

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO SUBJECT OVERVIEW AND SCRUTINY COMMITTEE 3

23 JANUARY 2023

### REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

#### MEDIUM TERM FINANCIAL STRATEGY 2023-24 TO 2026-27

## 1. Purpose of report

- 1.1 The purpose of this report is to present the Subject Overview and Scrutiny Committee 3 with the draft Medium Term Financial Strategy 2023-24 to 2026-27, which sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2023-2027 and a detailed draft revenue budget for 2023-24.

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

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

1. **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.
2. **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.
3. **Smarter use of resources** – ensuring 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.

- 2.2 The Corporate Plan and Medium Term Financial Strategy (MTFS) identify the Council's service and resource priorities for the next four financial years, with particular focus on 2023-24.

## 3. Background

### Corporate Plan - Policy Context

- 3.1 The Council's well-being objectives under the Well-being of Future Generations (Wales) Act 2015 are currently as set out in paragraph 2.1, but these are being reviewed as part of the process of developing a new Corporate Plan, for approval by Council in March and to be implemented from April 2023.

- 3.2 This draft MTFS has been significantly guided by these and our proposed new objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have necessitated significant budget reductions across different service areas (£72.6 million since austerity began in 2010, of which schools contributed £2.7 million), the Council still plays a very significant role in the local economy of Bridgend County Borough and is responsible for annual gross expenditure of around £485 million and is the largest employer in the county borough. The new Corporate Plan will be presented to Council for approval alongside the MTFS 2023-2027 in March 2023 and will be fully aligned with the MTFS including explicit links between resources and well-being objectives.
- 3.3 The quarterly reports to Cabinet on the revenue position for 2022-23 have outlined in detail the increased difficulty in managing and monitoring the budget, in view of significant and rapidly worsening 'in-year' pressures which include residual cost pressures and loss of income from the Covid-19 pandemic, additional inflationary pressures arising as a result of the conflict in Ukraine, and the impact of the cost of living crisis on both pay and prices, particularly fuel and energy prices. Whilst some provisions were made in the 2022-23 budget to mitigate some of these costs, the changing economic climate during the financial year has been unprecedented with rising inflation around the world, particularly as a result of rising energy prices, with the UK at the high end of international comparisons of large economies, and supply bottleneck.
- 3.4 The Welsh Government announced its Final Local Government Settlement for 2022-23 on 1 March 2022. The increase in Aggregate External Finance (AEF) across Wales was 9.4%, with Bridgend receiving an increase of 9.2%. This increase, whilst intended to cover a number of new pressures, including the real living wage costs for social care workers, and the ongoing pressures from the pandemic, was considered to be better than anticipated. However, this was before the Russian invasion of Ukraine, and the subsequent impact that this had on energy and other prices globally, which has been a significant factor in the subsequent cost of living crisis, and calls for higher pay increases.
- 3.5 Budget planning for the financial year 2023-24 is therefore more uncertain and challenging than usual, with even more cost pressures presenting themselves going forward than has been experienced in previous years, and fewer opportunities to cut services in a climate that requires more support for our older and more vulnerable members of society with substantial increased demand for many services. In addition, there are higher expectations on the Council to address homelessness more robustly, and on a longer term sustainable basis, compounded by the additional challenges to also house Ukrainian refugees and additionally to strengthen and support social care, which is experiencing increased demand and costs as well as more complex cases in both adult and children's services.

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

### **4.1 Budget Narrative**

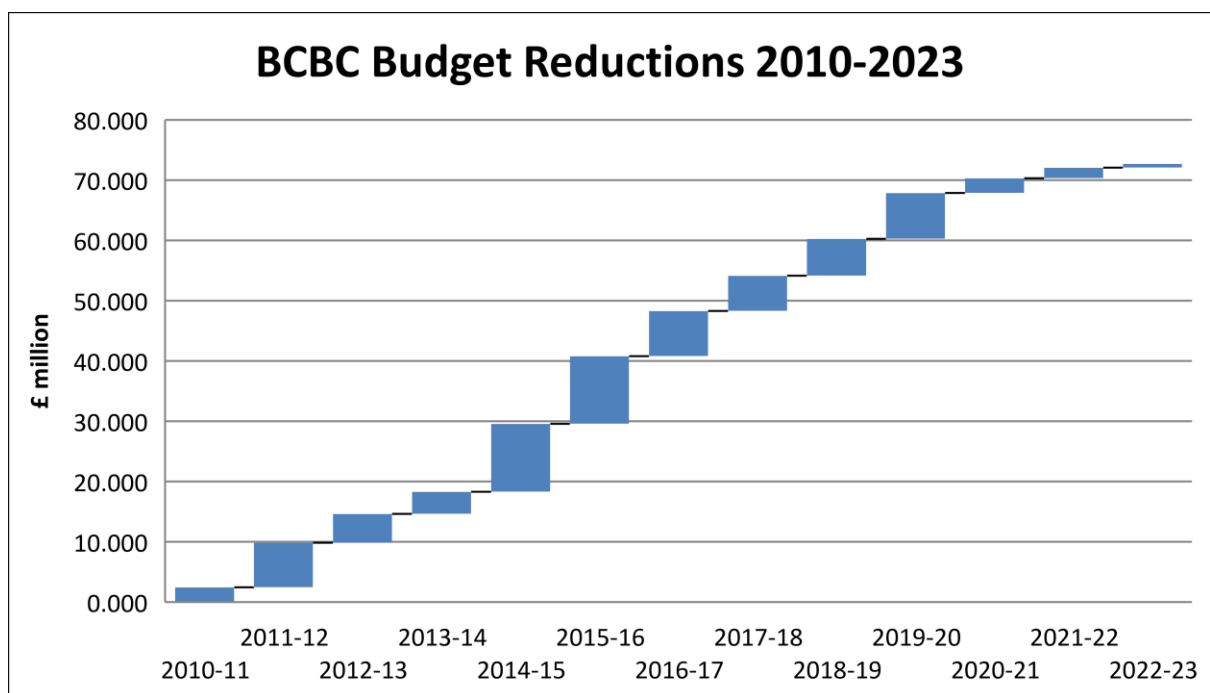
- 4.1.1 The Council aspires to improve understanding of its financial strategy, link more closely to its corporate well-being objectives and explain the Council's goal of delivering sustainable services in line with the overarching ambition of the Well-being of Future Generations (Wales) Act 2015. The following budget narrative aims to articulate the continued and significant investment in public services that the Council will make. It sets out how the Council aims to change particular areas of service delivery, and the financial consequences of this. Cabinet has requested that the following principles should underpin the development of the budget for the coming financial year:

- 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.

#### 4.1.2 Corporate Financial Overview

Since austerity began in 2010 the Council has made almost £73 million of budget reductions, as shown below, towards which school delegated budgets contributed £2.7 million. This represents almost 23% of the Council’s current net budget, however the percentage of savings and cuts has not been equal across all Council services, with relative protection given to schools’ budgets for example.

#### **Bridgend County Borough Council (BCBC) Budget Reductions 2010 to 2023**



While the Council’s net revenue budget is planned at £343.014 million for 2023-24, 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 £485 million in 2023-24. 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 £200 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.

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
- Town or Community Council charge
- Police and Crime Commissioner for South Wales charge

In terms of council tax, the proportion of council tax required to balance the Council's budget has steadily increased over recent years and it currently funds around 27% of the budget. This means that for every £1 spent on services provided by the Council, only around 27 pence is funded from council tax.

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

- Legislative changes e.g. 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. Not all new schemes are fully funded by Welsh Government, and for some the Council does not have the capacity to deliver them in a timely and efficient manner.
- An increase in need in children's social care – increase in contacts, assessments, historically high levels of child protection reviews and also very high numbers of care experienced children, particularly in Bridgend. This is further exacerbated by Care Inspectorate Wales's continued 'serious concerns' in respect of Bridgend children's services. In addition, Welsh Government has developed proposals to eliminate private profit from the care of looked after children, the result of which is driving an increase in costs of independent placements and increasing numbers of bespoke arrangements which have significant financial implications.
- 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. More investment is needed to support the Welsh Government's policy of discharge to recover and assess, in order to alleviate the pressures on adult social care. 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 during the cost of living crisis.

The Council is developing a new Corporate Plan that will set 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 currently 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. The effective and efficient use of resources will continue to inform our principles and ways of working in the new corporate plan, as well as being tested through the corporate self-assessment process.

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 2023-24 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 the current economic climate has brought to the population. This will mean that any increased charges above the current levels of inflation are likely to be unrealistic.

## **Alternative Delivery Models**

We will continue to seek alternative ways of delivering services if that can ensure greater sustainability and efficiency. Over the past year there has been a significant acceleration in the Community Asset Transfer (CAT) Programme, which is releasing savings 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. This is being developed through the Council's Future Service Delivery Model, and the Hybrid Working Policy, which sits at the heart of the model, and provides a framework for more flexible working, yet retaining service quality at its core.

## **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 more than a decade of substantial budget savings, opportunities for large scale savings of this sort are now very scarce, but where they emerge, they remain an important component of the MTFS.

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 next year, additional savings are proposed from a further review and rationalisation of office accommodation following the implementation of the new service delivery model for office based staff. Specifically, it is intended to accelerate shared use of space with public sector partners, in particular South Wales Police, and to market office space such as the unused 'wings' in Ravens Court. 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.

## **Changes to Service Provision**

Unfortunately, despite the settlement we will receive for 2023-24 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.

### 4.1.3 Education

The Council is proposing to spend £137 million on services delivered by the Education and Family Support Directorate in 2023-24. The majority of this money will be spent by Bridgend's 59 schools and one pupil referral unit.

In addition to the £110 million proposed budget to be delegated to schools in 2023-24, which mostly pays for the salaries of teaching and other school staff and the running costs of the facilities (ongoing revenue expenditure), the Council has already spent £21.6 million in building and refurbishing schools as part of our 21<sup>st</sup> Century School Modernisation Band A Programme and has provisionally committed to a further £19 million as part of the newly renamed Sustainable Communities for Learning 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, strategic outline cases, and outline business cases (that is, in respect of capital schemes) submitted by the Council around our aspirations for Band B funding. Full business case approval will be required for all schemes, and Welsh Government approval will be sought once tender prices have been received.

The concepts proposed are based around forecast demand for primary school places, our support to promote the growth in Welsh-medium education and our desire to create additional capacity to meet the needs of children with additional learning needs in our two special schools. 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 (for example, 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 2023-2024, whilst schools have been tasked with finding budget reductions totalling 2% of their budget, to be found as far as possible from efficiency savings, in order to help balance the Council's budget, they will receive additional funding for a range of pay and price increases that should significantly outweigh this budget reduction.

The forecast pressure on Council budgets for future years is such that further efficiency savings of 1% per annum may be unavoidable for schools for 2024-2025 onwards, and so it will be necessary for headteachers and governing bodies to plan ahead.

The Council's well-being objectives have and will likely continue to prioritise supporting vulnerable people and helping them to be more self-sufficient. Early intervention is an important part of this – taking steps wherever possible to prevent people becoming reliant on Council services. As well as being of great social value to individuals and communities, this approach is more cost effective. Successful intervention at an early age and at an early stage can prevent needs from escalating and requiring more costly and complex help later on.

In seeking to protect our investment in education and early intervention, 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.

#### 4.1.4 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 strengthening practice, improving the 'whole system' and targeted preventative services, supporting our workforce. For many years it has been understood that working in this way can result in less dependency on commissioned social care services for many individuals and more effective and cost-effective use of statutory services. For many years it has been evidenced in budget monitoring and outturn reports that social services' financial performance has been highly dependent on short term grant funding with deficits in core budgets to meet the needs of the vulnerable population. Whilst 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 is more challenging than ever before with increasing need and demand for statutory support from children and families in the County Borough and the impact of extended lock down periods and delays in NHS treatments on the physical and mental health of an ageing population. The population of Bridgend is growing quickly, the second fastest growth of any Welsh Local Authority, and this means the number of people with care and support needs is also increasing. In addition, there is considerable challenge on the 'supply side' of social care in respect of both workforce (employed by the Council and providers with an increasing reliance on more agency workers) and social care provision, particularly children's residential, with some providers making business decisions to close particular provision and adult care and support at home.

Children's social care has a 3 year improvement plan, overseen by an Improvement Board chaired by the Chief Executive of the Council and advised by an independent professional advisor. In August 2022 Care Inspectorate Wales (CIW) published the outcomes from a Performance Evaluation Inspection which, whilst noting improvements since their previous quality assurance check, also noted their 'serious concerns' with regard to Bridgend children's social care. They continue to monitor progress with improvements closely and are clear in their analysis of the need for continued corporate support for children's social care. There has been a significant increase in the need for statutory children's social care, most evident in historically high numbers of children requiring the protection of child protection registration. Meeting statutory duties requires significant investment of resources in the workforce and service provision. A whole system review is being progressed to ensure there is the most efficient and cost effective set of arrangements for children and families in Bridgend with the right model of practice and targeting of preventative services to prevent escalation of need. The reason for the 2021-22 under spend was the significant grant income received in 2021-22, including one-off grants such as the Social Care Recovery Fund (£2.9 million) and the Social Care Pressures Grant (£2.2 million). The budget has been dependent for many years on short term grant funding to meet statutory duties with underlying deficits and these have been highlighted in financial monitoring reports. There are increasing numbers of children who require residential accommodation, care and support which is resulting in a significant budget pressure in that area.

A further area of pressure is the volume and complexity of need for statutory social care services from the vulnerable population of the county borough. Practice continues to be strength based and eligibility criteria rigorously applied in adult services but the whole systems pressures are clearly evident with delays in people having their needs for care and support met. As with children's social care, there is a need for a sustainable service



and financial plan as CIW correspondence to the Council set out 'the importance of maintaining focus and oversight on all elements of service delivery, in adult services as well as children's services'. The inspectors noted that there are 'actions being taken to strengthen capacity for oversight and professional leadership in adult services alongside those in children's services'. Pressures are evident in learning disability services, mental health services and services for older people.

The supply side costs for commissioned care providers (domiciliary, residential and nursing) linked to inflation (food and fuel are particularly impactful) and the need to increase the pay of staff to compete with retail and hospitality, and the increased reliance on agency staff (particularly registrant nurses), have meant that some councils have reported having to look at applying across the board increases in their fees during the past year. A small number of providers are facing financial difficulties and there is market exit probability in both adult and children's services which will place more pressure on Council budgets as the Council will always be a safety net provider in such circumstances.

The 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, whilst progressing commissioning strategies and workforce plans which ensure the right person provides the right intervention and support in the most timely and preventative way. The exponential increases in need from both children and vulnerable adults needs to be understood and reflected in service transformation and aligned financial planning.

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 funded via this funding are both broad and diverse. This is done 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.

#### 4.1.5 Public Realm

Most of the Council's net budget is spent on education and social care – these are very valued services, but are naturally aimed at certain groups within our community. However, the Council's work on the public realm has a 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 2023-24 the Council is likely to receive around £4 million of direct Welsh Government grant for public realm services. This includes waste services, public transport, rights of way and road safety.

The overall net budget that the Council proposes to spend on public realm services is around £22 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 2023-24.

The seven year contract with Kier is now moving towards the final years 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 has seen 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 high 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 2023-24. Work will also commence on looking at the provision of waste and recycling services post April 2024, when the Kier contract ends, and this will be reported to Cabinet during 2023-24.

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. Increasingly the Council will seek to enable and facilitate partnerships to help to deliver some services, including more meaningful engagement with local residents regarding the role they can play in working effectively with us.

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 between 2021-22 and 2023-24 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.

#### 4.1.6 **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 (CCR) 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 £2.2 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 implementation of the Placemaking Strategy. Other schemes include the redevelopment of Ewenny Road in Maesteg for both housing and employment uses, where the remediation of the site is being funded by a £3.5 million Housing Viability Grant from the CCR. 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 £3 million for 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. The completion of the £8 million redevelopment and refurbishment of the Maesteg Town Hall in the summer of 2023, will bring state of the art community, music, performance and library facilities to the heart of the Llynfi valley, and will safeguard this 141 year old listed-building for future generations.

We are also in the process of delivering a replacement Local Development Plan (LDP). This has been submitted to Welsh Government's Planning and Environment Decisions Wales (PEDW) for examination in public and if successful could be adopted by the summer of 2023. 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. There is some £116 million of Section 106 contributions that will be forthcoming from an adopted LDP and these are essential for delivering high quality

new infrastructure, such as roads, new schools and play facilities in development areas within the Borough.

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 as stated above, and investment in initiatives to improve the town centre in Bridgend. This includes the development of a new £48 million Bridgend College Campus on the former police station site at Cheapside, in the town centre. The construction is due to commence in summer 2023 with a completed college building anticipated by September 2025. Much of this investment is not the Council's own money, but funded via the College itself and Welsh Government. However skilled BCBC teams are required to work alongside the College to enable the site to be cleared appropriately and that the development fits well into its town centre setting in terms of transport planning and public realm.

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. The Council has been awarded over £20 million from the Shared Prosperity Fund (SPF) to undertake various programmes with partners across the County over the next two years, including training and new business start-up grants. In addition, two detailed funding bids have been submitted to the UK Government's Levelling Up Fund (LUF). These include a £20 million bid for the complete refurbishment of the Grand Pavilion in Porthcawl and a £25 million Transport Bid for the replacement Penprysg Road Bridge and removal of the level crossing in Pencoed. The outcome of these bids is due in January 2023.

#### **4.1.7 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 Registrar service that deals primarily with the registration of Births, Deaths and Marriages. The service also undertakes Civil Partnership and Citizenship ceremonies and provides a replacement certificate facility.

##### 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.

#### **4.1.8 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 enables us to better 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 decarbonisation strategy entitled "Bridgend 2030", was developed with the Carbon Trust and is supported with a detailed action plan, setting out how the Council will reach a net zero carbon position in Bridgend by 2030. This was approved by Cabinet in December 2022.

The service will continue to review its processes in 2023-24 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 lawfully. 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 external expertise when

necessary. Almost half of our in-house legal team is specifically focussed on child protection cases.

The service is very lean and will have to prioritise caseloads on a risk assessed basis.

### 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 supporting 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 have already successfully recruited a number of Graduates and apprentices and will continue this approach next year.

Working closely with our recognised trade unions, we maintain positive and transparent employee relations arrangements.

Overall the significant workforce issues the Council is facing have led to a considerable increase in demand for these services, with the number of advertisements for new staff increasing substantially and the development of training to meet new skills requirements also creating additional workload. The provision of more well-being support for staff has also been an area of greater focus with many staff teams fatigued and depleted following the pandemic and post pandemic issues, and unwelcome staff vacancies increasing the pressure and challenging the resilience of those staff and teams still in work in some services.

### 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, through the development and digitising of information-intensive processes, freeing up capacity and making efficiencies.

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 in-house career progression.

### 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 and the Council has adopted a Corporate Procurement Strategy which supports this approach. There have been sustained increases in the costs of goods and services in the last two years. This is as a result of inflationary pressures, rise in fuel costs and shortages in the supply chain. We have been unable to award some contracts as they cannot currently be delivered within the agreed budget. Contractors are experiencing similar challenges and, on some occasions, have terminated their contracts as they are unable to fulfil the contract due to their increased costs.

### Democratic Services

The Council is a democratic organisation with 51 elected members (Councillors) who make decisions, set policy direction and oversee the general performance of the Council. 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 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.

## **4.2 The Financial Context**

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

4.2.2 The MTFS includes:

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2023-24 and outline proposals for 2024-25 to 2026-27.
- The capital programme for 2022-23 to 2032-33, linked to priority areas for capital investment and the Capital Strategy, which will be presented for approval by Council in March 2023, along with the Treasury Management Strategy 2023-24.

- The Corporate Risk Assessment, which will be updated and included in the final MTFs in March 2023.

- 4.2.3 When Welsh Government announced the Final Local Government Settlement for 2022-23 on 1 March 2022, they provided indicative all-Wales uplifts to AEF for 2023-24 and 2024-25 of 3.5% and 2.4% respectively. However, they did state that these figures were indicative and dependent on both their current estimates of non-domestic rates income over the multi-year settlement period, and the funding provided to them by the UK Government through the 2021 comprehensive spending review. This was also before the impacts of the conflict in Ukraine and the cost of living crisis took hold.
- 4.2.4 The UK Government announced a mini-budget on 23 September 2022, to try to address the economic challenges. This was subsequently followed by a number of updates, changes and new announcements during October 2022, in a bid to steady the financial markets. Then, on 17 November 2022 the Chancellor announced his Autumn Statement, against the backdrop of inflation at a 40-year high and the ongoing cost-of-living and cost-of-energy crisis for people, public services and businesses.
- 4.2.5 In his Statement the Chancellor said that the government would deliver a plan to tackle the cost-of-living crisis and rebuild the UK economy, with his priorities being stability, growth and public services. He stated that forecasts from the Office for Budget Responsibility (OBR) showed that the economy would grow by 4.2% this year, with higher energy prices explaining the lower-than-expected growth forecasts. The Chancellor said that, in respect of public spending, government spending will continue to increase in real terms every year for the next five years but at a slower rate, and that “public spending discipline” must be shown through a “challenging period”. He said that departments will need to make efficiencies. However, overall spending will “continue to rise in real-terms” for the next five years.
- 4.2.6 In response to the Autumn Statement the Welsh Government Finance Minister said that it would mean that people are paying more for less. She also said the Statement confirms that the country is in deep recession, and that the Statement *‘doesn’t even come close to providing the funding needed to protect public service budgets against the immense challenges caused by record inflation’*. She indicated that *‘Inflation has eroded the Welsh Government’s budget to worrying levels and local authorities and NHS organisations are reporting significant shortfalls in funding as a result of inflation, pay pressures and rising energy costs. The Chancellor’s statement today fails to address this significant funding gap’*.
- 4.2.7 Welsh Government announced their draft budget on 13 December 2022, and the provisional local government settlement on 14 December 2022. The final local government settlement is not due to be announced until the end of February 2023, so the Medium Term Financial Strategy and the budget for 2023-24 are proposed on the basis of the provisional settlement.
- 4.2.8 The Welsh Government draft budget set out updated revenue and general capital spending plans for 2023-24, alongside planned allocations for 2024-25. The Minister indicated that the budget was to be used to “support the Wales of today and shape the Wales of tomorrow.” She stated that it had been one of the hardest budgets since the start of devolution and that difficult decisions had been made to maximise support for public services and for people and businesses most affected by the cost-of-living crisis and the recession. This included investing an additional £165 million in NHS Wales to help protect frontline services, along with an additional £227 million for local government to help



safeguard the services delivered by councils. This included recurrent funding of around £70 million to enable local authorities and health boards in Wales to ensure social care workers continue to receive the real living wage, which will increase from the current rate of £9.90 an hour to £10.90 an hour, by June 2023. The uplift is intended to support recruitment and retention, as well as delivering the Real Living Wage in social care. Funding is also being provided to support Wales' ongoing humanitarian response to the war in Ukraine.

- 4.2.9 The budget will also tackle inequality and invest in future generations through an additional £320 million to continue a long-term programme of learning and education reform. This includes 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.
- 4.2.10 To support businesses which are struggling to cope with the impacts of high inflation and surging energy costs, £140 million has been provided for 2023-24 in additional non-domestic rates relief to businesses in the retail, leisure and hospitality sectors, to support 75% rates relief, a rise from the 50% relief provided in 2022-23.
- 4.2.11 In terms of capital investment the Minister indicated that Welsh Government had received a limited capital settlement from the Spending Review in 2021, and received no further capital funding in the Autumn Statement in November 2022. The impact of high levels of inflation had also eroded what could be afforded within existing budgets. However, within the draft budget were allocations of £50 million of additional social care capital and a total capital investment of £1.8 billion in respect of Wales' response to the climate and nature emergency, as well as £900 million of capital funding to improve the quality of school buildings through the 21st century schools' programme, now called the Sustainable Communities for Learning programme.

### **4.3 Welsh Government Provisional Local Government Settlement 2023-24**

- 4.3.1 Councils received their provisional settlements from Welsh Government on 14 December 2022. The headline figure is an overall increase, after adjusting for transfers, of 7.9% across Wales and, for Bridgend, a reported increase of 7.7% in Aggregate External Finance (AEF), or £17.5 million. The settlement includes funding to enable local authorities to continue to meet the additional costs of paying the Real Living Wage to social care workers. Further funding was included within the provisional settlement as a result of budget consequentials, following spending decisions made in relation to education in England in the Autumn Statement. There are not intended to be any significant changes in the final settlement, which will be announced at the end of February 2023.
- 4.3.2 The Minister for Finance and Local Government stated: *'I know local government has been facing significant pressures and has sought to recognise the impact of inflation on the living standards of those who work in local government as well as the broader community. I hope that this increased Settlement enables you to continue to deliver the services your communities need as well as supporting national and local ambitions for the future.'*
- 4.3.3 The Minister also stated that *'This Settlement 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'*

- 4.3.4 Looking forward, the indicative all-Wales core revenue funding allocation for 2024-25 is £5.69 billion – equating to an uplift of £169m (3.1%).
- 4.3.5 In terms of capital funding the Minister stated that the settlement that WG received from the UK Government was disappointing and is not sufficient to meet their ambitions to invest in Wales' future, with the overall capital budget 8.1% lower in real terms than the current year. Following a review of their capital budgets, general capital funding for local government for 2023-24 has been confirmed at £180 million and will remain at £180 million for 2024-25. She stated that *'Even as we meet the challenges posed by inflation, we must not lose sight of the need to maintain our focus on responding to the climate and nature emergency and contributing to the Net Zero Wales plan we have developed together. Separately I am providing £20 million capital in each year to enable authorities to respond to our joint priority of decarbonisation.'* No indications have been given for 2025-26 or beyond.

#### **4.4 Settlement Implications for 2024 to 2027**

- 4.4.1 As mentioned above, when the provisional local government settlement was announced, the Minister for Finance and Local Government indicated that the potential local government settlement for 2024-25 could be an average increase in funding of 3.1%. However it was stated that this figure is indicative and is dependent on the Welsh Government's current estimates of non-domestic rates income and the funding provided by the UK Government.

#### **4.5 Transfers into and out of the 2023-24 Revenue Settlement**

- 4.5.1 The provisional settlement does not include any transfers of funding from Welsh Government into the Revenue Support Grant (RSG).

#### **4.6 Specific Grants**

- 4.6.1 The picture on changes to specific grants is available at an all-Wales level for most grants, but not yet at an individual authority level. Many of the grants remain unchanged from 2022-23 figures, and some are yet to be finalised. Funding for Free School Meals during school holidays has ended, but there are allocations of £70 million in 2023-24 and £90 million in 2024-25 to support the increased entitlement to free school meals for all primary aged pupils as agreed as part of the Plaid Cooperation agreement.
- 4.6.2 While many of the grants remain unchanged from the 2022-23 figure at an all-Wales level, including the Social Care Workforce Grant, which remains at £45 million across Wales for both 2023-24 and 2024-25, there are changes to the Children and Communities Grant, as a result of changes to some of the programmes within the overall grant, some of which will be separate grants going forward e.g. Communities for Work Plus. There is also an increase in the grant to support proposals relating to eliminating profit from the care of looked after children – from £7.6 million in 2022-23 to £15.5 million in 2023-24 and £19.3 million in 2024-25. No information is yet available on the level of the Sustainable Waste Management Grant. Welsh Government has advised that the specific information will be updated for the final settlement.
- 4.6.3 Until more detailed information is made available from Welsh Government on some of these significant grants, which fund a range of important and key services within the Council, it is prudent not to allocate all additional funding in the budget, mindful that some funding may be needed to sustain these core services.

## 4.7 Current Year (2022-23) Financial Performance

4.7.1 The in-year financial position as at 31 December 2022 is shown below.

**Table 1- Comparison of budget against projected outturn at 31 December 2022**

Directorate/Budget Area	Original Budget 2022-23 £'000	Revised Budget 2022-23 £'000	Projected Year end spend Q3 2022-23 £'000	Projected Over / (Under) Spend 2022-23 £'000	Projected Over / (Under) Spend Qtr 2 2022-23 £'000
<b>Directorate</b>					
Education and Family Support	131,430	138,068	138,863	795	(217)
Social Services and Wellbeing	78,434	85,076	94,497	9,421	7,499
Communities	28,995	31,013	30,680	(333)	(526)
Chief Executive's	21,895	23,498	22,326	(1,172)	(658)
<b>Total Directorate Budgets</b>	<b>260,754</b>	<b>277,655</b>	<b>286,366</b>	<b>8,711</b>	<b>6,098</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,329	7,203	6,481	(722)	(438)
Levies	8,177	8,210	8,226	16	0
Apprenticeship Levy	650	650	650	0	0
Council Tax Reduction Scheme	16,054	16,054	14,885	(1,169)	(900)
Insurance Premiums	1,363	1,363	1,236	(127)	(138)
Repairs & Maintenance	670	670	470	(200)	(200)
Pension Related Costs	430	430	430	0	0
Other Corporate Budgets	24,087	7,279	1,501	(5,778)	(989)
<b>Total Council Wide Budgets</b>	<b>58,760</b>	<b>41,859</b>	<b>33,879</b>	<b>(7,980)</b>	<b>(2,665)</b>
<b>Total</b>	<b>319,514</b>	<b>319,514</b>	<b>320,245</b>	<b>731</b>	<b>3,433</b>

4.7.2 The overall projected position at 31 December 2022 is a net over spend of £731,000 comprising £8.711 million net over spend on directorates and a net under spend of £7.980 million on Council wide budgets. The overall position has slightly improved since quarter 2, but there are still significant directorate budget pressures, particularly in social services and wellbeing, which is currently showing an over spend of £9.4 million. The quarter 3 revenue budget monitoring report is also being presented to Cabinet on 17 January, providing details on the reasons for the main over and under spends. Whilst there is currently an under spend on 'Other Council Wide Budgets' the current level of inflation is significantly higher than experienced in recent years, and is putting pressure on all services. We do not yet know whether further funding will need to be allocated from this budget to support services for the remainder of the financial year.

4.7.3 The projected over spend on the Council budget at quarter 3 still significantly masks the underlying budget pressures in some service areas that were reported in 2021-22 and still persist in 2022-23. The main financial pressures are in Social Services and Wellbeing and Homelessness.

## **4.8 Medium Term Financial Strategy (MTFS) 2023-24 to 2026-27**

- 4.8.1 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 Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.
- 4.8.2 The development of the MTFS 2023-24 to 2026-27 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Budget Research and Evaluation Panel (BREP), views of scrutiny and issues arising during 2022-23, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 4.8.3 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).

## **4.9 MTFS Principles**

- 4.9.1 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 2023-2027 and which Members and others can examine and judge the Council's financial performance against. The thirteen MTFS principles are:
1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on re-shaping the Council over the full period of the MTFS.
  2. All budget related decisions will align with the principles of the Well-being of Future Generations (Wales) Act 2015.
  3. The Council will continue to meet its statutory obligations and demonstrate how it directs resources to meet the Council's corporate priorities. Other resource strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.
  4. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks, with adequate provision being made to meet outstanding and reasonably foreseen liabilities.
  5. All services will seek to provide value for money and contribute to public value, and will continuously review budgets to identify efficiency savings.
  6. Financial plans will provide an optimum balance between income and expenditure for both capital and revenue, with opportunities for generating additional income taken in line with the Council's Income Generation and Charging Policy.
  7. Savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays.

8. Balances are not used to fund recurrent budget pressures or to keep down Council Tax rises unless an equivalent budget reduction or increase in Council Tax is made in the following year in recognition that balances are a one-off resource.
9. The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.
10. Capital investment decisions are in alignment with the Council's Capital Strategy, and mitigate any statutory risks taking account of return on investment and sound option appraisals.
11. Prudential borrowing is only used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
12. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
13. Resources are allocated to deliver transformational projects based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS.

4.9.2 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 in 2022-23 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.

#### **4.10 Council Tax**

4.10.1 The 2023-24 draft Revenue Budget, shown in Table 6 below, assumes a 6% increase in council tax for 2023-24, which is less than the rate of inflation, and is required to enable the Council to meet the considerable financial challenges that the Council faces going forward, not least the potential significant pay and price increases, along with the unprecedented number of unavoidable service pressures facing the Council as it tries to support its most vulnerable residents. Going forward an assumed annual increase of 4.5% has been included for 2024-2027.

#### **4.11 MTFS Resource Envelope**

4.11.1 The published provisional 2023-24 Aggregate External Finance (AEF) figure is an increase of 7.7% for Bridgend. In the MTFS 2022-23 to 2024-25, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2023-24 of an annual 0% change in AEF and an assumed increase in council tax of 4.5% for 2023-24 to 2024-25, recognising the ongoing uncertainty around our funding in future years. However, as stated above, as a result of the unprecedented challenges facing the Council, it is proposed to increase council tax by 6% for 2023-24.

4.11.2 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 current economic uncertainties, particularly in respect of levels of inflation, 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 2.

4.11.3 Going forward, for 2024-25 Welsh Government has given an indicative increase of 3.1% but said that this is dependent on current estimates of non-domestic rates income and any 2024-25 UK budgets. Given that the published figure is an average, and the settlement often includes new responsibilities on local authorities, we have assumed slightly lower figures in our assumptions. However, for 2025-26 onwards, and given the level of funding uncertainty in future years, as well as unknown pay and price increases, the original 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 2 – MTFS Scenarios: % Change in AEF**

	<b>2023-24 % Change</b>	<b>2024-25 % Change</b>	<b>2025-26 % Change</b>	<b>2026-27 % Change</b>
Best Scenario	+7.7%	+2.5%	+1.0%	+1.0%
<b>Most Likely Scenario</b>	<b>+7.7%</b>	<b>+2%</b>	<b>0%</b>	<b>0%</b>
Worst Scenario	+7.7%	+1.0%	-1.0%	-1.0%

4.11.4 Table 3 shows the Council's potential net budget reduction requirement based on the forecast resource envelope, inescapable spending assumptions and assumed Council Tax increases.

**Table 3: MTFS Potential Net Budget Reductions Requirement**

	<b>2023-24 £'000</b>	<b>2024-25 £'000</b>	<b>2025-26 £'000</b>	<b>2026-27 £'000</b>	<b>Total £'000</b>
<b>Best Scenario</b>	3,256	462	3,960	3,737	<b>11,415</b>
<b>Most Likely Scenario</b>	3,256	1,711	6,521	6,324	<b>17,812</b>
<b>Worst Scenario</b>	3,256	4,210	9,045	8,823	<b>25,334</b>

## 4.12 Managing within the MTFS Resource Envelope

4.12.1 Whilst we have been able to restrict the amount of budget reductions for 2023-24, over the period of the MTFS the financial forecast for 2023-2027 is predicated on £17.8 million of 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, which is difficult to predict going forward following the unprecedented increases in energy costs, food and fuel costs over recent months, which are anticipated to continue. The consumer price index (CPI) rate recently rose above 11% in the 12 months to October 2022, a 40-year high, and has hovered around that rate since.
- 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, potential additional responsibilities arising from UK government's proposed new Protect Duty, 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 2022) in line with the Council's Fees and Charges Policy, approved by Cabinet in October 2021, unless determined otherwise.
- Increases in staffing costs, including a confirmed 10.1% increase in the Real Living Wage (from £9.90 to £10.90 per hour), a 9.7% increase in the national living wage from April 2023 (from £9.50 to £10.42), along with the impact of staff pay increases in both 2022-23 and 2023-24. These include the full year effect of the teachers' pay increase of September 2022 (5% increase), the unknown teachers' pay increase in September 2023 and increases for non-teachers for 2023-24, which are still to be determined.
- Partially offsetting this is the reversal of the April 2022 increase in the Council's employer National Insurance Contributions following the introduction of the Health and Social Care Levy. Following the change in Prime Minister for the UK in September 2022 it was announced that the 1.25% National Insurance Contributions (NICs) increase, introduced in April 2022, would be reversed from 6 November 2022. The saving to the Council from this is estimated to be in the region of £2.2 million across both BCBC and commissioned staff. This will be used to offset other pressures elsewhere within the budget.

#### **4.13 Net Budget Reduction Requirement**

4.13.1 Table 4 shows the current position in respect of addressing the most likely forecast budget reduction requirement of £17.8 million. It shows that £6.7 million of budget reduction proposals have already been identified over the period of the MTFS, including the full £3.256 million required for 2023-24. However, the majority of future savings relate to school delegated budgets, which may or may not be feasible going forward, and the table shows that the Council still needs to develop proposals to the value of £11.1 million, for which a range of options are under consideration including:

- Digital transformation of wider Council services
- Income generation opportunities
- Further reductions in employee numbers
- Working with partners to asset transfer and protect community facilities

**Table 4 - Risk Status of Budget Reduction Proposals 2023-24 to 2026-27**

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
2023-24	130	260	2,866	3,256	0	3,256
2024-25	65	0	1,251	1,316	395	1,711
2025-26	0	0	1,059	1,059	5,462	6,521
2026-27	0	0	1,059	1,059	5,265	6,324
<b>Total</b>	<b>195</b>	<b>260</b>	<b>6,235</b>	<b>6,690</b>	<b>11,122</b>	<b>17,812</b>
Percentage of total required	1%	1%	35%	38%	62%	100%

4.13.2 Table 4 illustrates the difficult position that the Council finds itself in financially over the life of the MTFS. For 2024-27 only 24% of savings have been identified, the majority of which relates to school delegated budgets, which leaves the Council at risk of not balancing the budget. This will depend on the level of settlement that the Council receives and the total budget reductions required to balance the budget. Indications from Welsh Government are that the Council will receive a much reduced settlement in future years, and will face higher pay and price pressures, consequently we will continue to identify options to close the gap during the remainder of the financial year and into 2024-25, at the same time seeking additional funding from Welsh Government, particularly for new responsibilities.

4.13.3 The budget reduction proposals identified can be categorised as:

- i. Smarter Use of Resources;
- ii. Managed Service Reductions;
- iii. Collaboration and Service Transformation; and
- iv. Policy Changes.

4.13.4 The value of budget reduction proposals identified to date is shown in Table 5 by category. The categories are also shown by individual proposal in **Appendix B**.



**Table 5 – Budget Reduction Proposals Identified 2023-24 to 2026-27**

	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Total £'000	%
<b>Smarter Use of Resources</b>	2,503	1,059	1,059	1,059	5,680	85%
<b>Managed Service Reductions</b>	544	25	0	0	569	9%
<b>Collaboration &amp; Service Transformation</b>	0	0	0	0	0	0%
<b>Policy Changes</b>	209	232	0	0	441	7%
<b>Total Identified</b>	<b>3,256</b>	<b>1,316</b>	<b>1,059</b>	<b>1,059</b>	<b>6,690</b>	<b>100%</b>

4.13.5 The table shows that over 80% of the proposed budget reductions identified so far will come from Smarter Use of Resources, for example through:

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

4.13.6 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 considered and could be necessary.

#### **4.14 Scrutiny and Challenge**

4.14.1 A full budget consultation was launched on 19 December 2022 and will run until 22 January 2023. The aim of the consultation is to seek views on the priority areas for residents, in order to enable us to review and prioritise the budget and make Bridgend 'Fit for the Future'. It is recognised that budget planning for 2023-24 is more uncertain than ever before, and that the Council is facing even more cost pressures than experienced in previous years, as a result of the cost of living crisis, conflict in Ukraine and worsening economic circumstances. We need to know what has worked well, and where we need to continue to make changes or improvements to ensure that the Council is able to deliver sustainable and effective services for the next five to ten years. The consultation includes an online survey, attendance at engagement events, a social media / web campaign and via the Authority's Citizens' Panel, and targets a range of stakeholders.

4.14.2 Respondents are being asked to share their views on a range of areas including:

- Prioritising council services
- Council tax levels
- How the council has performed over the past 12 months
- What should our future priorities be
- Digitalisation of council services

4.14.3 The results will be collated and presented to Cabinet on 7 February 2023 in order to further inform final decisions on the MTFS.

#### 4.15 2023-24 Draft Revenue Budget

4.15.1 The following table shows the draft revenue budget for 2023-24.

**Table 6 – Draft Revenue Budget 2023-24**

	Revised Budget 2022-23	Inter-Directorate Transfers (Pensions / Nat. Insurance)	Pay / Prices	Budget Pressures	Budget Reduction Proposals	Opening Revenue Budget 2023-24	Potential In-Year Allocations for Pay and Prices *	Potential Final Budget 2023-24
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Directorate Budgets:</b>								
Central Education & Family Support	27,507	-91	144	200	-171	27,589	1,500	29,089
Schools	110,420	-461	1,915	0	-2,118	109,756	7,100	116,856
<b>Education and Family Support</b>	<b>137,927</b>	<b>-552</b>	<b>2,059</b>	<b>200</b>	<b>-2,289</b>	<b>137,345</b>	<b>8,600</b>	<b>145,945</b>
<b>Social Services &amp; Wellbeing</b>	<b>84,956</b>	<b>-393</b>	<b>54</b>	<b>8,174</b>	<b>0</b>	<b>92,791</b>	<b>3,700</b>	<b>96,491</b>
<b>Communities</b>	<b>31,013</b>	<b>-115</b>	<b>22</b>	<b>0</b>	<b>-892</b>	<b>30,028</b>	<b>3,900</b>	<b>33,928</b>
<b>Chief Executives</b>	<b>23,489</b>	<b>-112</b>	<b>1</b>	<b>700</b>	<b>-75</b>	<b>24,003</b>	<b>800</b>	<b>24,803</b>
<b>Total Directorate Budgets</b>	<b>277,385</b>	<b>-1,172</b>	<b>2,136</b>	<b>9,074</b>	<b>-3,256</b>	<b>284,167</b>	<b>17,000</b>	<b>301,167</b>
<b>Council Wide Budgets:</b>								
Capital Financing	7,203					7,203		7,203
Levies	8,210			637		8,847		8,847
Repairs and Maintenance	670					670		670
Council Tax Reduction Scheme	16,054					16,054		16,054
Apprenticeship Levy	650					650		650
Pension Related Costs	430					430		430
Insurance Premiums	1,363					1,363		1,363
Other Council Wide Budgets	7,549	1,172	13,909	1,000		23,630	-17,000	6,630
<b>Total Council Wide Budgets</b>	<b>42,129</b>	<b>1,172</b>	<b>13,909</b>	<b>1,637</b>	<b>0</b>	<b>58,847</b>	<b>-17,000</b>	<b>41,847</b>
<b>Net Budget Requirement</b>	<b>319,514</b>	<b>0</b>	<b>16,045</b>	<b>10,711</b>	<b>-3,256</b>	<b>343,014</b>	<b>0</b>	<b>343,014</b>

\* Actual amounts will depend upon final agreed pay awards and inflationary increases / contractual increases

4.15.2 The proposed net budget for 2023-24 will be funded by:

**Table 7 – Net Budget Funding**

	£	%
Revenue Support Grant	202,269,300	58.97
Non-Domestic Rates	47,625,526	13.88
Council Tax Income	93,118,888	27.15
<b>Total</b>	<b>343,013,714</b>	<b>100%</b>

#### 4.16 Council Tax Implications

4.16.1 Based on the proposed budget of £343.014 million, there will be a 6% increase in council tax for 2023-24. This is lower than the rate of inflation but is required to enable the Council to meet the significant and unprecedented budget pressures that it is facing, to enable it to set a balanced budget, including higher than anticipated pay, price and service pressures. It takes into account the better than anticipated settlement, but is mindful of the ongoing pressures still facing the Council.

4.16.2 As mentioned above, council tax only provides around 27% of the Council's funding. The majority of funding comes from Welsh Government, via the Revenue Support Grant and the Council's share of non-domestic rates. An increase in council tax of 1% therefore only provides around £870,000 of additional funding.

#### **4.17 Non-Domestic / Business Rates Revaluation 2023**

4.17.1 The Valuation Office Agency (VOA) regularly reassess and update the rateable values of all business properties, usually every five years. The last revaluation took place in April 2017, with the next scheduled for April 2023 to factor in the economic impact of the Coronavirus pandemic. The main purpose of revaluation, and the associated setting of the multiplier, is to adjust the liability of properties relative to others within the non-domestic rates (NDR) tax-base. This ensures the rates liability is spread fairly between ratepayers and is based on up-to-date rental values. At each revaluation, all properties are assigned a new rateable value. The multiplier is then reset by the Welsh Government to ensure the NDR tax-base can broadly generate the same level of funding after revaluation as before. All the revenue raised from non-domestic rates in Wales is used to fund local government services and revaluation helps to ensure that a stable funding stream is maintained for this purpose.

4.17.2 The VOA has updated the rateable values of all business and other non-domestic, property in England and Wales, based on property values as at 1 April 2021, and these will take effect from April 2023. The financial impact of the revaluation on Council buildings needs working through as there will be transitional arrangements in place to support ratepayers. The Welsh Government has announced that it will provide all ratepayers whose liability is increasing by more than £300, as a consequence of revaluation, with transitional relief. Any increase in non-domestic rates liability as a result of revaluation will be phased in over two years. A ratepayer will pay 33% of their additional liability in the first year (2023-24) and 66% in the second year (2024-25), before reaching their full liability in the third year (2025-26). The Welsh Government has also announced that, due to the current economic climate, it will also freeze the non-domestic rates multiplier for 2023-24. In terms of the financial impact on the Council, the Council does not retain the rates that it collects. Rates collected are paid into a central pool and are then redistributed by the Welsh Government to local authorities across Wales to pay for services.

#### **4.18 Pay, Prices and Demographics**

4.18.1 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2022-23 have recently been agreed. They included an increase of 5% on all teachers' pay scales and allowances, and a flat rate increase of £1,925 on all NJC and JNC Chief Officer and Chief Executive pay points. In relation to future pay awards, the Minister for Education and Welsh Language has said that he is mindful to accept the Independent Welsh Pay Review Body's recommendations for a 3.5% uplift for teachers from September 2023, although this will be kept under review and revisited if there is a significant change in economic conditions compared with the current forecasts. The NJC unions have begun consulting their members on the 2023 pay claim which they aim to lodge in January, and further details will follow on this. No proposals have yet been submitted in respect of pay increases for JNC officers. With so much uncertainty it is difficult to determine what the pay pressure will be in 2023-24.

4.18.2 Within the 2022-23 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 applied to in-house and externally commissioned staff. In March 2022 Bridgend

County Borough Council was officially recognised as a Real Living Wage accredited employer by the Living Wage Foundation, and all BCBC-employed staff, including social care staff, were paid at the level of the Real Living Wage. The additional funding provided by Welsh Government was used to increase the rates for those externally commissioned social care services for the 2022-23 financial year. In September 2022 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 10.1%, from £9.90 to £10.90 per hour. The rate was to be implemented as soon as possible, but by 14 May 2023 at the latest, and this will be included in calculations of new rates for commissioned social care services from April 2023. Additional funding has been included in the provisional settlement by Welsh Government for this purpose.

- 4.18.3 Funding for price inflation has been retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown, especially given rising inflation rates. A further review of allocations will be undertaken before the final budget is agreed and any necessary amendments made. As mentioned above, Welsh Government has already announced that there will be no increase in the business rates multiplier for next year.
- 4.18.4 Following approval of the final budget, the remaining inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed, in particular where the index is set after the Council's budget is approved.
- 4.18.5 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. Wales, as a whole, has an ageing population. In Bridgend, the older people's population size has increased by over 8% in the last 5 years, resulting in increased pressure on a number of service areas, including residential care, home care and the assessment and care management teams.

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

- 4.19.1 The Council has received the provisional results of the triennial actuarial valuation of the Local Government Pension Fund as at 31 March 2022. The valuation shows that, based on the performance of the fund at that time, the employer's contributions required by the authority from April 2023 for the next three years is a potential reduction from the current 19.8% to a proposed 19.4%. This is based on high asset performance in the fund, specifically gains on investments, changes to membership and financial assumptions, since the last valuation. The impact of this is a potential reduced cost of employer's contributions of £352,000 per annum, the budget for which has been top-sliced from directorate budgets and centralised, to be used to fund some of the unavoidable budget pressures that the Council is facing.

#### **4.20 School Delegated Budgets**

- 4.20.1 School budgets were again protected from the proposed 1% annual efficiency target for 2022-23. However, despite the better than anticipated provisional settlement for 2023-24, given the unprecedented level of pressures facing the Council in 2023-24 and beyond, and the uncertainty around Council budgets for future years, it was felt to be almost impossible not to include a 2% efficiency in school budgets (£2.118 million) for 2023-24, given that school budgets account for around a third of net revenue expenditure.

- 4.20.2 There are a significant number of pressures on school delegated budgets for 2023-24 and beyond, not least the full year cost of the teachers' pay award for April to August 2023, new pay award for teachers from September 2023, which is currently estimated to be at least 3.5%, non-teachers' pay award from April 2023 and rising inflation, particularly in respect of energy costs. Whilst schools will need to mitigate the 2% efficiency saving, to contribute towards the corporate budget reduction target, this will be more than offset by the significant funding that will be provided to them during 2023-24 to offset these additional pay and price pressures, which could reach £9 million based on current estimates.
- 4.20.3 It should be noted that the 1% efficiency target is maintained for schools for 2024-25 and beyond, in recognition of the pressures stated above, potentially lower future budget settlements and mounting external pressures across Council services.

#### **4.21 Budget Pressures**

4.21.1 During 2022-23 a number of unavoidable service budget pressures have arisen for 2023-24 and future years, and they are detailed in **Appendix A**. The total of the budget pressures identified for 2023-24 is £10.711 million, but there are already additional pressures identified for future years, of at least a further £3.2 million. A number of these are demographic or statutory in nature, and therefore unavoidable. There may be additional pressures arising over the coming months and consequently the total pressures requirement may change between draft and final budget.

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

- Costs associated with supporting and protecting our most vulnerable residents, especially children.
- Continuing costs arising from the Social Services and Well-being (Wales) Act 2014.
- Increased demand on our homelessness budget.
- Increases in the older persons' population, which place additional pressures on adult social services.
- Longer term costs resulting from the Covid-19 pandemic.
- Increased costs of commissioned services in the social care sector following the 10.1% increase in the Real Living Wage, and in general following the 9.7% increase in the National Living Wage announced by the UK government.

#### **4.22 Budget Reduction Proposals**

4.22.1 Budget reduction proposals of £3.256 million for 2023-24 have been identified from service budgets to achieve a balanced budget, detailed in **Appendix B**.

#### **4.23 Council Wide Budgets**

4.23.1 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, including that for the South Wales Fire and Rescue Authority, 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.

4.23.2 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 2023-24 the levy on Bridgend, and consequently its council tax payers, is proposed to be £8,181,420, an increase of £637,388 or 8.45% from 2022-23. This is as a result of unavoidable pay and price increases and demographic increases. It equates to an increase of approximately 0.7% in the council tax for the County Borough. The final budget is subject to approval by the Fire and Rescue Authority at its budget meeting in February 2023 so the final increase may change.

#### **4.24 Fees and Charges**

4.24.1 In general, fees and charges will be increased by CPI (as at December 2022), subject to rounding, or in line with statutory or service requirements, except where a clear decision is taken not to do so. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers and Directorates will apply the requirements outlined in the Council's Fees and Charges Policy. A full list of all fees and charges for 2023-24 will be published on the Council's webpages once the budget has been approved for 2023-24.

#### **4.25 Council Reserves**

4.25.1 In line with the MTFS principle 8, the Council Fund will normally be maintained at a level of 5% of the Council's net budget, excluding schools. Details of the Council's earmarked reserves position at 31 December 2022 are shown in Table 8. These are kept under review, and will be drawn down where required, and the position will be updated in the Final MTFS report to Council in March 2023.

**Table 8 – Earmarked Reserves**

Opening Balance 1 April 2022 £'000	Reserve	Movement as at Quarter 3			Closing Balance 31 Dec 22 £'000
		Net Additions/ Reclassification £'000	Draw-down £'000	Unwound £'000	
	<b>Corporate Reserves:</b>				
45,994	Capital Programme Contribution	1,115	-	-	47,109
4,725	Asset Management Reserves	105	(563)	(34)	4,233
6,310	Major Claims & Insurance Reserves	(575)	-	-	5,734
3,593	Service Reconfiguration	-	-	-	3,593
2,543	Change Management/Digital Transformation	-	(209)	(30)	2,304
2,000	Economic and Future Resilience Fund	-	-	-	2,000
<b>65,165</b>	<b>Total Corporate Reserves</b>	<b>644</b>	<b>(772)</b>	<b>(64)</b>	<b>64,973</b>
	<b>Directorate Reserves:</b>				
841	Education & Family Support	-	-	-	841
8,870	Social Services & Wellbeing	-	(1,681)	-	7,189
4,244	Communities	(644)	(59)	(68)	3,474
4,139	Chief Executives	-	(605)	(13)	3,522
<b>18,095</b>	<b>Total Directorate Reserves</b>	<b>(644)</b>	<b>(2,344)</b>	<b>(81)</b>	<b>15,025</b>
	<b>Equalisation &amp; Grant Reserves:</b>				
3,283	Education & Family Support	-	(1,465)	-	1,818
350	Social Services & Wellbeing	-	-	-	350
3,800	Communities	-	(500)	-	3,300
1,812	Chief Executives	-	(128)	-	1,683
-	Cross Directorate	-	-	-	-
<b>9,245</b>	<b>Equalisation &amp; Grant Reserves:</b>	<b>-</b>	<b>(2,094)</b>	<b>-</b>	<b>7,151</b>
14,228	School Balances	-	-	-	14,228
<b>106,732</b>	<b>TOTAL RESERVES</b>	<b>0</b>	<b>(5,210)</b>	<b>(144)</b>	<b>101,378</b>

#### 4.26 Capital Programme and Capital Financing Strategy

4.26.1 This section of the report deals with the proposed Capital Programme for 2022-23 to 2032-33, which forms part of, but extends beyond the MTFs. It has been developed in line with the MTFs principles and reflects the Welsh Government draft capital settlement for 2023-24, which provides General Capital Funding (GCF) for 2023-24 of £180 million across Wales and of £8.008 million for the Council for 2023-24, of which £3.951 million is un-hypothecated supported borrowing, with the remaining £4.057 million provided through general capital grant. This is in line with previous forecasts. An indicative figure of £180 million for 2024-25 has also been provided on an all-Wales basis, in addition to £20 million each year for Local Government Decarbonisation.

4.26.2 The original budget approved by Council on 23 February 2022 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2021-22, slippage into 2023-24 and any new schemes and grant approvals. A review has also been undertaken of the capital resources available to the Council, along with the capital pressures that it faces. Due to the limited capital resource available, following a

number of years of significant investment in the Council's infrastructure, service managers have not been asked to submit capital bids for funding at this stage, although it is accepted that there are a number of capital pressures that will need financing going forward, including regeneration, decarbonisation, homelessness and digitalisation.

4.26.3 There are also other financial pressures arising as a result of the impact of the war in Ukraine and cost of living crisis, 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, 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.

4.26.4 Following 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. The latest capital programme was approved by Council in October 2022 and any further changes will be included in the updated capital programme presented to Council for approval in January 2023 or the capital programme to be included in the final MTFS to be approved by Council in March 2023.

4.26.5 The capital programme contains a number of annual allocations that are met from the total general capital funding for the Council. The only amendment proposed is to include an additional annual allocation of £400,000 per annum to support the decarbonisation agenda. This will enable works to be undertaken to support decarbonisation across the county borough and provide match funding for any external capital bids. Decisions on how this funding is allocated will be via the 2030 Decarbonisation Programme Board. The proposed allocations are shown in Table 9 below.



**Table 9 – 2023-24 Proposed Annual Allocations of Capital Funding**

	<b>Proposed 2023-24 £'000</b>
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
2030 Decarbonisation	400
<b>Total</b>	<b>5,220</b>

#### **4.27 Capital Receipts**

4.27.1 The disposals strategy for the period to 2030 is currently being drafted and it is anticipated that the majority of the receipts will emanate from Porthcawl Waterfront Regeneration and Eweny Road (Maesteg) sites, which will be the focus of the disposal programme in the future. Good progress is being made on two of these projects, most notably with the recent completion of the sale of 2 acres at Porthcawl Salt Lake to Aldi Stores, which produced a significant capital receipt for the Council. Capital receipts are subject to the exchange of contracts, so it is prudent not to commit them until we have a contractual agreement.

#### **4.28 Prudential (Unsupported) Borrowing**

4.28.1 Total Prudential Borrowing taken out as at 1 April 2022 was £47.608 million, of which £22.640 million was outstanding. It is estimated that the total borrowed will increase to £54.532 million by the end of this financial year.

4.28.2 Future prudential borrowing could include an estimated £2 million towards the costs of highways refurbishment, £1.236 million towards the cost of fleet vehicles replacement, £2.3 million towards the costs of highways schemes for 21<sup>st</sup> Century Band B schools and £0.972 million towards the Bridgend Smart System and Heat Programme.

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

5.1 The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.

## 6. Equality Act 2010 implications

- 6.1 A high level Equality Impact Assessment (EIA) will be carried out and included within the Final MTFs in February 2022. The high level EIA considers the impact of the strategy, policy or proposal on the nine protected characteristics, the Socio-economic Duty and the use of the Welsh Language.
- 6.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.

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

7.1 The Well-being of Future Generations (Wales) Act 2015 provides a framework for embedding sustainable development principles within the activities of Council and has major implications for the long-term planning of finances and service provision. The 7 well-being goals identified in the Act have driven the Council's current three well-being objectives:

1. Supporting a successful sustainable economy
2. Helping people and communities to be more healthy and resilient
3. Smarter use of resources

The well-being objectives are designed to complement each other and be part of an integrated way of working to improve well-being for people in Bridgend County. In developing the MTFs, officers have considered the importance of balancing short-term needs in terms of meeting savings targets, with safeguarding the ability to meet longer-term objectives.

- 7.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the wellbeing goals in different ways. A Well-being of Future Generations Assessment will be undertaken on proposed individual projects and activities where relevant and will feed into specific reports to Cabinet or Council.
- 7.3 The Council's approach to meeting its responsibilities under the Well-being of Future Generations (Wales) Act 2015, including acting in accordance with the sustainable development principle, is reflected in a number of areas within the Medium Term Financial Strategy, not least:

<b>5 Ways of Working</b>	<b>Examples</b>
Long Term	<ul style="list-style-type: none"><li>• Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.</li></ul>

	<ul style="list-style-type: none"> <li>• Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort.</li> <li>• The development of a Capital Strategy and 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing.</li> <li>• Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.</li> </ul>
Prevention	<ul style="list-style-type: none"> <li>• Investment in preventative measures to reduce the burden on more costly statutory services.</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>• Savings generated from collaboration and integrated working.</li> </ul>
Integration	<ul style="list-style-type: none"> <li>• Explicit links between the Corporate Plan, the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy</li> </ul>
Involvement	<ul style="list-style-type: none"> <li>• A robust budget consultation exercise, including surveys, community engagement stands and social media debates, to inform proposals.</li> </ul>

7.4 The above features are aimed at ensuring the Council's finances are as healthy as they can be for future generations. Although resources are limited, they have been targeted in a way that reflects the Council's priorities, including the seven well-being goals included in Bridgend's Well-being Plan, and this is reflected in the relevant appendices. Where possible, the Council has aimed to protect front line services and invest to save, with budget reductions targeted at making smarter use of resources, commercialisation, collaboration and transformation. The Well-Being of Future Generations (Wales) Act 2015 Assessment is attached at **Appendix C**.

## 8. Financial implications

8.1 This report outlines the financial issues that Council is requested to consider as part of the 2023-24 to 2026-27 MTFs. The Council's Section 151 Officer is required to report annually on the robustness of the level of reserves. The current and future anticipated level of Council reserves is sufficient to protect the Council in light of unknown demands or emergencies and current funding levels. It must be emphasised that the biggest financial risks the Council is exposed to at the present time relates to the uncertainty of Welsh Government funding, both generally for local government into the medium term with recent one-year settlements, and specifically any ongoing funding to support the additional cost pressures and loss of income into the next and future years as a result of Covid-19, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFs Principle 9, as set out in the MTFs, and it is essential that revenue service expenditure and capital expenditure is contained within the identified budgets.

8.2 The Section 151 Officer is also required to report to Council if they do not believe that they have sufficient resource to discharge their role as required by s114 of the Local Government Act 1988. Members should note that there is currently sufficient resource to discharge this role.

8.3 The proposed budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparation. Subject to the risks identified the proposed MTFS provides a firm basis for managing the Council's resources for the year 2023-24 and beyond.

## **9. Recommendation**

9.1 To consider the information contained in the report and attached appendices.

9.2 To determine whether to make any comments or recommendations for consolidation and inclusion in the report to Cabinet on the draft MTFS, including the proposed budget pressures and budget reduction proposals within the remit of this Scrutiny Committee, as part of the budget consultation process.

Carys Lord

**CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE (SECTION 151 OFFICER)**

January 2023

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CF31 4WB

**Background documents:** Individual Directorate Monitoring Reports  
Provisional Local Government Revenue and Capital Settlements  
2023-24