

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

1 MARCH 2023

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2023-24 to 2026-27

1. Purpose of report

- 1.1 The purpose of this report is to seek Council approval of the Medium Term Financial Strategy 2023-24 to 2026-27, attached at **Annex 3** (along with associated appendices), which includes a financial forecast for 2023-27, a detailed revenue budget for 2023-24 and a Capital Programme for 2022-23 to 2032-33. This is subject to Cabinet approval on 22 February 2023.

2. Connections to corporate well-being objectives / other corporate priorities

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

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensuring that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 The allocation of budget determines the extent to which the Council's well-being objectives can be delivered. The Corporate Plan and Medium Term Financial Strategy (MTFS) identify the Council's service and resource priorities for the next four financial years, with particular focus on 2023-24.

3. Background

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

- 3.2 This MTFS has been significantly guided by these and our proposed new objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have

necessitated significant budget reductions across different service areas, the Council still plays a very significant role in the local economy of Bridgend County Borough and is responsible for annual gross expenditure of around £485 million and is the largest employer in the county borough.

- 3.3 The Council's Corporate Plan is being presented to Council for approval alongside the MTFS 2023-2027, and the two documents are aligned to each other, enabling the reader to make explicit links between the Council's well-being objectives and the resources directed to support them.

4. Current situation/proposal

- 4.1 This report is presented to Council to provide details of the Council's Medium Term Financial Strategy for the four year period 2023-24 to 2026-27. The MTFS is complimentary to the Council's Corporate Plan, and looks to provide the resources to enable the Council's well-being objectives to be met. The MTFS outlines the principles and detailed assumptions which drive the Council's budget and spending decisions, outlines the financial context in which the Council is operating, and tries to mitigate any financial risks and pressures going forward, at the same time as taking advantage of any opportunities arising.
- 4.2 The MTFS focuses on how the Council intends to respond to the increasing pressures on public sector services, which have been exacerbated as a result of the Covid-19 pandemic, immediately followed by the existing cost of living crisis. It sets out the approaches and principles the Council will follow to ensure the Council remains financially sustainable and delivers on its corporate well-being objectives.
- 4.3 The Council is required to approve a balanced budget for the following financial year and set the Council Tax rates for the County Borough. This report sets out proposals to achieve that objective and contribute towards a sustainable position going into the medium-term.
- 4.4 The quarterly reports to Cabinet during the financial year on the projected revenue position for 2022-23 have outlined in detail the impact on the budget of the additional cost pressures faced by the Council throughout the year as a result of the worsening economic climate, rising inflation and interest rates. These have been reflected in rising prices, higher than anticipated pay increases and significant tender price increases for goods and services. Whilst some of these additional pressures are not recurrent, a number will become core pressures for the Council going forward, and these are reflected in the MTFS.
- 4.5 The announcement of the final local government settlement for 2023-24 is once again approximately two months later than previous years. The final settlement is not due to be announced until the end of February. As a result this budget is being proposed on the basis of the provisional settlement received in December 2022. Whilst we do not anticipate any significant change in funding between the provisional and final settlement, any changes will be reported back to Council at a later date. It is not envisaged that any changes will impact upon council tax.

5. Effect on policy framework and procedure rules

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

6. Equality Act 2010 implications

- 6.1 A high level Equality Impact Assessment (EIA) has been undertaken on the Council's budget proposals and updated MTFS (see **Annex 1**). The high level EIA considers the impact of the strategy, policy or proposal on the nine protected characteristics, the Socio-economic Duty and the use of the Welsh Language. The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.
- 6.2 Individual EIAs are completed for 2023-24 proposed budget reduction proposals which may impact on certain groups of citizens within the County Borough.

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

- 7.1 The Well-being of Future Generations (Wales) Act 2015 provides a framework for embedding sustainable development principles within the activities of Council and has major implications for the long-term planning of finances and service provision. The 7 well-being goals identified in the Act have driven the Council's three well-being objectives, which are designed to complement each other and be part of an integrated way of working to improve well-being for people in Bridgend County. In developing the MTFS, officers have considered the importance of balancing short-term needs in terms of meeting savings targets, with safeguarding the ability to meet longer-term objectives.
- 7.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the well-being goals in different ways. A Well-being of Future Generations Assessment will be undertaken on proposed individual projects and activities where relevant and will feed into specific reports to Cabinet or Council.
- 7.3 The Council's approach to meeting its responsibilities under the Well-being of Future Generations (Wales) Act 2015, including acting in accordance with the sustainable development principle, is reflected in a number of areas within the Medium Term Financial Strategy, not least:

5 Ways of Working	Examples
Long Term	<ul style="list-style-type: none">• Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.• Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort.• The development of a 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing.• Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.

Prevention	<ul style="list-style-type: none"> Investment in preventative measures to reduce the burden on more costly statutory services.
Collaboration	<ul style="list-style-type: none"> Savings generated from collaboration and integrated working.
Integration	<ul style="list-style-type: none"> Explicit links between the Corporate Plan, the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy.
Involvement	<ul style="list-style-type: none"> A robust budget consultation exercise, including surveys and social media debates, to inform proposals.

7.4 The above features are aimed at ensuring the Council's finances are as healthy as they can be for future generations. Although resources are limited, they have been targeted in a way that reflects the Council's priorities, including the seven well-being goals included in Bridgend's Well-being Plan, and this is reflected in the relevant appendices. Where possible the Council has aimed to protect front line services and invest to save, with budget reductions targeted at making smarter use of resources, commercialisation, collaboration and transformation. The Well-Being of Future Generations (Wales) Act 2015 Assessment is attached at **Annex 2**.

8. Financial implications

8.1 This report outlines the financial issues that Council is requested to consider as part of the MTFs 2023-24 to 2026-27. The Council's Section 151 Officer is required to report annually on the robustness of the level of reserves. The level of Council reserves is sufficient to protect the Council in light of unknown demands or emergencies and current funding levels. It must be emphasised that the biggest financial risks the Council is exposed to at the present time relate to the uncertainty over the level of Welsh Government funding, unprecedented levels of inflation, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFs Principle 9, as set out in the MTFs, and it is essential that revenue service expenditure and capital expenditure is contained within the identified budgets.

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

8.3 The budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparing the budget. The budget has been prepared following consultation with Members, the School Budget Forum and service managers. Subject to the risks identified the MTFs provides a firm basis for managing the Council's resources for the year 2023-24 and beyond.

9. Recommendations

9.1 Council is asked to approve the MTFs 2023-24 to 2026-27, including the 2023-24 revenue budget and the Capital Programme 2022-23 to 2032-33. In particular it is asked to approve the following specific elements:

- The MTFs 2023-24 to 2026-27 (**Annex 3**).

- The Net Budget Requirement of £342,047,227 in 2023-24.
- A Band D Council Tax for Bridgend County Borough Council of £1,675.26 for 2023-24 (Table 15 of the MTFS).
- The 2023-24 budgets as allocated in accordance with Table 10 in paragraph 4.1.3 of the MTFS.
- The Capital Programme 2022-23 to 2032-33, attached at **Appendix G** of the MTFS.

Carys Lord
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Background Documents: None