

Meeting of:	CABINET
Date of Meeting:	20 FEBRUARY 2024
Report Title:	MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024-25 to 2027-28
Report Owner / Corporate Director:	CHIEF OFFICER – FINANCE, HOUSING 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 proposed 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, along with additional budget principles requested by Cabinet for the forthcoming financial year, and has been developed by Cabinet and Corporate Management Board, taking into account discussions with, and the recommendations of, the Budget Research and Evaluation Panel and the Council's Overview and Scrutiny Committees. • 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.

	<ul style="list-style-type: none"> • There were no transfers for new responsibilities or specific grants into the provisional local government settlement. • The proposed budget for 2024-25 is £359.725 million, and this includes budget pressures of £11.856 million, budget reductions of £13.045 million and a council tax increase of 9.5%. The breakdown of the budget for 2024-25 is set out in Table 10. • The MTFFS sets out a most likely savings target of £44.882 million over the next 4 financial years. • The Council's general capital funding decreased by £28,000 to £7.980 million. • The Section 151 officer has a statutory duty to set a balanced and robust budget. • The final settlement is not due to be announced until the end of February. As a result this budget is being proposed on the basis of the provisional settlement received in December 2023. Changes in the Final Settlement, such as the transfer in of specific grants, and additional funding, will be reported to Council in due course, but will not affect the council tax level.
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1. Purpose of Report

- 1.1 The purpose of this report is to present Cabinet with the Medium Term Financial Strategy 2024-25 to 2027-28, attached at **Annex 3** (along with associated appendices), which includes a financial forecast for 2024-28, a detailed revenue budget for 2024-25 and a Capital Programme for 2024-25 to 2033-34, and to recommend that these are presented to Council for approval on 28 February 2024.

2. Background

- 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 MTFFS has been significantly guided by these objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have necessitated significant

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. It is responsible for annual gross expenditure of around £520 million and is the largest employer in the county borough.

- 2.3 The Council's Corporate Plan is aligned to the Medium Term Financial Strategy, enabling the reader to make explicit links between the Council's well-being objectives and the resources directed to support them. 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 restrict the ambitions and objectives set out in the Corporate Plan for at least 2024-25, but maybe also beyond that. In light of this, the Council is developing a 1-year Corporate Plan Delivery Plan for 2024-25 which will reflect the current financial situation whilst remaining ambitious in providing the maximum levels of service possible for all residents of the County Borough.

3. Current situation / proposal

- 3.1 This report is presented to Cabinet to provide details of the Council's Medium Term Financial Strategy for the four year period 2024-25 to 2027-28. The MTFS is complimentary to the Council's Corporate Plan, and looks to provide the resources to enable the Council's well-being objectives to be met. The MTFS outlines the principles and detailed assumptions which drive the Council's budget and spending decisions, outlines the financial context in which the Council is operating, and tries to mitigate any financial risks and pressures going forward, at the same time as taking advantage of any opportunities arising.
- 3.2 The MTFS focuses on how the Council intends to respond to the increasing pressures on public sector services, which have been exacerbated as a result of the ongoing cost of living crisis and rising demand. It sets out the approaches and principles the Council will follow to ensure the Council remains financially sustainable and delivers on its corporate well-being objectives.
- 3.3 The Council is required to approve a balanced budget for the following financial year and set the council tax rates for the County Borough. This report sets out proposals to achieve that objective and contribute towards a sustainable financial position going into the medium-term.
- 3.4 The quarterly reports to Cabinet during the financial year on the projected revenue position for 2023-24 have outlined in detail the impact on the budget of the additional cost pressures faced by the Council throughout the year as a result of the worsening economic climate, rising inflation and interest rates. These have been reflected in rising prices, higher than anticipated pay increases and significant tender price increases for goods and services. Whilst some of these additional pressures are not recurrent, a number will become core pressures for the Council going forward, and these are reflected in the MTFS.
- 3.5 The announcement of the final local government settlement for 2024-25 is once again approximately two months later than previous years. The final settlement is not due to be announced until the end of February. As a result this budget is being proposed on the basis of the provisional settlement received in December 2023. Welsh Government has already announced additional funding of £14.4 million across Wales

which will be included in the final settlement, which is intended to be used to support pressures in both social care and education, including teachers' pay. It is proposed that this funding is held centrally in the provisions for pay and prices until the details of this additional funding are clarified, and to mitigate additional costs in these areas as they arise. Any changes to the budget will be reported back to Council at a later date but it is not envisaged that any changes will impact upon council tax.

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

- 4.1 A high level Equality Impact Assessment (EIA) has been undertaken on the Council's budget proposals and updated MTFS (see **Annex 1**). The high level EIA considers the impact of the strategy, policy or proposal on the nine protected characteristics, the Socio-economic Duty and the use of the Welsh Language. The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.
- 4.2 Individual EIAs are completed for 2024-25 proposed budget reduction proposals which may impact on certain groups of citizens within the County Borough.

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

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

	<ul style="list-style-type: none"> • Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort. • The development of a 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing. • Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.
Prevention	<ul style="list-style-type: none"> • Investment in preventative measures to reduce the burden on more costly statutory services.
Collaboration	<ul style="list-style-type: none"> • Savings generated from collaboration and integrated working.
Integration	<ul style="list-style-type: none"> • Explicit links between the Corporate Plan, the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy.
Involvement	<ul style="list-style-type: none"> • A robust budget consultation exercise, including surveys and social media debates, to inform proposals. The outcome of this will be reported to Cabinet on 20 February 2024.

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 **Annex 2**.

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, 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. Recommendations

- 9.1 Cabinet is asked to recommend the MTFS 2024-25 to 2027-28, including the 2024-25 revenue budget and the Capital Programme 2023-24 to 2033-34, to Council for approval. In particular it is asked to recommend that the following specific elements are forwarded to Council for approval:
- The MTFS 2024-25 to 2027-28 (**Annex 3**).
 - The Net Budget Requirement of £359,725,154 in 2024-25.
 - A Band D Council Tax for Bridgend County Borough Council of £1,834.41 for 2024-25 (Table 15 of the MTFS).

- The 2024-25 budgets as allocated in accordance with Table 10 in paragraph 4.1.3 of the MTFS.
- The Capital Programme 2023-24 to 2033-34, attached at Appendix G of the MTFS.

Background documents

None