

Meeting of:	CABINET
Date of Meeting:	16 JANUARY 2024
Report Title:	MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE
Responsible Officer:	DEBORAH EXTON DEPUTY HEAD OF FINANCE
Policy Framework and Procedure Rules:	The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.
Executive Summary:	<ul style="list-style-type: none"> • The draft Medium Term Financial Strategy (MTFS) sets out the spending priorities for the Council for the next 4 years alongside a detailed budget for 2024-25. • The report outlines the financial, legislative and policy context within which the draft budget has been prepared alongside more detailed information on the services to be provided by the Council over the period of the MTFS. • The proposed MTFS is driven by the Council's 13 MTFS principles, and has been developed by Cabinet and Corporate Management Board, taking into account discussions with the Budget Research and Evaluation Panel. • Welsh Government announced its draft budget on 19 December 2023 before the announcement of the provisional local government settlement on 20 December 2023. • In terms of the provisional local government settlement, the all-Wales increase in Aggregate External Funding (AEF) was 3.1%. The increase for Bridgend was 3%. • No information was provided on future years' funding although indications are it will still be extremely challenging. • There were no transfers for new responsibilities or specific grants into the settlement. • The proposed budget for 2024-25 is £359.725 million, and this includes pay and price pressures of £21.5 million,

	<p>service budget pressures of £11.856 million (Appendix A), budget reductions of £16.039 million (Appendix B) and a council tax increase of 9.5%. The breakdown of the budget for 2024-25 is set out in Table 5.</p> <ul style="list-style-type: none"> • The MTFS sets out a most likely savings target of £34.376 million over the next 4 financial years. • The Council’s general capital funding decreased by £43,000 to £7.965 million. • The Section 151 officer has a statutory duty to set a balanced and robust budget. • If approved by Cabinet the draft MTFS will be submitted for consultation with the Council’s Overview and Scrutiny Committees before a final version is presented to Council for approval on 28 February 2024.
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1. Purpose of Report

1.1 The purpose of this report is to present Cabinet with the draft Medium Term Financial Strategy 2024-25 to 2027-28, which sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2024-2028 and a detailed draft revenue budget for 2024-25.

2. Background

Corporate Plan - Policy Context

2.1 The Council’s well-being objectives under the Well-being of Future Generations (Wales) Act 2015 are currently:

- A County Borough where we protect our most vulnerable
- A County Borough with fair work, skilled, high-quality jobs and thriving towns
- A County Borough with thriving valleys communities
- A County Borough where we help people meet their potential
- A County Borough that is responding to the climate and nature emergency
- A County Borough where people feel valued, heard and part of their community
- A County Borough where we support people to live healthy and happy lives

2.2 This draft MTFS has been significantly guided by these objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have necessitated substantial budget reductions across different service areas (£75.3 million since austerity began in 2010 - of which schools have contributed £4.8 million), the Council still plays a very prominent role in the local economy of Bridgend County Borough and is responsible for annual gross expenditure of around £500 million and is the largest employer in the county borough. The Corporate Plan will be presented to Council for approval alongside the MTFS 2024-2028 on 28 February 2024 and will be fully aligned with the MTFS including explicit links between resources and well-

being objectives. However, it is clear that the challenging financial situation that the Council faces and the level of budget and service cuts that need to be made will inevitably severely impact on and restrict some of the objectives set out in the Corporate Plan for at least 2024-25, but maybe also beyond that, but the Council will remain ambitious in providing the maximum levels of service possible for all residents of the County Borough.

- 2.3 The Welsh Government announced its Final Local Government Settlement for 2023-24 on 28 February 2023. The increase in Aggregate External Finance (AEF) across Wales was 7.9%, with Bridgend receiving an increase of 7.7%. This increase, whilst intended to cover a number of new pressures, including the ongoing pressures from the pandemic, was considered to be better than anticipated. However, this was before the ongoing cost of living crisis, higher than anticipated pay increases and price inflation, and unprecedented demand from some of the more vulnerable members of the community.
- 2.4 The quarterly reports to Cabinet on the revenue position for 2023-24 have outlined in detail the increased difficulty in managing and monitoring the budget, in view of challenging and rapidly worsening 'in-year' pressures which include additional inflationary pressures arising as a result of the ongoing conflict in Ukraine, and the impact of the cost of living crisis on both pay and prices, particularly fuel and energy prices, in addition to increasing demand in some service areas. Whilst some provisions were made in the 2023-24 budget, and during the financial year, to mitigate some of these costs, there was not sufficient funding to meet all, and the demand has been relentless. There has been particular pressure on children's services, leading to the approval of a 3 year sustainability plan by Council on 20 September 2023, along with additional financial support. However, further investment is needed going forward to stabilise this and other services.
- 2.5 Budget planning for the financial year 2024-25 is therefore even more uncertain and challenging than usual, with even more cost pressures presenting themselves going forward than has been experienced in previous years. In addition, there are higher expectations on the Council to address homelessness more robustly, and on a longer term sustainable basis, 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. The Council is having to reduce spend and services in a climate that requires more support for our older and more vulnerable members of society with substantial increased demand for many services.

3. Current situation / proposal

3.1 Budget Narrative

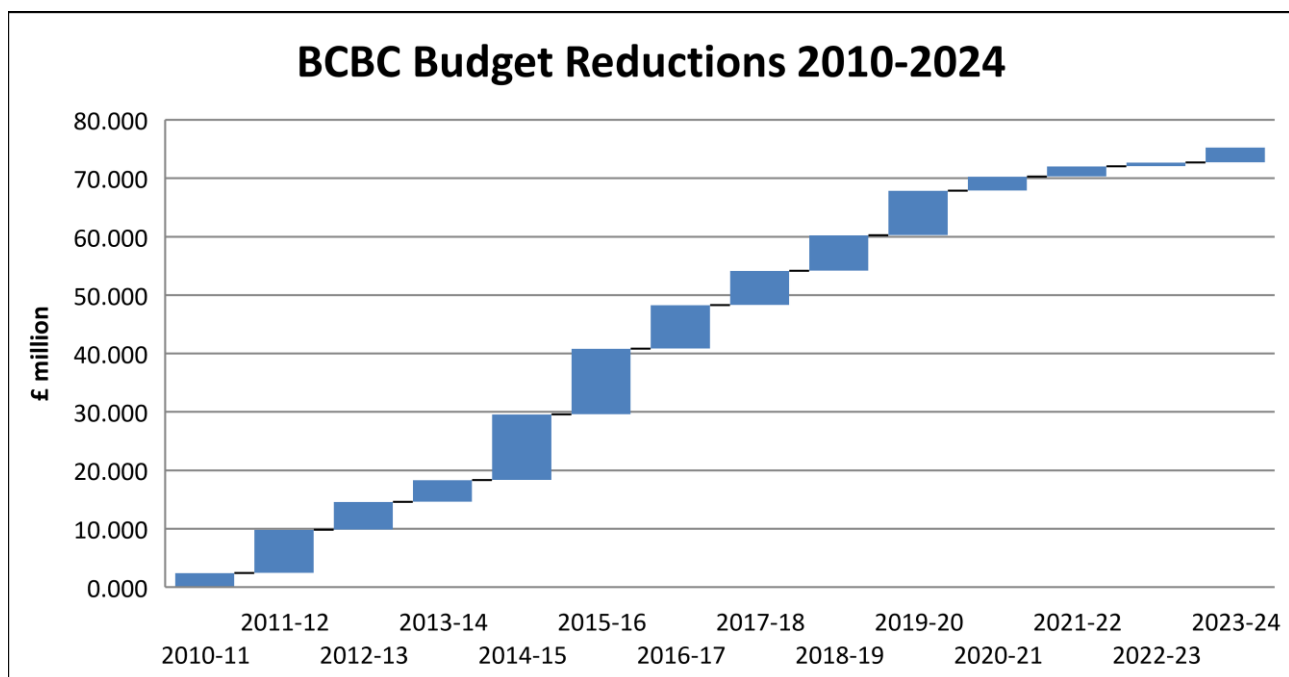
- 3.1.1 Through the MTFs the Council aspires to improve understanding of its financial strategy, to clarify the link between its corporate well-being objectives and the financial planning processes, and to explain the Council's goal of delivering sustainable services in line with the overarching ambition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

- The Council will seek to safeguard and protect the most vulnerable people in our communities;
- The Council will encourage residents and communities to support themselves and provide advice to enable this to happen;
- The Council will seek to limit service growth in the coming financial year;
- All Directorates will be required to contribute to the overall savings required in the coming years;
- The Council must have an efficient “back office” service that supports service delivery and transformation;
- In setting the budget, the Council will be mindful of the predicted financial austerity across the public sector in the coming years and plan to ensure the financial viability of the Council, and;
- The Council will seek to recover the cost of services via fees and charges where it is able to do so.

3.1.2 Corporate Financial Overview

Since austerity began in 2010 the Council has made almost £75.3 million of budget reductions, as shown below, towards which school delegated budgets have contributed £4.8 million. These reductions represent almost 21% of the Council's current net budget, however the percentage of savings and cuts has not been equal across all Council services, with relative protection given in past years to some areas, such as schools' budgets and social services, for example.

Bridgend County Borough Council (BCBC) Budget Reductions 2010 to 2024



While the Council's net revenue budget is planned at £359.725 million for 2024-25, 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 £500 million in 2024-25. 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 £210 million of the gross budget is spent on the Council's own staff including teachers and school support staff. Much of the cost of the services provided by external organisations is also wage related – these include for example waste collection operatives, social care workers, leisure staff and foster carers.

The Council gets the majority of its revenue funding (51%) from Welsh Government through the Revenue Support Grant and a share of non-domestic rates. Non-domestic rates are a charge on business properties, the rate for which is set by Welsh Government. It supplements this through council tax collection (19%), other grants (20%) and fees and charges (10%). Council tax is a charge that local authorities charge to help to pay for their services. The amount that council tax payers pay is made up of 3 elements:

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

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

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

- Legislative changes e.g. the Welsh Government's commitment to eradicate homelessness, local authorities' responsibilities in respect of responding to climate change and meeting net zero carbon targets, the implications of the Local Government and Elections (Wales) Act 2021, the Additional Learning Needs and Education Tribunal (Wales) Act 2018 and legislative changes in social care including new adult protection safeguarding requirements, changes to the Public Law Outline for children and the commitment to eliminate private profit from the care of children looked after. Many new legislative changes are not 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 – an ongoing exponential increase in contacts, assessments, historically high levels of child protection registration, high level of children being helped on a care and support basis and also high numbers of care experienced children. The last year has seen significant challenges around sufficiency of accommodation, care and support for care experienced children, an issue which all local authorities in Wales are facing. There has been an increase over the year in high cost independent residential placements and 'operating without registration' placements for children and young people. First and foremost this is a safeguarding issue, but in meeting the Council's corporate parenting obligations the budgetary position has significantly worsened as the number of high cost placements exceeds budget. The second area of pressure in children's social care is around workforce. To safeguard children from abuse and harm social workers need to have caseloads which enable meaningful work with children and families.

Following a detailed examination of evidence and best practice, Cabinet and Council approved a 3 year sustainability plan to rebalance children's social care which detailed service changes and financial requirements. The delivery of this plan is key to regulatory confidence in the ability of the Council to improve outcomes for children and families. There continues to be close monitoring of improvements in support for children and families following the 'serious concerns' expressed by Care Inspectorate Wales in 2022.

- Demographic changes – the population is increasing and also people are living longer which is obviously good news. However, this means the number of people living in Bridgend with health and social care needs is also increasing. An ageing population can bring a range of health and social care needs which require care and support. The Cwm Taf Morgannwg Population Needs Assessment (2022-27) identified poorer physical and mental health and wellbeing and greater need for support from all parts of the population with many people living with multiple health conditions and in complex health situations. The cost of living crisis also places more pressure on families and informal care arrangements. Needs have 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. At a time when there has been an increase in contacts within adult social care and increased complexity of issues, there has been less financial support from Welsh Government through targeted grants to address whole system pressures around the interface between hospital and community. In addition the complexities and challenges for children and families are very evident.
- An increase in free school meals entitlement, separate from and additional to the Welsh Government's Universal Free School Meal entitlement, which brings additional funding pressures, as this increases the amount of funding that is needed to be provided to schools through their delegated budgets.
- More recently, a reduction in the council tax collection rate, due to the difficult economic circumstances that people find themselves in. This is coupled with a potential increase in council tax support as more people find themselves on low incomes or claiming benefits during the cost of living crisis.

The Council's Corporate Plan 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.
- 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 within

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 socio-economic duty on public bodies, which came into force on 31 March 2021, reflects these aims.
- The Council currently has seven well-being objectives that reflect these and other principles. After more than a decade of austerity, with more and more of our residents struggling, we will also continue to improve efficiency and make better use of the resources we have. This means we will ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives. The effective and efficient use of resources will continue to inform our principles and ways of working in the new Corporate Plan, as well as being tested through the corporate self-assessment process.

In seeking to continue to meet the Council's identified priorities and protect its investment in Education and early intervention, Social Services and Wellbeing, and prioritise the most vulnerable in our society, as far as possible, we are proposing the following changes in the 2024-25 budget.

Additional Income

Whilst recognising the ongoing economic challenges that local people and businesses will face next year, the Council will seek to raise additional income. For all services, the Council has a policy to recover service costs and will seek to do this where possible from April 2024.

Alternative Delivery Models

We will continue to seek alternative ways of delivering services if that can ensure greater sustainability and efficiency. Over recent years there has been a considerable 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 Council's response to the Covid-19 pandemic evidenced how 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 continuing to support home and agile working and digital technology to ensure the Council is fit for the future.

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 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 close under-used buildings such as Ravens Court and the Innovation Centre to release savings from associated running costs. The ongoing investment in installing energy efficiency measures in the Council's buildings, including schools, will also continue to offer savings. The Council will continue to seek to apply for 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 2024-25 being an increase overall, it is still less than inflation, and 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 consequential 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.

3.1.3 Education

The Council is proposing to spend £140 million on services delivered by the Education and Family Support Directorate in 2024-25, prior to the allocation of additional funding for pay and price increases. The majority of this money will be spent directly by Bridgend's 59 schools and one pupil referral unit.

In addition to the £111 million proposed budget to be initially delegated to schools in 2024-25, 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 substantial 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. However, we are aware that there are significant cost pressures on this programme due to the impact of high inflation on tender prices being submitted and how this is affecting current costings for this programme.

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 Heronsbridge School. It is likely that this will represent the biggest 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 2024-2025, whilst schools have been tasked with finding budget reductions totalling 5% of their budget, where 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 more than outweigh this budget reduction. School budgets make up one-third of the Council's overall net budget, so it is impossible to find the level of budget reductions that the Council has to meet without impacting on schools. For example, the current net budget for schools is £114.740 million, compared to an overall net budget of £342.334 million. If schools were not required to make a 5% budget reduction then this would fall on other services, increasing their percentage of budget cuts from 5% to 7.5%.

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 2025-2026 onwards, and so it will be necessary for headteachers and governing bodies to plan ahead.

The Council's well-being objectives 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 in the longer term. 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.

3.1.4 Social Care and Well-being

After Education, the largest area of Council spend is on social care. This includes social work and social care for children and for adults with care and support needs. Within the Directorate there is a focus on strengthening practice, improving the 'whole system,' targeted preventative services and 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. Also, it has been evidenced in budget monitoring and outturn reports that social services' financial performance has been highly dependent on short term grant funding which is offsetting 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 through prevention, early intervention and well-being services, this is more challenging than ever before with increasing need. 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 provisions, and adult care and support at home. The Council has undertaken a detailed analysis to understand the fair cost of care which has informed a care home fee setting strategy. This is important in stabilising the care market and providing more certainty to the Council's financial planning.

The Council approved a 3 year sustainability plan for children and families on 20 September 2023. Contacts to children's social care have continued to increase exponentially which analysis shows is to be expected for some years when high profile child deaths occur. It is critical that the 3 year sustainability plan is resourced and delivered in order to rebalance how families are supported over that period. Implementation of the plan is overseen by a Social Services Improvement Board (SSIB) chaired by the Leader of the Council, and which includes the Deputy Leader, Group Leaders, Cabinet Member for Resources and the Chair of the Corporate Overview and Scrutiny Committee, and which is advised by an independent expert in social services. In June 2023 there was a Joint Inspection of Child Protection Arrangements in Bridgend, led by Care Inspectorate Wales (CIW) who welcomed the development of the 3 year sustainability plan. The joint inspectorates acknowledged the resource impact on partners of the level of safeguarding activity. CIW 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. Meeting statutory duties requires significant investment of resources in the workforce and service provision which was endorsed by Council in their approval of the 3 year sustainability plan.

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 which is being developed for consideration by Cabinet. This plan will have to be cognisant of the service and

financial pressures within the service. Pressures are particularly evident in learning disability services, mental health services and services for older people. An opportunity assessment of learning disabilities has identified areas where practice and commissioning in a strength based, outcome focused, way will also mitigate budget overspends. A learning disability transformation plan has been developed and actions are being progressed through a programme to right-size and right-price care packages and transform day time occupation. Work is also progressing to reset reablement and significantly reduce the number of people who progress to a long term package of care and support at home without having the opportunity to maximise their independence and for the care package to be right-sized, prior to commencing a long term service.

The supply side costs for commissioned care providers (domiciliary, residential and nursing) linked to inflation (food and fuel are particularly impactful), 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. Across the UK 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 embed strength-based practice and support individuals and families to live their best lives, remodelling the way we work in order to deliver outcome focused 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 Signs of Safety model of practice in children's social care, and strength based, outcome focused practice in adult social care, provide the basis for 'doing the right thing' which is invariably the most cost effective course of action. The increases in need and complexity from both children and vulnerable adults needs to be understood and reflected in service transformation and aligned financial planning expressed through sustainability plans.

3.1.5 Housing and Homelessness

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 grant 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.

3.1.6 **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 2024-25 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 £26 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 2024-25.

The seven year waste collection contract with Kier will cease in March 2024 and a new interim contract for a period of two years has been procured. This will use the existing fleet and collection methodology. The Council will then need to determine its future waste services model from 2026 onwards. Bridgend is consistently in the top 2 or 3 of best performing waste authorities in Wales in respect of recycling, 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 high number of people continuing to work from home. New operating arrangements at a lower cost were negotiated at the Materials Recovery and Energy Centre (MREC) in 2019-20 and an agreement with Neath Port Talbot County Borough 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 £11 million on the collection and disposal of waste in 2024-25.

A major challenge for the Council is how to continue to meet public expectations for many highly visible and tangible services when a reduction in 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 considerable 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 the move of 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 is well on its way to achieving savings of £300,000 between 2021-22 and 2024-25 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.

3.1.7 Supporting the Economy

Whilst this is a Council priority, services such as regeneration and economic development as a discretionary service have had to make considerable reductions to their budgets over recent years. The Council has delivered this by employing fewer but more highly skilled staff, and focusing activity more narrowly on priority areas to maximise impact. Going forward, we will continue to collaborate on a regional basis with the nine other Councils that make up the Cardiff Capital Region (CCR) City Deal, as it transitions into a statutory Corporate Joint Committee (CJC) by April 2024. The CJC will have responsibility for regional development and in particular the areas of strategic transport, regional economic development and strategic planning. The Council will continue to work with colleagues regionally and the CJC to understand how responsibilities will be shared between the region and local authorities to ensure the most effective outcomes overall. The City Deal created a £1.2 billion fund for investment in the region for 20 years, and it is now the intention of the CJC to continue this work. This will include long-term investments focusing on raising economic prosperity, increasing job prospects and improving digital and transport connectivity. In order to play an effective part in the Corporate Joint Committee, 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 £2.8 million a year running these services.

These teams will ensure successful delivery of high profile regeneration projects, including the numerous regeneration projects in Porthcawl and 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, the £3.8 million Porthcawl Metrolink bus facility will be completed and provide a strong signal of the Council's commitments to sustainable travel as part of the wider regeneration scheme. The completion of the £10 million redevelopment and refurbishment of the Maesteg Town Hall, in the spring of 2024, 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 have also undertaken the Examination in Public (EIP) for the replacement Local Development Plan (LDP). This will be determined by Welsh Government's Planning and Environment Decisions Wales (PEDW) and, if recommended for approval could be adopted by the Council in late spring of 2024. 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 our new replacement LDP and these are essential for delivering high quality new infrastructure, such as roads, new schools and play facilities in development areas within the Borough.

More specifically, the Council has made and continues to make good progress in pursuit of the development of our main towns. These include the regeneration of the waterfront at Porthcawl, including the Salt Lake site, the redevelopment of Maesteg Town Hall as stated above, and investment in initiatives to improve the town centre in Bridgend. This includes the development of a new £80 million Bridgend College Campus on the former police station site at Cheapside, in the town centre. The construction is due to commence in May 2024 with a completed college building anticipated by September 2026.

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 a three year period, including training and new business start-up grants. In addition, the £18 million funding bid to the UK Government's Levelling Up Fund (LUF) for the complete refurbishment and restoration of the Grand Pavilion in Porthcawl was successful. Design work is now underway and a planning application is being submitted. It is likely that a contractor for the works will be procured in spring 2024.

3.1.8 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 main 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 £1.9 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 £112 million in council tax from over 66,000 households across the county borough, on behalf of the Council, South Wales Police and our Town and Community Councils. Our collection rates have been impacted in recent years, firstly by the Covid-19 pandemic, then by the cost of living crisis. We are determined to regain the pre-2020 high levels of collection, 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.

In line with many other Welsh Local Authorities the Council has reviewed its position with regards to Council tax premiums. A Council Tax premium on empty properties has been introduced and took effect on 1 April 2023 whilst a Council Tax premium on second homes is being implemented from 1 April 2024.

Benefits are funded by the central UK government, but the administration of Housing Benefit and the Council Tax Reduction Scheme falls to the Council. The Benefits Service also administers applications for Disabled Facilities Grants, Free School Meals and Distinctive School Uniform Grants.

3.1.9 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. There are a number of proposed budget cuts against these services for 2024-25 onwards, all of which will compromise their ability to support frontline services, and may in some circumstances be potentially counter-productive, for example, in terms of enabling the collection of additional income, or by inadvertently increasing costs in other service areas.

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 in order to deliver its 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 Government's target 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 2024-25 including seeking further operational efficiencies and streamlined business processes, from ICT 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 focused on child protection cases. These cases have increased in number and complexity over recent years.

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. Considerable 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,' through our Graduate and Apprenticeship schemes.

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; this is likely to continue into the new financial year as teams are restructured and new ways of working are considered.

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. The central team work with services to implement corporate wide efficiencies where appropriate. The Council has adopted a Corporate Procurement Strategy which supports a number of corporate priorities. There continues to be a sustained increase in the costs of goods and services due to inflationary pressures, rise in fuel costs and shortages in the supply chain. Many tenders are being returned over the approved budget leading to additional work to re-run the process.

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. The number of elected members in each authority is set independently. Their remuneration is also determined by an independent panel. The Democratic Services team support all Members and ensure the appropriate arrangements are in place to comply with legislative requirements.

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. The level of service to be provided by the joint service in 2024-25 has been reviewed.

3.2 The Financial Context

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

3.2.2 The MTFS includes:

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2024-25 and outline proposals for 2025-26 to 2027-28.
- The capital programme for 2023-24 to 2033-34, linked to priority areas for capital investment and the Capital Strategy, which will be presented for approval by Council in February 2024, along with the Treasury Management Strategy 2024-25.
- The Corporate Risk Assessment, which will be updated and included in the final MTFS in February 2024.

3.2.3 When Welsh Government announced the Final Local Government Settlement for 2023-24 in February 2023, they provided an indicative all-Wales uplift to AEF for 2024-25 of 3.1%, but stated that this was dependent on current estimates of non-domestic rates income and any 2024-25 UK budgets. No information was provided for future years.

3.2.4 The Chancellor of the Exchequer presented the Autumn Statement 2023 to Parliament on 22 November 2023. The Office for Budget Responsibility (OBR) were commissioned to prepare an economic and fiscal forecast to be presented to Parliament alongside his Autumn Statement.

3.2.5 In his Autumn Statement the Chancellor said that this was an "Autumn Statement for a country that has turned a corner. An Autumn Statement for growth." He stated that the government had delivered significant economic progress "in the face of global challenges" and that the Autumn Statement had delivered "the biggest business tax cut in modern British history" and will return tens of thousands more people into work. Announcements included reductions in employee national

insurance contributions, increases in the national living wage, support for businesses, including the extension of business rates discount and a freeze on the small business multiplier in England, and inflationary increases to benefits. According to the Office for Budget Responsibility, growth is better than expected this year but inflation has taken longer than expected to reduce, meaning interest rates have had to rise further. As a result, the OBR has downgraded its forecasts for growth for the next couple of years – 0.7% next year instead of the 1.8% previously forecast, and 1.4% in 2025, down from 1.8%.

- 3.2.6 In response to the Autumn Statement the Welsh Government Minister for Finance and Local Government said *“The Chancellor has failed to recognise the increasing pressures on public services both here in Wales and across the UK, which means there will be more incredibly difficult decisions ahead. The NHS and local authorities are facing acute challenges around social care, education, and homelessness. The continuing pressures on their budgets will have a significant impact on the future sustainability of our schools, hospitals and other vital public services.”* She summed up saying *“Today’s Autumn Statement will make a difficult process even harder, as it does nothing to ease the immense pressure on our budget and on public services in Wales.”*
- 3.2.7 Welsh Government announced their draft budget on 19 December 2023, and the provisional local government settlement on 20 December 2023. The final local government settlement is not due to be announced until the end of February 2024, so the Medium Term Financial Strategy and the budget for 2024-25 are proposed on the basis of the provisional settlement.
- 3.2.8 The Welsh Government draft budget sets out updated revenue and general capital spending plans for 2024-25, which is the final year in the three-year Spending Review period. The Minister indicated that this was a final year in which there was less funding available to meet all of their statutory commitments, let alone their priorities and ambitious Programme for Government. She also stated that following the UK Autumn Statement, their budget is now worth £1.3 billion less in real terms than when it was set in 2021. She stated that they had radically reshaped their budget so that they can focus funding on the services which matter most to people – to invest more in the NHS and to protect the core local government settlement, which in turn funds schools, social care and other vital everyday services that people rely on. Guiding principles included protecting core, frontline public services as far as possible, delivering the greatest benefit to households which are hardest hit, to prioritise jobs, wherever possible, and to work in partnership with other public sector bodies to face this financial storm together. This included investing an additional £450 million in the NHS, which is on top of the additional £425 million they made available in October for 2023-24. It also maintains the provisional Local Government settlement at 3.1%, with £1.3 million provided through the Revenue Support Grant to ensure that no authority has an increase in settlement of below 2%. The Minister did indicate that because of continued high inflation, pay pressures, high energy costs and rising demand for services, local councils will need to take difficult decisions, which may have an impact on the services they provide. She said that, in making decisions, local authorities will need to consider the impacts of their choices under the statutory requirement relating to local government.
- 3.2.9 There is a consolidation of pre-16 grant funding streams to enable local authorities to have more flexibility to react and deliver in changing circumstances, and this is at

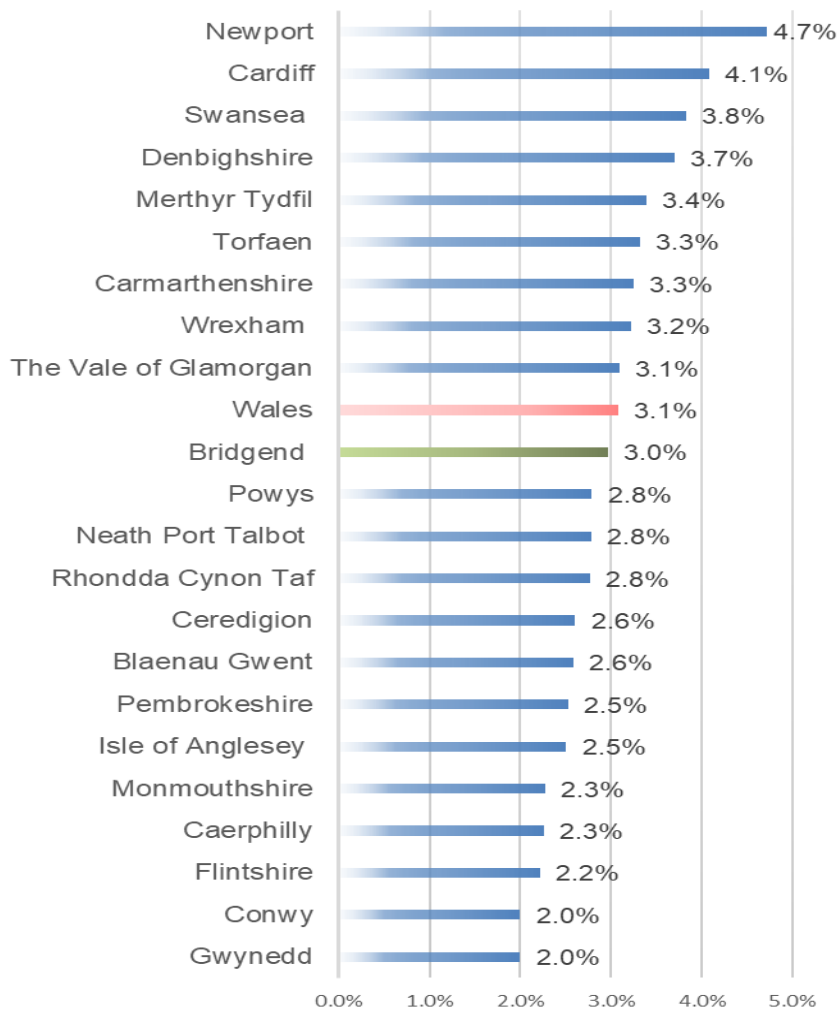
the same level of funding against similar grants provided to local authorities in 2023-24. They are also protecting the Pupil Development Grant funding that funds schools to support learners from low-income households, under their overarching equity in education objectives.

- 3.2.10 The Minister also outlined a package of additional support for Non-Domestic Rates, which included capping the increase to the Non-Domestic Rates (NDR) multiplier to 5% for 2024-25, lower than the 6.7% September CPI increase (the default inflation increase), and extending support for retail, leisure and hospitality businesses with Non-Domestic Rates bills by providing 40% relief, a reduction from the 75% relief provided in 2023-24. In addition, following revaluation of Non-Domestic Rates in 2023-24, WG is providing funding for the second year of transitional relief in 2024-25.
- 3.2.11 In terms of capital investment the Minister indicated that there were minimal changes to the multi-year allocations provided in the 2022-23 to 2024-25 budgets and that the majority of allocations for general capital would remain static.

3.3 Welsh Government Provisional Local Government Settlement 2024-25

- 3.3.1 Councils received their provisional settlements from Welsh Government on 20 December 2023. The headline figure is an overall increase of 3.1% across Wales and, for Bridgend, a reported increase of 3.0% in Aggregate External Finance (AEF), which is a £7.796 million cash increase on the 2023-24 allocation. No local authority received less than a 2% increase in funding. There are not intended to be any significant changes to the methodology or the data underpinning the distribution of this settlement when the final settlement is announced at the end of February 2024. However, there may be some grant transfers into the final settlement, following work to reduce the number of separate grants paid to local authorities.

This increase for Bridgend was the tenth highest increase across all Welsh Local Authorities as illustrated in the chart below.



Source: WG Provisional LGF Settlement 2024-25

- 3.3.2 The Minister for Finance and Local Government stated *‘As we have developed the draft Budget 2024-25, which was published yesterday, we have prioritised protecting core frontline public services as far as possible; supporting the hardest hit households and prioritising jobs, where we can. We have therefore protected the indicative rise of 3.1% in the local government settlement, and in line with our focus on supporting households, this also continues to protect vulnerable and low-income households from any reduction in support through the Council Tax Reduction Scheme (CTRS).’*
- 3.3.3 The Minister also stated that *‘Local authorities will need to take account of the full range of funding sources available to them, as well as the pressures they face. I encourage them to continue to carefully balance the impact of increases on household finances with the loss of support and services.’*
- 3.3.4 In terms of capital funding the Minister stated that *‘With next to no increase in overall capital funding and the Welsh Government capital budget 6% lower in real terms than the current year, I have maintained the general capital funding for local authorities at £180m, the indicative level that was set last year. With soaring inflationary costs in the construction sector, I know this will mean that your authorities will have to look carefully at and prioritise your capital programmes to continue to invest to best effect in the provision of public services.’* She also

announced that she had continued to provide £20 million of capital funding in each year to enable authorities to respond to the joint priority of decarbonisation. No indications have been given for 2025-26 or beyond.

3.4 Settlement Implications for 2025 to 2028

3.4.1 As mentioned above, this is the final year in the three-year Spending Review period, so no indications on funding have been provided for future years. However, recent announcements from both Welsh and UK Governments have indicated that the financial position in the next few years will be no less challenging than it is for 2024-25.

3.5 Transfers into and out of the 2024-25 Revenue Settlement

3.5.1 The provisional settlement does not include any transfers of funding from Welsh Government into the Revenue Support Grant (RSG). However, Welsh Government has indicated that this may change for the final settlement as they continue to review and rationalise the number of grants that the local authority has to administer.

3.6 Specific Grants

3.6.1 As part of the Welsh Government's Programme for Government, the Welsh Ministers have committed to reducing the administrative burden on local authorities, to allow them to focus on their vitally important work delivering services. At the heart of this work is their desire to ensure that local authorities are not hampered by unnecessary bureaucracy; consequently there is an amalgamation of pre-16 education grants, and work is ongoing to identify the best approach to grants in different policy areas, in collaboration with Local Government. WG expect to outline agreed changes as part of the Final Budget.

3.6.2 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. The biggest change is the rationalisation and refocusing of education specific grants, with the amalgamation of several pre-16 education grants into the Local Authority Education Grant. Many of the grants remain unchanged from 2023-24 figures, such as the Housing Support Grant and Concessionary Fares Grant, and some are yet to be finalised, including the Sustainable Waste Management Grant. There is an allocation of £93.5 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.

3.6.3 Welsh Government have stated that they have reprioritised £11 million from the Social Care Workforce Grant, which will impact on local authorities and social care partners. They have said that to ensure continued delivery of existing activity, including protecting spend on eliminating profit within the care of children looked after, they are reviewing planned activity and exploring efficiencies and rescoping activity until 2025-26. In addition, there is a reduction in the Communities for Work+ grant from £27 million to £17 million, and a reduction in the Bus Emergency Scheme from £42 million to £39 million.

3.6.4 Until more detailed information is made available from Welsh Government on some of these significant grants, which fund a range of important and key services within

the Council, it is prudent to retain some funding in the budget, mindful that some of it may be needed to sustain these core services.

3.7 Current Year (2023-24) Financial Performance

3.7.1 The in-year financial position as at 31 December 2023 is shown below.

Table 1- Comparison of budget against projected outturn at 31 December 2023

Directorate/Budget Area	Original Budget 2023-24 £'000	Revised Budget 2023-24 £'000	Projected Year End spend at Q3 2023-24 £'000	Projected Over / (Under) Spend 2023-24 £'000	Projected Over / (Under) Spend at Qtr 2 2023-24 £'000
Directorate					
Education and Family Support	137,488	145,800	146,939	1,139	1,746
Social Services and Wellbeing	92,791	99,316	111,900	12,584	12,690
Communities	30,545	34,532	34,781	249	600
Chief Executive's	24,003	25,410	26,675	1,265	248
Total Directorate Budgets	284,827	305,058	320,295	15,237	15,284
Council Wide Budgets					
Capital Financing	7,203	7,142	4,233	(2,909)	(2,598)
Levies	9,189	9,189	9,180	(9)	(19)
Apprenticeship Levy	650	750	788	38	19
Council Tax Reduction Scheme	16,054	16,054	15,603	(451)	(213)
Insurance Premiums	1,363	1,363	1,238	(125)	(102)
Repairs & Maintenance	670	670	630	(40)	(40)
Pension Related Costs	430	430	457	27	0
Other Council Wide Budgets	21,948	1,678	197	(1,481)	(1,399)
Total Council Wide Budgets	57,507	37,276	32,326	(4,950)	(4,352)
Total	342,334	342,334	352,621	10,287	10,932

3.7.2 The overall projected position at 31 December 2023 is a net over spend of £10.287 million comprising £15.237 million net over spend on directorates and a net under spend of £4.950 million on Council wide budgets. The overall position has slightly improved since quarter 2, but it is still showing a considerable projected net over spend position for the Council at year end, which is unprecedented and which will need to be met from reserves, both earmarked and general, if it is not eradicated during the final quarter of the year. This will put the Council at serious risk of financial sustainability going forward, especially if the Council's reserves are significantly reduced.

3.7.3 In October, the Chief Executive wrote to all members of staff to indicate that new measures were being introduced, as modelling suggested that a total of £20 million of cuts may be required to address the 2023-24 over spend as well as to fund new budget pressures in 2024-25. These included a selective vacancy freeze, not entering into any new contracts or purchasing new equipment unless absolutely necessary, and maximisation of grant and fee income. This will be further

strengthened in quarter 4 with stricter recruitment freezes, and greater checks and balances in the use of purchasing cards and general spend.

- 3.7.4 There are still a considerable number of directorate budget pressures, particularly in the Social Services and Wellbeing Directorate, which is currently showing an over spend of £12.6 million, and in respect of homelessness and home to school transport. The quarter 3 revenue budget monitoring report is also being presented to Cabinet on 16 January 2024, providing details on the reasons for the main over and under spends.

3.8 Medium Term Financial Strategy (MTFS) 2024-25 to 2027-28

- 3.8.1 This section of the report sets out the proposed MTFS for the Council for the next four financial years, based on the latest information available from Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.
- 3.8.2 The development of the MTFS 2024-25 to 2027-28 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Budget Research and Evaluation Panel (BREP), views of scrutiny and issues arising during 2023-24, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 3.8.3 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).

3.9 MTFS Principles

- 3.9.1 As well as consideration of future income and expenditure scenarios, the MTFS provides a set of clear principles which drive the budget and spending decisions over 2024-2028 and which Members and others can examine and judge the Council's financial performance against. The thirteen MTFS principles are:
1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on ensuring that the Council remains financially viable over the full period of the MTFS.
 2. All budget related decisions will align with the principles of the Well-being of Future Generations (Wales) Act 2015.
 3. The Council will continue to meet its statutory obligations and demonstrate how it directs resources to meet the Council's corporate priorities. Other resource strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.

4. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks, with adequate provision being made to meet outstanding and reasonably foreseen liabilities.
5. All services will seek to provide value for money and contribute to public value, and will continuously review budgets to identify efficiency savings.
6. Financial plans will provide an optimum balance between income and expenditure for both capital and revenue, with opportunities for generating additional income taken in line with the Council's Income Generation and Charging Policy.
7. Savings proposals are 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.

3.9.2 The MTFS Budget Reduction Contingency Reserve referenced in Principle 7 enables the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. No allocations have been made to date in 2023-24 from this reserve, but it is likely that this reserve will be needed going into 2024-25 due to the large number and value of budget reductions that will need to be made. 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.

3.10 Council Tax

3.10.1 The 2024-25 draft Revenue Budget, shown in Table 5 below, assumes a 9.5% increase in council tax for 2024-25, which is required to enable the Council to meet the considerable financial challenges that it faces both currently and going forward, not least the ongoing pay and price pressures, along with the unprecedented number of unavoidable service pressures facing the Council as it tries to support its most vulnerable residents. This level of increase will be reviewed again following the consultation process before the final budget is agreed. Going forward an assumed annual increase of 4.5% has been included for 2025-2028.

3.11 MTFS Resource Envelope

3.11.1 The published provisional 2024-25 Aggregate External Finance (AEF) figure is an increase of 3.0% for Bridgend. In the MTFS 2023-24 to 2026-27, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2024-25 of an annual 2% change in AEF and an assumed increase in council tax of 4.5% for 2024-25, with anticipated 0% changes to AEF for future years, recognising the ongoing uncertainty around our funding in future years. However, as stated above, as a result of the unprecedented challenges facing the Council, it is proposed to increase council tax by 9.5% for 2024-25.

3.11.2 The MTFS is regularly reviewed against service performance and external economic and fiscal information to ensure that early action can be taken as necessary to keep it and the Corporate Plan on track. This is particularly important given the current economic uncertainties, particularly in respect of fluctuating levels of inflation, in the coming months and years. In view of these uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios based on percentage changes in AEF shown in Table 2.

3.11.3 Welsh Government has not given any information on likely levels of funding for 2025-26 onwards. However, indications are that the financial position will be no less challenging and that Councils should plan accordingly. Therefore, for 2025-26 onwards, given the level of funding uncertainty in future years, as well as unknown pay and price increases, we will continue to assume 0% change to AEF and an estimated council tax increase of 4.5%. However, they will continue to be monitored and will be amended as further fiscal and economic information is made known.

Table 2 – MTFS Scenarios: % Change in AEF

	2024-25 % Change	2025-26 % Change	2026-27 % Change	2027-28 % Change
Best Scenario	+3.0%	+1.0%	+1.0%	+1.0%
Most Likely Scenario	+3.0%	0%	0%	0%
Worst Scenario	+3.0%	-1.0%	-1.0%	-1.0%

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

Table 3: MTFS Potential Net Budget Reductions Requirement

	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	Total £'000
Best Scenario	16,039	3,742	3,510	3,268	26,559
Most Likely Scenario	16,039	6,322	6,115	5,900	34,376
Worst Scenario	16,039	8,902	8,669	8,428	42,038

3.12 Managing within the MTFS Resource Envelope

3.12.1 Due to the impact of current year and anticipated future pressures, the amount of budget reductions required for 2024-25 is substantial. Over the period of the MTFS the financial forecast for 2024-2028 is currently predicated on £34.3 million of budget reductions being met from Directorate and Corporate budgets. However the assumptions beneath them can change quickly and with an uncertain, but no less challenging, financial settlement likely going forward, this level of reductions is likely to change going forward. They are 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 higher levels of inflation over the past year. The consumer price index (CPI) rate recently fell to 3.9% in the 12 months to November 2023, down from 4.6% in October, which is the lowest it has been in more than two years.
- 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 draft Terrorism (Protection of Premises) Bill, and the ongoing implications of the Local Government and Elections (Wales) Act 2021.
- Complying with this year's budget principle of full cost recovery, where possible. Consequently fees and charges will increase by the statutory minimum or at least CPI (as at December 2023), unless determined otherwise.
- Increases in staffing costs, including a confirmed 10.1% increase in the Real Living Wage (from £10.90 to £12.00 per hour), a 9.8% increase in the national living wage from April 2024 (from £10.42 to £11.44) and its extension to 21 and 22 year olds, along with the impact of staff pay increases in both 2023-24 and 2024-25. These include the full year effect of the teachers' pay increase of September 2023 (5% increase), the unknown teachers' pay increase in September 2024 and increases for non-teachers for 2024-25, which are still to be determined.

3.13 Net Budget Reduction Requirement

3.13.1 Table 4 shows the current position in respect of addressing the most likely forecast budget reduction requirement of £34.3 million. It shows that £24 million of budget reduction proposals have already been identified over the period of the MTFS, including the full £16 million required for 2024-25. However, the majority of future savings relate to school delegated budgets, which may or may not be feasible going forward, and the table shows that the Council still needs to develop proposals to the value of £10.4 million. This will require some difficult decisions to be made on the range and level of services that the Council provides going forward.

Table 4 - Risk Status of Budget Reduction Proposals 2024-25 to 2027-28

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
2024-25	6,044	1,604	8,391	16,039	0	16,039
2025-26	307	2	3,849	4,158	2,164	6,322
2026-27	0	0	2,453	2,453	3,662	6,115
2027-28	0	0	1,357	1,357	4,543	5,900
Total	6,351	1,606	16,050	24,007	10,369	34,376
Percentage of total required	18%	5%	47%	70%	30%	100%

3.13.2 Table 4 illustrates the difficult position that the Council finds itself in financially over the life of the MTFS. For 2025-28 only 43% of savings have been identified, the majority of which relates to school delegated budgets, which leaves the Council at risk of not balancing the budget. This will depend on the level of settlement that the Council receives and the total budget reductions required to balance the budget. Indications from Welsh Government are that financial settlements in future years will still be challenging and the Council will continue to face high pay and price pressures, consequently we will continue to identify options to close the gap during the remainder of the financial year and into 2024-25, at the same time seek additional funding from Welsh Government, particularly for new responsibilities.

3.13.3 All of the proposals have implications for the Council workforce given that around two thirds of the Council's net revenue budget funds pay costs. It follows that annual real terms' reductions in Council budgets over the next four years will lead to a reduced workforce over the MTFS period. The intention is to manage such a reduction through the continuation of strong vacancy management, redeployment,

early retirements and voluntary redundancies, but some compulsory redundancies will continue to be considered and could be necessary.

3.14 Scrutiny and Challenge

3.14.1 We will be undertaking our annual budget consultation prior to the final budget being presented to Cabinet and Council at the end of February. The aim of the consultation will be to seek views on the priority areas for residents, in order to enable us to review and set a balanced budget. It is recognised that budget planning for 2024-25 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 global economic circumstances arising from the cost of living crisis, high levels of inflation and the ongoing conflict in Ukraine.

3.14.2 The results will be collated and considered by Cabinet in order to further inform final decisions on the MTFs. As a result of the uncertainty surrounding the likely amount of budget pressures, both currently known and unknown, and in an attempt to give due consideration to the outcome of the scrutiny and public consultation processes, the amount of funding that had originally been set aside for additional teachers' pension costs, but which, based on the provisional local government settlement announcement, should no longer be required, has been retained centrally to provide some flexibility before the final budget is approved. This could result in changes to any of the key elements of the budget i.e. directorate budget reductions, school budgets, council tax levels or budget pressures, in the final MTFs in February.

3.15 2024-25 Draft Revenue Budget

3.15.1 Table 5 shows the draft revenue budget for 2024-25. The unallocated funding mentioned above is currently within the pay and price budgets in Other Council Wide Budgets, and will be re-allocated when the final budget is determined.

Table 5 – Draft Revenue Budget 2024-25

	Revised Budget 2023-24	Inter-Directorate Transfers	Pay / Prices	Budget Pressures	Budget Reduction Proposals	Opening Revenue Budget 2024-25	Potential In-Year Allocations for Pay and Prices *	Potential Final Budget 2024-25
	£000	£000	£000	£000	£000	£000	£000	£000
Service Directorate Budgets:								
Central Education & Family Support	29,400	0	105	1,700	-1,560	29,645	1,423	31,068
Schools	114,740	0	1,803	0	-5,735	110,808	5,070	115,878
Education and Family Support	144,140	0	1,908	1,700	-7,295	140,453	6,493	146,946
Social Services & Wellbeing	98,436	0	17	8,860	-2,323	104,990	4,188	109,178
Communities	32,283	300	282	0	-2,904	29,961	2,760	32,721
Chief Executives	25,338	0	3	300	-3,427	22,214	1,249	23,463
Total Directorate Budgets	300,197	300	2,210	10,860	-15,949	297,618	14,690	312,308
Council Wide Budgets:								
Capital Financing	7,142				-90	7,052		7,052
Levies	9,189			446		9,635		9,635
Repairs and Maintenance	670					670		670
Council Tax Reduction Scheme	16,054					16,054		16,054
Apprenticeship Levy	750					750		750
Pension Related Costs	430					430		430
Insurance Premiums	1,363					1,363		1,363
Other Council Wide Budgets	6,539	-300	19,364	550		26,153	-14,690	11,463
Total Council Wide Budgets	42,137	-300	19,364	996	-90	62,107	-14,690	47,417
Net Budget Requirement	342,334	0	21,574	11,856	-16,039	359,725	0	359,725

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

3.15.2 The proposed net budget for 2024-25 will be funded by:

Table 6 – Net Budget Funding

	£	%
Revenue Support Grant	205,006,191	56.99
Non Domestic Rates	52,971,909	14.73
Council Tax Income	101,746,816	28.28
Total	359,724,916	100%

3.16 Council Tax Implications

3.16.1 Based on the proposed budget of £359.725 million, there is a proposed 9.5% increase in council tax for 2024-25. This is much larger increase than we would wish to make, but a combination of increasing demand for services, cost pressures, both pay and price increases, and a below inflation settlement from Welsh Government, means that this is required in order to set a balanced budget. This proposed increase will be kept under review and confirmed when the final budget is submitted for approval in February, once the consultation process has ended.

3.16.2 As mentioned above, council tax currently only provides around 27%-28% 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 £920,000 of additional funding.

3.17 Inter-Directorate Transfers

3.17.1 There is only one inter-directorate transfer included in the budget, for £300,000, and that relates to additional funding to support the interim waste collection contract, for the period 2024 to 2026, as agreed by Cabinet at their meeting on 19 September 2023. The funding was transferred from the budget set aside for emerging pressures in the MTFS 2023-2027.

3.18 Pay, Prices and Demographics

3.18.1 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2023-24 have been agreed. They included an increase of 5% on all teachers' pay scales and allowances, an increase of £1,925 or 3.88% (whichever is higher) on all NJC pay points, and an increase of 3.5% for JNC Chief Officers and Chief Executive pay points. In terms of NJC workers the £1,925 equated to a 9.42% increase for those on the lowest scale. The NJC Committee met in November 2023 and unions are starting preparations for the 2024 pay campaign as a matter of urgency, starting with consulting on and submitting a joint pay claim. No other information is available at this time. With so much uncertainty it is difficult to determine what the pay pressure will be in 2024-25 but with a staff budget of over £200 million, every additional 1% increase will add at least a further £2 million pressure to the Council's pay budget.

3.18.2 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. In October 2023 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 10.1%, from £10.90 to £12.00 per hour. The rate was to be implemented as soon as possible, but by 1 May 2024 at the latest. For in-house staff this will be paid from 1 April 2024.

- 3.18.3 Funding for price inflation in 2024-25 has been mostly retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown, especially given current fluctuating inflation rates. The only allocation at this time is £204,000 towards the interim waste collection contract for 2024 to 2026 as outlined in the report to Cabinet on 19 September 2023. This is in addition to the virement from the unallocated funding for budget pressures from 2023-24 (shown as an inter-directorate transfer in Table 5 and in referenced in paragraph 3.17.1). A further review of allocations will be undertaken before the final budget is agreed and any necessary amendments made. Welsh Government has already announced that there is a proposed 5% increase in the business rates multiplier for next year, from £0.535 to £0.562.
- 3.18.4 Following approval of the final budget, the remaining inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed, in particular where the index is set after the Council's budget is approved.
- 3.18.5 In addition to increases in pupil numbers in schools in recent years, which puts pressure on school delegated budgets, there is also evidence of an increase in the older persons' population. Wales, as a whole, has an ageing population. In Bridgend, between the 2011 census and the 2021 census there has been an increase of 21.5% in people aged 65 years and over, resulting in increased pressure on a number of service areas, including residential care, home care and the assessment and care management teams.

3.19 Teachers' Pensions

- 3.19.1 In October 2023 the UK Government Department for Education published the outcome of the valuation of the Teachers' Pension Scheme based upon 2020 data. The outcome confirmed a need to increase the employer contribution rate by 5% from 1 April 2024 to ensure that the Scheme continues to meet present and future obligations. This means an increase in rate from 23.68% to 28.68%. The impact of this for Bridgend is an increased cost in employer's contributions of £3.270 million per annum. Welsh Government has stated that funding for this is expected to be provided by UK Government but not until 2024-2025. The Minister has said that she would be writing to the Chief Secretary to the Treasury to press for assurances on the level and timing of this funding. As a consequence, no provision has been made in this draft budget to meet the cost of teachers' pension increases. However, there is a risk that this funding may not be forthcoming, or may not fully cover the Council's costs. If this does happen then the Council will need to find recurrent funding to meet this pressure in-year in 2024-25 and on a recurrent basis going forward into 2025-26.

3.20 School Delegated Budgets

- 3.20.1 Given the difficult financial position that the Council found itself in, a 2% efficiency in school budgets (£2.118 million) was included in the MTFS for 2023-24, given that school budgets account for around a third of net revenue expenditure. For 2024-25 the overall financial position of the Council has worsened, and it is impossible to set a balanced budget without requiring schools also to make cuts, given they make up a significant percentage of the Council's net budget. Therefore it is proposed to ask schools to find further savings of 5% in 2024-25.
- 3.20.2 There are a significant number of pressures on school delegated budgets for 2024-25 and beyond, not least the full year cost of the September 2023 teachers' pay award for April to August 2024 (5% increase), new pay award for teachers from September 2024, non-teachers' pay award from April 2024 and continuing high inflation. Whilst schools will need to identify ways to meet the 5% budget reduction to contribute towards the corporate budget reduction target, this will be more than offset in terms of a cash increase by the additional funding that will be provided to them during 2024-25 to offset these additional pay and price pressures, which could reach £5 million based on current estimates.
- 3.20.3 It should be noted that the 1% efficiency target is maintained for schools for 2025-26 and beyond, in recognition of the pressures stated above, potentially lower future budget settlements and mounting external pressures across Council services.

3.21 Budget Pressures

- 3.21.1 During 2023-24 a number of unavoidable service budget pressures have arisen for 2024-25 and future years, and they are detailed in **Appendix A**. The total of the budget pressures identified for 2024-25 is £11.306 million and this covers those pressures deemed to be unavoidable or statutory, and tries to mitigate some of the more significant budget pressures arising in 2023-24. The funding allocated is partly to enable time for transformation of services to take place and will be subject to robust ongoing financial monitoring during 2024-25. Services have not been asked to submit general budget pressure bids in this financial year, due to the challenging financial situation, so there are likely to be additional emerging pressures arising during the year for which a small provision (£550,000) has been set aside. There may also be additional pressures arising over the coming months and consequently the total pressures requirement may change between draft and final budget.
- 3.21.2 Some of the more significant pressures facing the Authority include:
- Costs associated with supporting and protecting our most vulnerable residents, especially children.
 - Support for children with additional learning needs.
 - Funding to meet contractual price increases, especially home to school transport.
 - 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 9.8% increase in the National Living Wage announced by the UK government.
 - An increase in the Fire and Rescue Authority's levy on the Council to meet pay and price increases.

3.22 Budget Reduction Proposals

3.22.1 Budget reduction proposals of £16.039 million for 2024-25 have been identified from service budgets to achieve a balanced budget, and these are detailed in **Appendix B**. This year it has been extremely challenging to identify reductions in service budgets in order to balance the budget, and has required difficult decisions, and proposed cuts to a number of services. This level of budget reductions is unprecedented, and will have a wide ranging impact on the level of services that the Council can provide. They are not achievable easily and will have a significant impact on staff and residents alike, but are necessary in order to set a balanced budget, or council tax would have to increase by an even higher rate.

3.23 Partnership Working

3.23.1 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, was asked by the partner organisations to model the service impacts of budget reductions of between 3 to 10%. Those proposals will be considered by the SRS Joint Committee in January.
- 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 key partners are delivering services at considerably less cost than when the Council provided leisure, culture and library services internally and have added considerable social value to communities in Bridgend. In recent years both partners have increasingly focussed on supporting the most vulnerable and provide a highly effective preventative offer. There will be a need with reducing Council budgets to ensure that the partnership arrangements continue to represent best value.
- The Central South School Consortium is responsible for school improvement services across Bridgend, Cardiff, Merthyr, Rhondda Cynon Taf and Vale of Glamorgan Councils. Welsh Government is currently undertaking a review of school improvement arrangements across Wales. It is unlikely that the outcome of this review will be known until summer 2024. The local authority will consider the findings of this review in due course. In December 2023 the Central South Consortium Joint Education Service Joint Committee agreed a revenue budget for 2024-25, which included an aggregate 6.6% decrease in constituent local authority contribution levels, which equates to £35,000 for Bridgend.
- It was agreed with the Cardiff Capital Region City Deal (CCRCD) that the first year's overhead and operating costs of the Corporate Joint Committee, which is now legally required to be established, would be covered from the CCRCD reserve. This had the net effect of avoiding costs for Bridgend in 2023-24 of just over £24,000. For 2024-25 the local authority contribution will remain at the same overall level as 2023-24 but will be used to fund both the CCRCD and the Corporate Joint Committee.

3.24 Council Wide Budgets

- 3.24.1 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, including that for the South Wales Fire and Rescue Authority, centrally held pay and prices provisions, insurance budgets, discretionary rate relief and centrally held building 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, soaring inflation, and unprecedented amount of budget pressures has put also additional pressure on these budgets.
- 3.24.2 The South Wales Fire and Rescue Authority covers 10 South Wales Council areas including Bridgend County. It is funded by raising a levy on its constituent Councils, based on population. For 2024-25 the levy on Bridgend, and consequently its council tax payers, is proposed to be £8,968,576, an increase of £445,886 or 5.2% from 2023-24. This is as a result of unavoidable pay and price increases. It equates to an increase of approximately 0.5% in the council tax for the County Borough. The final budget is subject to approval by the Fire and Rescue Authority at its budget meeting in February 2024 so the final increase may change.

3.25 Fees and Charges

- 3.25.1 In general, fees and charges are increased by CPI (as at December 2023), subject to rounding, or in line with statutory or service requirements, except where a clear decision is taken not to do so. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers and Directorates will apply the requirements outlined in the Council's Fees and Charges Policy. 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. Going forward, it is proposed to review fees and charges on a rolling basis as required.
- 3.25.2 A full list of all fees and charges for 2024-25 will be published on the Council's webpages once the budget has been approved for 2024-25.

3.26 Council Reserves

- 3.26.1 In line with the MTFs principle 8, the Council Fund will normally be maintained at a level of 5% of the Council's net budget, excluding schools. Details of the Council's earmarked reserves position at 31 December 2023 are shown in Table 7. These have been thoroughly reviewed during 2023-24 and a number of reserves that are no longer required have been unwound. The review included an assessment of the draw down profile and re-profiling of existing earmarked reserves. A more detailed position statement will be included in the Final MTFs report to Council on 28 February 2024.

Table 7 – Earmarked Reserves

Opening Balance 01 Apr 23	Reserve	Movement as at Quarter 3			Closing Balance 31 Dec 23
		Net Additions/ Reclassification	Draw-down	Unwound	
£		£	£	£	£
	Corporate Reserves:				
50,531,437	Capital Programme Contribution	3,013,538	-	(2,098,609)	51,446,366
3,794,440	Asset Management Reserves	355,000	(420,892)	(199,362)	3,529,186
2,978,352	Major Claims, H&S & Insurance Reserves	-	-	(848,189)	2,130,163
2,892,509	Service Reconfiguration	-	-	-	2,892,509
2,263,267	Cost of Living Fund	-	(2,263,267)	-	-
3,422,660	Change Management/Digital Transformation	(141,609)	(196,367)	(120,000)	2,964,684
1,999,789	Economic and Future Resilience Fund	-	-	(293,789)	1,706,000
67,882,454	Total Corporate Reserves	3,226,929	(2,880,525)	(3,559,950)	64,668,908
	Directorate Reserves:				
692,947	Education & Family Support	78,363	(184,536)	(98,690)	488,084
6,076,249	Social Services & Wellbeing	2,500,000	(1,830,605)	(100,000)	6,645,643
2,752,891	Communities	130,324	(105,744)	(69,496)	2,707,974
3,101,860	Chief Executives	153,401	(747,259)	(485,594)	2,022,408
12,623,946	Total Directorate Reserves	2,862,087	(2,868,144)	(753,780)	11,864,109
	Equalisation & Grant Reserves:				
2,074,399	Education & Family Support	(78,363)	(50,000)	(735,634)	1,210,402
436,379	Social Services & Wellbeing	-	-	(350,379)	86,000
2,845,917	Communities	-	-	(593,953)	2,251,964
346,055	Chief Executives	(153,401)	-	-	192,654
5,702,750	Equalisation & Grant Reserves:	(231,764)	(50,000)	(1,679,967)	3,741,020
6,898,038	School Balances	-	-	-	6,898,038
10,109,499	Council Fund	-	-	-	10,109,499
103,216,687	TOTAL RESERVES	5,857,252	(5,798,669)	(5,993,696)	97,281,574

3.27 Capital Programme and Capital Financing Strategy

- 3.27.1 This section of the report deals with the proposed Capital Programme for 2023-24 to 2033-34, which forms part of, but extends beyond the MTFs. It has been developed in line with the MTFs principles and reflects the Welsh Government draft capital settlement for 2024-25, which provides General Capital Funding (GCF) for 2024-25 of £180 million across Wales and of £7.965 million for the Council for 2024-25, of which £3.929 million is un-hypothecated supported borrowing, with the remaining £4.036 million provided through general capital grant. This is £43,000 less than in 2023-24. In announcing this funding the Minister for Finance and Local Government said “*With soaring inflationary costs in the construction sector, I know this will mean that your authorities will have to look carefully at and prioritise your capital programmes to continue to invest to best effect in the provision of public services.*”
- 3.27.2 The original budget approved by Council on 1 March 2023 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2022-23, slippage into 2024-25 and any new schemes and grant approvals. A review has also been undertaken of the capital resources available to the Council, along with the capital pressures that it faces. Due to the limited capital resource available, following a number of years of significant investment in the Council’s

infrastructure, service managers have not been asked to submit capital bids for funding at this stage, although it is accepted that there are a number of capital pressures that will need financing going forward, including regeneration, decarbonisation, homelessness and digitalisation. Given limited capital resources and increasing costs of contracts, the Council will need to make difficult decisions about which capital schemes it can afford to progress, which will involve prioritisation about existing and future schemes, as not all will be affordable.

3.27.3 There are also other financial pressures arising as a result of the impact of the ongoing 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.

3.27.4 Following approval by Council of the Capital Strategy in February/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. The latest capital programme was approved by Council in October 2023 and any further changes will be included in the updated capital programme presented to Council for approval on 7 February 2024 or the capital programme to be included in the final MTFS to be approved by Council on 28 February 2024.

3.27.5 The capital programme contains a number of annual allocations that are met from the total general capital funding for the Council. The proposed allocations are shown in Table 8 below.

Table 8 – 2024-25 Proposed Annual Allocations of Capital Funding

	Proposed 2024-25 £'000
Highways Structural Works	340
Carriageway Capital Works	250
Disabled Facilities Grant	1,950
Housing Renewal / Empty Property Schemes	100
Minor Works	1,130
Community Projects	50
Corporate Capital Fund (Renewals / Match Funding)	200

Street lighting / Bridge infrastructure replacement	400
ICT equipment replacement	400
2030 Decarbonisation	400
Total	5,220

3.28 Capital Receipts

- 3.28.1 The disposals strategy for the period to 2030 is currently being formulated and it is anticipated that the majority of the receipts will emanate from the sale of sites within the Porthcawl Waterfront Regeneration Area. Whilst this will be the main focus of the disposal programme in the immediate future, there are two other large sites at Ewenny Road, Maesteg and at Parc Afon Ewenni, Waterton, Bridgend that will be brought forward for sale within this period. These, together with a number of smaller sites that are likely to be declared surplus to Council use, will make up the disposal programme.
- 3.28.2 Capital receipts from property disposals are subject to the exchange of contracts, so it is prudent not to commit them until we have a contractual agreement.

3.29 Prudential (Unsupported) Borrowing

- 3.29.1 Total Prudential Borrowing taken out as at 1 April 2023 was £46.063 million, of which £32.2 million was outstanding. It is estimated that the total borrowed will increase to £51.844 million by the end of 2023-24.
- 3.29.2 Future prudential borrowing could include an estimated £1.822 million towards the Bridgend Smart System and Heat Programme, £0.5 million towards the cost of fleet vehicles replacement, £0.5 million towards the refurbishment of Community Children's Play Areas and £0.5 million towards Highways' Refurbishments.

4. Equality implications (including Socio-economic Duty and Welsh Language)

- 4.1 A high level Equality Impact Assessment (EIA) will be carried out and included within the Final MTFs in March 2024. 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.
- 4.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

- 5.1 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 seven well-being objectives.

- 5.2 The well-being objectives are designed to complement each other and be part of an integrated way of working to improve well-being for people in Bridgend County. In developing the MTFS, officers have considered the importance of balancing short-term needs in terms of meeting savings targets, with safeguarding the ability to meet longer-term objectives.
- 5.3 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the wellbeing goals in different ways. A Well-being of Future Generations Assessment will be undertaken on proposed individual projects and activities where relevant and will feed into specific reports to Cabinet or Council.
- 5.4 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 Capital Strategy and 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, community engagement stands and social media debates, to inform proposals.

- 5.4 The above features are aimed at ensuring the Council's finances are as healthy as they can be for future generations. Although resources are limited, they have been targeted in a way that reflects the Council's priorities, including the seven well-being goals included in Bridgend's Well-being Plan, and this is reflected in the relevant appendices. Where possible, the Council has aimed to protect front line services

and invest to save, with budget reductions targeted at making smarter use of resources, commercialisation, collaboration and transformation. The Well-Being of Future Generations (Wales) Act 2015 Assessment is attached at **Appendix C**.

6. Climate Change Implications

- 6.1 The local authority's 'Bridgend 2030 – Net Zero Carbon Strategy' and Welsh Government's carbon reduction commitments will also be addressed through the Medium Term Financial Strategy, where funding allows, particularly through capital investment. Specifically they will be addressed through a number of schemes, including the School Modernisation Programme, Ultra Low Emission Vehicles, and a recurrent 2030 decarbonisation capital budget, amongst others. However, due to financial constraints, our ambition to achieve Net Zero 2030 may be compromised.

7. Safeguarding and Corporate Parent Implications

- 7.1 The Medium Term Financial Strategy is aligned with BCBC's Corporate Parenting Strategy, and provides substantial investment in children's services through revenue budget pressures.

8. Financial Implications

- 8.1 This report outlines the financial issues that Council is requested to consider as part of the 2024-25 to 2027-28 MTFS. The Council's Section 151 Officer is required to report annually on the robustness of the level of reserves. The current and future anticipated level of Council reserves is sufficient to protect the Council in light of unknown demands or emergencies and current funding levels. It must be emphasised that the biggest financial risks the Council is exposed to at the present time relates to the uncertainty of Welsh Government funding, both generally for local government into the medium term with recent one-year settlements, and specifically for some of the pressures the Council is currently facing in its service areas, 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 section 114 of the Local Government Act 1988. Members should note that there is currently sufficient resource to discharge this role.
- 8.3 The proposed budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparation. However, there is always a risk of change, as evidenced by the volatile economic environment of the last 12 months. Subject to the risks identified the proposed MTFS provides a firm basis for managing the Council's resources for the year 2024-25 and beyond.
- 8.4 However, the extremely challenging financial situation that the Council is facing, currently and in the coming years, cannot be under-stated. The Council's provisional settlement was less than the current rate of inflation, and the Council has no firm guarantee on what funding it may receive towards teachers' pensions. In addition,

there are significant service pressures facing the Council going into 2024-25, including those leading to the current projected £10.287 million over spend for 2023-24. There is not enough funding within the provisional settlement to meet these costs, let alone new emerging pressures. The only way to mitigate them is through service reductions or higher increases in council tax. The Council's reserves are falling, and there is little capacity to establish new reserves, so using reserves to balance the budget is not a robust or long term solution, particularly in light of the fact that these financial challenges are still likely to be facing us into 2025-26 and possibly beyond. All of these factors must all be taken into consideration when approving the budget for 2024-25 onwards.

9. Recommendation

- 9.1 It is recommended that Cabinet submits for consultation with the Overview and Scrutiny Committees the 2024-25 annual budget and development of the MTFS 2024-25 to 2027-28, as set out in this report, prior to presenting a final version for approval by Council on 28 February 2024.

Background documents

Individual Directorate Monitoring Reports

Provisional Local Government Revenue and Capital Settlements 2024-25