

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

15 DECEMBER 2022

### REPORT OF THE CHIEF OFFICER LEGAL AND REGULATORY, HR AND COROPRATE POLICY

#### INTERIM REPORT OF THE BUDGET RESEARCH AND EVALUATION PANEL

#### 1. Purpose of report

- 1.1 The purpose of this report is to present the Committee with an interim report from the Budget Research and Evaluation Panel (BREP), containing detail of the Panel's deliberations, findings and recommendations to date for approval and submission to Cabinet and Senior Officers to inform the development of the draft budget proposals for 2023-24 following receipt of the Welsh Government provisional local government settlement.

#### 2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015**:

- **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
- **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
- **Smarter use of resources** – 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.

#### 3. Background

- 3.1 In considering the challenges associated with continued budget reductions, Members of the 2013-14 Budget Research and Evaluation Panel (BREP) recognised the need for a 'whole Council' response to be adopted in managing anticipated cuts to services against a backdrop of increasing demand, public sector reform and the challenging financial outlook.

- 3.3 It was consequently recommended that a Standing BREP (referred to as the Panel) be established as a standing working group to enable those Members to engage in more meaningful discussion on budget proposals.
- 3.4 Since then BREP has played an active role in the budget planning process for the Council by working with Cabinet and Senior Officers on the development of specific budget reduction proposals as well as reviewing the draft budget each year and monitoring the ongoing deliverability of the Medium-Term Financial Strategy (MTFS).
- 3.5 The purpose of the Budget Research and Evaluation Panel, agreed under the new Scrutiny structure by Council on 6 September 2017, is to:
- a) Achieve consensus on the direction of the budget over the life of the medium-term financial strategy;
  - b) Achieve a detailed overview and assessment of the budget proposals where the expertise and knowledge of each Overview and Scrutiny Committee contributes to a corporate understanding and appreciation of the draft budget proposals;
  - c) Assist the Council to develop a budget for the forthcoming year that aims to meet the needs of the communities of Bridgend County Borough;
  - d) Facilitate firmer understanding of the budget setting process and the draft proposals in order to assist the Committees in making informed comments, constructive challenge or recommendations to Cabinet as part of the budget consultation process.

#### **4. Current situation/proposal**

- 4.1 The BREP have so far met on three occasions to consider the draft budget proposals for the year 2023-24. The Panel were supported by the Scrutiny Officers, the Senior Democratic Officer – Scrutiny, the Democratic Services Manager, the Chief Officer Finance, Performance and Change, Deputy Head of Finance and Cabinet Member Resources.
- 4.2 At the first meeting of BREP in October 2022, the Panel considered the background to the establishment of BREP, its Terms of Reference and Aims and its ever-changing role and need to be flexible to respond to the budget situation relevant at the time.
- 4.3 The Panel agreed to utilise and adopt the previous BREP Terms of Reference but requested an opportunity to review them throughout the year and that the Item be placed on subsequent agendas once Members are more familiar with them.
- 4.4 The Chief Officer Finance, Performance and Change set out the financial position for the MTFS 2023-24 to 2026-27 detailing the in-year pressures for 2022-23 and the budget 2023-24 onwards. The Panel were advised that in terms of available funding, 1% of Welsh Government funding equated to £2.3m and 1% of Council tax was £870,000. Officers stressed that significant budget pressures had been identified for 2023-24 which produced a funding gap of approximately £15-£20m.

- 4.5 The Panel were also presented with a report on the 'Budget Consultation 2022 – Shaping Bridgend's Future' which illustrated the plans for engagement and a potential timeframe.
- 4.6 The Panel subsequently requested that Cabinet Members and Corporate Directors be invited to future meetings of BREP considering two Directorates at a time to examine their pressures and budget reductions.
- 4.7 The Panel also asked for Cabinet's initial view and more granular detail on the likelihood of the budget savings being achieved in each Directorate and the potential of reductions to discretionary services as well as more detail on the financial model and what the assumptions are.
- 4.8 At the Panel's second meeting in November, Members considered early draft budget reductions proposals as well as budget pressures for both the Chief Executive and the Education and Family Support Directorates.
- 4.9 Once again, the Officers and Cabinet Members highlighted the situation of the funding gap and the significant pressures that were on the Authority, particularly in relation to Social Services and there was therefore a need to consider each budget and where the priorities lie. There was a need to either reduce the proposed growth or increase the budget reductions to ensure a balanced budget for 2023-24.
- 4.10 Some of the key Council wide issues identified by the Chief Officer Finance, Performance and Change were the level of pay awards, difficulties in recruiting staff and inflation issues which were now impacting on the Capital budget as well as the Revenue budget. It was emphasised however that the difficult budget situation this year was not unique to Bridgend and was a national issue with all Local Authorities in Wales facing similar pictures.
- 4.11 It was stressed that there was more demand than ever on services including, but not exclusive to, in Social Care, Housing, Legal, Human Resources, and the Council could simply not continue to operate the same as it has done previously.
- 4.12 The Panel questioned the impact of potential reductions to school budgets and to Home to School Transport and the impact that the pandemic has had on learners, particularly in terms of their emotional wellbeing.
- 4.13 Following this meeting, the Panel requested that for their next meeting they receive similar budgetary information on pressures and reductions relating to the Social Services and Wellbeing and Communities Directorate along with some sort of ranking framework on the options presented in order to provide some context as to their priority/impact and likelihood of being taken forward. It was also requested that this be provided for the Education and Family Support and the Chief Executive's Directorate so that the Panel may make some comment on this also.
- 4.14 Following detailed discussion and correspondence between the Corporate Management Board (CMB), Cabinet, Group Leaders and the Panel Members and in view of the tight timescales surrounding the budget setting process due to the unique circumstances this year and continuing budget uncertainties, it was agreed that a report outlining some initial proposals to present a balanced budget, providing options based on the current financial modelling would be considered at the next meeting. It

included detail such as the potential options for Council Tax level increase, potential budget savings and areas of priority for growth.

- 4.15 The Panel were advised that Cabinet had requested that the principles for underpinning the development of the budget for the coming financial year were:
- The Council will seek to protect the most vulnerable people in our Communities;
  - The Council will seek to limit service growth in the coming financial year;
  - All budgets across the Council should be reviewed to identify savings for the coming year;
  - Where possible “back office” services will be prioritised for service reductions;
  - The Council should consider whether schools are able to contribute to the overall savings required in the coming year; and
  - In setting the budget for 2023-2024 consideration needs to be given to the anticipated budget pressures in the following financial years.
- 4.16 The Panel considered the various Council tax options presented and the impact that these could have on residents in the County Borough, particularly those who are vulnerable. There was concern expressed over both the impact that a significant increase in Council Tax could have on vulnerable people but likewise the impact that further reductions to services could have on the same people in order to make up the funding gap. The Panel commented that whilst residents might understand an increase in Council Tax now, that is less than the cost of inflation, they might not accept a much larger increase in Council tax that might be needed in a few years’ time, to essentially replace the services that are cut this year to fill the funding gap.
- 4.17 Members also discussed the potential link between Council Tax and Income Tax and proposed that the latter needed to be taken into account when setting Council Tax for the Borough.
- 4.18 The Chief Officer Finance, Performance and Change highlighted that early indications from other Local Authorities (LAs) showed that many were considering a higher Council Tax increase this year due to budgetary pressures and even the highest option presented in the report was not an outlier compared with many LAs.
- 4.19 Similarly, it was reported that the Authority had been fortunate in the past in having not had to make reductions to the Schools’ Delegated budget, however the Panel were advised that given the fact that the Schools budget made up such a significant amount of the overall budget (33% for Bridgend), almost all LAs were considering reductions in this area.
- 4.20 The Panel also discussed the Council’s reserves, with Officers reporting that many of these were Earmarked Reserves and helped to deliver on priorities that had already been agreed. Cabinet agreed that these were being considered in terms of their priority however expressed the view that these shouldn’t be used to balance the revenue budget as this funding was one-off and had taken many years to build up.
- 4.21 Concerns were expressed by the Panel over many of the proposed savings being categorised as red or amber, with very few green, and the viability of these proposals. However, whilst red, Members expressed particular concern over the proposed reduction in the budget for the Strategic Regeneration Fund which was put forward as a potential budget reduction for 2023-24 in last year’s MTFs. The Panel emphasised the fact that whilst discretionary, this fund was a clear ‘invest to save’

budget, without which we could have major implications for the success of future regeneration and development projects. Cabinet did respond explaining that this was being reviewed.

#### 4.22 Proposed Recommendations

##### Consultation and Engagement

- 1 The Panel acknowledged the difficult situation the Council found itself in and the tough decisions that would have to be made on the budget which could have quite serious implications for services and residents of the borough. It was therefore felt communication and engagement with the public was vital to get this message across and to be open and transparent about the challenges the Council faced. The Panel noted that similar concerns had been raised at a COSC meeting on 27 October 2022 where Members had requested that any press release regarding the upcoming budget consultation be mindful of improving communication to residents and improving understanding of the budget and purpose of reserves held.
  - a) The Panel therefore endorse this and further recommend that the Authority, as a matter of urgency, start preparing its residents for the possibility of difficult reductions to services and communicating the potential impact of these to ensure transparency and openness.
  - b) Further to this, following any future budget or resulting service reductions, the Authority work with the community or communities involved to establish how the Council can assist in enabling them to take up the service provision, thereby reducing the potential negative impact.
  - c) Given the fact that other Local Authorities are experiencing similar budgetary issues, the Panel recommend that Officers look at how other Local Authorities are communicating this to their residents to ensure they are well informed and aware of the potential impact on services received.

##### Council Tax

- 2 In light of the cost of living crisis, the Panel recommend that when determining any change to Council Tax, Cabinet consider the impact of any potential increase in Income Tax by Welsh Government.

##### Strategic Regeneration Fund

- 3 The ability for the Strategic Regeneration Fund to lever other external funding, to invest in feasibility and development studies and help secure private investment outweighs the saving achieved by reducing this budget. The Panel therefore recommend that any potential reduction to this fund be revisited.

## Further Requests

- 4.23 The Panel requested that a further BREP meeting be scheduled for January 2023 where the draft budget proposals can be presented to the Panel having received the Welsh Government Budget Settlement.
- 4.24 At this meeting, Members requested that they also receive a full a list of all the Authority's services which it funds and the budget attached to them and furthermore what this funding represents as a percentage of the overall spend for the Council. In areas where the Authority funds beyond the statutory minimum, the Panel request a short narrative of what this provision is and what budget is attached to it.
- 4.25 The Panel expressed the view that without the final budget settlement information and the additional list of services, Members could not have full oversight of potential options and therefore could not make informed recommendations over Council Tax levels, or the need for further proposed budget reductions or less budget pressures.
- 4.26 Further to this, the Panel also wished to consider the outcome of the Council's budget consultation process at this meeting in January, whether this simply be early indications or the full analysis if available, in order to inform their findings and recommendations. The Panel highlighted their questions raised at an earlier meeting and requested that these be addressed as part of this:
1. Whether the online digital budget calculator tool was still available on the BCBC website.
  2. Whether data could be collated to target and try and engage those in the consultation process who were most likely in need of and using services.
- 4.27 Finally, resulting from their discussions with Cabinet Members and Officers, the Panel requested that they receive further information to a future Scrutiny meeting on School surplus budgets as well as the funding formula for schools in order to examine these budgets in further detail.

## **5. Effect upon policy framework and procedure rules**

- 5.1 This item relates to the role of Overview & Scrutiny Committees as consultees in respect of the budget setting process.

## **6. Equality Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

- 7.1 The Act provides the basis for driving a different kind of public service in Wales,

with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:

- Long-term - The consideration and approval of this report will assist in the budget setting process for both the short-term and in the long-term.
- Prevention - The consideration and approval of this report will assist in the budget setting process by approving and shaping preventative measures provided by Directorates to generate savings.
- Integration - The report supports all the wellbeing objectives
- Collaboration - The consideration and approval of this report will assist in the budget setting process by approving and shaping collaboration and integrated working to generate savings.
- Involvement - Publication of the report ensures that the public and stakeholders can review the work that has been undertaken by Scrutiny members.

## **8. Financial implications**

8.1 The report relates to the budget setting process and the financial implications associated with that.

## **9. Recommendation**

9.1 The Committee is requested to consider the interim report and approve the recommendations made by the Budget Research and Evaluation Panel (BREP) for submission to Cabinet and Senior Officers to inform their development of the draft budget proposals for 2023-24.

**K Watson**

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**Background documents:**

None