

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

MEDIUM TERM FINANCIAL STRATEGY

2023-24 to 2026-27



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SECTION 1. INTRODUCTION

1.1 Aims and Purpose of the Medium Term Financial Strategy

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

1.1.2 The MTFS includes:-

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 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 based upon the Council's Capital Strategy.
- The Corporate Risk Assessment.

1.1.3 The Council aspires to improve the understanding of its financial strategy, link more closely to its well-being objectives and explain the Council's goal of delivering sustainable services in line with the overarching ambition of the Well-being of Future Generations (Wales) Act 2015. It also seeks to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.

1.2 MTFS Principles

1.2.1 As well as consideration of future income and expenditure scenarios, the MTFS provides a set of clear principles which drive the budget and spending decisions over 2023-2027 and which Members and others can examine and judge the Council's financial performance against. The thirteen key principles are to ensure that:

1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on re-shaping the Council over the full period of the MTFS.
2. All budget related decisions will align with the principles of the Well-being of Future Generations (Wales) Act 2015.
3. The Council will continue to meet its statutory obligations and demonstrate how it directs resources to meet the Council's well-being objectives. Other resource

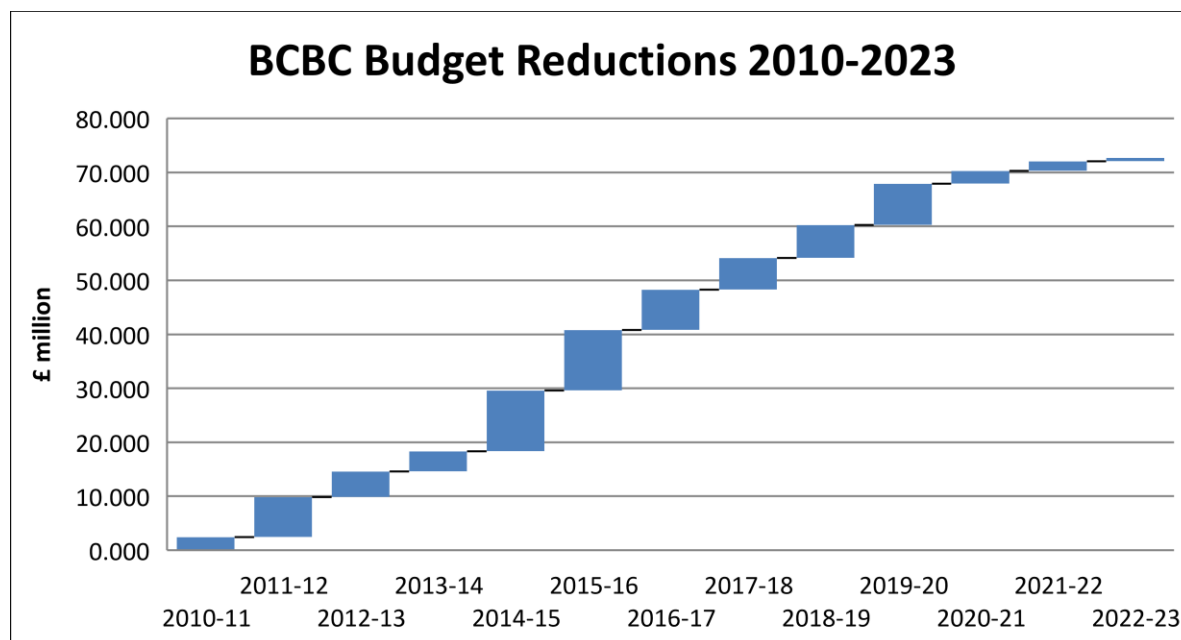
strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.

4. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks, with adequate provision being made to meet outstanding and reasonably foreseen liabilities.
5. All services will seek to provide value for money and contribute to public value, and will continuously review budgets to identify efficiency savings.
6. Financial plans will provide an optimum balance between income and expenditure for both capital and revenue, with opportunities for generating additional income taken in line with the Council's Fees and Charges Policy.
7. Savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget. An MTFS Budget Reduction Contingency Reserve will be maintained to mitigate against unforeseen delays.
8. Balances are not used to fund recurrent budget pressures or to keep down Council Tax rises unless an equivalent budget reduction or increase in Council Tax is made in the following year in recognition that balances are a one-off resource.
9. The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.
10. Capital investment decisions are in alignment with the Council's Capital Strategy, and mitigate any statutory risks taking account of return on investment and sound option appraisals.
11. Prudential borrowing is only used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
12. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
13. Resources are allocated to deliver transformational projects based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS.

1.3 Corporate Financial Overview

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

Chart 1: Bridgend County Borough Council (BCBC) Budget Reductions 2010 to 2023



While the Council's net revenue budget is planned at £342.047 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.

1.3.2 The Council gets the majority of its revenue funding from Welsh Government (WG) through the Revenue Support Grant and a share of non-domestic rates. It supplements this through council tax collection, other grants and fees and charges. Council tax is a charge that local authorities charge to help to pay for their services. The amount that council tax payers pay is made up of 3 elements:

- Bridgend County Borough Council charge
- Community Council charge
- Police and Crime Commissioner for South Wales charge

1.3.3 In terms of council tax, the proportion of council tax required to balance the Council's budget has steadily increased over recent years and it currently funds 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.

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

- Legislative changes e.g. the 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 legislative changes 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.

1.3.5 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.

- 1.3.6 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.
- 1.3.7 In these circumstances setting a balanced budget for 2023-24 is even more challenging than usual, particularly on the back of 13 years of significant budget savings during the austerity years.
- 1.3.8 The Council has developed a new Corporate Plan that sets out the approaches that it will take to manage these pressures whilst continuing to ensure that, as far as possible, services can be provided that meet the needs of the citizens and communities in Bridgend. These approaches are:
- Though a large and complex organisation, the Council will make every effort to work as one single organisation. That means avoiding duplication and double handling of data through sharing of systems and processes. This is not always as easy as it sounds because often different rules or opportunities apply to different services. Nevertheless, acting as 'One Council working together to improve lives' is enshrined in the Council's vision.
 - Wherever possible the Council will support communities and people to become more resilient by creating their own solutions and reducing dependency on the Council. This is because it is not sustainable for the Council to continue to aspire to meet all and every need that arises and because there is capacity, talent and ideas in other parts of the community that can be encouraged to play an active and effective role in sustaining and often enhancing local services. The Council has a role in encouraging, enabling and leading this approach and has adopted this as one of its underlying principles.
 - The Council has agreed a principle of focusing diminishing resources on communities and individuals with the greatest need. Parts of our community have long standing problems of poverty and disadvantage. The solutions to this are not all in the direct control of the Council (for example the effects of changes to the welfare system) but where possible the Council has agreed that it wants to both alleviate problems in these areas and develop longer term sustainable solutions. The new socio-economic duty on public bodies, which came into force on 31 March 2021, reflects these aims.
 - The Council 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.

- 1.3.9 In seeking to continue to meet the Council's identified priorities and protect its investment in education and early intervention, social services and wellbeing, and prioritise the most vulnerable in our society, we are proposing the following changes in the 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.

SECTION 2. CONTEXT

2.1 Well-being Objectives

2.1.1 The Council's vision is to act as:

“One Council working together to improve lives”

We will do this by delivering our well-being objectives. In setting our well-being objectives we set out what we aim to achieve and why they are important. Our proposed well-being objectives for 2023-24 onwards are:

1. A county borough where we protect our most vulnerable
2. A county borough with fair work, skilled, high-quality jobs and thriving towns
3. A county borough with thriving valleys communities
4. A county borough where we help people meet their potential
5. A county borough that is responding to the climate and nature emergency
6. A county borough where people feel valued, heard and part of their community
7. A county borough where we support people to be healthy and happy

2.2 Key Statistics

2.2.1 Key Financial Statistics:

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

Table 1: BCBC Budget Statistics

	2012-13 £m	2022-23 £m	% increase
BCBC Council Budget	234.175	319.514	36.44%
WG Funding	179.665	232.368	29.33%
Council Tax Income	54.509	87.146	59.87%
% of Budget funded by Council Tax	23.28%	27.27%	17.14%

In real terms, Welsh Government (WG) funding is falling year on year and this has impacted on the proportion of funding that is required to be met from council tax, compared to external WG funding. The total collected from council tax has increased by almost 60% over the last 10 years – this is as a result of a combination of the increase in the number of chargeable properties and increases in council tax charges which have been required to balance the budget.

Financial Performance

Current Year (2022-23) Financial Performance

The in-year financial position as at 31 December 2022 is shown in **Table 2** below.

Table 2 – 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
Directorate					
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)
Total Directorate Budgets	260,754	277,655	286,366	8,711	6,098
Council Wide Budgets					
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)
Total Council Wide Budgets	58,760	41,859	33,879	(7,980)	(2,665)
Total	319,514	319,514	320,245	731	3,433

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 projecting an over spend of £9.4 million. The quarter 3 revenue budget monitoring report was presented to Cabinet on 17 January, providing details on the reasons for the main projected over and under spends. Whilst there is currently a projected 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.

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.

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.

Historical Financial Performance

Table 3 outlines the historical outturn position over the previous three financial years. It demonstrates a healthy outturn position with a net under spend overall on directorate and council wide budgets, which have enabled the Council to establish new and increased earmarked reserves to meet emerging pressures and commitments. Annually the Council continues to review its reserves and draws down in line with need before establishing new reserves for emerging pressures. It has also been able to slightly increase the value of the Council Fund to its current level of £10.110 million which is in line with MTFS Principle 9.

Over recent years the year end position of the Council has been masked by year-end grant allocations from Welsh Government for a number of areas, including schools and social services, generating under spends that were not budgeted for during the financial year. For example, the 2021-22 outturn position was impacted by unexpected grant funding from Welsh Government of around £8.7 million, which the Council would have been unaware of when setting and approving its 2021-22 budget. Given the favourable outturn position, the Council used a significant element of this funding to establish new earmarked reserves to support pressures continuing into 2022-23, particularly social care pressures, and to enable investment through the Council's capital programme. Earmarked reserves are one-off and cannot be used to offset future budget savings or reduce council tax.

Table 3: Historical Financial Outturn Position 2019-2022

	2019-20 £'000	2020-21 £'000	2021-22 £'000
Council Budget	270,809	286,885	301,659
Outturn	261,354	269,180	269,543
(Under) Spend	(9,455)	(17,705)	(32,116)
Accrued Council Tax Income	(1,502)	(1,702)	(2,463)
Appropriations to Earmarked Reserves	10,394	18,975	34,241
Transfer to Council Fund	563	432	338
Draw Down from Reserves	8,299	4,104	8,995

Usable Reserves

In terms of financial reserves, the Council Fund balance has steadily risen over the last 10 years, to its current value of £10.110 million, as shown in **Table 4**. This represents 3.2% of the net revenue budget for 2022-23 or 4.7% of the net revenue budget, excluding schools. This aligns with MTFS Principle 9 which states that:

The Council Fund balance should be set at a prudent but not excessive level. This will normally be maintained at a level of 5% of the Council's net budget, excluding schools.

Table 4: Usable Reserves 2019-2022

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000
2019-20	9,340	55,222	18,608	317	83,487
2020-21	9,772	82,848	21,519	288	114,427
2021-22	10,110	106,733	21,773	6,047	144,663

In total, usable reserves have increased over the 3 year period. There was little draw down on the capital receipts reserve in 2021-22 due to slippage of some capital schemes into 2022-23 plus the receipt of a number of capital grants from Welsh Government at year end, which displaced the Council's capital funding in the short term. Alongside this the Council was able to establish a number of new earmarked reserves partly as a result of the significant number of year-end grants provided to the Council from Welsh Government. Whilst overall earmarked reserves have increased, it is important to note that within this balance is a capital programme reserve which, similar to the capital receipts reserve, supports major capital schemes within the capital programme. As the potential to generate capital receipts from the sale of assets diminishes, this has become an important source of funding for the capital programme and enables major capital schemes to progress without the need for borrowing which would put additional pressure on the revenue budget. As at 31 March 2022 the balance was £40.024 million, which constituted 37% of the total Earmarked Reserves balance, leaving £67 million for other pressures, including:

- £1.881 million Insurance
- £3.399 million Building / Asset Management
- £9.245 million Equalisation Funds and Grants
- £24.064 million Specific Directorate Pressures
- £14.228 million School Balances

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

Borrowing and Investments

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

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

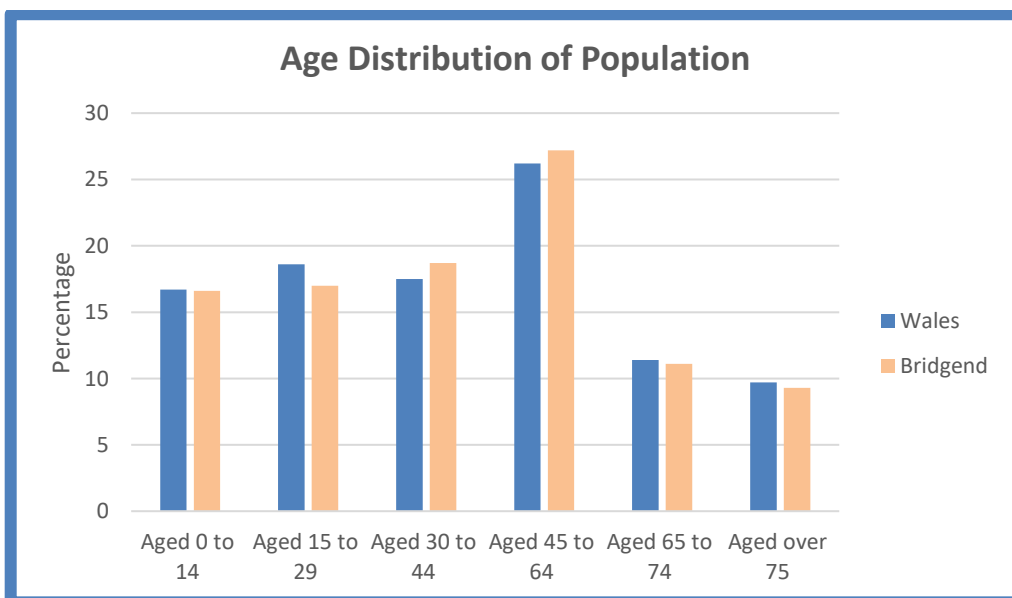
2.2.2 Non-Financial Statistics:

Population

Bridgend has a population of 145,500 (Census 2021). Based on Welsh Government's mid-year estimates this is expected to continue to rise and reach around 151,600 by 2028, an increase of around 0.3% per annum.

The age distribution of the County Borough is broadly in line with the average for Wales, however there is a higher percentage of 30 to 64 year olds, and lower percentage of 15 to 29 and 65+ year olds. **Chart 2** shows the age distribution of the population based on Welsh Government's mid-year estimate for 2020.

Chart 2: Age Distribution of Population at mid-year 2020



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

Employment

In terms of employment, for the year ending 31 March 2021, Bridgend's employment rate was 72.4% compared to an all-Wales level of 73.2%, based on the working age population. Bridgend had a lower than average economic activity rate, and consequently a higher than average economic inactivity rate for the working age population. This covers those people who are out of work and not looking for a job, but excludes persons of pensionable age who are generally retired and therefore economically inactive.

The long term impact of Covid-19 and the closure of the Ford plant in September 2020 are likely to have impacted these figures. Any increase in the number of unemployed or on low incomes will create a pressure on a number of service areas, including housing and social services, but also on benefit related services such as council tax support.

Pupil Numbers

The Council has a total of 59 schools (infant, junior, primary, secondary and special, Welsh medium and church schools), along with a pupil referral unit, with around 23,000 pupils. A number of these buildings are in poor condition with a backlog of repairs and maintenance issues. Pupil numbers overall and within and across schools do not remain static, and are currently rising, which impacts upon the need to provide the right number of school places in the right locations. The Council has already invested £21.6 million in providing new and refurbished schools under Band A of the 21st Century Schools Programme and has also committed to spending a further £19 million of capital funding under Band B of the current programme. The cost of financing these schemes, along with any future operating costs, will be reflected within future financial pressures.

Other statistics

Leisure and Well-being:

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

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

2.3 Scrutiny and Challenge

- 2.3.1 Cabinet and Corporate Management Board (CMB) continue to seek to embed a culture of medium term financial planning within the Council. Against that background, further efforts have been made again this year to secure greater involvement of stakeholders in the development of the MTFs and the Corporate Plan. A five week consultation 'Shaping Bridgend's Future' was undertaken between 19 December

2022 and 22 January 2023, the emphasis of which was 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 was 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 needed 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 included an online survey, attendance at engagement events, a social media / web campaign and via the Authority's Citizens' Panel, and targeted a range of stakeholders. The results were collated and presented to Cabinet on 7 February 2023 in order to further inform decisions on the MTFS.

- 2.3.2 A wide variety of methods of communication were used including surveys, social media, radio adverts, posters, quick polls and media releases. The consultation was supported by a full communications and promotional plan.
- 2.3.3 Overall, the Council received 1,441 interactions (1,115 last year) from a combination of survey completions, engagement events, social media engagement and via the Authority's Citizens' Panel. In total there were 1,079 responses (737 last year) to the online survey: from our standard, Citizen Panel, Easy read, large print and youth versions.
- 2.3.4 A summary of the main headlines arising from the consultation is provided in **Table 5** below.

Table 5 – Headline Figures from Public Consultation

Headlines from the Public Consultation
Prioritising Council Services
<ul style="list-style-type: none"> The top 3 responses to what services are important to our residents are: Street cleaning (768), Care for Older people and Disabled Adults (755) and Street/Road repairs (659).
<ul style="list-style-type: none"> The top 3 services that were viewed to not be a priority were: Improvements to council buildings (741), improving the council’s website and online services (614), and Making the Council more commercial (573).
Council Tax Levels
<ul style="list-style-type: none"> There were a total of 1,046 responses on setting the council tax for 2023/24.
<ul style="list-style-type: none"> 481 responses (46%) chose to keep council tax at the same level, which would result in a reduction in the level of services provided.
<ul style="list-style-type: none"> This was followed by 432 responses (41%) to increase council tax a bit to help protect the most important services, and 76 responses (7%) voted to increase council tax more significantly to protect more services.
Performance over the past 12 months
<ul style="list-style-type: none"> A total of 956 responses were received as to how the Council has performed over the past 12 months.
<ul style="list-style-type: none"> The majority of respondents (52%) chose “OK”, when asked their thoughts on how BCBC have helped to support communities and individuals to create their own solutions and reduce dependence on the council. 38% chose “badly” or “very badly”, with the remaining 95 (10%) respondents choosing “well” or “very well”.
Well-being Objectives
<ul style="list-style-type: none"> Out of a total of 1,028 responses, the majority of respondents (76%) stated that the council has not improved our town centres that make Bridgend County a great place to live, work and visit, improving the quality of life for citizens. This compared to 83 (8%) respondents who stated the council had improved our town centres with the remaining respondents being unsure.
<ul style="list-style-type: none"> Out of a total of 1,023 responses, 59% of respondents stated that the council has not helped to create conditions for growth and enterprise to make Bridgend County an attractive place to do business. This compared to 9% who stated the council had helped, with the remaining respondents (32%) being unsure.
Digitalisation of Council Services
<ul style="list-style-type: none"> Out of a total 1,009 responses, 80% responded “Yes” to agreeing with the ongoing development of our online services. Out of a total of 985 responses 88% agreed that they intend to continue accessing services online.
<ul style="list-style-type: none"> Out of 989 responses, 80% would support the development of community hubs so those residents who choose not to access council services digitally can access these services within their local communities.

2.3.5 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Panel (BREP) over the last five or six months to facilitate the budget planning process. The draft budget report approved by Cabinet in January 2023 has also been scrutinised by the Council’s Overview and Scrutiny Committees, resulting in a report to Cabinet on 7 February 2023 from the Corporate Overview and Scrutiny Committee (COSC), outlining a number of recommendations. Cabinet has considered COSC’s recommendations, which include recommendations from BREP, and a response to these is provided in **Appendix A**.

2.3.6 Cabinet and CMB have reflected on the responses received from the public consultation, and from discussions with, and recommendations from, BREP and

Scrutiny Committees, and have compiled the final budget based on the comments and responses received. This includes:

- protecting our most vulnerable citizens
- maintaining funding to support regeneration of our towns
- continuing to provide support for homeless individuals
- investment to meet the 2030 decarbonisation agenda
- continuing to invest in our highways and infrastructure
- a lower level of council tax increase than originally proposed to support residents with the current cost of living crisis.

2.3.7 When the draft budget was published in January, it was stated that until more detailed information was made available from Welsh Government on some of the significant grants, it was prudent not to allocate all additional funding in the budget at that stage, mindful that some funding may be needed to sustain these core services. Following a review of grant information currently available, and reconsideration of budgets available for pay and price pressures, along with other Council wide budgets, a number of changes have been made to the final budget, as outlined later in the report.

2.4 Service Overview

2.4.1 This overview summarises 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.

2.4.2 Education

The Council is proposing to spend £137 million on services delivered by the Education and Family Support Directorate in 2023-24, prior to the allocation of additional funding for pay and price increases. 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 initially 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 21st 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 risk on pay and prices will therefore rest with the Council during the coming year.

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.

2.4.3 Social Care and Well-being

After Education, the largest area of Council spend is on social care. This includes social work and social care for children and for adults with care and support needs. Within the Directorate there is a focus on 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 third 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 Social Care 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.

2.4.4 Public Realm

Most of the Council's net budget is spent on education and social care – these are very valued services, but are naturally aimed at certain groups within our community. However, the Council's work on the public realm has a direct and visible impact on

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

In 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.

2.4.5 **Supporting the Economy**

Whilst this is a Council priority, services such as regeneration and economic development as a discretionary service have nevertheless made significant reductions to their budgets over recent years. The Council has delivered this by employing fewer but more highly skilled staff, and focussing activity more narrowly on priority areas to maximise impact. Going forward, we will increasingly collaborate on a regional basis with the nine other Councils that make up the Cardiff Capital Region (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 future 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 proposed 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 were submitted to the UK Government's Levelling Up Fund (LUF), 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 was received in January 2023. The Grand Pavilion bid was successful and has been awarded £18 million of grant funding.

2.4.6 Regulatory and Corporate Services

The Council operates a number of other services which it recognises fulfil specific and important roles. In many cases these are statutory though the precise level of service to be provided is not defined in law. The most significant areas are as follows:

Regulatory Services

This is a combined service with the Vale of Glamorgan and Cardiff City Councils, for which Bridgend will contribute around £1.7 million towards a group of services that includes Trading Standards, Environmental Health, Animal Health and Licensing (Alcohol, Gambling, Safety at Sports Grounds, Taxis etc.). These services all ensure, in different ways, that the public is protected.

As well as allowing for financial savings, the collaboration delivers greater resilience in the service and stronger public protection across all three Council areas.

Registrars

The Council operates a 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.

2.4.7 Other Council Wide Services

There are a number of things that the Council does that support the delivery of services but which themselves are not visible to the public. We need to maintain these services with sufficient capacity to support our services whilst making them as efficient and effective as possible. In many cases we operate such services by sharing with other organisations. Opportunities for further collaboration or sharing in these service areas has been and will continue to be explored.

Property and building maintenance

The Council continues to review its commercial property portfolio, identifying asset management opportunities and the mechanisms required to deliver a sustainable increase in income. Alongside this, the Council is continuing to dispose of assets it no longer requires to deliver services, in order to provide further investment in our capital programme.

The Council has brought together its asset management and building maintenance functions, and has centralised all premises repairs, maintenance and energy budgets into a single 'corporate landlord' service within the Communities Directorate. This 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.

SECTION 3. THE FINANCIAL CLIMATE

3.1 Current Financial Situation

- 3.1.1 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.
- 3.1.2 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.
- 3.1.3 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.
- 3.1.4 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’*.
- 3.1.5 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.
- 3.1.6 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.

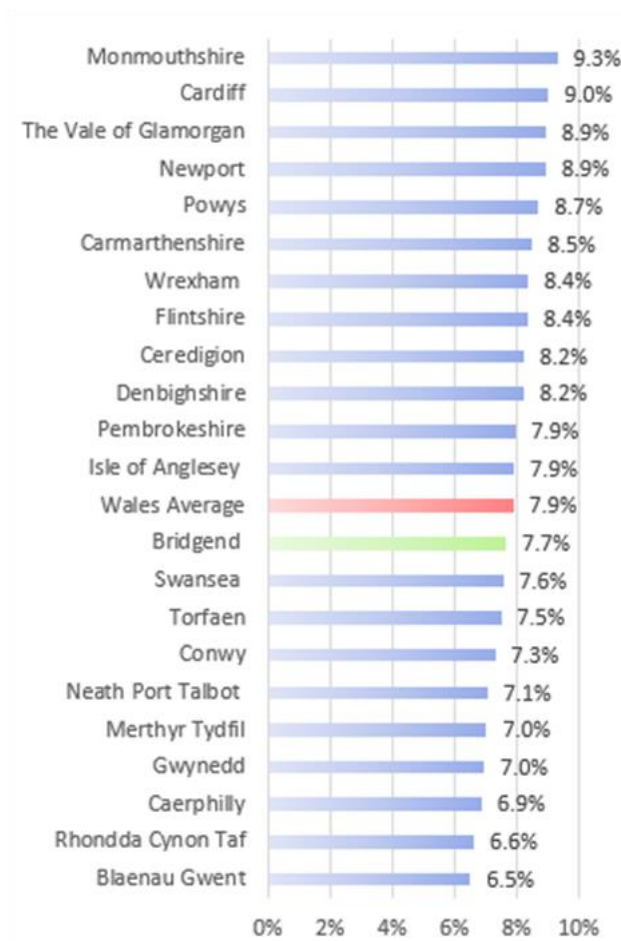
- 3.1.7 The budget will also tackle inequality and invest in future generations through an additional £320 million to continue a long-term programme of learning and education reform. This includes an additional £30 million for childcare and early years provision; £40 million for Flying Start and Families 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.
- 3.1.8 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.
- 3.1.9 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.

3.2 Welsh Government Local Government Settlement

- 3.2.1 Bridgend’s draft MTFS was presented to Cabinet on 17 January 2023, based on the provisional settlement, before being submitted for scrutiny. Councils are not expected to receive their final settlements from Welsh Government until the end of February 2023, so the final MTFS is based upon the provisional settlement. 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 consequential, 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.

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

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



Source: WG Provisional LGF Settlement 2023-24

- 3.2.2 In announcing the provisional settlement 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.'*

Transfers into and out of the 2023-24 Revenue Settlement

- 3.2.3 As mentioned in the draft MTFS report to Cabinet in January 2023, the provisional settlement does not include any transfers of funding from Welsh Government into the Revenue Support Grant (RSG).

Specific Grants

- 3.2.4 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.

- 3.2.5 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, although no major changes are anticipated. Welsh Government has advised that the specific information will be updated for the final settlement.

3.3 Forecast Financial Position

- 3.3.1 This section of the report sets out the proposed MTFS for the Council for the next four financial years, based on the latest information available from the Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.
- 3.3.2 The development of the MTFS 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, the public consultation, scrutiny by Corporate Overview and Scrutiny Committee and other scrutiny committees, 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.
- 3.3.3 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).
- 3.3.4 The published provisional 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, given the unprecedented challenges and demands facing the Council currently and over the coming year, it is proposed to increase council tax by 4.9% for 2023-24. This is lower than the 6% increase proposed in the draft budget in January, which has been reduced following concerns raised from Members and the public through the budget consultation process. Funding to meet this reduction has been secured from funding unallocated within the

provisional settlement due to the uncertainty around specific grants, and another rigorous review of all budgets, particularly pay and price budgets, but it does place the Council at some risk should pay awards and price inflation exceed current estimates.

- 3.3.5 The MTFS is regularly reviewed against service performance and external economic and fiscal information to ensure that early action can be taken as necessary to keep it and the Corporate Plan on track. This is particularly important given the 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 6**.
- 3.3.6 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 6 – MTFS Scenarios: % Change in AEF

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

- 3.3.7 The financial forecast for 2023-2027 is predicated on £17.2 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 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.

3.3.8 **Table 7** below shows the Council's potential net budget reduction requirement based on the forecast resource envelope, assumed council tax increases and inescapable spending assumptions outlined above.

Table 7 – Budget reduction scenarios

	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Total £'000
Best Scenario	-2,608	-463	-3,961	-3,737	-10,769
Most Likely Scenario	-2,608	-1,712	-6,521	-6,324	-17,165
Worst Scenario	-2,608	-4,211	-9,045	-8,823	-24,687

3.3.9 Cabinet and CMB are working together to develop plans to meet the most likely scenario above for the four year period. In the event of the worst case materialising in any year, the budget shortfall may have to be met from the Council Fund and / or a further increase in Council Tax while additional budget reduction plans could be developed, however using reserves to support recurrent expenditure is not prudent financial management, and will be avoided where possible. Should the best case scenario arise then Cabinet and CMB would look to reduce the impact on services as well as Council Tax.

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

Table 8 – Risk Status of Budget Reduction Proposals 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	230	260	2,118	2,608	0	2,608
2024-25	65	0	1,059	1,124	588	1,712
2025-26	0	0	1,059	1,059	5,462	6,521
2026-27	0	0	1,059	1,059	5,265	6,324
Total	295	260	5,295	5,850	11,315	17,165
Percentage of total required	2%	1%	31%	34%	66%	100%

3.4 Corporate Risk Assessment

3.4.1 The Council's Corporate Risk Assessment identifies the key corporate risks facing the Council, along with mitigating actions. The latest version, presented to the Governance and Audit Committee in January 2023, is attached as **Appendix B**. The Corporate Risk Assessment has been regularly reviewed during the financial year, to take into account new and emerging risks, and has been scrutinised during the financial year by the Governance and Audit Committee. These risks have been taken into account in the preparation of the MTFs and where there are identifiable financial implications these have been provided for either within the budget or earmarked reserves. Where the financial risks are not clear, the risk is covered by the Council Fund.

SECTION 4. BUDGET 2023-24

4.1 Revenue Budget 2023-24

4.1.1 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated using the previous year's budget as the baseline, adding any inescapable budget pressures and specific transfers into the settlement from Welsh Government, and subtracting any budget reduction proposals.

4.1.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. **Table 9** summarises the 2023-24 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

	2023-24 £'000
2022-23 Net Budget (Table 2)	319,514
2023-24 Pressures (para 4.1.3)	25,141
2023-24 Budget Reductions (para 4.1.18)	-2,608
2022-23 Net Budget Requirement	342,047
<i>Financed by:</i>	
2022-23 Net Budget (Table 2)	319,514
Net Cash Increase in AEF (para 3.2.1)	17,527
Council tax increase at 4.9% plus impact of change in tax base	5,006
2023-24 Net Funding Total	342,047

2023-24 Revenue Budget

4.1.3 **Table 10** presents the detailed net revenue budget for 2023-24, which includes:

- An additional £14 million for the above known pay and price pressures.
- Inter-directorate transfers to offset reduced employer contributions for national insurance and non-teacher pensions, as outlined below.

In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £10 million of inescapable pressures have emerged during 2022-23 and are explained in more detail in the paragraphs below. Conscious that more pressures may emerge in-year, a small amount of funding has also been retained within this budget to meet these as they arise.

In total, the Council has identified pressures of £25 million for 2023-24.

Table 10 – Net 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
Service Directorate Budgets:								
Central Education & Family Support	27,497	-89	132	200	-40	27,700	1,700	29,400
Schools	110,437	-463	1,932		-2,118	109,788	7,900	117,688
Education and Family Support	137,934	-552	2,064	200	-2,158	137,488	9,600	147,088
Social Services & Wellbeing Communities	84,956	-393	54	8,174	0	92,791	4,100	96,891
Chief Executives	23,489	-112	1	700	-75	24,003	1,000	25,003
Total Directorate Budgets	277,392	-1,172	2,141	9,074	-2,608	284,827	18,800	303,627
Council Wide Budgets:								
Capital Financing	7,203					7,203		7,203
Levies	8,210			697		8,907		8,907
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	7,542	1,172	11,904	1,325		21,943	-18,800	3,143
Total Council Wide Budgets	42,122	1,172	11,904	2,022	0	57,220	-18,800	38,420
Net Budget Requirement	319,514	0	14,045	11,096	-2,608	342,047	0	342,047

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

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

Table 11 – Net Budget Funding

	£	%
Revenue Support Grant	202,269,300	59.13
Non-domestic Rates	47,625,526	13.92
Council Tax Income	92,152,401	26.94
Total	342,047,227	100%

Non-Domestic / Business Rates Revaluation 2023

4.1.5 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 nondomestic 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.

4.1.6 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 across all Council buildings needs working through as there will be transitional arrangements

in place to support ratepayers. However, it is not anticipated that there will be a significant impact overall, although budgets may need re-aligning in-year to meet the impact of any changes. 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.

Pay, Prices, Pensions and Demographics

- 4.1.7 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, although discussions are still underway in this respect, 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 is for an increase of Retail Price Increase (RPI – 13.4% in December 2022) + 2%. 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, but with a staff budget of £200 million, every additional 1% increase will add a further £2 million pressure to the Council's pay budget.
- 4.1.8 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.
- 4.1.9 Funding for price inflation, including provision for the projected significant increases in energy costs (circa £6 - £7 million), rents, allowances and contractual commitments are still largely unknown, especially given rising inflation rates so the inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed. As mentioned above, Welsh

Government has already announced that there will be no increase in the business rates multiplier for next year.

- 4.1.10 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.

Non-Teachers' Pensions

- 4.1.11 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.

School Delegated Budgets

- 4.1.12 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 saving in school budgets (£2.118 million) for 2023-24, given that school budgets account for around a third of net revenue expenditure.
- 4.1.13 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.
- 4.1.14 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.

Budget Pressures

- 4.1.15 The final schedule of budget pressures is attached at **Appendix C** and presents a number of recurrent pressures for 2023-24, totalling £9.77 million, with a further £1.3 million available to support emerging pressures, which will be allocated out during the financial year once the full details are known. A number of these are demographic or

statutory in nature, and therefore unavoidable. There are already additional pressures identified for future years, of at least a further £3.226 million.

4.1.16 The January draft MTFs report to Cabinet explained that budget pressures identified at that time were subject to change before the final budget was presented. Whilst there are emerging pressures, it is prudent to retain this funding centrally at this moment and until such time as the full implications are known. All in-year allocations will be reported as part of the quarterly revenue monitoring reports.

4.1.17 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.
- Increased costs of commissioned services following tender exercises, especially with current high levels of inflation.
- 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.

Budget Reductions

4.1.18 Budget reduction proposals totalling £2.608 million have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in **Appendix D**. Since the draft MTFs was presented to Cabinet in January 2023, and following recommendations from Corporate Overview and Scrutiny Committee, a number of budget reduction proposals have been removed. The proposals removed are:

EFS1	Removal of Home to College Transport	£131,000
COM1	Removal of the Strategic Regeneration Fund	£279,000
COM5	Removal of support to the RNLI for Lifeguards at Porthcawl Beaches	£38,000
COM8	Removal of the Waste Enforcement Team	£200,000

4.1.19 Partnership Working

As part of the MTFs process this year, and in view of the particularly challenging financial circumstances the Council faces, a commitment was also made to review each of our main strategic partnerships to identify any potential cost savings. A summary of the main findings is set out below:

- The Shared Regulatory Service (SRS), which is operated in partnership with Cardiff and the Vale of Glamorgan Councils, have reviewed their operating costs and identified a saving to all partners of 3 % for the coming year,

equivalent to £42,500 for Bridgend, to contribute towards pay and price pressures.

- The partnerships with Halo Leisure and Awen Cultural Trust to run our leisure facilities and library and cultural facilities respectively, were also thoroughly reviewed. These services have been particularly hard hit by the Covid pandemic and a loss of overall income that is yet to recover to historic levels, and furthermore the significant increase in energy costs has also impacted negatively on them. For this year therefore it has not been possible to identify savings, but moving forward we are in continuing dialogue and exploring other ways in which we may achieve either savings or increased value from these successful partnerships. Things like extending contracts to provide greater stability and cost certainty or extending the role of facilities to embrace the 'community hubs' the Council wishes to develop are all under discussion.
- The Central South School Consortium, responsible for school improvement services across Bridgend, Cardiff, Merthyr, Rhondda Cynon Taf and Vale of Glamorgan Councils, have undertaken to carry out a full and independent options review to inform future direction and decision making, but again this work will be completed too late to impact on the budget for this year.
- Finally, full Council resolved in November 2022 to request that the ten local authorities who are members of the Cardiff Capital Region City Deal (CCRCD) have their annual contribution to the deal reduced for next year. Legal advice was received that set out that the terms of the formal Joint Working Agreement did not allow this and in any case, based on informal soundings, there was little appetite from the other participating local authorities to pursue this. Instead it has been agreed with CCRCD that the first year's overhead and operating costs of the Corporate Joint Committee, which is now legally required to be established, will be covered from the CCRCD reserve. This has the net effect of avoiding costs for Bridgend next year of just over £24,000.

Council Wide Budgets

- 4.1.20 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief and provision for redundancy related costs. A number of these budgets are fixed and unavoidable, and therefore cannot be reduced without putting the Council at risk. The higher than anticipated pay awards in recent years and unprecedented amount of budget pressures has put also additional pressure on these budgets.
- 4.1.21 The South Wales Fire and Rescue Authority (SWFRA) covers 10 South Wales Council areas including Bridgend County. It is funded by raising a levy on its constituent Councils, based on population. The SWFRA published its Revenue and Capital Budget Determination for 2023-24, for consideration at its meeting on 13 February 2023. For 2023-24 the levy on Bridgend, and consequently its council tax payers, is proposed to be £8,522,690, an increase of £978,658 or 12.97% from 2022-23. However, this increase assumes that the Welsh Government's Scape grant, previously paid to the Fire and Rescue Authority to assist with the increased costs of

employer's fire service pension contributions, will be transferred to constituent Councils in the final local government settlement. The funding to be transferred to Councils is expected to be the same amount as that then to be paid over to the Fire and Rescue Authority, so there would be no impact on Council budgets. As BCBC is not expected to receive the final settlement until the end of February, this budget is set on a pre-Scape grant transfer basis. The actual increase in the Council's contribution from 2022-23 pre-Scape is slightly higher than outlined in the draft MTFS at £697,665, an increase of 9.25% overall, and £60,000 more than the draft MTFS. This increase in contribution is as a result of unavoidable pay and price increases, similar to those facing the Council and, in terms of the additional increase, as a result of the removal of the Firelink grant, which supported the cost of running the emergency services communications network, by Welsh Government. The total increase equates to an additional 0.7% on the council tax for the County Borough. Should the Scape grant be transferred into the final settlement, an updated report on the Council's will be presented to full Council in March. This is the only anticipated change.

Fees and Charges

- 4.1.22 Generally, 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, as outlined in the Council's Fees and Charges Policy, which was approved by Cabinet in October 2021. A full schedule of fees and charges will be published on the Council's website at the start of the financial year. New charges or charges that have been included in the 2023-24 budget and are above the general increase are shown in **Appendix E**.
- 4.1.23 The Fees and Charges Policy aims to set a consistent approach across Council services and outline key principles to be applied. As a key principle, where a decision has been taken to charge for a service, the Council will aim for full cost recovery, except where there is a conscious decision which is consistent with Council priorities, recognising that the service would then be subsidised by council tax payers.
- 4.1.24 In line with the Fees and Charges Policy, where it is proposed not to increase fees and charges for a service in a particular year, this needs approval from the relevant Director and Section 151 Officer. For 2023-24 areas where this applies include school meals and car parking.

2023-24 Budget

- 4.1.25 **Appendix F** details the Directorate Base Budgets for 2022-23. As mentioned earlier in the report, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2023-24. This resulted in the removal of a number of proposed budget reductions which were stated to be important to the citizens of Bridgend, and additional investment in some key areas, such as the 2030 decarbonisation agenda, alongside a reduction in the proposed increase in council tax. A number of proposals for 2023-27 onwards require further information and analysis and so are not sufficiently well developed to be included at this point in time, including:
- Digital transformation of wider Council services
 - Income generation opportunities

- Working with partners to asset transfer and protect community facilities;
- 4.1.26 Cabinet and CMB have previously given a commitment to try and find at least 50% of the budget reductions through smarter use of resources rather than by cutting the quality or level of services. This gets incrementally harder to achieve, but as **Table 12** shows, whilst the number of budget reductions is small compared to some previous years, the majority will be delivered through smarter use of resources, such as:
- Smarter use of our assets and energy efficiencies;
 - Efficiency savings arising from agile working;
 - Rationalisation of services.

Table 12 – Budget Reduction Proposals 2023-24 to 2026-27

	2023-24 £'000	2024-25 £'000	2025-26 £'000	2026-27 £'000	Total £'000	%
Smarter Use of Resources	2,503	1,059	1,059	1,059	5,680	97%
Managed Service Reductions	65	25	0	0	90	2%
Collaboration & Service Transformation	0	0	0	0	0	0%
Policy Changes	40	40	0	0	80	1%
Total Identified to date	2,608	1,124	1,059	1,059	5,850	100%

- 4.1.27 All of the proposals have implications for the Council workforce given that around two thirds of the Council's net revenue budget relates to pay costs. It follows that annual real terms' reductions in Council budgets over the next four years will lead to a reduced workforce over the MTFs period. The intention is to manage such a reduction through the continuation of strong vacancy management, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be necessary.

4.2 Capital Programme and Capital Financing

- 4.2.1 This section of the report deals with the proposed Capital Programme for 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 the Council's Capital Strategy and reflects the Welsh Government capital settlement for 2023-24. The Programme has been revised during the financial year to bring it up to date and take into account new capital schemes either funded from external resources, or from internal resources following a review of the Council's capital investment requirements.
- 4.2.2 The Welsh Government provisional capital settlement for 2023-24 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.

4.2.3 The original capital 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. Following approval by Council of the Capital Strategy in February or March each year, and the subsequent quarterly monitoring reports to Cabinet and Council, any amendments to the capital programme are usually dealt with during the year rather than just as part of the MTFS.

4.2.4 A review has 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. 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.

4.2.5 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 to these 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 13** below.

Table 13 – 2023-24 Proposed Annual Allocations of Capital Funding

	Proposed 2023-24 £'000
Highways Structural Works	340
Carriageway Capital Works	250
Disabled Facilities Grant	1,950
Housing Renewal / Empty Property Schemes	100
Minor Works	1,130

	Proposed 2023-24 £'000
Community Projects	50
Corporate Capital Fund (Renewals / Match Funding)	200
Street lighting / Bridge infrastructure replacement	400
ICT equipment replacement	400
2030 Decarbonisation	400
Total	5,220

- 4.2.6 Since the latest capital programme was approved by Council on 18 January 2023 there are a number of changes that need making to the programme, including :
- new schemes funded from BCBC funds – highways refurbishment, children’s playground refurbishment, ICT data centre;
 - amendments to existing schemes within the programme – Sustainable Communities for Learning, Porthcawl Metrolink Bus Terminal (additional funding approved by Council on 8 February 2023), Cosy Corner.
 - newly approved grant funded schemes – capital element of Shared Prosperity Fund (£5.6 million), Levelling Up Funding for the Grand Pavilion (£18 million), Schools’ Capital Maintenance Grant (£2.3 million).
 - removal of the Levelling Up match funding (£2.5 million) from the capital programme for the Penprysg Road Bridge until such time as the future of the scheme is clear. Whilst further work is undertaken on this, the funding will be kept in an earmarked reserve.

More detail is provided on some of the changes below:

Highways Refurbishment (£2 million)

As the local highway authority, we have a statutory duty to maintain a safe and efficient network of major roads, adopted residential streets, pavements and footpaths throughout the County Borough. The highway asset is the largest asset that the Council owns. By investing in our highways infrastructure we improve the safety for highways users and cut down on the need for reactive repairs. In recent years (2018-22) the Welsh Government has provided local authorities with a Public Highways Refurbishment Grant to support public highways refurbishment in the local area. This was alongside funding provided by the Council both in February 2022 (£2 million) and June 2022 (£1.5 million for highways carriageway and footway refurbishment and £500,000 to upgrade unadopted roads) to continue with this important investment. It is proposed to include a further sum of £2 million in the Council’s capital programme, met from a combination of unallocated capital and prudential borrowing, funded from capacity within our capital financing budget, to enable the authority to continue to invest in and proactively maintain our highways infrastructure.

Children’s Playground Refurbishment (£2 million)

The local authority has over 100 equipped children’s play areas across the county borough. An assessment has been carried out which identifies that equipment is in need of renewal at a number of these authority-run play areas. Council has allocated

new capital funding over recent years (including £460,000 in June 2021 and £500,000 in June 2022 to address the works in a number of play areas), but this additional funding will enable more play areas to be either fully or partially upgraded in play equipment and surfacing to provide safe opportunities for outdoor play. This additional funding will be met from a combination of unallocated capital and prudential borrowing, funded from capacity within our capital financing budget.

ICT Data Centre (£1.26 million)

The ICT data centre infrastructure that forms the core of all ICT operations was purchased in 2017 and is now approaching the end of its usable life. ICT have engaged with technology suppliers on a suitable replacement infrastructure and have chosen converged infrastructure technology, which is a software defined, unified system that combines all the elements of storage, compute, networking, and management in one. It also requires far less hardware which, in turn, requires less physical data centre space, electricity, and cooling. The procurement of this datacentre technology will require £1.26 million and will be in place for a minimum of five years. Funding has been set aside in earmarked reserves to meet the cost of this capital infrastructure.

Schools' Capital Maintenance Grant (£2.325 million)

In January 2023 the Welsh Government announced an additional £50 million of capital funding across Wales to support capital maintenance and energy efficiency works across the school estate. Bridgend's allocation is £2,325,410 and the funding can be used, for example, for priority health and safety works, measures to improve energy efficiency and ventilation, capital repairs and maintenance and supporting community use of school buildings. As the grant must be used in the 2022-23 financial year, the grant will be used to displace existing capital maintenance expenditure and the displaced funding (e.g. capital receipts, earmarked reserves) carried forward into 2023-24 to fund eligible expenditure under this grant.

Sustainable Communities for Learning (Band B Programme)

In January 2023 WEPco invoiced BCBC for the stage 1 development fees in respect of the Bridgend West Mutual Investment Model (MIM) scheme. WEPco is the Welsh Education Partnership, a joint venture between the Development Bank of Wales (Welsh Government) and Meridiam to design, build, finance, operate and maintain education infrastructure over 25 years. The invoice total of £594,898 included development fees of £522,916 and additional surveys of £71,982. Welsh Government (WG), on approval of the Outline Business case for the scheme, fund 65% of the total (so WG commitment will be £386,684 and BCBC £208,214).

The expenditure incurred at stage 1 is in excess of what was originally anticipated at New Project Request (NPR) stage, since additional design and surveys were required and, as per the terms of the NPR, the fees are also subject to RPI Indexation (from the date of the Strategic Partnership Agreement signing). The total increase is £102,557, of which WG will fund £66,662. BCBC's increased contribution of £35,895 will be met from a virement from the School Modernisation capital budget.

Cosy Corner

The Cosy Corner Porthcawl Resort Investment Focus (PRIF) project aims to redevelop the Cosy Corner site into a modern visitor and retail attraction and support enhancements to the public realm of the area. In December 2020 the following were proposed to, and agreed by, Cabinet as a set of guiding principles for the way forward for the development of Cosy Corner, based on information available at the time:

- Desire to ensure funding allocated for Cosy Corner is retained for Cosy Corner
- Adopting a partnership approach with key stakeholders
- Taking action in a suitable timeframe
- Minimising the period of time that Cosy Corner remains in its current condition
- Minimising the on-going maintenance requirements and costs for BCBC
- Enhancing the tourism offer of Porthcawl

The capital budget for the scheme for 2022-23 and 2023-24 is currently £2.675 million. An additional £180,000 is now proposed to be vired to this scheme from the Strategic Regeneration Fund, along with £100,000 from the unallocated capital budget. Design amendments have been necessary since the start of the scheme and an instruction has been issued to include a further two banks of solar panels to the south facing roof elevations. The solar panels will bring this development to a carbon positive asset for the authority, the first in BCBC's portfolio. In addition, further unforeseen, and currently estimated, costs have arisen as a result of further testing of ground conditions on the site. Allocating additional funds to the development at this time will assist the project team in efforts to efficiently remedy these issues in the remaining few months of the contract without having to delay delivery and incur penalties and ensure that the deadlines set by the funder are met.

4.2.7 Any further new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2023-24 to 2032-33, and resources available, and will be brought back to Council for approval at a later date.

4.2.8 The proposed capital programme includes a number of existing projects which will help to support, and provide much needed investment in, the economy including:

- the redevelopment of Maesteg Town Hall, a scheme designed to improve community facilities, as well as offering improved accessibility for visitors and creating jobs.
- significant new investment in ensuring that the highways and footways are of a good standard to encourage the use of local services by the public and avoid the need to travel to out of town developments.
- extensive investment in all of our town centres, with works progressing on the Porthcawl Waterfront Regeneration Scheme for example.

These supplement those existing schemes, such as the Cardiff Capital Region City Deal (CCRCD) investment which will be targeted to focus on raising economic prosperity, increasing job prospects and improving digital and transport connectivity.

- 4.2.9 There is also significant investment in Disabled Facilities Grants and other Housing Schemes, to enable people to live as independently as possible in their own homes. This is supplemented by the analogue to digital telecare transition, which will provide a more reliable and integrated service that better supports our more vulnerable adults.
- 4.2.10 A key component of the Council's capital programme going forward is the Schools' Modernisation Programme under the Welsh Government's Sustainable Communities for Learning Programme. Work is accelerating on Band B options, which will result in further capital investment of around £70 million in the Council's schools' estate. This includes 4 new build primary schools (Welsh and English medium) and a new build special school, funded from a combination of BCBC capital, Welsh Government capital grant, and revenue funding from both BCBC and Welsh Government through the Mutual Investment Model.
- 4.2.11 In addition, Council has previously approved significant investment in upgrading existing buildings through the capital minor works programme to reduce running costs, including maintenance, and improving energy efficiency across its assets. This is in addition to a range of energy efficiency schemes across Council buildings, such as the Refit programme, which has seen schools and public buildings fitted with a range of measures including LED lighting, lighting controls, Building Management Systems and solar PV systems, designed to improve energy performance, reduce energy bills and carbon emissions, and which will be repaid from recurrent revenue savings generated, along with investment in new electric fleet.
- 4.2.12 The revised capital programme is attached as **Appendix G**. This includes the amendments outlined above.

Capital Receipts

- 4.2.13 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 Ewenny 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.

Prudential (Unsupported) Borrowing

- 4.2.14 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.
- 4.2.15 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 21st Century Band B schools and £0.972 million towards the Bridgend Smart System and Heat Programme.

4.3 Council Reserves

- 4.3.1 The Council's Reserves and Balances Protocol attached at **Appendix H** sets out the principles used to assess the adequacy of reserves, the rationale for establishing reserves and the arrangements for monitoring reserves. For the last three years, the Council has maintained its Council Fund at a minimum of £8.7 million and at 31 March 2022 it was £10.110 million, which is 4.84% of the 2022-23 net budget excluding school delegated budgets. In the face of continued uncertainty regarding the economy and public finances, the impacts of the Coronavirus pandemic, and in line with the revised MTFS Principles, it is recommended that the Council maintains its Council Fund balance at a minimum level of 5% of the Council's net budget, excluding schools. This will be monitored and will depend upon financial performance during future periods and the need to cover against specific risks as they arise through the earmarked reserves process.
- 4.3.2 In accordance with the Protocol, a review of the Council's reserves is undertaken at regular intervals. **Appendix H** sets out the movement in the Council's earmarked reserves as at 31 December 2022. It is anticipated that there will be drawdown of a number of reserves during the final quarter of 2022-23 including:
- The estimated draw down of £7.470 million from the Capital Programme reserve, which does rely on capital spend being incurred from January until March 2023. This includes estimated draw down of £1.778 million towards highways infrastructure and the purchase of land for Band B Schools programme, £650,000 for the development of the Children's Residential Hub, £0.969 million for Porthcawl Coastal Defence works and £0.32 million for the purchase of electric vehicles;
 - Draw down of £0.210 million of funding for feasibility;
 - Draw down of £5.621 million from Directorate Earmarked Reserves and a further £2.511 million of equalisation and grant earmarked reserves.
- 4.3.3 In line with the Protocol, a further review will be undertaken at the end of the current financial year and transfers may be made at this point taking account of the overall financial position of the Council, including the final outturn, actual accrued council tax income, earmarked reserve levels, the Council Fund level and any new pressures or risks that need to be provided for. At present it is anticipated that there will be insufficient funding available to set aside reserves, however, this will be reviewed at the year end and if funds are available Directors will be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2023-24 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole.

Table 14 – Summary of Earmarked Reserves

Opening Balance 01 April 2022 £'000	Reserve	Net Additions/Re classification £'000	Draw-down £'000	Unwound £'000	Closing Balance 31 December 2022 £'000
(106,732)	Total Usable Reserves	-	5,210	144	(101,378)

4.4 Council Tax

- 4.4.1 Based on the proposed budget of £342.047 million, there will be a 4.9% 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.
- 4.4.2 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.
- 4.4.3 The implications in terms of the Council Tax increase for 2023-24 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in **Table 15**.

Table 15 – Council Tax Increase 2023-24

2022-23 Band D	£1,597.01
2023-24 Band D	£1,675.26
% Increase	4.90%
Weekly Increase	£1.50

SECTION 5. LONGER TERM OUTLOOK

5.1 Longer Term Financial Outlook Considerations

- 5.1.1 The assumptions included in this Medium Term Financial Strategy are based upon the best available information at the time, although given one year budget settlements and constantly changing economic situations, there is clearly a degree of estimation in this, and the assumptions will change over time. This section of the report is to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.
- 5.1.2 The longer term outlook is not intended to be a 10 year budget strategy tool in the same way that the Medium Term Financial Strategy is for the next 4 years; there are so many political, financial, social and economic variables that it is not possible to forecast the level of funding that will be available to the Council in ten years' time, and expenditure levels will be determined by political decisions that are not yet made. It provides a financial framework (the business rules) to reference against when preparing both annual and longer term financial plans.
- 5.1.3 However, the value of it comes from being able to understand the broad direction of financial travel that the organisation is currently on, and the impact that current decision making will have on the long term financial health of the Council. This will be driven by the financial and non-financial projections outlined in Section 5.2.
- 5.1.4 This section will focus on the longer term financial outlook, cost pressures, potential risks, major timelines for key contracts and economic factors that will affect the financial health of the organisation for the next 10 years up to 2032 if the current direction of travel continues, and to present possible alternative scenarios. The main areas it will cover are:
- Future sources of funding – the best estimate of future Welsh Government grant levels and Council Tax income;
 - Future cost pressures – this includes general inflation, potential pay awards, pension and national insurance increases, financing future capital investment, and the impact that forecast demographic changes are likely to have on future council budgets;
 - The Council's strategy to meet the challenges.

5.2 Sources of Funding

The Council has 3 main sources of funding:

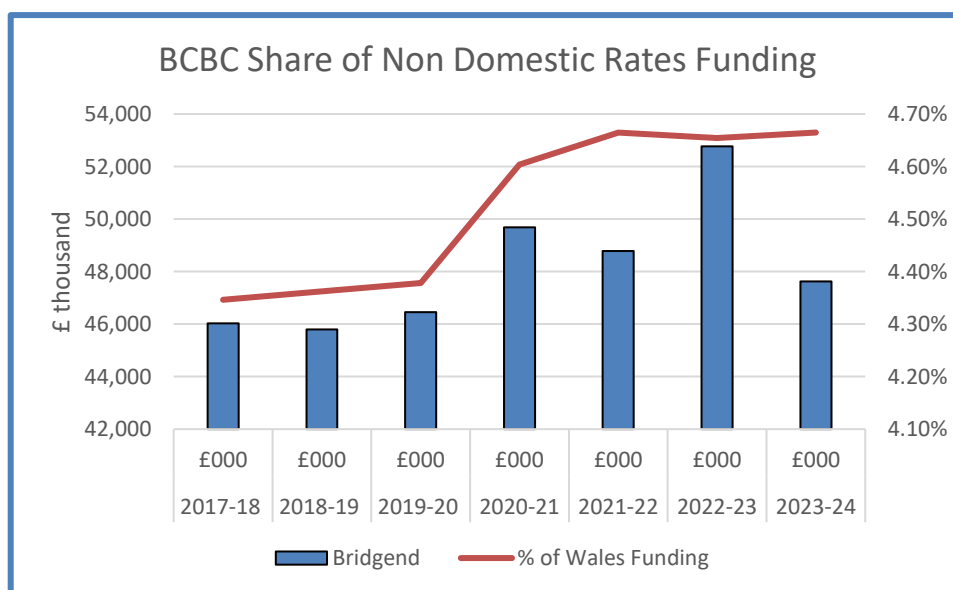
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

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

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

Welsh Government distribute the **non-domestic rates** funding to local authorities based upon its pro rata share of adult population. Bridgend’s percentage share of non-domestic rates has remained fairly consistent over the last 10 years as is seen in **Chart 4**. The increase in quantum for 2022-23 was as a consequence of a technical adjustment to the distribution of non-domestic rates between local authorities and police forces. This was offset by a subsequent reduction in revenue support grant to compensate. Bridgend’s percentage share has remained at around 4.66% in recent years.

Chart 4: Bridgend’s Share of Non-Domestic Rates



The proportion of **council tax** required to balance the Council’s budget has steadily increased over recent years and it currently funds around 27% of the budget. Going forward, the MTFs includes an assumption that council tax will increase annually by 4.5%. Bridgend’s population has increased in recent years, impacting on the council tax base, which in itself generates additional council tax income. Since 2013-14 the council tax base has increased by around 0.75% to 1.0% on an annual basis, taking into account any changes to assumed collection rate. It is reasonable to assume this rate of growth could continue with a growing population, but collection itself may be difficult due to the removal of the penalty of imprisonment for non-payment and the economic hardship a large number of people are finding themselves in as a result of the cost of living crisis.

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

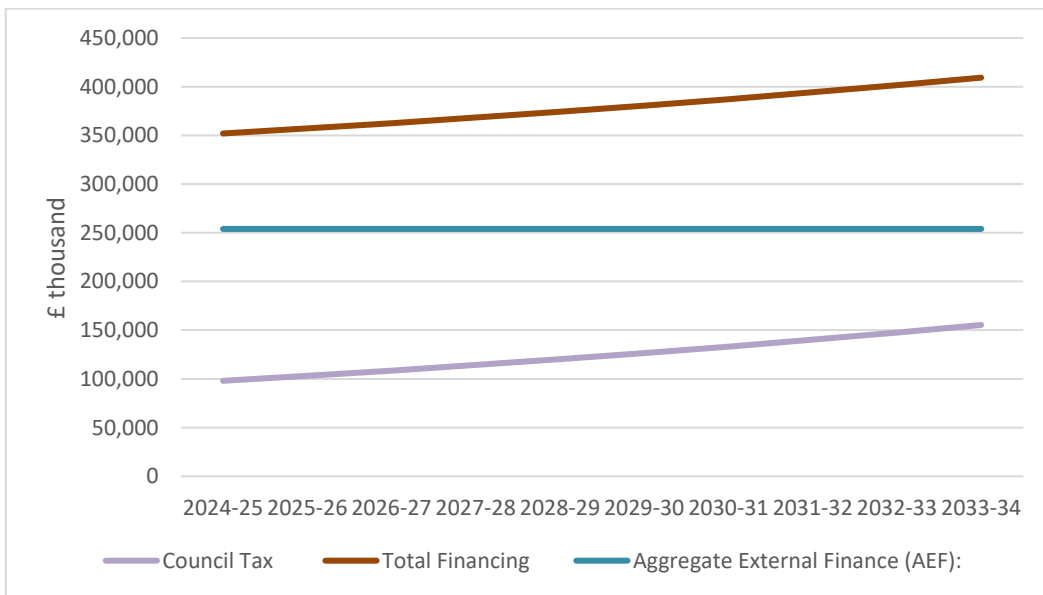
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

5.2.3 **Chart 4** showed that since 2017-18 Bridgend's amount and percentage share of Welsh Government's distributable amount of non-domestic rates has increased, from 4.35% to 4.66%. This is in line with an increasing population. On this basis the share of non-domestic rates is projected to continue to increase gradually, but this will depend largely on the amount collected by Welsh Government across Wales which will be impacted by the economic climate, especially as a result of the cost of living crisis and resulting from the war in Ukraine, and the actual population change compared to the rest of Wales. However, any potential increase in non-domestic rates is likely to be alongside a freeze in revenue support grant.

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

5.2.5 **Chart 5**, below shows the potential changes in Aggregate External Funding over the 10 year period, offset in the main from the increase in council tax over that period. There would be a 58% increase in council tax income between 2024-25 and 2033-34 if we continue with this model of funding, and the proportion of the budget funded from council tax would increase from its current 27% to 38%.

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




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

5.3 Future Cost Pressures and Risks

5.3.1 The Auditor General for Wales has previously identified some key long-term issues

that Welsh public bodies need to take into account as they shift their planning horizons to the longer term. In the Auditor General’s ‘Picture of Public Services 2021’ report (September 2021) they have been encapsulated these into three main categories –



A changing world

- Climate change: achieving a fair and just transition
- Equalities: responding to demands for a fairer and more equal society
- Constitution: managing the opportunities and risks of new relationships within the UK

The ongoing pandemic

- Direct costs of response
- Economic hit knocks-on to public finances
- Legacy costs of long-term impacts

Transforming service delivery

- Systems and culture to support new approaches to service delivery
- Purposeful collaboration
- Long-term planning and prevention
- Harnessing technology where appropriate
- Using data to learn across the whole system

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

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

A changing world	
Demographic changes	Office for National Statistics data shows that Wales’ population is expected to increase by around 117,000 by 2043. Between 2018 and 2048, the proportion of the population aged over 80 is set to increase from 6% in 2018 to 11% in 2048, and the proportion of the population aged 20-59 will fall from 51% in 2018 to 46% in 2048. By 2043, it is estimated that 9.1% of the population will be aged 80 and over, compared to 5.4% in 2018*. The fact that people live longer is a very positive development. But it does mean that the nature of demand for some public services will change. Also, the decline in the working age population potentially affects the tax base in Wales.
Climate change	The Environment (Wales) Act 2016 placed a duty on the Welsh Ministers to ensure that in 2050 net emissions are at least 80% lower than the baseline set in legislation. The Environment (Wales) Act 2016 (Amendment of 2050 Emissions Target) Regulations 2021 increased the minimum percentage from 80% to 100%, ie. net zero emissions.
Brexit	The impact is still widely unknown, but public bodies will need to be alert and adapt swiftly to the risks and opportunities. How the Shared Prosperity Fund (which

	replaces EU funding) operates will impact on such opportunities.
The ongoing pandemic	
Austerity	The UK government has promised no return to austerity, but funding is still likely to be tight given the cost pressures facing public services. Economic activity fell during the pandemic, with companies and individuals paying less tax. Coupled with higher spending, the UK's overall debt and the annual deficit – the gap between income and expenditure – have grown significantly*. Public bodies need to have a clear understanding of the potential long-term impacts on individuals and communities of their decisions.
Poverty	The Institute for Fiscal Studies has stated that overall measures of relative poverty were essentially unchanged in recent years, at 22%, the same level as in 2007-08. However, relative child poverty has continued to creep up, and in 2019–20 was 4 percentage points higher than in 2011–12. The impact of the pandemic has been significant, and will continue to do so, with households in relative income poverty prior to the pandemic seeing the largest rises in deprivation at the start of the pandemic along with ethnic minority households who also suffered greater economic hardship. Looking beyond 2021 there are great uncertainties around the prospect for household incomes, and the incomes of poorer households in particular.
Transforming service delivery	
Collaboration	One of the key lessons from the pandemic has been how collaboration has involved getting the right people together working across organisational and professional boundaries towards a common purpose*, but collaboration does need to be purposeful, and lead to tangible benefits, and not for the sake of it.
Technological developments	Public bodies need to balance the opportunities that technological changes provide with a need to ensure that they do not exclude those who are less comfortable and able to use digital technologies.

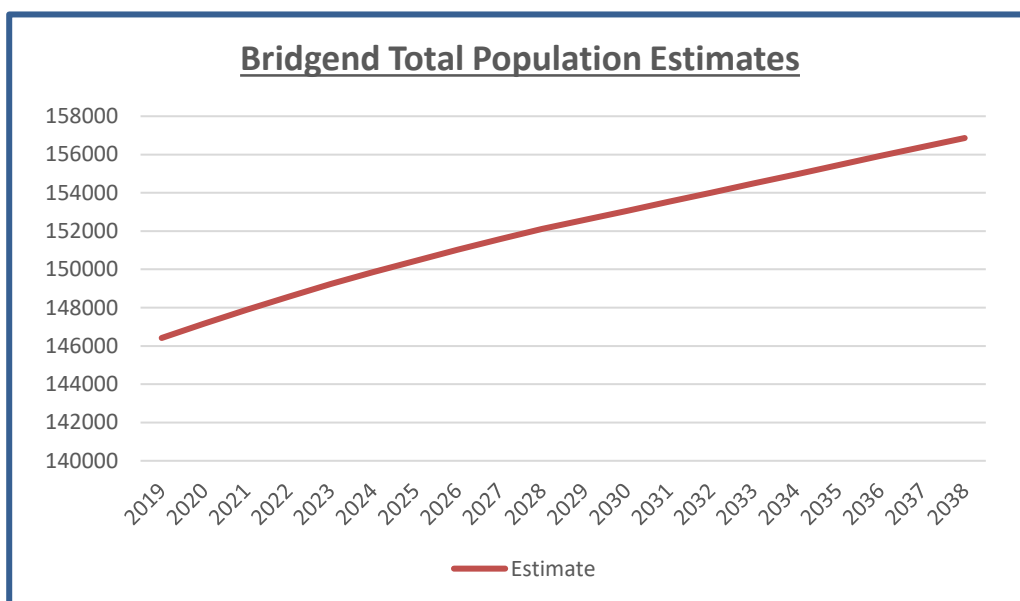
* © 2021 Auditor General for Wales – Picture of Public Services 2021

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

Population increases

- 5.3.2 Indications are that the population will continue to increase over the next 10 to 15 years, from 147,000 in 2021 to 156,000 in 2039, as outlined in Welsh Government population projections in **Chart 6** below. This will place increased pressure on the Council's budget if no additional funding is provided, particularly in terms of school places, adult social care, infrastructure and transportation. However, whether or not this will attract additional funding will depend on population growth across Wales as a whole.

Chart 6: Bridgend Population Estimates



Pupil numbers

- 5.3.3 An increase in pupil numbers in schools places significant pressure on both the capital and revenue budgets, in terms of ensuring there are sufficient school places in the right location for pupils. This can result in capital investment in new schools, adaptations to schools or re-balancing the mix of schools, primary, secondary and special, but also Welsh medium and English medium. **Table 16** below shows that there has been a significant increase in secondary and special school pupils over the period, with a recent corresponding reduction in primary pupils. The funding per pupil in special schools, in particular, is significantly higher due to the additional staffing resource required to provide for these pupils, which places additional demands on a limited budget.

Table 16 - Bridgend Pupil Numbers

	Primary	Secondary	Special	Totals
September 2018	13,127	9,289	376	22,792
September 2019	13,101	9,425	407	22,933
September 2020	13,012	9,631	399	23,042
September 2021	12,844	9,795	390	23,029
September 2022	12,566	9,901	422	22,889

Pay awards

5.3.4 Since 2013 most annual public sector pay rises were limited to an average of 1% per year until April 2018 when higher pay awards were introduced, particularly for those on lower incomes. Since then increases have been generally higher than inflation, particularly for those on lower grades and for teachers at the bottom of the pay scales. This is evidenced in the recently agreed pay increases for National Joint Council workers, whereby those on the lowest scale point received an increase of 10.5%. This is in addition to rises in the National Living Wage which is currently at £9.50 (rising to £10.42 in April 2023) but for which the Government had set a new target for it to reach two-thirds of median earnings by 2024. Similarly, Welsh Government included funding through the Local Government settlement in 2022-23 to enable authorities to meet the additional costs of starting to pay the Real Living Wage to social care workers from April 2022. The announcement in September 2022 of an increase from £9.90 to £10.90 per hour means a 10.1% increase in pay provision for the Council's in-house and commissioned services.

Contracts

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

Table 17 – Main Multi-Year Contracts

Contract	Contract Length	Expiry Date	Current Annual Cost
Waste Collection	7 years	31/3/24	£7.3 million
Home to School Transport	Varies (taxis 1 year plus optional 1 year, buses 4 years plus optional 2 years)	Varies (taxis 2024, buses 2028)	£8 million
Awen Cultural Trust	20 years	2035	£3.318 million
HALO Leisure Contract	15 years	April 2027	£1.530 million

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

- the risk of not securing a suitable partner;
- the risk of increased costs of running the contract going forward;
- the risk of the company remaining viable in the long term;

- start-up and transition problems, especially where there are changes in contractor;
- potential reductions in quality with a new contractor.

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

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

Maesteg School Private Finance Initiative (PFI) – due to end in 2034 with potential revenue savings of £2.5 million, although this is likely to be offset in part by a reduction in the amount of funding from WG via the Revenue Support Grant. Welsh Government funding through the settlement has been reducing incrementally over the period of the contract but there is likely to be a final reduction in RSG of around £1 million when the contract ends in 2034.

Bridgend Primary Schools (Mutual Investment Model) – 25 year contract to design, build and maintain 2 new primary schools, one Welsh medium, one English Medium, from 2024-25 with an annual revenue commitment of around £820,000.

5.4 Longer Term Strategy

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

Digitalisation

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

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

Commercialisation

The Council has considered, and will continue to seek, opportunities to become more commercially minded in its business, including maximising income from the sale of its goods and services or other cost reducing opportunities such as community asset transfer. The aim will be to continue to provide as wide a range of services as possible, at minimum cost. However, the recently published Prudential Code for Capital Finance in Local Authorities (2021 edition) has been strengthened to include a statement that “local authorities must not borrow to fund primary yield generating investments”. The rationale for this is that it does not constitute the primary purpose of investment and represents unnecessary risk to public funds. It is also to ensure that any commercial investment is consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice. This could restrict any commercial ambitions that the Council may have.

Charging policy

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

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

Community Asset Transfer

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

Climate Emergency Response

Bridgend County Borough Council declared its own climate emergency in June 2020 and set up its Climate Emergency Response programme. This has a commitment to achieve Net Zero carbon emissions by 2030 across its operations, to respond to the climate emergency declared by Welsh Government in April 2019. A Net Zero Carbon Strategy has been developed, and was approved by Cabinet in December 2022, as an initial strategic step in achieving this commitment.

Statutory versus non Statutory Services

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

Whilst the Council will focus attention and funding on its statutory services, there are also a wide range of non-statutory services that can be provided which serve as preventative services, reducing longer term costs in line with the principles of the Well-being of Future Generations (Wales) Act 2015. The Council will look to invest to save in these services, investing in the short term for longer term savings.

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

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