

<b>Meeting of:</b>	<b>SUBJECT OVERVIEW AND SCRUTINY COMMITTEE 1</b>
<b>Date of Meeting:</b>	<b>16 JANUARY 2025</b>
<b>Report Title:</b>	<b>MEDIUM TERM FINANCIAL STRATEGY 2025-26 TO 2028-29</b>
<b>Report Owner / Corporate Director:</b>	<b>CHIEF OFFICER – FINANCE, HOUSING AND CHANGE</b>
<b>Responsible Officer:</b>	<b>DEBORAH EXTON DEPUTY HEAD OF FINANCE</b>
<b>Policy Framework and Procedure Rules:</b>	The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• 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 2025-26.</li> <li>• 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.</li> <li>• The proposed MTFS is driven by the Council's 13 MTFS principles and has been developed by Cabinet and Corporate Management Board.</li> <li>• Welsh Government announced its draft budget on 10 December 2024 before the announcement of the provisional local government settlement on 11 December 2024.</li> <li>• In terms of the provisional local government settlement, the all-Wales increase in Aggregate External Funding (AEF) was 4.3%. The increase for Bridgend was 4.0%.</li> <li>• No information was provided on future years' funding although indications are it will still be extremely challenging.</li> <li>• There were a number of transfers of specific grants into and out of the settlement.</li> <li>• The proposed budget for 2025-26 is £383.338 million, and this includes pay and price pressures of £10.6 million, service budget pressures of £14.454 million (Appendix A), budget reductions of £9.105 million (Appendix B) and</li> </ul>

	<p><b>a council tax increase of 4.5%. The breakdown of the budget for 2025-26 is set out in Table 5.</b></p> <ul style="list-style-type: none"> <li>• <b>The MTFS sets out a most likely savings target of £40.242 million over the next 4 financial years.</b></li> <li>• <b>The Council's general capital funding increased by £602,000 to £8.582 million.</b></li> <li>• <b>The Section 151 officer has a statutory duty to set a balanced and robust budget.</b></li> <li>• <b>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 26 February 2025.</b></li> </ul>
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## **1. Purpose of Report**

- 1.1 The purpose of this report is to present the Subject Overview and Scrutiny Committee 1 with the draft Medium Term Financial Strategy 2025-26 to 2028-29, 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 2025-2029 and a detailed draft revenue budget for 2025-26.

## **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 (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 (£88.4 million since austerity began in 2010 - of which schools have contributed £8.3 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 over £500 million and is the largest employer in the county borough. 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

impact on and restrict some of the objectives set out in the Corporate Plan for at least 2025-26, 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 2024-25 on 27 February 2024. The increase in Aggregate External Finance (AEF) across Wales was 3.3%, with Bridgend receiving an increase of 3.2%. Due to the number of underlying budget pressures continuing from 2023-24 and new pressures emerging going forward, along with anticipated pay and price increases, this level of funding was not sufficient to meet all demands, leading to the need for a higher than anticipated council tax increase and unprecedented levels of budget reductions.
- 2.4 The quarterly reports to Cabinet on the revenue position for 2024-25 have outlined in detail the increased difficulty in managing and monitoring the budget, in view of challenging and continuing pressures from 2023-24, 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, in addition to increasing demand in some service areas, such as social services and homelessness. Whilst some provisions were made in the 2024-25 budget to mitigate some of these costs, there was not sufficient funding to meet all, and the demand has been relentless. In September 2023 Council approved a 3 year sustainability plan for Children's Services, which included an additional budget pressure of £2.5 million in the final budget for 2024-25. However, further investment is needed going forward to stabilise Social Services and other services.
- 2.5 Budget planning for the financial year 2025-26 continues to be more uncertain and challenging than usual, with a number of existing and new cost pressures presenting themselves and taking up the Council's limited resources. 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. We are also seeing increased budgetary pressures in services for pupils with additional learning needs, due to increasing demand and complexity of needs. 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 continue to underpin the development of the budget for the coming financial year:

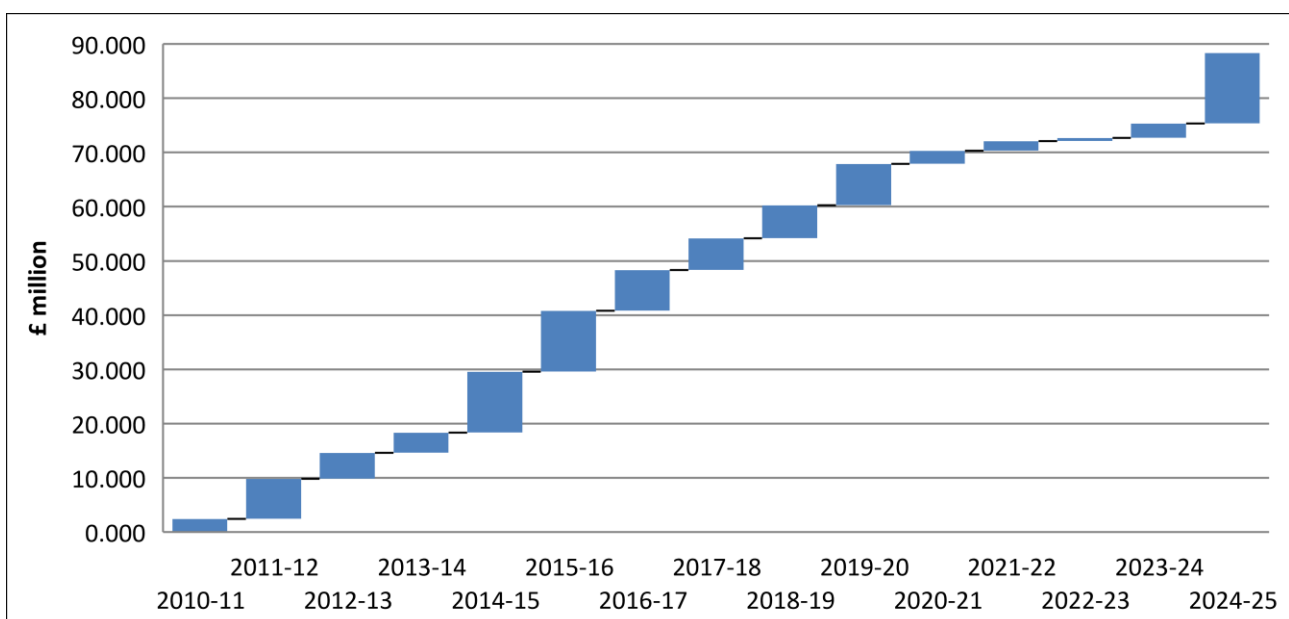
- The Council will seek to safeguard and protect the most vulnerable people in our communities;
- The Council will encourage residents and communities to support themselves and provide advice to enable this to happen;
- The Council will seek to limit service growth in the coming financial year;
- All 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.

In addition, the Council is continuing to apply the five point action plan that it implemented in 2023-24, which introduced a number of money saving measures such as a selective vacancy freeze, only purchasing essential goods and services, reviewing fees and charges, claiming and spending grant awards in a timely manner, and rationalising the number of buildings that we have to use.

### 3.1.2 Corporate Financial Overview

Since austerity began in 2010 the Council has made almost £88.4 million of budget reductions, as shown below, towards which school delegated budgets have contributed £8.3 million. These reductions represent almost 20% 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 social services.

#### Bridgend County Borough Council (BCBC) Budget Reductions 2010 to 2025



While the Council's net revenue budget is planned at £383.338 million for 2025-26, 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 £530 million in 2025-26. The Council's annual revenue budget covers the day-to-day running costs of the Council (including staff salaries, building maintenance, pensions, operational costs etc.). Around £230 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 (52%) 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. The Council supplements this through council tax collection (20%), other grants (19%) and fees and charges (9%). 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 28% of the net revenue budget. This means that for every £1 spent on services provided by the Council, only around 28 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 in social care, including the Welsh Government's commitment to move towards the eradication of profit from children's social care, adult protection safeguarding requirements including deprivation of liberty safeguards, changes to the Public Law Outline for children and the statutory requirement for local authorities to reflect the real living wage for care workers in commissioning arrangements. 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.
- Other 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 and the Additional Learning Needs and Education Tribunal (Wales) Act 2018.
- An increase in need in children's social care - an ongoing exponential increase in contacts has been evident in the last year. Whilst the integration of early help services and the strengthening of permanent recruitment in children's social work teams has improved strength-based practice and resulted in a reduction in child protection registrations and the number of care experienced children, those children who are care experienced have the highest level and most complex needs, requiring foster care and residential accommodation,

care and support. 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 ongoing high number of high-cost independent residential placements and 'operating without registration' placements for children and young people which exceed the allocated budget. 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. There has also been a reduction in the number of in-house foster carers which has exacerbated the need for residential care.

- 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. There is significant pressure in the areas of learning disabilities and mental health as well as older people's services. 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 needs 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 2025-26 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 2025.

### **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 an 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. Work is ongoing to "re-set" the relationship between this Council and Town and Community Councils to ensure an effective tier of government at that level and better coordination and liaison between us. The intention is that Town and Community Councils will be better able to take on additional responsibility for some local services when appropriate. The current

review and consultation on local service delivery and the size and nature of town and community councils will also inform the way forward. The Council will also continue to enable and facilitate other organisations to help support local residents and communities, including Registered Social Landlords and third sector organisations, and signpost residents to their services when appropriate. In addition, the Council's response to the Covid-19 pandemic and ongoing austerity has 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, and we will also continue 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 residents or staff. 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 likely to be realised from the rationalisation of office accommodation following the implementation of the new service delivery model for office based staff, in particular with the Multi Agency Safeguarding Hub (MASH) who located to the fourth floor of the Civic Office in Autumn 2024. In addition, we are relinquishing under-used buildings such as Ravens Court through a disposal of this property to the South Wales Police and we intend to close the Innovation Centre to release savings from associated running costs, and potentially sell it to generate a capital receipt. 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 2025-26 being an increase overall, it is still not sufficient to cover all of the things that we need to fund, 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 £150 million on services delivered by the Education, Early Years and Young People Directorate in 2025-26, 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 £122 million proposed budget to be initially delegated to schools in 2025-26, 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 21<sup>st</sup> Century School Modernisation Band A Programme and has provisionally committed to a further £27 million as part of the 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 2025-2026, whilst schools have been tasked with finding budget reductions totalling 1% 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. In the Medium Term Financial Strategy 2024-2028 there was an indicative budget reduction of 2% for school budgets for 2025-26 but, due to the better than anticipated provisional settlement, this has been reduced to 1%. The current net budget for schools is £118.611 million, compared to an overall Council net budget of £360.671 million. If schools were not required to make a 1% budget reduction then this would fall on other services, increasing their percentage of budget cuts by a further £1.186 million, or 0.5%.

The forecast pressure on Council budgets for future years is such that further efficiency savings of 1% per annum may also be unavoidable for schools for 2026-

2027 onwards, and so it will be necessary for headteachers and governing bodies to plan ahead.

There is a growing trend of students being referred for support and specialised services. Over the past three years, several younger students have faced the threat of permanent exclusion due to a lack of resources for specialised intervention. Where space is not available to support pupils in specialist provisions, additional learning provision must be provided within a mainstream setting and funding for additional staff is required. One-to-one staffing is often provided, along with adaptations and specialist equipment not readily available in mainstream classrooms.

Additional specialist provisions are essential to ensure that all pupils are placed in environments best suited to their needs at the earliest time. This will reduce the risk of challenge from parents. Establishing additional specialist classes represents a cost-effective investment, as it would reduce reliance on ancillary support or out-of-county placements, which have been necessary for some students to maintain full-time education and mitigate the risk of further exclusions.

Poor pupil behaviour in Bridgend schools escalated following the Covid-19 pandemic. The true impact on school attendance following the pandemic is now evident. Pupil exclusions have increased year on year for three years. In addition to the need to improve general pupil attendance levels, the following key challenges have been identified:

- closing the gap between our highest and lowest performing primary and secondary schools;
- reducing persistent absenteeism;
- improving the attendance of pupils in vulnerable groups with a particular focus on closing the gap between those pupils eligible for free school meals (eFSM) and those not eligible for free school meals; and
- monitoring the number of pupils on reduced timetables.

The Youth Justice Service, under the previous Western Bay delivery arrangements, was deemed unsatisfactory. Since delivery arrangements returned to Bridgend in 2019-2020, significant improvements have been made, however, demand for youth justice services has increased significantly since this time with some key performance indicators now a cause for concern. The main challenges faced by this service include increased number of children open to the service, the management of increased number of first-time entrants into the criminal justice system and a reduction in grant funding from April 2025.

In seeking to protect our investment in education, early years provision and support for young people, and to provide as much support as possible to learners, the Council is aiming to make 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. 3 year strategic plans are being implemented for children and families and adults and carers which are resulting in increased workforce stability and improved integration of preventative services which reduce statutory demand. Practice is focused on strengths and what people can do, rather than a deficit model. However, 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. Not all care and support needs can be prevented and those with eligible needs will have a range of co-morbidities and complexities requiring greater levels of support. In addition, there is considerable challenge on the 'supply side' of social care in respect of the impact of rising pay and non-pay costs to provide the quantity and quality of care required. The Council has undertaken a detailed analysis to understand the fair cost of care which has informed a care home fee setting strategy and is reflected in commissioned services. 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 in September 2023. Good progress has been made in progressing the actions set out in the plan, with a significant reduction in the numbers of agency workforce, the embedding of Signs of Safety as the model of social work practice and resulting sustainable reductions in the number of children subject to child protection registration and care experienced children numbers. Challenges remain: contacts to children's social care have continued to increase exponentially in this last year and the needs of the children who are care experienced are more complex and require higher levels of care and support. There has also been a reduction in the number of in-house foster carers and a deficit in sufficiency of residential care resulting in some children being accommodated for some time in settings operating without registration. These placement challenges result in significant cost pressures for the Council, as they are usually at a higher cost than registered providers and therefore result in higher spend for the Council – the number of independent residential placements over the last 2 years has been steady at around 20 and is not expected to decrease; the budget for independent residential care is set at 7 and has therefore resulted in a significant overspend position. A placement commissioning strategy which has been developed at the request of Welsh Government, identifies both capital and revenue investment gaps for the Council to develop sufficient not for profit provision to ensure sufficiency to comply with the new legislative requirements to eliminate profit from children's social care.

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. A 3 year strategic plan, Building On Strengths, Improving Lives - A Three-Year Plan For Sustainable Care And Support For Adults In Bridgend County Borough Council', has been developed which sets out the operating model, workforce plan, practice model and prevention and wellbeing approach to supporting vulnerable people as preventatively to live well as independently as possible. Practice continues to be strength-based and eligibility criteria rigorously applied in adult services. This plan seeks to manage and mitigate as far as is possible, the service and financial pressures within the service. Pressures are particularly evident in learning disability services, mental health services and services for older people. 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 has progressed 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 coming 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.

There are a number of key challenges facing the Council in delivering housing and homelessness services. Applications for temporary accommodation due to homelessness are consistently higher than in previous years. At the end of 2019-20 the Council was providing temporary accommodation to 83 households. At the end of October 2024 this had increased to 248 households, representing a 199% increase over this period. Individuals accommodated in temporary accommodation often have significant support needs, in relation to addressing their housing need or maintaining accommodation. It is estimated that around 47% of households in temporary accommodation require some level of support and of these, 60% of individuals require support in more than one area and 45% require support in more than two areas.

The increase in temporary accommodation placements has led to a significant cost pressure to the Council. In 2019-20 the net spend on temporary accommodation from core budget was £135,260. At the end of 2023-24 the net spend from core budget was £3,096,559.

The wider demand for social housing from those in housing need has also increased. At the end of 2019-20 there were 816 households registered on Bridgend's Common Housing Register. At the end of August 2024 this number had increased to 3,254 households. There is a particular challenge around single person accommodation, larger family units and accessible accommodation.

The service also administers the Housing Support Grant from Welsh Government (£9.599 million indicative allocation for 2025-26). 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 2025-26 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 £27 million. The fact that schools and social services 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 2025-26.

The seven year waste collection contract with Kier ceased in March 2024 and a new interim contract with Plan B for a period of two years was procured. This is using the existing fleet and collection methodology. The Council is now in the process of determining its future waste services model from 2026 onwards, with the decision made at the Cabinet meeting on 19 November 2024 to bring the service back under Council control and operate it themselves. Bridgend has been named as the top performing waste authority in Wales, with recycling rates at over 73%. There has been 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, all Councils have seen higher overall domestic waste due to the high number of people continuing to work from home following the pandemic. 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 2025-26.

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

has achieved considerable savings in recent years from transferring these assets and hopes to continue this direction of travel going forward.

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 discretionary services, 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 now that it has transitioned into a statutory Corporate Joint Committee (CJC) in April 2024. The CJC has 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 £2.5 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 underway and 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 was completed and opened in November 2024 and provides 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 November 2024, has brought 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.

Council also adopted the Replacement Local Development Plan (LDP) in March 2024. We are the first local authority in Wales to have an approved LDP, a major strategic planning document, since the pandemic. 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, housing and play facilities in development areas within the Borough.

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.

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 commenced in May 2024 with a completed college building anticipated by Autumn 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 was awarded over £20 million from the Shared Prosperity Fund (SPF) up to March 2025 to undertake various programmes with partners across the County, including training and new business start-up grants. The SPF will be extended for a transition year in 2025-26, ahead of wider local growth funding reforms. However, this is at a level that is around 40% lower than the current year's budget. 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. Planning Permission has been granted, an enabling contract to strip out the building has been completed and the tender for the main construction works is now taking place. It is likely that a contractor for the works will be procured in Spring 2025.

### **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:

#### Shared 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 aims to collect over £120 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 took effect on 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 2025-26 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, such as Ravens Court, 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 2025-26 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 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. We will also be exploring the use of Artificial Intelligence, e.g. in social care, to secure service efficiency, where it is appropriate to do so.

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 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 2025-26 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 2025-26 and outline proposals for 2026-27 to 2028-29.
- The capital programme for 2024-25 to 2034-35, linked to priority areas for capital investment and the Capital Strategy, which will be presented for approval by Council in February 2025, along with the Treasury Management Strategy 2025-26.
- The Corporate Risk Assessment, which will be updated and included in the final MTFS in February 2025.

3.2.3 When Welsh Government announced the Final Local Government Settlement for 2024-25 in February 2024, they did not provide any indicative allocations for future years, but planning has been on the basis of a cash flat (0% change to AEF) settlement for 2025-26 and future years.

3.2.4 The Chancellor of the Exchequer presented the Autumn Budget 2024 to Parliament on 30 October 2024. The Office for Budget Responsibility (OBR) released a full economic and fiscal forecast on the same day.

3.2.5 In the Autumn Budget the Chancellor said that this was "a Budget to fix the foundations of the economy and deliver change by protecting working people, fixing the NHS and rebuilding Britain." She stated that the Budget would put the public finances on a sustainable path by strengthening the fiscal framework, including announcing new fiscal rules, and taking difficult decisions on tax, welfare and spending. Announcements included extra funding for the NHS in England, and funding for education investment. It was also announced that firms would pay National Insurance on workers' earnings above £5,000 from April 2025, down from £9,100 currently, with the rate increasing from 13.8% to 15%. National Insurance contributions paid by employees would not change. As a result of the Budget it was reported that the Welsh Government would receive an additional £1.7 billion which would enable substantial investment into schools, housing, health and social care, and transport. According to the Office for Budget Responsibility, this Budget delivers one of the largest increases in spending, tax, and borrowing of any single fiscal event in history. They stated that the budget has added around £70 billion per year to public spending over the next five years.

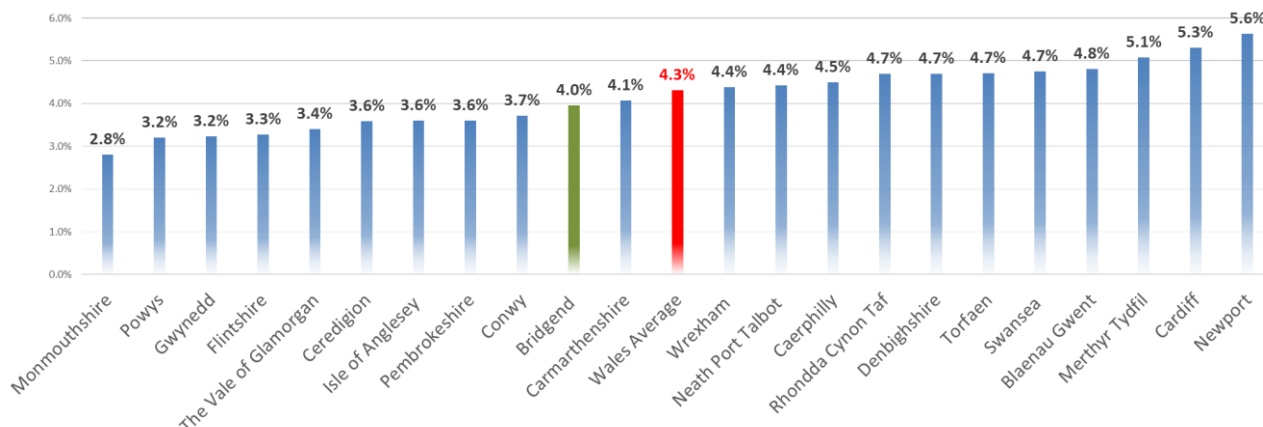
- 3.2.6 In response to the Autumn Budget the Welsh Government Cabinet Secretary for Finance and Welsh Language said, “*This is a Budget focused on fixing the foundations; rebuilding public services and creating a pathway of investment for growth*”. Referring to the £1.7 billion of extra funding for public services and capital investment in Wales, he said “*The additional funding is welcome and while the Chancellor’s Budget is designed to create growth the wider financial context is still difficult.*”
- 3.2.7 Welsh Government announced their draft budget on 10 December 2024, and the provisional local government settlement on 11 December 2024. The final local government settlement is not due to be announced until the end of February 2025, so the Medium Term Financial Strategy and the budget for 2025-26 are proposed on the basis of the provisional settlement, as in recent years.
- 3.2.8 The Welsh Government Draft Budget sets out updated revenue and general capital spending plans for 2025-26. The Cabinet Secretary for Finance and Welsh Language announced that all government departments would receive increases in revenue and capital funding, delivering an extra £1.5 billion for Welsh Government’s public services and priorities. He said that the Draft Budget demonstrated the Welsh Government’s commitment to invest in the areas which matter most to people – supporting the NHS, in jobs and growth, providing opportunities for families, and connecting communities. This included investing more than £600 million in extra revenue and capital funding for health and social care, more than £100 million for the education budget, and a 4.3% increase in the local government settlement, £3.7 million to accelerate planning decisions and digitise planning services, and two new funds to maintain Wales’ road network – fixing potholes and repairing defects.
- 3.2.9 The Cabinet Secretary also outlined a package of additional support for Non-Domestic Rates, which included capping the increase to the Non-Domestic Rates (NDR) multiplier to 1% for 2025-26, and continuing the support for retail, leisure and hospitality businesses with Non-Domestic Rates bills with 40% relief, the same rate as applied in 2024-25.
- 3.2.10 In terms of capital investment the Cabinet Secretary indicated that capital spending plans will exceed £3 billion for the first time at the Draft Budget stage, enabling substantial investments for the school estate, NHS infrastructure, housing and public transport. This included £81 million more capital funding to build more homes for social rent, helping to reduce homelessness and ensure everyone in Wales has a place to call home.
- 3.2.11 Welsh Government has indicated in their Draft Budget that they have only been provided with a funding settlement from the UK Government for 2025-26, so the Draft Budget only outlines spending plans for one year only.

### **3.3 Welsh Government Provisional Local Government Settlement 2025-26**

- 3.3.1 Councils received their provisional settlements from Welsh Government on 11 December 2024. The headline figure is an overall increase of 4.3% across Wales and, for Bridgend, a reported increase of 4.0% in Aggregate External Finance (AEF), after a number of transfers into and out of the settlement. No local authority received less than a 2.8% increase in funding. In terms of cash increases, this represents a £10.5 million increase in funding, after the specific transfers. 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 2025.

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



Source: WG Provisional LGF Settlement 2025-26

3.3.2 The Cabinet Secretary for Housing and Local Government stated ‘*In 2025-26, Authorities will receive £6.1bn from the Welsh Government Revenue Support Grant (“RSG”) and non-domestic rates (“NDR”) to spend on delivering key services. This means the core revenue funding for local government in 2025-26 will increase by 4.3% on a like-for-like basis compared to the current year. While this is a significantly better settlement than was envisaged at the beginning of this year, I recognise that there will again be difficult local decisions to be made.*’

3.3.3 The Cabinet Secretary also stated that ‘*This settlement reflects our ongoing commitment to protecting core frontline public services as far as possible, supporting the hardest hit households and prioritising jobs. We have been through a long period of austerity, with huge increases in demand for major services, a pandemic, and an extra-ordinary inflationary period. We have been listening to local government to continue to understand the challenges they’re facing. The additional funding from the Autumn Budget, means we have been able to increase our overall settlement for 2025 to 2026 by more than £1bn.*’

3.3.4 In terms of capital funding the Cabinet Secretary stated that local authorities would receive additional general capital funding of £20 million to support the inflationary increases in costs and give more flexibility to authorities in financing smaller capital projects and refurbishment or schemes.

### 3.4 Settlement Implications for 2025 to 2029

3.4.1 The Welsh Government is expecting multi-year settlements for revenue and capital at the conclusion of the UK Spending Review during the first half of 2025. The Cabinet Secretary indicated that she hopes to be able to provide a more than one-year indicative local government settlement budget at the next provisional budget. However, given recent announcements from both Welsh and UK Governments it is

likely that the financial position in the next few years will be no less challenging than it is for 2025-26.

### **3.5 Transfers into and out of the 2025-26 Revenue Settlement**

3.5.1 The provisional settlement includes a number of transfers of existing grants both into the local government settlement, along with transfer out of previous grants. These are listed below alongside the figures for Bridgend:

Transfers out of the settlement:

Implementation of the Performance and Improvement Framework	£40,000
Coastal Risk Management Programme	£25,500

Transfers into the settlement:

Housing Grants – No-one left out; Discretionary Homeless Prevention; Strategic Coordinator	£970,013
Teachers' Pay and Pensions Grants	£3,649,590
National Joint Council Pay Grant	£2,352,854
Fire and Rescue Authority Pay and Pension Grants	£172,702

3.5.2 There may be additional transfers into the final settlement as Welsh Government continues 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.

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. There are increases in some grants, such as the Local Authority Education Grant and Bus Services Support Grant. Funding to support proposals relating to eliminating profit from the care of looked after children will continue into 2025-26, at around the same level as 2024-25. Many of the grants remain unchanged from 2024-25 figures, and some are yet to be finalised, including the Sustainable Waste Management Grant.

3.6.3 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 unallocated funding in the budget, mindful that some of it may be needed to sustain these core services.

### **3.7 Current Year (2024-25) Financial Performance**

3.7.1 The in-year financial position as at 31 December 2024 is shown below.

**Table 1- Comparison of budget against projected outturn at 31 December 2024**

Directorate/Budget Area	Original Budget 2024-25 £'000	Revised Budget 2024-25 £'000	Projected Outturn Q3 2024-25 £'000	Projected Over / (Under) Spend 2024-25 £'000	Projected Over / (Under) Spend Qtr 2 2024-25 £'000
<b>Directorate</b>					
Education, Early Years and Young People	143,485	148,785	150,207	1,422	1,707
Social Services and Wellbeing	104,575	109,390	112,186	2,796	4,456
Communities	30,704	32,999	33,824	825	616
Chief Executive's	22,425	23,460	25,382	1,922	2,022
<b>Total Directorate Budgets</b>	<b>301,189</b>	<b>314,634</b>	<b>321,599</b>	<b>6,965</b>	<b>8,801</b>
<b>Council Wide Budgets</b>					
Capital Financing	7,052	6,958	2,259	(4,699)	(1,606)
Levies	9,635	9,645	9,569	(76)	(77)
Apprenticeship Levy	750	750	870	120	86
Council Tax Reduction Scheme	16,054	16,054	16,515	461	709
Insurance Premiums	1,363	1,363	1,153	(210)	(135)
Repairs & Maintenance	670	670	670	0	0
Pension Related Costs	430	430	471	41	0
Other Corporate Budgets	23,528	10,167	778	(9,389)	(981)
<b>Total Council Wide Budgets</b>	<b>59,482</b>	<b>46,037</b>	<b>32,285</b>	<b>(13,752)</b>	<b>(2,004)</b>
<b>Total</b>	<b>360,671</b>	<b>360,671</b>	<b>353,884</b>	<b>(6,787)</b>	<b>6,797</b>

3.7.2 The overall projected position at 31 December 2024 is a net under spend of £6.787 million comprising £6.965 million net over spend on directorates and a net under spend of £13.752 million on Council wide budgets. The overall position has improved significantly since quarter 2, partly due to the recent notification of a number of additional grants totalling over £3.3 million towards pay awards from Welsh Government following the Autumn Budget, but also due to a Council approved change in our policy for financing capital, lower draw down on contingencies and the maximisation of other grants against service costs. However, this is only masking some of the recurrent pressures that still exist in directorate budgets which will continue into 2025-26.

3.7.3 There are a considerable number of directorate budget pressures, as outlined above, particularly in the Social Services and Wellbeing Directorate, and in respect of homelessness, additional learning needs and home to school transport. The quarter 3 revenue budget monitoring report is also being presented to Cabinet on 14 January 2025, providing details on the reasons for the main over and under spends.

### **3.8 Medium Term Financial Strategy (MTFS) 2025-26 to 2028-29**

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 2025-26 to 2028-29 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 2024-25, 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 2025-2029 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 2024-25 from this reserve, but it is likely that this reserve will be needed going into 2025-26 due to the large number and complexity 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 2025-26 draft Revenue Budget, shown in Table 5 below, assumes a 4.5% increase in council tax for 2025-26, 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 also been included for 2026-2029.

### **3.11 MTFS Resource Envelope**

3.11.1 The published provisional 2025-26 Aggregate External Finance (AEF) figure is an increase of 4.0% for Bridgend. In the MTFS 2024-25 to 2027-28, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2025-26 of an annual 0% change in AEF and an assumed increase in council tax of 4.5% for 2025-26, with anticipated 0% changes to AEF for future years, recognising the ongoing uncertainty around our funding in future years. However, despite the better than anticipated settlement, as stated above, as a result of the unprecedented challenges facing the Council, it is still proposed to increase council tax by 4.5% for 2025-26.

- 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 2026-27 onwards. However, indications are that the financial position will be no less challenging and that Councils should plan accordingly. Therefore, for 2026-27 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**

	<b>2025-26 % Change</b>	<b>2026-27 % Change</b>	<b>2027-28 % Change</b>	<b>2028-29 % Change</b>
Best Scenario	+4.0%	+1.0%	+1.0%	+1.0%
<b>Most Likely Scenario</b>	<b>+4.0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Worst Scenario	+4.0%	-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**

	<b>2025-26 £'000</b>	<b>2026-27 £'000</b>	<b>2027-28 £'000</b>	<b>2028-29 £'000</b>	<b>Total £'000</b>
<b>Best Scenario</b>	9,105	7,832	7,588	7,335	<b>31,860</b>
<b>Most Likely Scenario</b>	9,105	10,598	10,382	10,157	<b>40,242</b>
<b>Worst Scenario</b>	9,105	13,365	13,121	12,868	<b>48,459</b>

### **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 2025-26 is once again substantial. Over the period of the MTFs the financial forecast for 2025-2029 is currently predicated on £40.242 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 recent years. The consumer price index (CPI) rate has remained under 5% since October 2023, and was 2.6% in the 12 months to November 2024. This compares favourably with the higher 8% - 11% increases experienced during 2022 and 2023.
- 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 implications of the Health and Social Care (Wales) Bill.
- Complying with the budget principle of full cost recovery, where possible. Consequently fees and charges will increase by the statutory minimum or at least CPI, unless determined otherwise.
- Increases in staffing costs, including a confirmed 5% increase in the Real Living Wage (from £12.00 to £12.60 per hour), a 6.7% increase in the national living wage from April 2025 (from £11.44 to £12.21), along with the impact of staff pay increases in both 2024-25 and 2025-26. These include the full year effect of the teachers' pay increase of September 2024 (5.5% increase), the unknown teachers' pay increase in September 2025 and increases for non-teachers for 2025-26, 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 £40.242 million. It shows that £12.977 million of budget reduction proposals have already been identified over the period of the MTFS, including the full £9.1 million required for 2025-26. 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 £27.3 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 2025-26 to 2028-29**

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
2025-26	2,002	1,902	5,201	9,105	0	9,105
2026-27	0	219	2,057	2,276	8,322	10,598
2027-28	0	0	1,596	1,596	8,786	10,382
2028-29	0	0	0	0	10,157	10,157
<b>Total</b>	<b>2,002</b>	<b>2,121</b>	<b>8,854</b>	<b>12,977</b>	<b>27,265</b>	<b>40,242</b>
Percentage of total required	5%	5%	22%	32%	68%	100%

3.13.2 Table 4 illustrates the difficult position that the Council finds itself in financially over the life of the MTFS. For 2025-29 only 32% 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 2025-26, 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 2025-26 continues to be more challenging than ever before, and that the Council is facing even more cost pressures than experienced in previous years, with in-year over spends also impacting on the financial sustainability of the Council.

3.14.2 In advance of the budget consultation the Council has introduced a 'Time to Talk Budget 2025' campaign. This includes infographics, social media posts, an explainer video and dedicated webpages, outlining the current budget and how it is funded in order to enhance residents' understanding of how the budget is compiled, what contribution council tax makes to the Council's budget, any restrictions on the budget, and responses to frequently asked questions.

3.14.3 The results of the budget consultation will be collated and considered by Cabinet in order to further inform final decisions on the MTFs.

### 3.15 2025-26 Draft Revenue Budget

3.15.1 Table 5 shows the draft revenue budget for 2025-26. Any unallocated funding is currently within the pay and price budgets and will be re-allocated when the final budget is determined.

**Table 5 – Draft Revenue Budget 2025-26**

	Revised Budget 2024-25	Specific Transfers to/ (from) WG	Teachers' Pensions	Pay / Prices	Budget Pressures	Budget Reduction Proposals	Opening Revenue Budget 2025-26	Potential In-Year Allocations for Pay and Prices *	Potential Final Budget 2025-26
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Directorate Budgets:</b>									
Central Education, Early Years and Young People	30,174		116	71	2,708	-1,510	31,559	1,038	32,597
Schools	118,611	3,650	28	2,106	0	-1,830	122,565	3,376	125,941
<b>Education, Early Years and Young People</b>	<b>148,785</b>	<b>3,650</b>	<b>144</b>	<b>2,177</b>	<b>2,708</b>	<b>-3,340</b>	<b>150,474</b>	<b>4,414</b>	<b>158,538</b>
Social Services & Wellbeing	108,966	-40			8,800	-1,817	115,909	3,285	119,194
Communities	32,999	-26			1,482	-717	33,754	1,341	35,095
Chief Executives	23,460	970			1,073	-688	24,815	1,032	25,847
<b>Total Directorate Budgets</b>	<b>314,210</b>	<b>4,554</b>	<b>144</b>	<b>2,193</b>	<b>14,063</b>	<b>-6,562</b>	<b>328,602</b>	<b>10,072</b>	<b>338,674</b>
<b>Council Wide Budgets:</b>									
Capital Financing	6,958					-1,000	5,958		5,958
Levies	9,645	173			391		10,209		10,209
Repairs and Maintenance	670						670		670
Council Tax Reduction Scheme	16,054			1,000			17,054		17,054
Apprenticeship Levy	750						750		750
Pension Related Costs	430						430		430
Insurance Premiums	1,363						1,363		1,363
Other Council Wide Budgets	10,591	2,353	-144	7,045		-1,543	18,302	-10,072	8,230
<b>Total Council Wide Budgets</b>	<b>46,461</b>	<b>2,526</b>	<b>-144</b>	<b>8,045</b>	<b>391</b>	<b>-2,543</b>	<b>54,736</b>	<b>-10,072</b>	<b>44,664</b>
<b>Net Budget Requirement</b>	<b>360,671</b>	<b>7,080</b>	<b>0</b>	<b>10,238</b>	<b>14,454</b>	<b>-9,105</b>	<b>383,338</b>	<b>0</b>	<b>383,338</b>

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

3.15.2 The proposed net budget for 2025-26 will be funded by:

**Table 6 – Net Budget Funding**

	£	%
Revenue Support Grant	224,051,830	58.45
Non Domestic Rates	52,588,052	13.72
Council Tax Income	106,698,377	27.83
<b>Total</b>	<b>383,338,259</b>	<b>100%</b>

### 3.16 Council Tax Implications

3.16.1 Based on the proposed budget of £383.338 million, there is a proposed 4.5% increase in council tax for 2025-26. This is in line with the indicative increases outlined in the Medium Term Financial Strategy 2024-2028 and is required due to a

combination of increasing demand for services and significant cost pressures, both pay and price increases. This level of increase is needed to enable the Council 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 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 £1 million of additional funding.

### **3.17 Inter-Directorate Transfers**

- 3.17.1 There are no inter-directorate transfers included in the draft budget. This will be reviewed again for the final budget.

### **3.18 Pay, Prices and Demographics**

- 3.18.1 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2024-25 have been agreed. They included an increase of 5.5% on all teachers' pay scales and allowances, an increase of £1,290 or 2.5% (whichever is higher) on all NJC pay points, and an increase of 2.5% for JNC Chief Officers and Chief Executive pay points. In terms of NJC workers the £1,290 equated to a 5.77% increase for those on the lowest scale. No information on pay claims for 2025-26 is available at this time. With so much uncertainty it is difficult to determine what the pay pressure will be in 2025-26 but with a staff budget of over £230 million, every additional 1% increase will add at least a further £2.3 million pressure to the Council's pay budget. Funding has been allocated in the budget for the full year effect (April to August 2025) of the teachers' September 2024 pay award.
- 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 2024 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 5%, from £12.00 to £12.60 per hour. The rate was to be implemented as soon as possible, but by 1 May 2025 at the latest. For in-house staff this will be paid from 1 April 2025.
- 3.18.3 Funding for price inflation in 2025-26 has been mostly retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown. Welsh Government has already announced that there is a proposed 1% increase in the business rates multiplier for next year, from 0.562 to 0.568, and funding has been allocated to directorates for this. A further review of allocations will be undertaken before the final budget is agreed and any necessary amendments made.
- 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 Employers' National Insurance Contributions**

3.19.1 As outlined above, in the Autumn Budget the Chancellor of the Exchequer increased the rate of employers' national insurance contributions from 13.8% to 15%, and reduced the threshold on which this would apply to workers' earnings, from £9,100 to £5,000, from April 2025. As an employer of almost 6,000 members of staff, the financial consequence of this change is significant. The estimated cost to the Council of implementing this for BCBC staff is around £4.7 million. In addition there will be pressures from the Council's commissioned services, who will also face additional costs, to contribute to this cost, potentially in the region of £1.5 million overall. Welsh Government stated in their Draft Budget that the UK Government has confirmed that devolved governments would be provided with additional funding to help mitigate the cost of increased employers' National Insurance contributions to support devolved public services, over and above the funding allocated in the UK Budget. Welsh Government are still working with His Majesty's Treasury to clarify this level of support, which has not yet been provided to Welsh Government, so this funding does not form part of the Draft Budget nor the Provisional Local Government Settlement. It is likely we will not receive this funding until at least the Spring, and it will remain to be seen whether or not it is sufficient to cover the full cost.

### **3.20 School Delegated Budgets**

3.20.1 Given the difficult financial position that the Council found itself in, a 3% efficiency in school budgets (£3.441 million) was included in the MTFs for 2024-25, given that school budgets account for around a third of net revenue expenditure. For 2025-26 the overall financial position of the Council is still challenging, 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 1% in 2025-26. This is lower than the 2% reduction proposed in the Medium Term Financial Strategy for 2024-2028 and reflects the better than anticipated provisional settlement.

3.20.2 There are a significant number of pressures on school delegated budgets for 2025-26 and beyond, not least the full year cost of the September 2024 teachers' pay award for April to August 2025 (5.5% increase), the new pay award for teachers from September 2025, and the non-teachers' pay award from April 2025. Whilst schools will need to identify ways to meet the 1% 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 2025-26 to offset these additional pay and price pressures, which could reach £5 million based on current estimates. It is also understood that a number of school grants will be increasing in 2025-26 which will also help to support schools.



3.20.3 It should be noted that the 1% efficiency target is maintained for schools for 2026-27 and 2027-28 currently, 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 2024-25 a number of unavoidable service budget pressures have arisen for 2025-26 and future years, and they are detailed in **Appendix A**. They are split into recurrent base budget pressures and emerging directorate pressures. The total of the budget pressures identified for 2025-26 is £14.454 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 2024-25. The recurrent base budget pressures are based on the quarter 2 revenue monitoring position, but will be reviewed again before the final budget, using the quarter 3 information, and amended as necessary. 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 2025-26. There may 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 5% increase in the Real Living Wage, and in general following the 6.7% 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 £9.105 million for 2025-26 have been identified from service budgets to achieve a balanced budget, and these are detailed in **Appendix B**. This year it has again 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 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.

3.22.2 A couple of these proposals have been approved either by Cabinet or Council during the financial year, to ensure there is a full year of saving for 2025-26. As such, a further decision is not required on these proposals. They are outlined in Table 7 below:

**Table 7 – Budget Reductions already Approved**

<b>Ref</b>	<b>Proposal</b>	<b>£'000</b>	<b>Approval Date</b>
EEYYP2	Review of Home to School Transport	675	£1.092m saving across 2025-26 to 2026-27. Policy change approved by Cabinet on 23 July 2024 with revised Policy approved on 10 September 2024 with implementation from September 2025.
CW1	Change to the Council's Minimum Revenue Provision Policy	1,000	This was approved by Council on 23 October 2024.

### **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 8% to 12%. Those proposals will be considered by the SRS Joint Committee in January 2025 and their recommendation will feed into the budget setting process.
- 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. The local authority will consider the findings of this review in due course. For 2025-26 it is anticipated that there will continue to be a decrease in the constituent local authority contribution levels, following the 6.6% reduction in 2024-25.
- The South East Wales Corporate Joint Committee, which came into operation in April 2024, is made up of the ten local authorities named in The South East Wales

Corporate Joint Committee Regulations 2021 plus the Brecon Beacons National Park Authority. Since April 2024 it has had responsibility for regional transport and strategic planning and for doing whatever is deemed necessary to enhance or promote the economic well-being of the area. For 2025-26 it is anticipated that the local authority contribution will remain at the same overall level as 2024-25.

### **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. The current levy on Bridgend for 2024-25 is £9,088,632. For 2025-26 the Council has received a transfer of £172,702 into the provisional settlement from Welsh Government in respect of Fire and Rescue Authority (FRA) pay and pensions increases in 2024-25. This will be passported to the FRA as part of the annual levy in 2025-26. The Council has received information from the FRA regarding the overall levy that it will have to pay in 2025-26. The proposed increase to the Council, after taking into account the additional funding provided by Welsh Government, is an increase of £391,065, resulting in a levy of £9,532,347. This proposed budget is currently subject to consultation with local authorities, and Commissioners will make their final budget decision at their Board meeting on 13 February 2025. Any changes to this increase will be provided in the final MTFs report in February.

### **3.25 Fees and Charges**

- 3.25.1 In general, fees and charges are increased by CPI, 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, which was updated and approved by Cabinet in May 2024. 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 2025-26 will be published on the Council's webpages once the budget has been approved for 2025-26.

### **3.26 Council Reserves**

- 3.26.1 In line with the MTFs principle 8, the Council will endeavour, where possible, to maintain the Council Fund at a level of 5% of the Council's net budget, excluding

schools. This is currently £9.730 million, or 4.02% of the Council's net budget excluding schools, slightly lower than the target of 5% due to the need to draw down from it in recent years to balance the accounts at year end.

- 3.26.2 Details of the Council's total earmarked reserves position at 31 December 2024 are shown in Table 8. These have been thoroughly reviewed during 2024-25 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 26 February 2025.

**Table 8 – Earmarked Reserves**

Opening Balance 01 Apr 24 £'000	Reserve	Movement as at Period 9			Closing Balance 31 Dec 2024 £'000
		Net Additions/ Reclassification £'000	Draw-down £'000	Unwound £'000	
	<b>Corporate Reserves:</b>				
40,223	Capital Programme Contribution	1,040	-	(500)	40,763
2,772	Asset Management Reserves	(30)	(401)	(88)	2,253
1,330	Major Claims & Insurance Reserves	-	(145)	(355)	830
1,892	Service Reconfiguration	-	-	-	1,892
1,794	Change Management/Digital Transformation	(538)	(253)	(85)	918
500	Economic and Future Resilience Fund	-	-	-	500
2,406	Other Corporate Reserves	-	-	(227)	2,179
<b>50,917</b>	<b>Total Corporate Reserves</b>	<b>472</b>	<b>(799)</b>	<b>(1,255)</b>	<b>49,335</b>
	<b>Directorate Reserves:</b>				
811	Education & Family Support	246	(519)	-	538
2,676	Social Services & Wellbeing	1,670	(926)	(1,194)	2,226
1,442	Communities	720	(14)	(79)	2,069
1,740	Chief Executives	796	(509)	(274)	1,753
<b>6,669</b>	<b>Total Directorate Reserves</b>	<b>3,432</b>	<b>(1,968)</b>	<b>(1,547)</b>	<b>6,586</b>
	<b>Equalisation &amp; Grant Reserves:</b>				
1,278	Education & Family Support	(916)	-	-	362
90	Social Services & Wellbeing	-	-	-	90
2,359	Communities	5	(65)	(88)	2,211
279	Chief Executives	-	(23)	(100)	156
<b>4,006</b>	<b>Equalisation &amp; Grant Reserves:</b>	<b>(911)</b>	<b>(88)</b>	<b>(188)</b>	<b>2,819</b>
2,405	School Balances	-	-	-	2,405
<b>63,997</b>	<b>TOTAL RESERVES</b>	<b>2,993</b>	<b>(2,855)</b>	<b>(2,990)</b>	<b>61,145</b>

### 3.27 Capital Programme and Capital Financing Strategy

- 3.27.1 This section of the report deals with the proposed Capital Programme for 2024-25 to 2034-35, 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 2025-26, which provides General Capital Funding (GCF) for 2025-26 of £200 million across Wales and of £8.582 million for the Council for 2025-26, of which £3.810 million is un-hypothecated supported borrowing, with the remaining £4.772 million provided through general capital grant. This is £602,000 more than we received in 2024-25 but £1.928 million more than we budgeted for 2025-26.
- 3.27.2 The original budget approved by Council on 28 February 2024 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2023-24, slippage into 2025-26 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. The Council only receives around £8 million per year from Welsh Government and has limited opportunities now to generate additional capital receipts or increase capital earmarked reserves. Due to the very limited capital resource available, following a number of years of significant investment in the Council's infrastructure, service managers were asked to only submit bids for unavoidable capital pressures for scrutiny by the Capital Programme Board. As a result of the review, reports were presented to Cabinet and Council in November 2024 which included the removal of some budgets no longer required and the increase in some existing capital budgets to reflect increased costs or requirements. 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 prioritising existing and future schemes, as not all will be affordable. The programme will require constant review, of not just new, but also existing approved schemes, since the figures included for schemes may change following tender processes.

3.27.3 In addition to limited levels of funding, there are also other financial pressures arising as a result of the ongoing impact of the war in Ukraine and cost of living crisis, which are being seen in existing tender prices, and will continue to do so for some time going forward, placing pressure on the capital programme overall, including:

- Increased prices of materials, as a result of higher inflation rates, sometimes up to 25% higher than previously estimated;
- Supply chain difficulties leading to higher prices and delays in schemes being completed;
- Inability to recruit to key posts, both within the Council and companies we contract with, resulting in higher wages and overall contract costs;
- Additional requirements on schemes to achieve Welsh Government's Net Zero commitments, which includes an aim of collectively achieving net zero across the Welsh public sector by 2030. This will lead to changes in the way we design and manage our assets, which will likely result in increased costs.

These pressures mean that the Council has limited resources available to fund capital projects in the coming few years therefore all decisions regarding changes to the programme will have to be carefully considered.

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 November 2024 and any further changes will be included in the updated capital programme presented to Council for approval on 5 February 2025 or the capital programme to be included in the final MTFS to be approved by Council on 26 February 2025.

3.27.5 The capital programme contains a number of annual allocations that are met from the total general capital funding for the Council. These were recently amended in the Cabinet and Council reports in November but will be reviewed again for the final budget. The current allocations are shown in Table 9 below.

**Table 9 – 2025-26 Current Annual Allocations of Capital Funding**

	<b>Proposed 2025-26 £'000</b>
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
Street lighting / Bridge infrastructure replacement	400
ICT equipment replacement	400
2030 Decarbonisation	150
<b>Total</b>	<b>4,770</b>

### **3.28 Capital Receipts**

- 3.28.1 The disposals strategy for the period to 2030 is in the process of being finalised and, as with previous years, it is anticipated that the majority of the receipts will emanate from the sale of our interests within the Porthcawl Waterfront Regeneration Area. We are currently in discussions with Welsh Government to allow them to increase their share of their joint venture position which will allow us to go forward as equal partners. This will result in a substantial early capital receipt for the Council.
- 3.28.2 Whilst Porthcawl will be the focus of the disposal programme in the immediate future, we have agreed the sale of our land at Ewenny Road, Maesteg to a national housebuilder which will bring in a receipt in the 2024-25 financial year. In addition to this, we have agreed a sale of our former offices at Raven's Court, Bridgend to South Wales Police and a sale of the former YGG Cwm Garw site in Pontycymer.
- 3.28.3 We are currently formulating a marketing strategy for our strategic land holding at Parc Afon Ewenni, Waterton, Bridgend and this will be brought forward for sale within the next financial year together with a number of other smaller sites that are likely to be declared surplus to Council use will make up the disposal programme.
- 3.28.4 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 2024 was £43.733 million, of which £31.275 million was outstanding. It is estimated that the total borrowed will increase to £47.155 million by the end of 2024-25.

3.29.2 Future prudential borrowing could include an estimated £3.43 million towards the purchase of waste vehicles, £2.3 million forwards school highways works and £1 million towards the refurbishment of Community Children’s Play Areas.

**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 2025. 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:

<b>5 Ways of Working</b>	<b>Examples</b>
Long Term	<ul style="list-style-type: none"> <li>• Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.</li> <li>• Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort.</li> </ul>

	<ul style="list-style-type: none"> <li>• The development of a Capital Strategy and 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing.</li> <li>• Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.</li> </ul>
Prevention	<ul style="list-style-type: none"> <li>• Investment in preventative measures to reduce the burden on more costly statutory services.</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>• Savings generated from collaboration and integrated working.</li> </ul>
Integration	<ul style="list-style-type: none"> <li>• Explicit links between the Corporate Plan, the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy</li> </ul>
Involvement	<ul style="list-style-type: none"> <li>• A robust budget consultation exercise, including surveys, community engagement stands and social media debates, to inform proposals.</li> </ul>

5.5 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 2025-26 to 2028-29 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 2025-26 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. Whilst the Council's provisional settlement was better than anticipated, the Council has no firm guarantee on what funding it may receive towards employers' increased national insurance contributions. In addition, there are significant service pressures facing the Council going into 2025-26. These pressures, along with new emerging pressures, all need to be met from the provisional settlement. 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 2026-27 and possibly beyond. All of these factors must all be taken into consideration when approving the budget for 2025-26 onwards.

## **9. Recommendations**

It is recommended that the Committee:

- 9.1 Considers the information contained in the report and attached appendices; and
- 9.2 Determines whether to make any comments or recommendations for consolidation and inclusion in the report to Cabinet on the draft MTFS, including the proposed budget pressures and budget reduction proposals within the remit of this Scrutiny Committee, as part of the budget consultation process.

## **Background documents**

Individual Directorate Monitoring Reports  
Provisional Local Government Revenue and Capital Settlements 2025-26