

**Report of the Budget Research and Evaluation Panel in respect of the Medium Term Financial Strategy 2023-24 to 2026-27**

- 1.1. The Budget Research and Evaluation Panel (BREP) met on four occasions to consider draft budget proposals for the year 2023-24 and were supported by the Scrutiny Team, the Democratic Services Manager, the Chief Officer Finance, Performance and Change and Section 151 Officer, Deputy Head of Finance and Cabinet Member Resources.

Meeting 1

- 1.2. At the first meeting of BREP in October 2022, the Panel considered the background to the establishment of BREP, its Terms of Reference, Aims and role and the need to be flexible to respond to the budget situation relevant at the time. The Panel agreed to utilise the current Terms of Reference but requested an opportunity to review them following the commencement of this year's budget setting process.
- 1.3. The Chief Officer Finance, Performance and Change set out the financial position for the MTFs 2023-24 to 2026-27 detailing the in-year pressures for 2022-23 and the budget 2023-24 onwards. The Panel were advised that in terms of available funding, 1% of Welsh Government funding equated to £2.3m and 1% of Council tax was £870,000. Officers stressed that significant budget pressures had been identified for 2023-24 which produced a funding gap of approximately £15-£20M.
- 1.4. The Panel were also presented with a report on the 'Budget Consultation 2022 – Shaping Bridgend's Future' which illustrated the plans for engagement and a potential timeframe.
- 1.5. The Panel subsequently requested that Cabinet Members and Corporate Directors be invited to future meetings of BREP considering two Directorates at a time to examine their pressures and budget reductions.
- 1.6. The Panel also asked for Cabinet's initial view and more granular detail on the likelihood of the budget savings being achieved in each Directorate and the potential of reductions to discretionary services as well as more detail on the financial model and what the assumptions are.

Meeting 2

- 1.7. At the second meeting of BREP in November 2022, the Panel considered early draft budget reductions proposals as well as budget pressures for both the Chief Executive's and the Education and Family Support Directorates.
- 1.8. Officers and Cabinet Members once again highlighted the situation of the funding gap and the significant pressures that were on the Local Authority, particularly in relation to Social Services and there was therefore a need to consider each budget and where the priorities lie. There was a need to either reduce the proposed growth or increase the budget reductions to ensure a balanced budget for 2023-24.

- 1.9 The Chief Officer Finance, Performance and Change identified some of the key Council wide issues including the pay awards, difficulties in recruiting to vacant posts and inflationary pressures, which were impacting on both the Capital and Revenue budgets. It was emphasised that the difficult budget situation for this year was not unique to Bridgend but was a national issue impacting all Local Authorities in Wales.
- 1.10 It was emphasised that there was more demand than ever on services including, but not exclusive to, Social Care, Housing, Legal, Human Resources, and the Council could simply not continue to operate the same as it has done previously.
- 1.11 The Panel questioned the impact of potential reductions to school budgets and to Home to School Transport and the impact that the pandemic has had on learners, particularly in terms of their emotional wellbeing.
- 1.12 Following this meeting, the Panel requested that for their next meeting they receive similar budgetary information on pressures and reductions relating to the Social Services and Wellbeing and Communities Directorate along with some sort of ranking framework on the options presented in order to provide some context as to their priority/impact and likelihood of being taken forward. It was also requested that this be provided for the Education and Family Support and the Chief Executive's Directorate so that the Panel may make some comment on this also.
- 1.13 Following detailed discussion and correspondence between the Corporate Management Board (CMB), Cabinet, Group Leaders and the Panel Members and in view of the tight timescales surrounding the budget setting process due to the unique circumstances this year and continuing budget uncertainties, it was agreed that a report outlining some initial proposals to present a balanced budget, providing options based on the current financial modelling would be considered at the next meeting. It included detail such as the potential options for Council Tax level increase, potential budget savings and areas of priority for growth.

### Meeting 3

- 1.14 At the third meeting of BREP in December 2022 the Panel were advised that Cabinet had requested that the principles for underpinning the development of the budget for the coming financial year were:
- The Council will seek to protect the most vulnerable people in our Communities;
  - The Council will seek to limit service growth in the coming financial year;
  - All budgets across the Council should be reviewed to identify savings for the coming year;
  - Where possible "back office" services will be prioritised for service reductions;
  - The Council should consider whether schools are able to contribute to the overall savings required in the coming year; and

- In setting the budget for 2023-2024 consideration needs to be given to the anticipated budget pressures in the following financial years.
- 1.15 The Panel considered the various Council tax options presented and the impact that these could have on residents in the County Borough, particularly those who are vulnerable. There was concern expressed over both the impact that a significant increase in Council Tax could have on vulnerable people but likewise the impact that further reductions to services could have on the same people in order to make up the funding gap. The Panel commented that whilst residents might understand an increase in Council Tax now, that is less than the cost of inflation, they might not accept a much larger increase in Council tax that might be needed in a few years' time, to essentially replace the services that are cut this year to fill the funding gap.
  - 1.16 Members also discussed the potential link between Council Tax and Income Tax and proposed that the latter needed to be taken into account when setting Council Tax for the Borough.
  - 1.17 The Chief Officer Finance, Performance and Change highlighted that early indications from other Local Authorities (LAs) showed that many were considering a higher Council Tax increase this year due to budgetary pressures and even the highest option presented in the report was not an outlier compared with many LAs.
  - 1.18 Similarly, it was reported that the Authority had been fortunate in the past in having not had to make reductions to the Schools' Delegated budget, however the Panel were advised that given the fact that the Schools budget made up such a significant amount of the overall budget (33% for Bridgend), almost all LAs were considering reductions in this area.
  - 1.19 The Panel also discussed the Council's reserves, with Officers reporting that many of these were Earmarked Reserves and helped to deliver on priorities that had already been agreed. Cabinet agreed that these were being considered in terms of their priority however expressed the view that these shouldn't be used to balance the revenue budget as this funding was one-off and had taken many years to build up.
  - 1.20 Concerns were expressed by the Panel over many of the proposed savings being categorised as red or amber, with very few green, and the viability of these proposals. However, whilst red, Members expressed particular concern over the proposed reduction in the budget for the Strategic Regeneration Fund which was put forward as a potential budget reduction for 2023-24 in last year's MTFS. The Panel emphasised the fact that whilst discretionary, this fund was a clear 'invest to save' budget, without which we could have major implications for the success of future regeneration and development projects. Cabinet did respond explaining that this was being reviewed.

Interim BREP Report to Corporate Overview and Scrutiny Committee –  
15 Dec 2022

- 1.21 An Interim Report of the Budget Research and Evaluation Panel was submitted to COSC by the Chair of BREP on 15 December 2022 presenting the following recommendations which were approved by the Committee, and submitted informally to Cabinet and Senior Officers to inform their development of the draft budget proposals for 2023-24:

Recommendations:

Consultation and Engagement

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

Council Tax

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

Strategic Regeneration Fund

- 3 The ability for the Strategic Regeneration Fund to lever other external funding, to invest in feasibility and development studies and help secure

private investment outweighs the saving achieved by reducing this budget. The Panel therefore recommend that any potential reduction to this fund be revisited.

### Further Requests:

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

### Meeting 4

- 1.27 At the fourth BREP meeting held in January 2023 the Panel received the draft budget proposals 2023-24 to 2026-27 as well as detailed information on breakdown of the budget by service area and cost centre. Following further detailed consideration and discussions with Officers and Cabinet Members, the Panel made a series of additional Recommendations, comments and requests on the reports, to be forwarded to the meeting of COSC on 31 January 2023 for adoption:

**a) Draft Medium Term Financial Strategy 2023-24 to 2026-27 Report**

Recommendations:

1. That the BREP process in 2023/24 commence as soon as possible in the financial year to allow for more detailed discussions on the budget to enable the Panel to provide more meaningful Recommendations. The Panel requested that they be presented with:
  - a. the full budget book breakdown to include all the various options being considered by Cabinet;
  - b. greater narrative by cost centre; and
  - c. information about discretionary and statutory services, a cost breakdown of what is statutory and what is discretionary and the impact of any potential budget reductions on each.
2. Concerns were expressed over the high risk of deliverability of the proposed budget reductions given that the risk status for the majority of the proposals are marked red and have not been worked up yet. The Panel would have liked more narrative from Corporate Directors/Officers setting out how they were to achieve the proposed reductions and recommended that this information be provided to future Meetings of BREP.
3. That Cabinet raise with Welsh Government, the Panel's expectation that all national legislative commitments must be fully funded to allow the Council to have the capacity to deliver them in an efficient manner.
4. That when the Panel considers school budget reduction proposals in future, the Panel be provided with feedback from the School Budget Forum (subject to the timing of their meetings) and input from Head teachers and Chairs of Governors.
5. In relation to COM5, the Budget Reduction Proposal of £38,000 by removal of support to RNLI for Lifeguards at Porthcawl Beaches, discussions be held with Porthcawl Town Council regarding potential funding and consideration also be given to decreasing the proposed budget reduction.
6. The Panel reiterated the fact that whilst discretionary, the Strategic Regeneration Fund was a clear 'invest to save' fund (for every £1 invested, the Council received £9 back) and that the quantum of the proposed budget reduction of 93% be reviewed to a more palatable level.
7. The Panel considered the proposed removal of the waste enforcement team would be counterproductive and lead to increased costs in the areas of waste and fly tipped waste removal. The Panel recommended that alternatives to a complete removal of the team be explored and supported the proposal of possibly merging teams to provide a reduced service rather than a complete removal of the waste enforcement team.

8. That it was essential that the public be informed of the proposed increased level of Council Tax as soon as possible with clear reasons and rationale for the increase.

### Comments and requests:

9. In relation to the proposed 2% efficiency in school budgets, the Panel did not actively support the proposal, but appreciated the difficulties and pressures within this year's budget and also acknowledged the generosity of the Council in fully funding the pay uplift and increase in energy costs.
10. That the impact and implications of the 2% efficiency in school budgets be closely monitored by Scrutiny. The Panel expressed concerns about the achievability of the efficiency, particularly in schools already in a deficit and if it were to result in redundancies.
11. In relation to the proposed 6% increase in Council Tax, the Panel expressed concern about how it would be received by the public but noted the early indications from the public budget consultation were that 34% of respondents were in favour of a slight increase to Council Tax to protect the most vulnerable services. Whilst it did not actively support the proposed 6% increase in Council Tax, the Panel acknowledged the pressures and rationale for the proposed increase.
12. The Panel agreed with the principles behind the budget and the way it was balanced, protecting social services and vulnerable people. However, strong concerns were expressed regarding the impact of further cuts on other services and Directorates in the future due to the continued protection of social services.

### **b) Budget Consultation Interim Update**

#### Recommendations:

13. In light of the majority of responses to the public budget consultation indicating that respondents supported Council Tax remaining the same, that a response be provided to respondents who engaged to ensure they understand the rationale behind the budget and the reason for decisions taken to ensure they feel that their views are valued and have been taken into consideration.
14. That targeted consultation, focusing on particular groups and representative organisations be developed and rolled out in the future.

#### BREP Final Report to Corporate Overview and Scrutiny Committee

- 1.28 This BREP final report is presented to the Corporate Overview and Scrutiny Committee for consideration as part of the Medium Term Financial Strategy consultation process for 2023-24, for adoption and onward reporting to Cabinet on 7 February 2023.
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