | 2025-26 £'000 | Total £'000 |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------------|
| Best Scenario | 631 | 4,655 | 4,455 | 4,248 | 13,989 |
| Most Likely Scenario | 631 | 6,978 | 6,802 | 6,618 | 21,029 |
| Worst Scenario | 631 | 9,302 | 9,102 | 8,895 | 27,930 |

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 2022-23 to 2025-26

| 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 |
| 2022-23 | 73 | 158 | 400 | 631 | 0 | 631 |
| 2023-24 | 0 | 1,080 | 279 | 1,359 | 5,619 | 6,978 |
| 2024-25 | 0 | 1,040 | 0 | 1,040 | 5,762 | 6,802 |
| 2025-26 | 0 | 1,040 | 0 | 1,040 | 5,578 | 6,618 |
| Total | 73 | 3,318 | 679 | 4,070 | 16,959 | 21,029 |
| Percentage of total required | 0% | 16% | 3% | 19% | 81% | 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 new and emerging risks, 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 2022-23

4.1 Revenue Budget 2022-23

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 2022-23 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

| | 2022-23 £'000 |
|----------------------------------------------------------------|--------------------------|
| 2021-22 Net Budget (Table 2) | 298,956 |
| Transfers and New Responsibilities (para 3.2.3) | 518 |
| 2022-23 Pressures (para 4.1.3) | 20,667 |
| 2022-23 Budget Reductions (para 4.1.18) | -631 |
| 2022-23 Net Budget Requirement | 319,510 |
| <i>Financed by:</i> | |
| 2021-22 Net Budget (Table 2) | 298,956 |
| Net Cash Increase in AEF (para 3.2.1) | 20,172 |
| Council tax freeze (0%) (para 3.3.4) plus increase in tax base | 382 |
| 2022-23 Net Funding Total | 319,510 |

2022-23 Revenue Budget

4.1.3 Table 10 presents the detailed net revenue budget for 2022-23. This includes

- An additional £6.006 million for the above known pay and price pressures.
- £2.113 million for increased employer National Insurance Contributions to fund the Health and Social Care Levy.

In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £12.548 million of inescapable pressures have emerged during 2021-22 and are explained in more detail in paragraphs 4.1.13 to 4.1.17 below.

In total, the Council has identified pressures of £20.667 million for 2022-23.

Table 10 – Net Revenue Budget 2022-23

| | Revised Budget 2021-22 | Specific Transfers to/ (from) WG | NI Increase (Health and Social Care Levy) | Pay / Prices | Budget Pressures | Budget Reduction Proposals | Revenue Budget 2022-23 |
|----------------------------------------|------------------------|----------------------------------|-------------------------------------------|--------------|------------------|----------------------------|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Service Directorate Budgets: | | | | | | | |
| Central Education & Family Support | 22,388 | | 85 | 18 | 3,421 | -68 | 25,844 |
| Schools | 104,012 | | 657 | 825 | 92 | 0 | 105,586 |
| Education and Family Support | 126,400 | 0 | 742 | 843 | 3,513 | -68 | 131,430 |
| Social Services & Wellbeing | 74,564 | 222 | 180 | | 3,833 | -365 | 78,434 |
| Communities | 28,364 | 296 | 98 | | 387 | -150 | 28,995 |
| Chief Executives | 21,415 | | 93 | | 435 | -48 | 21,895 |
| Total Directorate Budgets | 250,743 | 518 | 1,113 | 843 | 8,168 | -631 | 260,754 |
| Council Wide Budgets: | | | | | | | |
| Capital Financing | 7,329 | | | | | | 7,329 |
| Levies | 7,797 | | | | 380 | | 8,177 |
| Repairs and Maintenance | 670 | | | | | | 670 |
| Council Tax Reduction Scheme | 15,654 | | | 400 | | | 16,054 |
| Apprenticeship Levy | 650 | | | | | | 650 |
| Pension Related Costs | 430 | | | | | | 430 |
| Insurance Premiums | 1,363 | | | | | | 1,363 |
| Other Council Wide Budgets | 14,320 | 0 | 1,000 | 4,763 | 4,000 | | 24,083 |
| Total Council Wide Budgets | 48,213 | 0 | 1,000 | 5,163 | 4,380 | 0 | 58,756 |
| Net Budget Requirement | 298,956 | 518 | 2,113 | 6,006 | 12,548 | -631 | 319,510 |

4.1.4 The net budget for 2022-23 will be funded by:

Table 11 – Net Budget Funding

| | £ | % |
|-----------------------|--------------------|-------------|
| Revenue Support Grant | 179,590,994 | 56.21 |
| Non Domestic Rates | 52,772,627 | 16.52 |
| Council Tax Income | 87,146,456 | 27.27 |
| Total | 319,510,077 | 100% |

Pay, Prices, Pensions and Demographics

4.1.5 As outlined above, discussions around the pay award for National Joint Council (NJC) staff in 2021-22 is still ongoing. Unison's ballot closed on 14 February 2022 and turnout was not sufficient to enable industrial action to proceed, despite a 70.2% vote in favour of strike action. Unite is in the process of issuing strike ballot notices to employers and GMB has not yet announced the outcome of its ballot. The latest offer was a full and final offer from the employers of 1.75% on all pay points, with an increase of 2.75% on the lowest pay point. The National Employers will be meeting on 31 January to determine their position. It is impossible to determine what the pay pressure will be in 2022-23 when the 2021-22 position is still so uncertain.

4.1.6 In addition, whilst the teachers' pay award has been agreed for the 2021-22 academic year, up until the end of August 2022, there will be additional pressure from any subsequent pay award to be implemented from September 2022.

- 4.1.7 Within the provisional local government settlement the Welsh Government included funding to enable local authorities to implement the Real Living Wage for social care staff from April 2022. This will apply to in-house and externally commissioned staff. Welsh Government will work with local authorities, health boards and providers to develop guidance for all stakeholders on the detailed approach to implementation. Funding will be held corporately and allocated out during the year in line with the agreed process. As indicated in the report to Cabinet on 16 November 2021 the Council is currently applying to become a Real Living Wage accredited employer. While not currently an accredited organisation, the local authority has committed to paying the Real Living Wage to its own employees for the last two years, but the funding through the settlement will enable this to be extended to all externally commissioned social care staff.
- 4.1.8 Funding for price inflation, including provision for increases in energy costs, rents, allowances and contractual commitments are still largely unknown, especially given rising inflation rates so the inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed. Welsh Government has already announced that there will be no increase in the business rates multiplier for next year.
- 4.1.9 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 5 years the average population increase has been around 1.6%, 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

- 4.1.10 In 2021-22 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 2022-23 onwards, given that school budgets account for around a third of net revenue expenditure. However, following receipt of the better than anticipated 2022-23 provisional settlement from Welsh Government, the additional costs they have incurred during the pandemic, and the pressures to address lost learning, school budgets have again been protected from the 1% efficiency target in 2022-23.
- 4.1.11 There are a significant number of pressures on school delegated budgets for 2022-23 and beyond, not least the full year cost of the teachers' pay award, the increases in National Insurance contributions, and costs of implementing the Additional Learning Needs Educational Tribunal (ALNET) Act (2018). This includes the establishment of new provisions and support for pupils with moderate learning difficulties through the medium of Welsh. The total impact of these pressures is around £1.57 million, and these are included in the proposed budget.
- 4.1.12 It should be noted that the efficiency target is maintained for schools for 2023-24 and beyond, in recognition of the pressures stated above, potentially lower future budget settlements and mounting external pressures across Council services.

Budget Pressures

4.1.13 The final schedule of budget pressures is attached at **Appendix C** and presents a number of recurrent pressures for 2022-23, totalling £12.548 million, but there are already additional pressures identified for future years, of at least a further £3.6 million. A number of these have arisen as a result of contract renewals and are linked to price increases resulting from the Covid-19 pandemic and the departure from the European Union. Others are demographic or statutory in nature, and therefore unavoidable.

4.1.14 The January draft MTFS report to Cabinet explained that budget pressures identified at that time were subject to change before the final budget was presented. The main changes are identified below. These have been included in **Appendix C** and will be funded from resources released following an updated review of provisions set aside for pay and prices in 2021-22, based on current information available:

EFS8 – Increased universal youth support and improved digital offer for young people (£188,000)

CW5 - Inevitably additional pressures will arise during the year as a result of new legislative changes or unanticipated events. Officers have already identified areas where additional resource could be required and a provisional allocation of £500,000 has been set aside for these, whilst further work is undertaken. Funding will be allocated in-year subject to business case approval where necessary.

4.1.15 Some of the more significant pressures facing the Authority include:

- Cost of the implementation of the Additional Learning Needs Educational Tribunal (Wales) Act 2018 (ALNET) and to meet additional demand on the Council's special schools from Bridgend pupils.
- Recurrent increased costs of home to school transport - a combination of historic budget pressures, new costs of transporting nursery pupils more safely, and also cost pressures arising from recent tender exercises.
- Increases in the older persons' population, which place additional pressures on adult social services.
- Increased costs in the Supported Living Service as a result of a recent tender exercise.
- Increased costs of commissioned services in the social care sector following the 6.6% increase in the National Living Wage announced by the UK government.

4.1.16 These are in addition to new pressures and responsibilities on the Council as a result of Welsh Government initiatives or legislation, for which funding has been included within the settlement, including the establishment of corporate joint committees, funding for ongoing costs arising from the Covid-19 pandemic, and the payment of the Real Living Wage for care workers. Other one-off pressures have been, and will be, funded from earmarked reserves, as appropriate.

4.1.17 The budget pressure of £2.192 million to prevent homelessness and eradicate rough sleeping, which was included in the MTFS for 2021-22, but which has been funded from the Welsh Government Hardship Fund during 2021-22, remains in the base

budget for 2022-23 onwards. This is particularly crucial now that the Hardship Fund has come to an end to continue to meet this unavoidable pressure.

Budget Reductions

- 4.1.18 Budget reduction proposals totalling £631,000 have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in **Appendix D**. These have not changed since the draft MTFS was reported to Cabinet in January 2022.

Council Wide Budgets

- 4.1.19 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.
- 4.1.20 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 2022-23 the levy on Bridgend, and consequently its council tax payers, is proposed to be £7,544,032, an increase of 2.45% from 2021-22. This is as a result of demographic increases and unavoidable pay and price increases. The final budget is subject to approval by the Fire and Rescue Authority at its budget meeting on 14 February 2022 so the final increase may change, and this will be reported through the quarterly monitoring reports to Cabinet.

Fees and Charges

- 4.1.21 Generally, fees and charges will be increased by CPI (as at December 2021), subject to rounding, or in line with statutory or service requirements, except where a clear decision is taken not to do so, as outlined in the updated Fees and Charges Policy, which was approved by Cabinet in October 2021. A schedule of fees and charges will be published on the Council's website at the start of the financial year. New charges or charges that have been included in the 2022-23 budget and are above the general increase are shown in **Appendix E**.
- 4.1.22 The Fees and Charges Policy 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.
- 4.1.23 In line with the Fees and Charges Policy, where it is proposed not to increase fees and charges for a service in a particular year, this needs approval from the relevant Director and Section 151 Officer. For 2022-23 areas where this applies include school meals, car parking and Shopmobility.

MTFS Support for Well-being Objectives

4.1.24 **Appendix F** details the Directorate Base Budgets for 2022-23. 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 – 2022-23 Budget by Well-being Objective

| Budget 2022-23 Well-being Objectives | | | |
|---------------------------------------------|------------------------------|------------------------------------------------|----------------|
| Directorate | Well-being Objectives | Core Services & Statutory Functions | Total |
| | £'000 | £'000 | £'000 |
| Central Education & Family Support | 9,628 | 16,216 | 25,844 |
| Schools | 44,130 | 61,456 | 105,586 |
| Social Services and Wellbeing | 56,314 | 22,120 | 78,434 |
| Communities | 7,206 | 21,789 | 28,995 |
| Chief Executive's | 4,127 | 17,768 | 21,895 |
| Council Wide Budgets | 351 | 58,405 | 58,756 |
| NET BUDGET REQUIREMENT | 121,756 | 197,754 | 319,510 |

4.1.25 As mentioned in paragraph 2.3.7, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2022-23. This resulted in additional investment in some key services, such as additional learning needs and support for the ageing population, and a proposal to freeze council tax. A number of proposals for 2023-26 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;

4.1.26 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 over 80% of the required budget reductions through smarter use of resources, such as:

- Smarter use of our assets and energy efficiencies;
- Efficiency savings arising from agile working;
- Rationalisation of services.

Table 13 – Budget Reduction Proposals 2022-23 to 2025-26

| | 2022-23 £'000 | 2023-24 £'000 | 2024-25 £'000 | 2025-26 £'000 | Total £'000 | % |
|---------------------------------------------------|------------------|------------------|------------------|------------------|----------------|-------------|
| Smarter Use of Resources | 166 | 1,080 | 1,040 | 1,040 | 3,326 | 82% |
| Managed Service Reductions | 410 | 279 | 0 | 0 | 689 | 17% |
| Collaboration & Service Transformation | 0 | 0 | 0 | 0 | 0 | 0% |
| Policy Changes | 55 | 0 | 0 | 0 | 55 | 1% |
| Total Identified to date | 631 | 1,359 | 1,040 | 1,040 | 4,070 | 100% |

- 4.1.27 Managed service reductions amount to 17% of the total savings, and generally relate to remodelling of services within social care.
- 4.1.28 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 2021-22 to 2031-32, 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 2022-23. 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 2022-23 provides General Capital Funding (GCF) for 2022-23 of £150 million across Wales and £6.678 million for the Council for 2022-23, of which £3.953 million is un-hypothecated supported borrowing and the remainder £2.725 million is provided through general capital grant. Indicative figures for 2023-24 and 2024-25 have been provided on an all-Wales basis of £180 million for each year, in addition to £20 million in each of those two years for Local Government Decarbonisation.
- 4.2.3 The original budget approved by Council on 24 February 2021 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2020-21, slippage into 2022-23 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.
- 4.2.4 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 general capital bids for funding at this stage, although it is accepted that there are a number of capital pressures that will need financing going forward, including economic recovery, decarbonisation, homelessness, digitalisation and coastal defences. There are also other financial pressures arising as a result of the impact of the pandemic and Brexit, which are being seen in existing tender prices, and will continue to do so for some time going forward, placing pressure on the capital programme overall, including:

- Increased prices of materials, as a result of higher inflation rates and additional costs associated with Brexit, sometimes up to 25% higher than previously estimated;
- Supply chain difficulties leading to higher prices and delays in schemes being completed;
- Inability to recruit to key posts, both within the Council and companies we contract with, resulting in higher wages and overall contract costs;
- Additional requirements on schemes to achieve Welsh Government's Net Zero commitments, which includes an aim of collectively achieving net zero across the Welsh public sector by 2030. This will lead to changes in the way we design and manage our assets, which will likely result in increased costs.

4.2.5 The Capital Programme contains a number of annual allocations that are met from the total general capital funding for the Council. It is not proposed to amend these for 2022-23 and the proposed allocations are shown in Table 14 below. These are already built into the capital programme for future years.

Table 14 – 2022-23 Proposed Annual Allocations of Capital Funding

| | Proposed 2022-23 £'000 |
|-----------------------------------------------------|---------------------------------------|
| Highways Structural Works | 340 |
| Carriageway Capital Works | 250 |
| Disabled Facilities Grant | 1,950 |
| Housing Renewal / Empty Property Schemes | 100 |
| Minor Works | 1,130 |
| Community Projects | 50 |
| Corporate Capital Fund (Renewals / Match Funding) | 200 |
| Street lighting / Bridge infrastructure replacement | 400 |
| ICT equipment replacement | 400 |
| Total | 4,820 |

4.2.6 Since the latest capital programme was approved by Council on 9 February 2022 there is one new scheme that needs building into the programme:

Highways Refurbishment

As the local highway authority, we have a statutory duty to maintain a safe and efficient network of major roads, adopted residential streets, pavements and footpaths throughout the County Borough. The highway asset is the largest asset that the Council owns. By investing in our highways infrastructure we improve the safety for highways users and cut down on the need for reactive repairs. In recent years (2018-22) the Welsh Government has provided local authorities with a Public Highways Refurbishment Grant to support public highways refurbishment in the local area. To enable the Council to continue with this important investment it is proposed to include a sum of £2 million in the Council's capital programme, met from prudential borrowing and funded from capacity within our capital financing budget, to enable the authority to continue to invest in and proactively maintain our highways infrastructure.

4.2.7 In addition, on 7 February 2022 Welsh Government informed the Council of an additional General Capital Grant of £3.115 million for 2021-22, which is unhypothecated and can be used to support effective management of our capital programmes. However, the letter did outline maintenance of the existing highways network as one pressure facing authorities, and suggested that the grant could be used to enable improvements to be planned instead of less effective reactive patch and mend repairs to make makes roads safer, especially for active travel users. In line with the grant letter, the funding will be slipped into 2022-23 and allocated out accordingly in that financial year. Any updates will be reported as part of the quarterly capital reports to Council.

Any further new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2022-23 to 2031-32, and resources available, and will be brought back to Council for approval at a later date.

Capital Programme link to the Well-being Objectives

4.2.8 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 2021-22 £'000 | 2022-23 £'000 | 2023-24 £'000 | 2024-25 to 2031- 32 £'000 | Total £'000 |
|-----------------------------------------------------------------------|-----------------------------|------------------|------------------|------------------------------------|----------------|
| 1. Supporting a Successful Sustainable Economy | 17,123 | 28,961 | 4,940 | 903 | 51,926 |
| 2. Helping People and Communities to be more Healthy and Resilient | 5,507 | 5,570 | 2,220 | 15,870 | 29,167 |
| 3. Smarter Use of Resources | 25,051 | 27,371 | 8,621 | 61,143 | 122,186 |
| Core Services & Statutory Functions | 2,401 | 8,077 | 1,879 | 14,538 | 26,895 |
| TOTAL | 50,082 | 69,979 | 17,660 | 92,454 | 230,174 |

Supporting a Successful Sustainable Economy

4.2.9 The proposed capital programme includes a number of 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

- 4.2.10 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 has also received Integrated Care Fund capital grant on an annual basis as part of its partnership with Cwm Taf Morgannwg University Health Board. This has been 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

- 4.2.11 The Schools' Modernisation Programme forms a cornerstone of the well-being objective of smarter use of resources. Work is commencing on Band B options, which will result in further capital investment of around £70 million in the Council's schools' estate. This includes 4 new build primary schools (Welsh and English medium) and a new build special school, funded from a combination of BCBC capital, Welsh Government capital grant, and revenue funding from both BCBC and Welsh Government through the Mutual Investment Model.
- 4.2.12 There was a total budget of £1 million made available 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. Funding is still being drawn down against this budget and will ensure more community asset transfers can progress.
- 4.2.13 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 a range of energy efficiency schemes across Council buildings, such as the Refit programme, which has seen schools and public buildings fitted with a range of measures including LED lighting, lighting controls, Building Management Systems and solar PV systems, designed to improve energy performance, reduce energy bills and carbon emissions, and which will be repaid from recurrent revenue savings generated, along with investment in new electric fleet.
- 4.2.14 The revised capital programme is attached as **Appendix H**. This includes the amendment outlined in paragraph 4.2.6.

Capital Receipts

- 4.2.15 The Council's enhanced disposals programme, which commenced in 2014, was completed in December 2020 having brought in total receipts of £21.36 million against an original estimate of £21 million. In addition to this, there is an additional £176,000 held in escrow, part of which may also be released to the Council.
- 4.2.16 The disposals strategy for the years to 2030 is currently being drafted and it is anticipated that the majority of the receipts will emanate from the Parc Afon Ewenni (Waterton), Ewenny Road (Maesteg) and Porthcawl Waterfront Regeneration sites, which will be the focus of the disposal programme in the future. Good progress is being made on all three of these projects, most notably with an agreed sale of 2 acres at Porthcawl Salt Lake to Aldi Stores, subject to planning being granted for a retail food store. Capital 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

- 4.2.17 Total Prudential Borrowing taken out as at 1 April 2021 was £46.248 million, of which £26.597 million was outstanding. It is estimated that the total borrowed will increase to £49.413 million by the end of this financial year.
- 4.2.18 Future prudential borrowing could include an estimated £1.8 million towards the costs of the Smart System and Heat Programme, £2 million towards highways refurbishment, outlined above, and £2.3 million towards the costs of highways schemes for 21st Century Band B schools.

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 £8.7 million and at 31 March 2021 it was £9.772 million, which is 5.01% of the 2021-22 net budget excluding school delegated budgets. In the face of continued uncertainty regarding the economy and public finances, the impacts of the Coronavirus pandemic, 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 2021-22. **Appendix I** sets out the movement in the Council's earmarked reserves as at 31 December 2021. It is anticipated that there will be drawdown of a number of reserves during the final quarter of 2021-22 including:
- The estimated draw down of £8.632 million from the Capital Programme reserve, which does rely on capital spend being incurred from January until March 2022. This includes estimated draw down of £4.910 million towards the purchase of land for Band B Schools programme, £342,000 for CCTV and £360,000 for road

improvements at Heol Mostyn. Offsetting this is an increase to the Capital Programme reserve during the year of £7.018 million to meet the cost of potential new capital programme schemes;

- Draw down of £100,000 of funding from the Change Fund;
- Draw down of £375,000 from the Directorate Earmarked Reserves and a further £1.698 million of equalisation and grant earmarked reserves.
- £494,000 of reserves unwound.

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 2022-23 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole.

Table 16 – Summary of Earmarked Reserves

| Opening Balance 01 April 2021 £'000 | Reserve | Net Additions/ Reclassification £'000 | Draw-down £'000 | Unwound £'000 | Balance as at 31 December 2021 £'000 |
|-------------------------------------------|-----------------------|---------------------------------------------|--------------------|------------------|-----------------------------------------------|
| (82,848) | Total Usable Reserves | (7,497) | 2,872 | 494 | (86,979) |

4.4 Council Tax

4.4.1 Based on the proposed budget of £319.510 million, shown in Table 10, there will be no increase in council tax for 2022-23. This takes into account the better than anticipated settlement and aligns with the response from the budget consultation whereby 54% of respondents stated to keep council tax at the same level. It is proposed that it is frozen on a one-off basis for 2022-23 only, to support the citizens of Bridgend in dealing with the current rising cost of living.

4.4.2 It must be noted that by not increasing the council tax in 2022-23 this will reduce the level of potential funding available to the council in 2022-23 and future years, as it will reduce the base on which future tax rises will be applied.

4.4.3 The implications in terms of the Council Tax increase for 2022-23 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in Table 17.

Table 17 – Council Tax Increase 2022-23

| | |
|-----------------|-----------|
| 2021-22 Band D | £1,597.01 |
| 2022-23 Band D | £1,597.01 |
| % Increase | 0.00% |
| Weekly Increase | £0.00 |

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 year 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 2032 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:

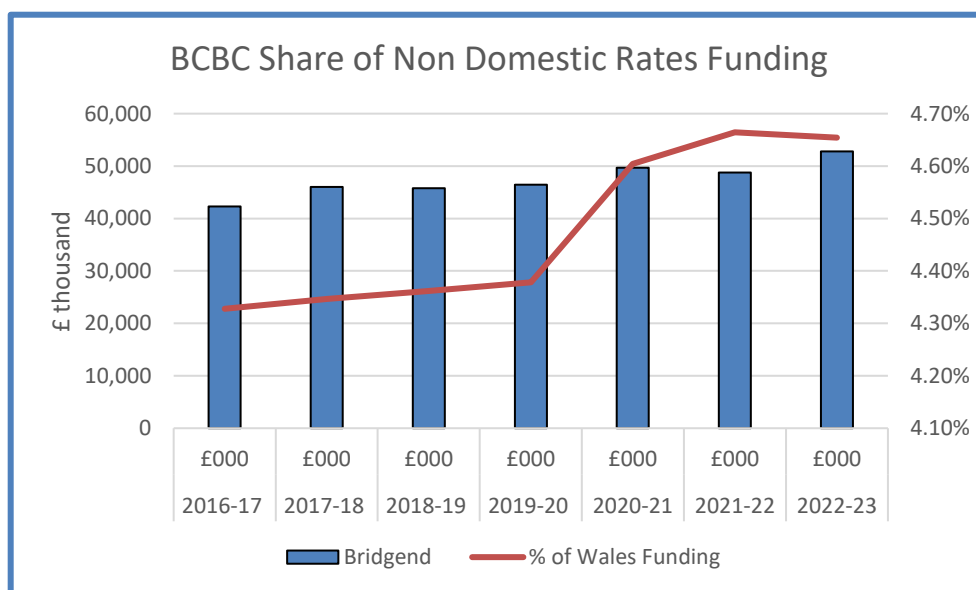
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

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 risen in 2022-23 by 8.4% as a consequence of a technical adjustment to the distribution of non domestic rates between local authorities and police forces. This has been offset by a subsequent reduction in revenue support grant to compensate. Bridgend's percentage share has only slightly reduced from 4.66% to 4.65% of the total, reflecting 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, although this has fallen in 2022-23 due to the significant increase in the settlement. 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:

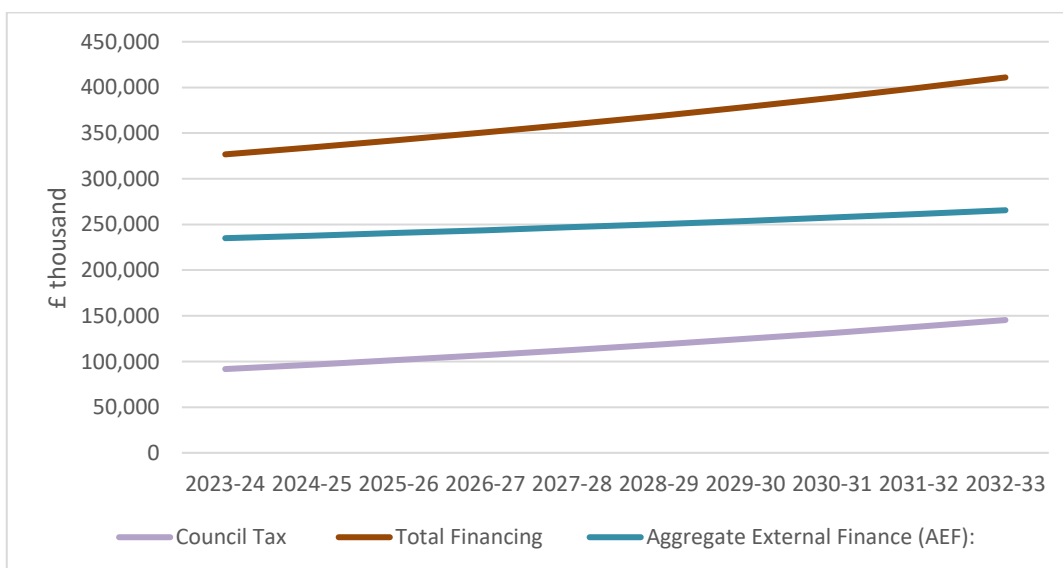
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

5.2.3 Chart 4 showed that since 2016-17 Bridgend’s amount and percentage share of Welsh Government’s distributable amount of non-domestic rates has increased, from 4.33% to 4.65%. 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 alongside a freeze in revenue support grant.

5.2.4 Based on the funding scenarios outlined above, over the 10 year period the estimated freeze 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 2023-24 and 2032-33 if we continue with this model of funding, and the proportion of the budget funded from council tax would increase from its current 27% to 35%.

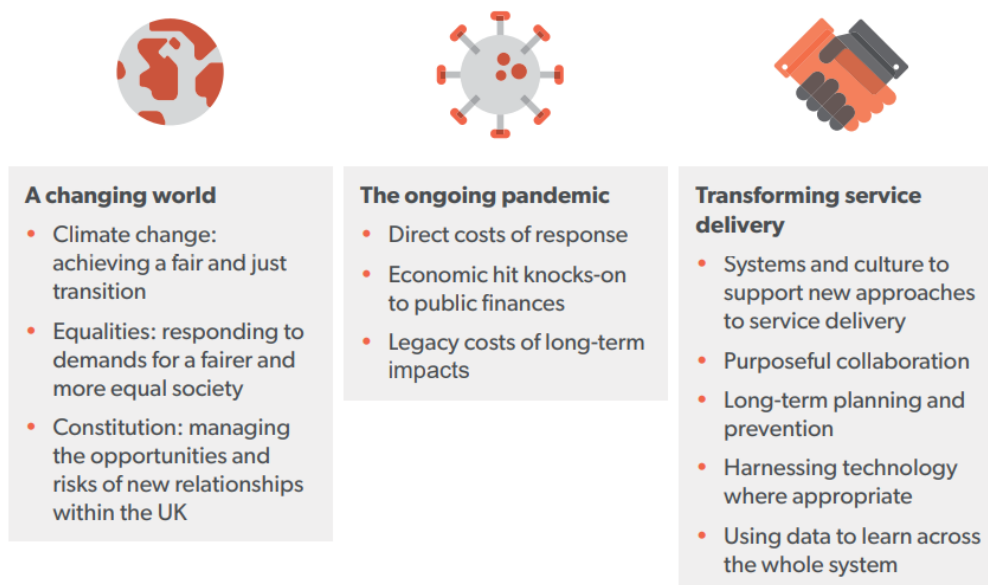
Chart 5: Estimated Funding over life of Longer Term Financial Strategy



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. In the Auditor General’s ‘Picture of Public Services 2021’ report (September 2021) they have been encapsulated these into three main categories –



© 2021 Auditor General for Wales – Picture of Public Services 2021

Further detail on some of these key opportunities and challenges is provided below:

| A changing world | |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demographic changes | Office for National Statistics data shows that Wales’ population is expected to increase by around 117,000 by 2043. 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. By 2043, it is estimated that 9.1% of the population will be aged 80 and over, compared to 5.4% in 2018*. 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. |
| Climate change | The Environment (Wales) Act 2016 placed a duty on the Welsh Ministers to ensure that in 2050 net emissions are at least 80% lower than the baseline set in legislation. The Environment (Wales) Act 2016 (Amendment of 2050 Emissions Target) Regulations 2021 increased the minimum percentage from 80% to 100%, ie. net zero emissions. |

| | |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brexit | The impact is still widely unknown, but public bodies will need to be alert and adapt swiftly to the risks and opportunities. How the Shared Prosperity Fund (which replaces EU funding) operates will impact on such opportunities. |
| The ongoing pandemic | |
| Austerity | The UK government has promised no return to austerity, but funding is still likely to be tight given the cost pressures facing public services. Economic activity fell during the pandemic, with companies and individuals paying less tax. Coupled with higher spending, the UK's overall debt and the annual deficit – the gap between income and expenditure – have grown significantly*. 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 has stated that overall measures of relative poverty were essentially unchanged in recent years, at 22%, the same level as in 2007-08. However, relative child poverty has continued to creep up, and in 2019–20 was 4 percentage points higher than in 2011–12. The impact of the pandemic has been significant, and will continue to do so, with households in relative income poverty prior to the pandemic seeing the largest rises in deprivation at the start of the pandemic along with ethnic minority households who also suffered greater economic hardship. Looking beyond 2021 there are great uncertainties around the prospect for household incomes, and the incomes of poorer households in particular. |
| Transforming service delivery | |
| Collaboration | One of the key lessons from the pandemic has been how collaboration has involved getting the right people together working across organisational and professional boundaries towards a common purpose*, but collaboration does need to be purposeful, and lead to tangible benefits, and not for the sake of it. |
| 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. |

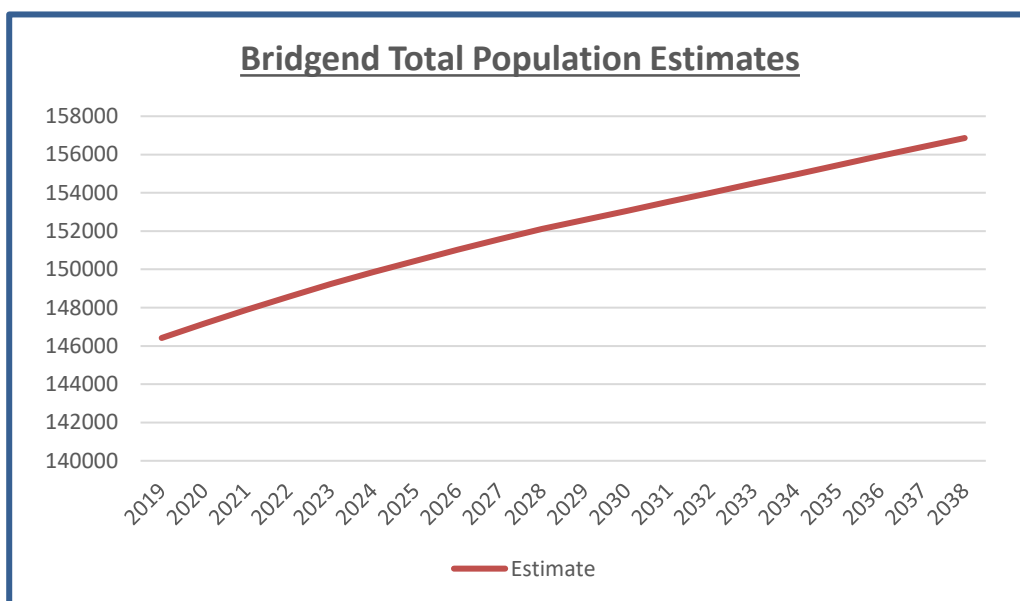
* © 2021 Auditor General for Wales – Picture of Public Services 2021

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 147,000 in 2021 to 156,000 in 2039, 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. Table 18 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.

Table 18 - Bridgend Pupil Numbers

| | Primary | Secondary | Special | Totals |
|----------------------------|----------------|------------------|----------------|---------------|
| 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 | 13,012 | 9,631 | 399 | 23,042 |
| September 2021 | 12,844 | 9,795 | 390 | 23,029 |
| September 2022 - estimated | 12,624 | 9,910 | 400 | 22,934 |

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 £8.91 (rising to £9.50 in April 2022) 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. The September 2021 pay award for teachers brought the starting salary to £27,491 so there is still quite a sizeable gap to fill if this is to be achieved. In addition, despite the Chancellor announcing a pay freeze in 2021-22 for a large number of public sector workers as part of the Spending Review 2020 there is still likely to be a pay increase for NJC staff for 2021-22.

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) | Varies (buses 2028) | £7.8 million |
| HALO Leisure Contract | 15 years | April 2027 | £1.103 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, although this is likely to be offset in part by a reduction in the amount of funding from WG via the Revenue Support Grant. Welsh Government funding through the settlement has been reducing incrementally over the period of the contract but there is likely to be a final reduction in RSG of around £1 million when the contract ends in 2034.

Bridgend Primary Schools (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, the recently published Prudential Code for Capital Finance in Local Authorities (2021 edition) has been strengthened to include a statement that “local authorities must not borrow to fund primary yield generating investments”. The rationale for this is that it does not constitute the primary purpose of investment and represents unnecessary risk to public funds. It is also to ensure that any commercial investment is consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice. This could restrict any commercial ambitions that the Council may have.

Charging policy

The Council’s Fees and Charges 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. Going forward 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. A Net Zero Carbon Strategy is currently being developed and will be presented to Council for approval in due course.

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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