

MEDIUM TERM FINANCIAL STRATEGY

2025-26 TO 2028-29



Cyngor Bwrdeistref Sirof



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SECTION 1. INTRODUCTION

1.1 Aims and Purpose of the Medium Term Financial Strategy

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

1.1.2 The MTFS includes:-

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

1.1.3 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. It also seeks to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.

1.2 MTFS Principles

1.2.1 As well as consideration of future income and expenditure scenarios, the MTFS provides a set of clear principles which drive the budget and spending decisions over 2025-2029 and which Members and others can examine and judge the Council's financial performance against. The thirteen key principles are to ensure that:

1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on 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 well-being objectives. Other resource strategies (including the Treasury Management Strategy and Capital Strategy)

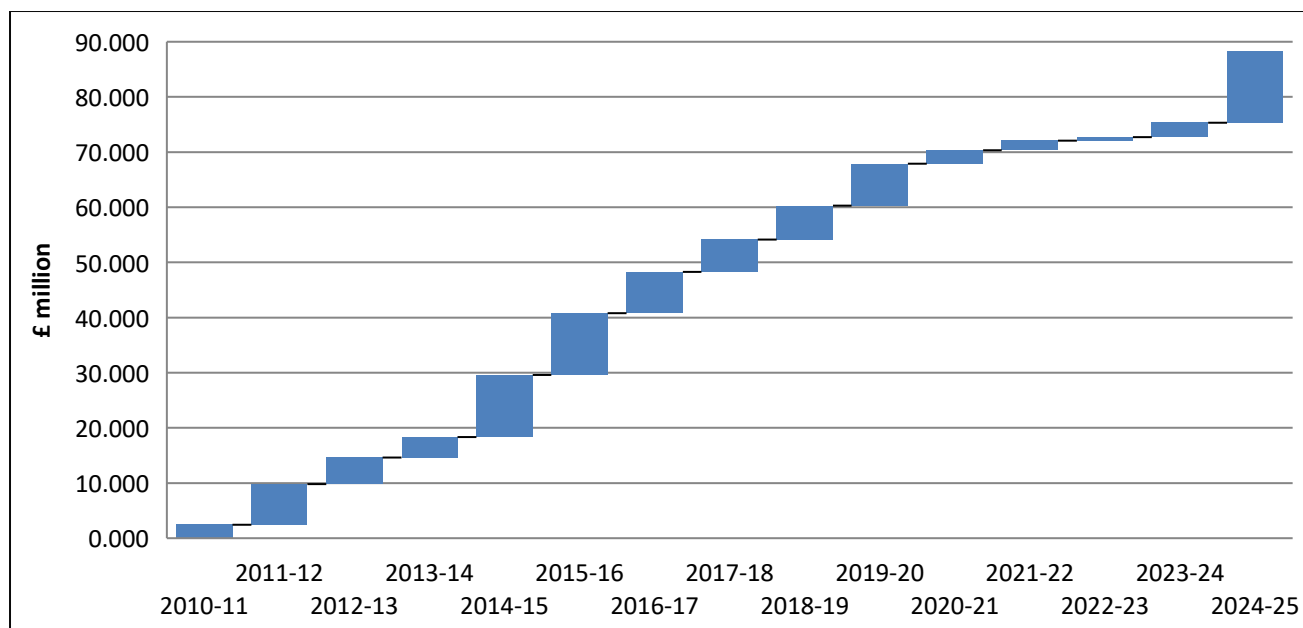
are kept under review to maintain alignment with the MTFS and the Corporate Plan.

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

1.3 Corporate Financial Overview

1.3.1 Since austerity began in 2010 the Council has made almost £88.4 million (nominal value – unadjusted for inflation) 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.

Chart 1: 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.

1.3.2 The Council gets the majority of its gross revenue funding (52%) from Welsh Government (WG) through the Revenue Support Grant and a share of non-domestic rates. 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
- Community Council charge
- Police and Crime Commissioner for South Wales charge

1.3.3 In terms of council tax, the proportion of council tax required to balance the Council's budget has steadily increased over recent years. In 2014-15 council tax funded 23% of the net revenue budget and it now 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.

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

- Legislative changes 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 numbers 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 well-being 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 is needed to be provided to schools through their delegated budgets.
- More recently, a reduction in the council tax collection rate, due to the difficult economic circumstances that people find themselves in. This is coupled with a potential increase in council tax support as more people find themselves on low incomes or claiming benefits during the cost of living crisis.

1.3.5 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, additional learning needs and homelessness. Whilst provision was 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 £1 million in the 2023-24 budget and £2.5 million in the final budget for 2024-25. However, further investment is needed going forward to stabilise social services and other services.

1.3.6 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.

1.3.7 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. It is not sustainable for the Council to continue to aspire to meet each and every need that arises and 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 Corporate Plan, as well as being tested through the corporate self-assessment process.

1.3.8 In seeking to continue to meet the Council’s identified priorities and protect its investment in education and early intervention, social services and well-being, 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. There are a number of budget reduction proposals for 2025-26 predicated on raising additional income through increased charges e.g. increasing commercial property income, raising bulky waste charges and bereavement fees.

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 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 significant events such as 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 not possible for us 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.

SECTION 2. CONTEXT

2.1 Well-being Objectives

2.1.1 The Council's vision is to act as:

“One Council working together to improve lives”

We will do this by delivering our well-being objectives. In setting our well-being objectives we set out what we aim to achieve and why they are important. Our well-being objectives for 2025-26 onwards are:

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

2.2 Key Statistics

2.2.1 Key Financial Statistics:

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

Table 1: BCBC Budget Statistics

	2014-15 £m	2024-25 £m	% increase
BCBC Council Budget	255.131	360.671	41.37%
WG Funding	194.863	258.925	32.88%
Council Tax Income	60.268	101.747	68.82%
% of Net Budget funded by Council Tax	23.62%	28.21%	19.42%

In real terms, Welsh Government (WG) funding is falling year on year and this has impacted on the proportion of funding that is required to be met from council tax, compared to external WG funding. The total collected from council tax has increased by nearly 70% during the last 10 years – this is as a result of a combination of the increase in the number of chargeable properties and increases in council tax charges which have been required to balance the budget.

Financial Performance

Current Year (2024-25) Financial Performance

The in-year financial position as at 31 December 2024 is shown in **Table 2** below.

Table 2 – 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
Directorate					
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
Total Directorate Budgets	301,189	314,634	321,599	6,965	8,801
Council Wide Budgets					
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)
Total Council Wide Budgets	59,482	46,037	32,285	(13,752)	(2,004)
Total	360,671	360,671	353,884	(6,787)	6,797

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.

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 was presented to Cabinet on 14 January 2025, providing details on the reasons for the main projected over and under spends.

Historical Financial Performance

Table 3 outlines the historical outturn position over the previous three financial years. Up until 2021-22 it demonstrated a healthy outturn position with a net under spend overall on directorate and council wide budgets, which enabled the Council to establish a number of new earmarked reserves, and increase existing ones, to meet

emerging pressures and commitments. However, from 2022-23 the significant pressures facing services and central budgets, due to increased demand and inflationary increases, have resulted in a more challenging financial position and the under spend reduced significantly. Annually the Council continues to review its reserves and draws down in line with need before establishing new reserves for emerging pressures. For the 2022-23 financial year, due to limited funding at year end, the Council was not able to increase the value of the Council Fund and drew down a far greater amount of funding from earmarked reserves than in previous years, in order to prevent an overall over spend position.

In previous years the year end position of the Council has been masked by year-end grant allocations from Welsh Government for a number of areas, including schools and social services, generating under spends that were not budgeted for during the financial year. For example, the 2021-22 outturn position was impacted by unexpected grant funding from Welsh Government of around £8.7 million, which the Council would have been unaware of when setting and approving its 2021-22 budget. Given the favourable outturn position, the Council used a significant element of this funding to establish new earmarked reserves to support pressures continuing into 2022-23, particularly social care pressures, and to enable investment through the Council's capital programme. The same opportunity was not available in 2022-23 due to more limited grant funding being provided, and this has continued into 2023-24. It must be remembered that earmarked reserves are one-off and cannot be used to offset future budget savings or reduce council tax.

Table 3: Historical Financial Outturn Position 2021-2024

	2020-21 £'000	2021-22 £'000	2022-23 £'000	2023-24 £'000
Council Budget	286,885	301,659	319,514	342,334
Outturn	269,180	269,543	318,231	350,894
(Under) Spend	(17,705)	(32,116)	(1,283)	8,560
Accrued Council Tax Income	(1,702)	(2,463)	(774)	(1,506)
Appropriations to/(from) Earmarked Reserves	18,975	34,241	2,057	(6,952)
Transfer to/(from) Council Fund	432	338	0	(102)
Draw Down from Reserves	8,299	4,104	18,910	12,186

Usable Reserves

In terms of financial reserves, the Council Fund balance has actually decreased over the four year period shown in **Table 4**, although it did increase temporarily in 2021-22. This represents 2.8% of the proposed net revenue budget for 2025-26 or 3.7% of

the net revenue budget, excluding schools. This is lower than the level recommended in MTFS Principle 9 which states that:

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

Should we continue drawing down from this reserve going forward it will put the financial sustainability of the Council at risk.

Table 4: Usable Reserves 2020-2024

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000
2020-21	9,772	82,848	21,519	288	114,427
2021-22	10,110	106,733	21,773	6,047	144,663
2022-23	9,832	92,496	25,728	4,511	132,567
2023-24	9,730	63,998	25,985	2,155	101,868

Usable reserves decreased quite significantly in 2023-24, mainly as a consequence of the year-end outturn position, which meant that a number of earmarked reserves had to be unwound to reduce the revenue deficit. Nearly £19 million of reserves were also drawn down for the purpose for which they were intended. Due to slippage of some capital schemes into 2024-25, and the maximisation of capital grants received, there has been little draw down on the capital receipts reserve. It is important to note that within the earmarked reserves balance is a capital programme reserve which, similar to the capital receipts reserve, supports major capital schemes within the capital programme. As the potential to generate capital receipts from the sale of assets diminishes, this has become an important source of funding for the capital programme and enables major capital schemes to progress without the need for borrowing which would put additional pressure on the revenue budget. As at 31 December 2024 the balance was £40.763 million, which constituted 69% of the earmarked reserves balance, excluding school balances (£2.4 million), leaving £18 million for other commitments, including:

- £0.830 million Insurance
- £2.253 million Building / Asset Management
- £2.819 million Equalisation Funds and Grants
- £6.586 million Specific Directorate Pressures

Earmarked reserves are reviewed regularly, drawn down when required and unwound when no longer necessary. Detailed reviews of earmarked reserves have been undertaken throughout 2024-25 and this enabled a number of reserves to be unwound and repurposed, ensuring that those remaining were committed to specific schemes over a specific timeframe.

Borrowing and Investments

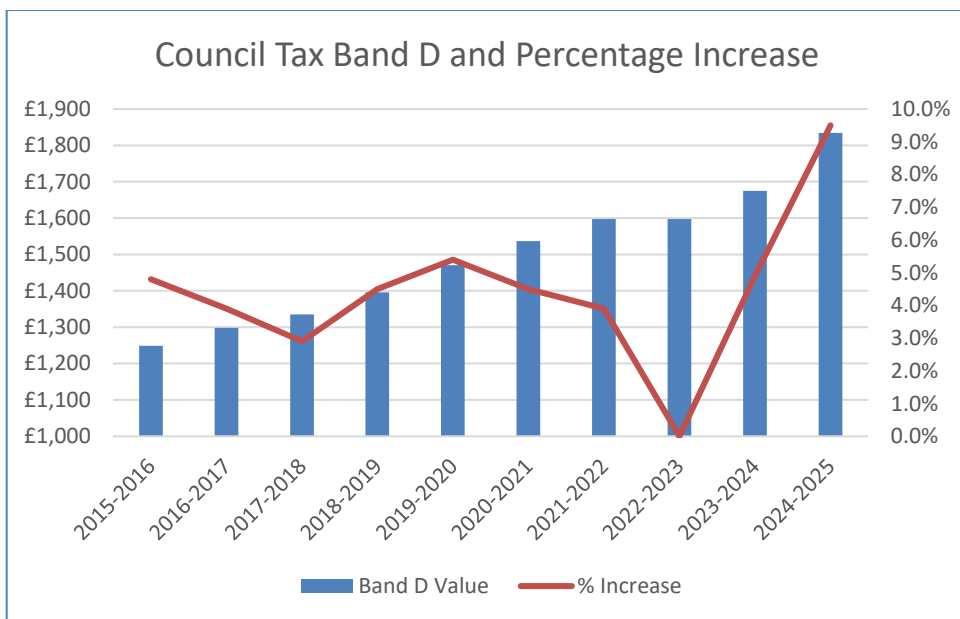
The Council's Treasury Management Strategy sets out its approach with regard to borrowing and investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. This strategy is prudent when investment returns are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

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

Council Tax

Chart 2 below provides a breakdown of Bridgend Council's Band D charge from 2015-16 to 2024-25, along with the percentage council tax increase for that financial year. The average increase over the period is 4.43% and the Band D charge has increased from £1,249.07 to £1,834.41.

Chart 2: Council Tax Band D Annual Value and Percentage Increase



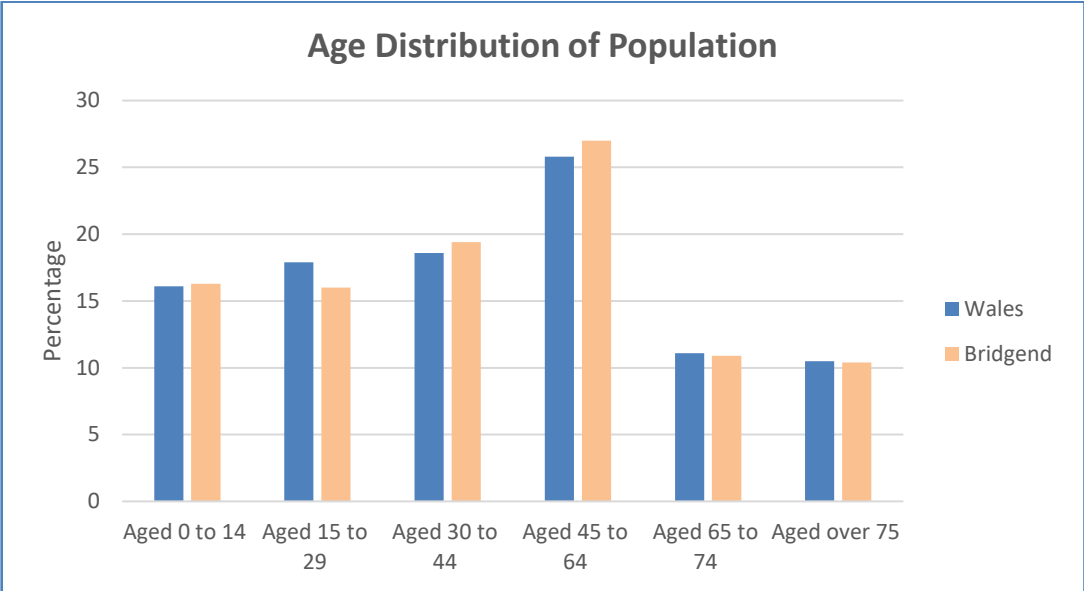
2.2.2 Non-Financial Statistics:

Population

Welsh Government's mid-year estimates show that, between 1991 and 2023, Bridgend's population increased from 129,477 to 146,743, an increase of 13.3%, compared to an all-Wales increase over the same period of 10.1%. Based on Welsh Government's population projections this is expected to continue to rise and reach around 158,000 by 2042.

The age distribution of the County Borough is broadly in line with the average for Wales, however there is a higher percentage of 30 to 64 year olds, and lower percentage of 15 to 29 and 65+ year olds. **Chart 3** shows the age distribution of the population based on Welsh Government’s mid-year estimate for 2023.

Chart 3: Age Distribution of Population at mid-year 2023



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

Employment

In terms of employment, for the year ending 30 June 2024, 68% of Bridgend’s population was economically active compared to an all-Wales level of 75.6% (Nomis – Official Census and Labour Market Statistics), based on the working age population, with 32% of Bridgend’s population classed as economically inactive (e.g. students, looking after family or home, temporarily or long term sick, or retired). Of the 68% who were economically active, 65.3% were in employment, with the remainder unemployed. Bridgend has a lower than average economic activity rate, and consequently a higher than average economic inactivity rate for the working age population. Bridgend has 20.8% of households that are workless compared to an all-Wales average of 16%.

Any increase in the number of those unemployed or on low incomes will create a pressure on a number of service areas, including housing and social services, but also on benefit related services such as council tax support.

Pupil Numbers

The Council has a total of 59 schools (infant, junior, primary, secondary and special, Welsh medium and church schools), along with a pupil referral unit, with around 23,000 pupils. A number of these buildings are in poor condition with a backlog of repairs and maintenance issues. Pupil numbers overall and within and across schools do not remain static, and are currently rising, which impacts upon the need to provide the right number of school places in the right locations. The Council has already invested £21.6 million in providing new and refurbished schools under Band A of the Sustainable Communities for Learning programme and has also committed to spending a further £27 million of capital funding under Band B of the current programme. The cost of financing these schemes, along with any future operating costs, will be reflected within future financial pressures.

Other statistics

Leisure and Well-being:

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

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

2.3 Scrutiny and Challenge

- 2.3.1 Cabinet and Corporate Management Board (CMB) continue to seek to embed a culture of medium term financial planning within the Council. Against that background further efforts have been made again this year to secure greater involvement of stakeholders in the development of the MTFS. In advance of the budget consultation the Council introduced a 'Time to Talk Budget 2025' campaign. This included 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.
- 2.3.2 Given the late notification of the provisional local government settlement from Welsh Government, the Council was only able to undertake a short consultation 'Time to Talk Budget 2025' between 6 January 2025 and 26 January 2025, the emphasis of which was to build upon the results of last year's process, during which members of the public told us that we should look at introducing charges or increasing them if they were already in place, reduce staffing costs, and review what levels of service are deliverable. The survey also referenced and linked to the budget-related infographics and frequently asked questions on the budget that the Council had shared over previous weeks. The results of the survey were collated and used to further inform final decisions on the MTFS.

- 2.3.3 Overall, the budget consultation received a total of 1,637 survey completions, online and by paper, compared to 2,839 responses last year.
- 2.3.4 A summary of the main headlines arising from the consultation is provided in **Table 5** below.

Table 5 – Headline Figures from Public Consultation

Headlines from the Public Consultation
<ul style="list-style-type: none"> • 1,637 survey completions in total; • 38.4% of respondents had seen our budget-related infographics, which had been shared on our social media channels, website and in our weekly emails to residents. The majority were seen via Facebook, via the Council’s website and through the Residents’ bulletin; • Most respondents were in favour of protecting children and young people, protecting vulnerable adults, support for children with additional learning needs, provision of local community recycling services, maintaining highways and road services and protecting funding for schools; • Fewer respondents favoured protecting discretionary pricing, the provision of library services, CCTV provision, increasing fees and charges for services and achieving the 2030 Net Zero pledge; • 45.4% of respondents wanted to keep council tax as low as possible even though this would mean more services being reduced or stopped; • 28.2% of respondents agreed that the proposed 4.5% council tax increase is needed to protect services, acknowledging that the proposed reductions will have to be implemented; • 18.2% of respondents wanted to increase council tax by more than 5.5% to protect education services and avoid reductions to school budgets; • 8.2% of respondents wanted to increase council tax by more than 5.5% to protect as many other council services as possible; • In response to the question on further suggestions on how the Council can address the budget gap in 2025-2026 the following themes arose – reducing waste / improving efficiency, service reductions / streamlining services, focusing on essential services only, council tax (collection and management, and tax structures and rates), senior management salaries, staff reductions, asset management and reviewing outsourcing / contracts. A number of responses were also received expressing concerns over cutting the school music budget.

- 2.3.5 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Panel (BREP) to facilitate the budget planning process. Officers have also held quarterly budget briefing sessions with all members, updating them on the budget position, both for the current year and in respect of the provisional local government settlement, and held individual sessions with all of the political groups. The draft budget report approved by Cabinet in January 2025 has also been scrutinised by the Council’s Overview and Scrutiny Committees, resulting in a report to Cabinet on 4 February 2025 from the Corporate Overview and Scrutiny Committee (COSC), outlining a number of comments and recommendations. Cabinet

has considered COSC's recommendations, which include recommendations from BREP, and a response to these is provided in **Appendix A**.

- 2.3.6 Cabinet and CMB have reflected on the responses received from the public consultation, and from discussions with, and recommendations from, BREP and the Scrutiny Committees, and have compiled the final budget based on the comments and responses received. This includes keeping council tax as low as possible, supporting children with additional learning needs, supporting vulnerable children and adults and protecting the school music service.
- 2.3.7 When the draft budget was published in January a small amount of funding was retained in the budget to address any concerns raised through the scrutiny and public consultation process. Now that the outcomes and recommendations from these processes are known a number of changes have been made to the final budget, as outlined later in the report.

2.4 Service Overview

2.4.1 This overview summarises the continued and significant investment in public services that the Council will make. It sets out how the Council aims to change particular areas of service delivery, and the financial consequences of this. Cabinet has requested that the following principles should 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.

2.4.2 Education

The Council is proposing to spend almost £155 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 £123 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 21st 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)).

School budgets make up one-third of the Council's overall net budget, so it is impossible to find the level of budget reductions that the Council has to meet without impacting on schools. For 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. 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%. Overall the position on school budgets is positive with a net increase in funding of around £8 million forecast for the financial year as outlined in detail in **Table 12**.

The forecast pressure on Council budgets for future years is such that further efficiency savings of 1% per annum may be unavoidable for schools for 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 or carers. 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. Additional funding is being proposed for the education service to address some of these pressures.

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.

2.4.3 Social Care and Wellbeing

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.

2.4.4 Housing and Homelessness

Housing as a determinant of physical and mental health is widely recognised and this link is reinforced by the range of activities and services provided by the Housing Team. The Housing (Wales) Act 2014 introduced the need to move to a more preventative approach to homelessness and this is a core principle of the work undertaken. The service has responded to the challenges of Covid-19 and new guidance introduced by Welsh Government in relation to homelessness presentations and has already recognised these as budget pressures for the Council, with the aim of providing temporary accommodation to people in need, in order to reduce the number of street homeless people. The Council does not have any housing stock of its own but retains a number of statutory functions relating to addressing housing need and combatting homelessness.

The service also administers the Housing Support Grant from Welsh Government (£9.599 million indicative allocation for 2025-26). The support activities funded via this funding are both broad and diverse. This is done through a range of corporate joint working and contract arrangements with third sector organisations, delivering specific projects for people who are vulnerable with complex needs. These projects include services for people suffering domestic abuse, mental health and substance misuse issues, learning disabilities, accommodation for young people, people with mental health support needs and other housing related support for people who need help to access or maintain accommodation successfully.

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.

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. We are currently in the process of purchasing a number of Houses in Multiple Occupation (HMOs) to reduce our dependency on the holiday let sector and provide better accommodation to those in need.

2.4.5 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 £3.5 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. 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 the 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 capital investment (from the CAT fund in the capital programme), and previously revenue support (from the former 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.

2.4.6 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.

The Replacement Local Development Plan was adopted by Council in April 2024, following an Examination in Public by the Planning Inspectorate, and now provides strategic land planning guidance for the Borough.

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

2.4.7 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 £1.8 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 level 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.

2.4.8 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 seriously compromise their ability to support frontline services and may be counter-productive in terms of enabling the collection of additional income, or increasing costs in other service areas, for example.

Property and building maintenance

The Council continues to review its commercial property portfolio, identifying asset management opportunities and the mechanisms required to deliver a sustainable increase in income. Alongside this, the Council is continuing to dispose of assets it no longer requires to deliver services, 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 targets of all public sectors bodies being net carbon neutral by 2030. A decarbonisation strategy entitled "Bridgend 2030", was developed with the Carbon Trust and is supported with a detailed action plan, setting out how the Council will reach a net zero carbon position in Bridgend by 2030. This was approved by Cabinet in December 2022.

The service will continue to review its processes in 2025-26 including seeking further operational efficiencies and streamlined business processes, from IT investment, improved procurement and contract management.

Legal services

The Council needs to maintain effective legal support for all of its services. At a time when the Council is trying to transform services it is important to bring about these changes lawfully. The service also directly supports front line services such as Education and Social Services and is provided by a mix of permanent internal staff and external expertise when necessary. Almost half of our in-house legal team is specifically 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, and work is ongoing to identify priority areas through the Digital Transformation Programme. This 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 £4.4 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 service will also undertake specialist and one-off pieces of work if required. The level of service to be provided by the joint service in 2025-26 has been reviewed.

SECTION 3. THE FINANCIAL CLIMATE

3.1 Current Financial Situation

- 3.1.1 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.
- 3.1.2 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.
- 3.1.3 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, which include Councils, would pay National Insurance on workers’ earnings above £5,000 from April, 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.
- 3.1.4 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.*”
- 3.1.5 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.
- 3.1.6 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, 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.

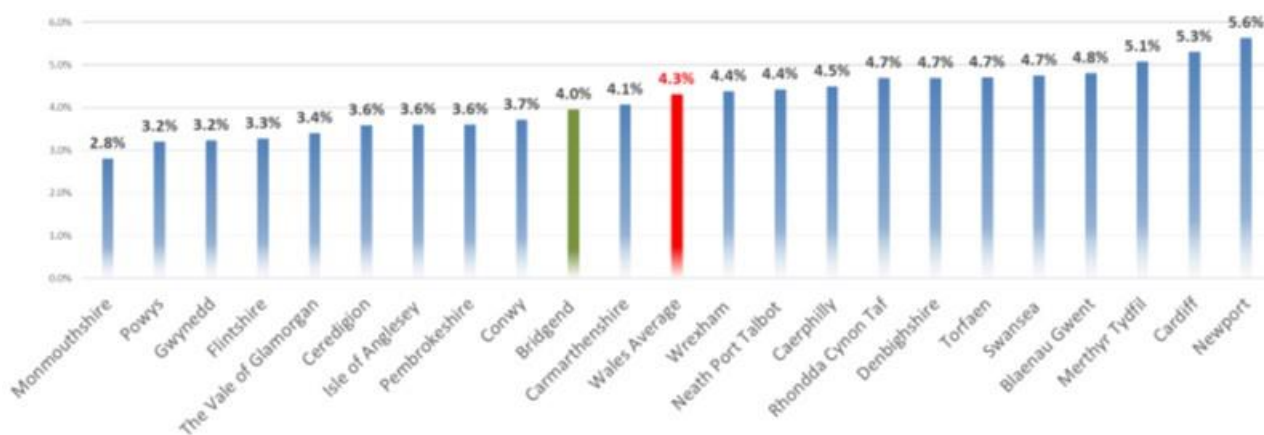
- 3.1.7 The Cabinet Secretary also outlined a package of additional support for Non-Domestic Rates, which included capping the increase to the Non-Domestic Rates (NDR) multiplier to 1% for 2025-26, and continuing the support for retail, leisure and hospitality businesses with Non-Domestic Rates bills with 40% relief, the same rate as applied in 2024-25.
- 3.1.8 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.
- 3.1.9 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.

3.2 Welsh Government Local Government Settlement

- 3.2.1 Bridgend's draft MTFS was presented to Cabinet on 14 January 2025, based on the provisional settlement, before being submitted for scrutiny. Councils are not expected to receive their final settlements from Welsh Government until the end of February 2025, so the final MTFS is based upon the provisional settlement. The headline figure is an overall increase of 4.3% across Wales and, for Bridgend, was a reported increase of 4.0% in Aggregate External Finance (AEF), after a number of transfers into and out of the settlement. However, since publication Welsh Government have identified a small flaw in the settlement comparisons for 2024-25 relating to the transfer in of housing grants, so the updated comparison is still 4.3% across Wales but now 3.9% for Bridgend. Based upon the updated figures the increases range from 2.6% to 4.9% and Welsh Government has indicated that *"Given the range of increases the government is open to considering providing additional floor funding at final budget"*. For Bridgend this 3.9% increase represents a £10.6 million increase in funding, after the specific transfers.

This increase for Bridgend was the thirteenth highest increase across all Welsh Local Authorities as illustrated in **Chart 4** below.

Chart 4: Revenue Funding for Welsh Councils (Provisional Settlement)



Source: WG Provisional LGF Settlement 2025-26

3.2.2 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.*’

Transfers into and out of the 2025-26 Revenue Settlement

3.2.3 As mentioned in the draft MTFS report to Cabinet in January 2025, the provisional settlement included a number of transfers of funding both into and out of the Revenue Support Grant (RSG). 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

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. If there are any transfers of grants into the final local government settlement this will be reported to Council in due course.

Specific Grants

- 3.2.4 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.
- 3.2.5 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, Housing Support 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.

3.3 Forecast Financial Position

- 3.3.1 This section of the report sets out the proposed MTFS for the Council for the next four financial years, based on the latest information available from the Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.
- 3.3.2 The development of the MTFS 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, the public consultation, scrutiny by Corporate Overview and Scrutiny Committee and other scrutiny committees, 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.
- 3.3.3 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).
- 3.3.4 The published provisional 2025-26 Aggregate External Finance (AEF) figure is an increase of 3.9% 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. Despite the better than anticipated settlement, given the unprecedented challenges and demands facing the Council currently and over the coming year, it is still proposed to increase council tax by 4.5% for 2025-26. If council tax did not increase the Council would need to make further budget reductions of around £4.9 million to balance the budget, in addition to the £8.3 million already proposed.

- 3.3.5 The MTFS is regularly reviewed against service performance and external economic and fiscal information to ensure that early action can be taken as necessary to keep it and the Corporate Plan on track. This is particularly important given the current economic uncertainties in the coming months and years. In view of these uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios based on percentage changes in AEF shown in **Table 6**.
- 3.3.6 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 and projections updated as further fiscal and economic information is made known. Further information may be known after the Chancellor's Spring Statement is presented on 26 March 2025.

Table 6 – MTFS Scenarios: % Change in AEF

	2025-26	2026-27	2027-28	2028-29
Best Scenario	+3.9%	+1.0%	+1.0%	+1.0%
Most Likely Scenario	+3.9%	0%	0%	0%
Worst Scenario	+3.9%	-1.0%	-1.0%	-1.0%

3.3.7 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 £39.516 million of budget reductions being met from Directorate and Corporate budgets. This has slightly reduced from the draft budget, however, the assumptions beneath them can change quickly and with an uncertain, but probably more challenging, financial settlement likely going forward, this level of reductions could change. 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 2.5% in the 12 months to December 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 this year’s budget principle of full cost recovery, where possible. Consequently fees and charges will increase by the statutory minimum or at least CPI, 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.

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

Table 7 – Budget reduction scenarios

	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	Total £'000
Best Scenario	8,379	7,832	7,588	7,335	31,134
Most Likely Scenario	8,379	10,598	10,382	10,157	39,516
Worst Scenario	8,379	13,365	13,121	12,868	47,733

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

3.3.10 **Table 8** shows current progress on identifying budget reduction proposals. It is clear that, based on the proposed budget reduction requirements for future years, and the shortfall in meeting the budget reductions targets currently, the Council must have clear plans and proposals drawn up over the next year to meet these large funding gaps.

Table 8 – 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	3,722	2,167	2,490	8,379	0	8,379
2026-27	432	204	1,640	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
Total	4,154	2,371	5,726	12,251	27,265	39,516
Percentage of total required	11%	6%	14%	31%	69%	100%

3.4 Corporate Risk Assessment

3.4.1 The Council's Corporate Risk Assessment identifies the key corporate risks facing the Council, along with mitigating actions. The latest version, presented to the Governance and Audit Committee in January 2025, is attached as **Appendix B**. The Corporate Risk Assessment has been regularly reviewed during the financial year, to take into account new and emerging risks, and has been scrutinised during the financial year by the Governance and Audit Committee. These risks have been taken into account in the preparation of the MTFs and where there are identifiable financial implications these have been provided for either within the budget or earmarked reserves. Where the financial risks are not clear, the risk is covered by the Council Fund.

SECTION 4. BUDGET 2025-26

4.1 Revenue Budget 2025-26

- 4.1.1 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated using the previous year's budget as the baseline, adding any inescapable budget pressures and specific transfers into the settlement from Welsh Government, and subtracting any budget reduction proposals.
- 4.1.2 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. **Table 9** summarises the 2025-26 budget requirement and how it will be financed.

Table 9 – Net Budget Requirement

	2025-26 £'000
2024-25 Net Budget (Table 2)	360,671
Transfers and New Responsibilities (para 3.2.3)	7,080
Budget Pressures (para 4.1.3 / 4.1.14)	23,966
Budget Reductions (para 4.1.17)	-8,379
2025-26 Net Budget Requirement	383,338
<i>Financed by:</i>	
2024-25 Net Budget (Table 2)	360,671
Net Cash Increase in AEF (para 3.2.1)	17,715
Council tax increase (4.5%) (para 3.3.4) plus increase in tax base	4,952
2025-26 Net Funding Total	383,338

2025-26 Revenue Budget

- 4.1.3 **Table 10** presents the detailed net revenue budget for 2025-26, which includes an additional £9.5 million for the pay and price pressures outlined above.

In addition, each year consideration is given to any inescapable, unforeseen Directorate pressures that cannot be accommodated within existing budgets. £14.454 million of inescapable pressures have emerged during 2024-25 and are explained in more detail in the paragraphs below.

In total, the Council has identified pay, price and other pressures of £23.966 million for 2025-26.

Table 10 – Net 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
Service Directorate Budgets:									
Central Education, Early Years and Young People	30,186		116	71	2,708	-1,428	31,653	1,038	32,691
Schools	118,611	3,650	28	2,106	0	-1,186	123,209	3,376	126,585
Education, Early Years and Young People	148,797	3,650	144	2,177	2,708	-2,614	154,862	4,414	159,276
Social Services & Wellbeing	108,966	-40			8,800	-1,817	115,909	3,285	119,194
Communities	32,999	-26		16	1,482	-717	33,754	1,341	35,095
Chief Executives	23,460	970			1,073	-688	24,815	1,032	25,847
Total Directorate Budgets	314,222	4,554	144	2,193	14,063	-5,836	329,340	10,072	339,412
Council Wide Budgets:									
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	10,579	2,353	-144	6,319		-1,543	17,564	-10,072	7,492
Total Council Wide Budgets	46,449	2,526	-144	7,319	391	-2,543	53,998	-10,072	43,926
Net Budget Requirement	360,671	7,080	0	9,512	14,454	-8,379	383,338	0	383,338

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

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

Table 11 – 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
Total	383,338,259	100%

Inter-Directorate Transfers

4.1.5 There are no inter-directorate transfers included in the final budget.

Pay, Prices, Pensions and Demographics

4.1.6 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. With regard to pay claims for 2025-26 the NJC Pay Claim has been submitted by Unison, Unite and GMB Unions, requesting an increase of:

- at least £3,000 on all pay points,
- a clear plan to reach a minimum pay rate of £15 an hour,
- an extra day of annual leave for all staff,
- a reduction in the working week by two hours, with no loss of pay,
- the ability for school staff to take (at least) one day of their annual leave during term time, with no loss of pay.

A pay increase of £3,000 alone, which is significantly above inflation, would add around 10% to the Council's pay bill if ultimately agreed. With so much uncertainty it is difficult to determine what the pay pressure will be in 2025-26, but with a staff budget of around £230 million, every additional 1% increase will add at least a further £2.3 million pressure to the Council's pay budget. Funding has already been allocated in the schools' and central education budget for the full year effect (April to August 2025) of the teachers' September 2024 pay award. No information has been received to date on the potential teachers' pay award for September 2025.

- 4.1.7 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.
- 4.1.8 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, especially given uncertainty around inflation rates. 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. The remaining inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed.
- 4.1.9 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.

Employers' National Insurance Contributions

- 4.1.10 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 the Spring, and it will remain to be seen whether or not it is sufficient to cover the full cost. Within this final budget we have

set aside a provision to meet the costs of National Insurance increases for commissioned providers, on the assumption that the increases for Council workers will be funded.

School Delegated Budgets

- 4.1.11 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 remains 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.
- 4.1.12 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. The position on school budgets is explained in more detail in **Table 12** below and shows a potential overall increase in budgets by year end of around £8 million, depending on pay awards:

Table 12 – School Delegated Budgets

	£000
Schools Delegated Budget 2024-25	118,611
Transfers into the Settlement:	
a) Teachers' Pay Award September 2024	841
b) Teachers' Pensions 2024-25	2,809
Shortfall on Pensions funded by Local Authority	28
Pay and Prices:	
Teachers' Pay (April – August 2025)	2,025
Non-Domestic Rates increase	81
Budget Reductions 1%	-1,186
Opening Budget 2025-26	123,209
Potential In-Year Additional Funding for Pay/Prices	3,376
Potential Final Budget 2025-26	126,585

- 4.1.13 It should be noted that the 1% efficiency target is maintained in the MTFs for schools for 2026-27 and beyond, in recognition of the pressures stated above, potentially lower future budget settlements and mounting external pressures across Council services.

Budget Pressures

- 4.1.14 The final schedule of inescapable budget pressures is attached at **Appendix C** and presents a number of recurrent pressures for 2025-26, totalling £14.454 million. They are split into recurrent base budget pressures, updated for the quarter 3 revenue monitoring position, and emerging directorate pressures. They cover those pressures deemed to be unavoidable or statutory, and try to mitigate some of the more significant budget pressures arising in 2024-25. It should be noted that, whilst there was a significant positive change between the quarter 2 and quarter 3 overall revenue projections, this is mainly as a result of one-off grant income to the Council, which will not be available in 2025-26. 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.
- 4.1.15 The January draft MTFs report to Cabinet explained that services had only been asked to submit unavoidable budget pressure bids due to the challenging financial situation.
- 4.1.16 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.

Budget Reductions

- 4.1.17 Budget reduction proposals totalling £8.379 million for 2025-26 have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in **Appendix D**. 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 13** below:

Table 13 – Budget Reductions already Approved

Ref	Proposal	£'000	Approval Date
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.
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4.1.18 Since the draft MTFS was presented to Cabinet in January 2025, and following the outcome of the public consultation and recommendations from Corporate Overview and Scrutiny Committee, a number of budget reduction proposals for 2025-26 totalling £0.726 million have been removed. These proposals are set out in **Table 14** below. This will give the Directorate time to review alternative options for the service going forward.

Table 14 – Amendments to Draft Budget Reduction Proposals

Draft MTFS Ref	Proposal	Amendment	Reduction £000
EEYYP12	Reduction to Bridgend Music Service (central service)	Removed	82
SCH2	Reduction to Bridgend Music Service (delegated to schools)	Removed	644
TOTAL BUDGET REDUCTION AMENDMENTS			726

4.1.19 As outlined in the January Cabinet report, this year has again been extremely challenging in identifying the necessary reductions in service budgets in order to balance the budget. The process has required difficult decisions to be made, resulting in the proposed cuts to many of the Council's 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, which is reflected in the RAG [Red/Amber/Green] status of the proposals, and will impact greatly 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.

4.1.20 There are also budget reduction proposals outlined in **Appendix D** for future years. Some of these are in relation to proposals that take a number of years to fully implement, and others are new proposals that need e.g. statutory processes such as consultation before they can be implemented. To give directorates the lead-in time to undertake the necessary processes to implement these proposals (e.g. consultation, tender exercises) approval is sought to progress these now. Should future years' settlements be better than anticipated there remains the opportunity, in most cases, to either defer or remove these proposals before they are implemented. Any budget reduction proposals for schools will be re-considered on an annual basis.

4.1.21 Partnership Working

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

- The Shared Regulatory Service (SRS), which is operated in partnership with Cardiff and the Vale of Glamorgan Councils, was asked by the partner

organisations to model the service impacts of various percentage budget reductions. Those proposals will be considered by the SRS Joint Committee in February.

- 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 focused 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 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 the local authority contribution has been frozen at the same overall level as 2024-25.

Council Wide Budgets

- 4.1.22 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, centrally held pay and prices provisions, insurance budgets, discretionary rate relief and 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.
- 4.1.23 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.

Fees and Charges

- 4.1.24 Generally, 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. A full schedule of fees and charges will be published on the Council's website at the start of the financial year. New charges or charges that have been included in the 2025-26 budget and are above the general CPI or statutory minimum increase are shown in **Appendix E**.
- 4.1.25 The Fees and Charges Policy aims to set a consistent approach across Council services and outline key principles to be applied. As a key principle, where a decision has been taken to charge for a service, the Council will aim for full cost recovery, except where there is a conscious decision which is consistent with Council priorities, recognising that the service would then be subsidised by council tax payers. Going forward, it is proposed to review fees and charges on a more rolling basis.
- 4.1.26 In line with the Fees and Charges Policy, if it is proposed not to increase fees and charges for a service in a particular year, this needs approval from the relevant Director and Section 151 Officer. This would be limited in number and would usually be where it does not make commercial sense to increase charges for a service.

2025-26 Budget

- 4.1.27 **Appendix F** details the Directorate Base Budgets for 2025-26. As mentioned earlier in the report, Cabinet has reflected on the responses received through the budget consultation to shape the budget for 2025-26. This resulted in the removal of two proposed budget reductions which were stated to be important to the citizens of Bridgend. Going forward, given the continuing challenging financial outlook, the Council will need to think more strategically about how it will look, and what services it will provide if it is operating on a much smaller scale, potentially 20% smaller in the coming years. This will determine what areas of the Council continue to be funded in future years, and what is needed to enable this to happen, and could include:
- Digital transformation of wider Council services
 - Income generation opportunities
 - Working with partners to asset transfer and protect community facilities;
- 4.1.28 All of the proposals have implications for the Council workforce given that around two thirds of the Council's net revenue budget relates to pay costs. It follows that annual real terms' reductions in Council budgets over the next four years will lead to a reduced workforce over the MTFS period. The intention is to manage such a reduction through the continuation of strong vacancy management, redeployment, early retirements and voluntary redundancies, but some compulsory redundancies will continue to be considered and could be necessary.

4.2 Capital Programme and Capital Financing

- 4.2.1 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 the Council's Capital Strategy and reflects the Welsh Government capital settlement for 2025-26. The Programme has been revised during the financial year to bring it up to date and take into account new capital schemes either funded from external resources, or from internal resources following a review of the Council's capital investment requirements.
- 4.2.2 The Welsh Government provisional capital settlement for 2025-26 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.
- 4.2.3 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.
- 4.2.4 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.

- 4.2.5 The Capital Programme contains a number of annual allocations that are met from the total general capital funding for the Council. These were last amended in the Cabinet and Council reports in November 2024. The only proposed change to these is to increase the funding allocated for Disabled Facilities Grants by £0.5 million per annum to support more people to remain in their own homes. This is in line with the Council’s Well-being Objective 1 – *A County Borough where we protect our most vulnerable*. The proposed allocations for 2025-26 are shown in **Table 15** below.

Table 15 – 2025-26 Proposed Annual Allocations of Capital Funding

	Proposed 2025-26 £'000
Highways Structural Works	340
Carriageway Capital Works	250
Disabled Facilities Grant	2,450
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
Total	5,270

- 4.2.6 The latest capital programme was approved by Council on 5 February 2025. There are only two amendments to this, the increased capital budget for the Sustainable Learning for Communities Bridgend West Scheme and a grant funded scheme to purchase Electric Vehicle Charging Infrastructure (EVCI), as follows:

Bridgend West School

In their meeting of 14 January 2025, Cabinet resolved that the preferred way forward for the Bridgend West School Modernisation scheme is to transition from a revenue funded Mutual Investment Model (MIM) scheme to a capital funded scheme. This was due to the fact that, on 29 April 2024, Welsh Government officials suggested that progressing the Mutual Investment Model route may no longer represent good value for money. Consequently, Cabinet determined, amongst other things, to recommend to Council that they include a budget in the capital programme to enable the Council to take forward the scheme as a capital scheme, and to recommend to Council, as part of the Medium Term Financial Strategy, the inclusion of a revenue budget pressure to fund additional borrowing costs.

The inclusion of the necessary capital funding in the capital programme can only be achieved by the Council contributing £14,490,727 of capital funding as match funding, based on a Welsh Government intervention rate of 65%. Welsh Government would then fund a total of £31,871,722 for the scheme which is 65% of construction cost and fees and 100% of Net Zero Carbon elements (this will be built into the programme once approved). Currently only £574,000 is included in the capital programme, in respect of Bridgend's contribution to furniture and equipment, which were a capital cost under the MIM scheme, so an additional £13.917 million needs to be added to the programme. Given the Council has insufficient capital receipts and capital earmarked reserves to fund this contribution, the only route to do this is through borrowing. In order to borrow this amount the Council will need around £1 million a year of recurrent revenue funding to meet the borrowing costs, dependent on the borrowing rates at the time the borrowing is taken out. This is likely to be required from 2026-2027, split over 2026-27 and 2027-28 in line with borrowing, and is included as a budget pressure in **Appendix C**.

Electric Vehicle Charging Infrastructure (EVCI)

Welsh Government Energy Service has provided the Council with a grant of £453,762.95 for the purchase of EVCI hardware, installation of EVCI hardware, upgrade of site electrical infrastructure and upgrade of grid connection at seven sites across the County Borough, comprising a total of 36 charging sockets. The site selection is based on requests for charging infrastructure from service areas, and the chargers will mainly be used for fleet vehicles at the Council's depots.

Highways Management Local Government Borrowing Initiative

Within the Welsh Government's Draft Budget, published on 10 December 2024, there was reference to the introduction of a Highways Management Local Government Borrowing Initiative. WG indicated that they would be investing £5 million of recurrent revenue, enabling local authorities to self-finance circa £60 million of capital funding to be spent on highways management and fixing our local roads. We have not yet received details of how much of the £5 million revenue funding BCBC will receive for 2025-26, nor how much borrowing this would fund. This will be included within the capital programme once we receive confirmation of the funding offer.

- 4.2.7 Any further new proposals for capital funding will be considered in light of, and in line with, the proposed Capital Strategy 2025-26 to 2034-35, and the limited resources available, and will be brought back to Council for approval at a later date. The Capital Programme Board will continue to review and monitor capital schemes, trying to ensure that projects are completed on time, within approved budget and to the agreed quality.
- 4.2.8 The proposed capital programme includes a number of existing projects which will help to support, and provide much needed investment in, the economy including:
- Investment in housing and homelessness schemes, to address, and help to reduce, the revenue pressures that the Council is facing.
 - Investment in ensuring that the highways and footways are of a good standard to encourage the use of local services by the public and avoid the need to travel to out of town developments.

- Investment in all of our town centres, with works progressing on the Grand Pavilion, Porthcawl, for example.

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

- 4.2.9 There is also significant investment in Disabled Facilities Grants and other Housing Schemes, to enable people to live as independently as possible in their own homes. This is supplemented by the analogue to digital telecare transition, which will provide a more reliable and integrated service that better supports our more vulnerable adults.
- 4.2.10 A key component of the Council's capital programme going forward is the Schools' Modernisation Programme under the Welsh Government's Sustainable Communities for Learning Programme. Work is accelerating on Band B options, which will result in further capital investment of around £98 million in the Council's schools' estate, funded from a combination of BCBC capital and Welsh Government capital grant.
- 4.2.11 In addition, Council has previously approved significant investment in upgrading existing buildings through the capital minor works programme to reduce running costs, including maintenance, and improving energy efficiency across its assets. This is in addition to a range of energy efficiency schemes across Council buildings, such as the Refit programme, which has seen schools and public buildings fitted with a range of measures including LED lighting, lighting controls, Building Management Systems and solar PV systems, designed to improve energy performance, reduce energy bills and carbon emissions, and which will be repaid from recurrent revenue savings generated, along with investment in new electric fleet.
- 4.2.12 The revised capital programme is attached as **Appendix G**. This includes the amendments outlined above.

Capital Receipts

- 4.2.13 The disposals strategy for the period to 2030 is 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.
- 4.2.14 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.
- 4.2.15 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.
- 4.2.16 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.

Prudential (Unsupported) Borrowing

- 4.2.17 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.
- 4.2.18 Future prudential borrowing could include an estimated £3.43 million towards the purchase of waste vehicles, £2.3 million towards school highways works, almost £14 million for the Bridgend West School and £1 million towards the refurbishment of Community Children's Play Areas.

4.3 Council Reserves

- 4.3.1 The Council's Reserves and Balances Protocol attached at **Appendix H** sets out the principles used to assess the adequacy of reserves, the rationale for establishing reserves and the arrangements for monitoring reserves. Principle 9 of the Council's MTFS Principles states:

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.

Over the last four years, the Council Fund has been at a minimum of £9.7 million and at 31 March 2024 it was £9.730 million, which is 3.7% of the 2025-26 net budget excluding school delegated budgets. The challenging financial situation over the current and previous financial years has meant that we have been unable to add to this Fund; indeed in 2023-24 we had to draw down £102,000 to offset the year-end over spend. To meet the 5% guideline level, the Council Fund would need to be around £12.8 million, which is around £3.1 million more than the current balance. This will be monitored and will depend upon financial performance during future periods and the need to provide against specific risks as they arise through the earmarked reserves process.

- 4.3.2 In accordance with the Protocol, a review of the Council's reserves is undertaken at regular intervals. **Appendix H** sets out the movement in the Council's earmarked reserves as at 31 December 2024. It is anticipated that there will be drawdown of a number of reserves during the final three months of 2024-25 including:

- The estimated draw down of £9.533 million from the Capital Programme reserve, which does rely on additional capital spend being incurred during the final months of the year. This includes the estimated draw down of £1.796 million Schools Capital Maintenance Grant for expenditure towards maintenance schemes within schools, £1 million for Coety Primary extension, and £0.963 million for Porthcawl Pavilion.
- Draw down of £0.182 million of funding for feasibility studies.
- Draw down of £2.031 million from directorate earmarked reserves and a further £0.822 million from equalisation and grant earmarked reserves.

Whilst at quarter 3 it is forecast that the Council will be in an under spend position at the year end, should this change any year-end over spend will need to be funded from earmarked reserves or the Council Fund.

- 4.3.3 In line with the Protocol, a further review will be undertaken at the end of the current financial year and transfers may be made at this point taking account of the overall financial position of the Council, including the final outturn, actual accrued council tax income, earmarked reserve levels, the Council Fund level and any new pressures or risks that need to be provided for. The position will be reviewed at the year end and, if funds are available, Directors may be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2025-26 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole. A summary of the earmarked reserves position is provided in **Table 16**.

Table 16 – Summary of Earmarked Reserves

Opening Balance 01 Apr 2024 £000	Reserve	Net Additions / Reclassifications £000	Draw Down £000	Unwound £000	Closing Balance 31 Dec 24 £000
50,918	Corporate Reserves	472	(798)	(1,256)	49,336
6,668	Directorare Reserves	3,432	(1,969)	(1,547)	6,584
4,006	Equalisation & Grant Reserves	(910)	(88)	(188)	2,820
2,405	School Balances	0	0	0	2,405
63,997	Total Reserves	2,994	(2,855)	(2,991)	61,145

4.4 Council Tax

- 4.4.1 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. It takes into account the current budget position, the already significant levels of service reductions that will be required and ongoing budget pressures, along with the challenging financial forecast going forward.
- 4.4.2 As mentioned in **Table 11**, in 2025-26 council tax will only provide 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 £1.017 million of additional funding.
- 4.4.3 The implications in terms of the Council Tax increase for 2025-26 (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in **Table 17**.

Table 17 – Council Tax Increase 2025-26

2024-25 Band D	£1,834.41
2025-26 Band D	£1,916.96
% Increase	4.50%
Weekly Increase	£1.59

SECTION 5. LONGER TERM OUTLOOK

5.1 Longer Term Financial Outlook Considerations

- 5.1.1 The assumptions included in this Medium Term Financial Strategy are based upon the best available information at the time, although given one year budget settlements and constantly changing economic situations, there is clearly a degree of estimation in this, and the assumptions will change over time. This section of the report is to provide information on the Council's longer term financial outlook and the probable impacts that current trends and future decision-making will have on the financial health of the Council in the years to come.
- 5.1.2 The longer term outlook is not intended to be a 10 year budget strategy tool in the same way that the Medium Term Financial Strategy is for the next 4 years; there are so many political, financial, social and economic variables that it is not possible to forecast the level of funding that will be available to the Council in ten years' time, and expenditure levels will be determined by political decisions that are not yet made. It provides a financial framework (the business rules) to reference against when preparing both annual and longer term financial plans.
- 5.1.3 However, the value of it comes from being able to understand the broad direction of financial travel that the organisation is currently on, and the impact that current decision making will have on the long term financial health of the Council. This will be driven by the financial and non-financial projections outlined in Section 5.2.
- 5.1.4 This section will focus on the longer term financial outlook, cost pressures, potential risks, major timelines for key contracts and economic factors that will affect the financial health of the organisation for the next 10 years up to 2035 if the current direction of travel continues, and to present possible alternative scenarios. The main areas it will cover are:
- Future sources of funding – the best estimate of future Welsh Government grant levels and Council Tax income;
 - Future cost pressures – this includes general inflation, potential pay awards, pension and national insurance increases, financing future capital investment, and the impact that forecast demographic changes are likely to have on future council budgets;
 - The Council's strategy to meet the challenges.

5.2 Sources of Funding

The Council has 3 main sources of funding:

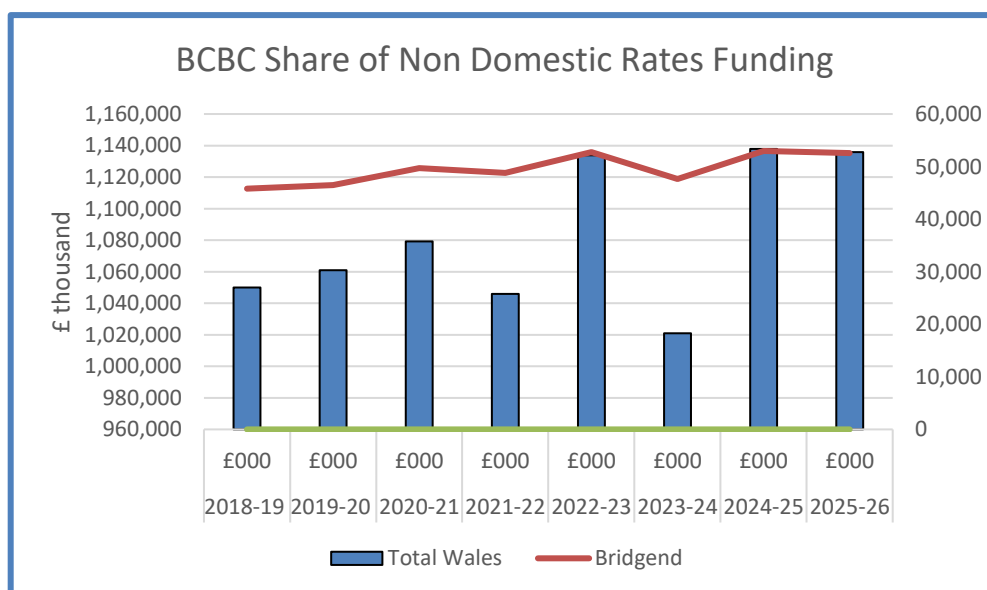
- Welsh Government Revenue Support Grant (RSG),
- Share of Non-Domestic Rates (NDR) / Business Rates,
- Council Tax

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

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

Welsh Government distribute the **non-domestic rates** funding to local authorities based upon its pro rata share of adult population. Bridgend's percentage share of non-domestic rates in recent years is shown in **Chart 5**. The decrease in quantum for 2023-24 was as a consequence of the increase in business rates relief from 50% to 75% for retail, leisure and hospitality businesses, which led to an overall reduction in the amount of business rates collected. In 2024-25 this relief reduced from 75% to 40%, and this will remain at 40% in 2025-26. Bridgend's percentage share of non-domestic rates funding has remained at around 4.6% in recent years.

Chart 5: Bridgend's Share of Non-Domestic Rates



The proportion of **council tax** required to balance the Council's budget has steadily increased over recent years and it currently funds around 28% of the budget. Going forward, the MTF5 includes an assumption that council tax will increase annually by 4.5%. Bridgend's population has increased in recent years, impacting on the council tax base, which in itself generates additional council tax income. Since 2013-14 the council tax base has increased by around 0.75% to 1.0% on an annual basis, taking into account any changes to assumed collection rate. It is reasonable to assume this rate of growth could continue with a growing population, but collection itself may be difficult due to the removal of the penalty of imprisonment for non-payment and the economic hardship a large number of people are finding themselves in as a result of the cost of living crisis. Where our council tax base increases as a result of the Local Development Plan, and new housing sites, the Welsh Government will adjust the amount of Revenue Support Grant down accordingly, as the assumption is that this reduced funding will be offset by increased council tax income.

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

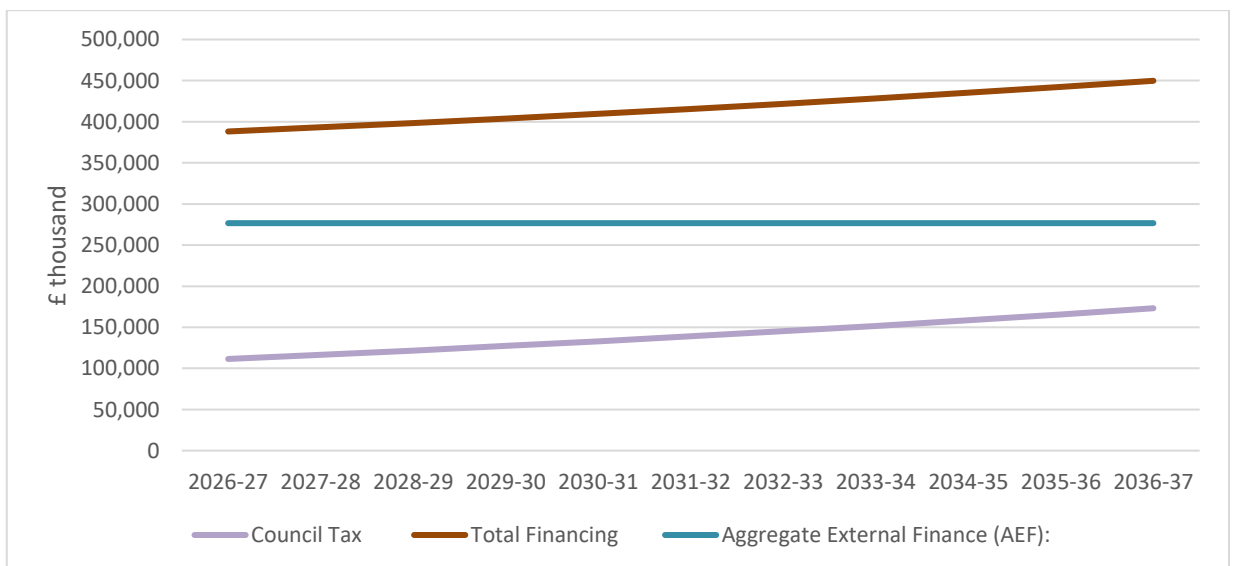
- no changes to Welsh Government funding.
- council tax increases of 4.5%.

5.2.3 **Chart 5** showed that Bridgend’s amount and percentage share of Welsh Government’s distributable amount of non-domestic rates has remained steady in recent years at around 4.6%. The share of non-domestic rates is projected to continue at this level going forward, but this will depend largely on the amount collected by Welsh Government across Wales which will be impacted by the economic climate, and any reliefs offered, especially as a result of the ongoing cost of living crisis, and the actual population change compared to the rest of Wales. However, any potential increase in non-domestic rates is likely to be alongside a freeze in revenue support grant.

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

5.2.5 **Chart 6**, below shows the potential changes in Aggregate External Funding over the 10 year period, offset in the main from the increase in council tax over that period. There would be a 62% increase in council tax income between 2025-26 and 2036-37 if we continue with this model of funding, and the proportion of the budget funded from council tax would increase from its current 28% to 38%.

Chart 6: Estimated Funding over life of Longer Term Financial Strategy



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

5.3 Future Cost Pressures and Risks

5.3.1 The Auditor General for Wales has previously identified some key areas of public service transformation that Welsh public bodies need to take into account as they

shift their planning horizons to the longer term. These included climate change, equalities, transforming service delivery, in particular harnessing technology, where appropriate, and purposeful collaboration ('Picture of Public Services 2021' report (September 2021)). Further detail on some of these key opportunities and challenges is provided below:

Climate change	The Environment (Wales) Act 2016 placed a duty on the Welsh Ministers to ensure that in 2050 net emissions are at least 80% lower than the baseline set in legislation. The Environment (Wales) Act 2016 (Amendment of 2050 Emissions Target) Regulations 2021 increased the minimum percentage from 80% to 100%, ie. net zero emissions. Welsh Government has an aspiration for a net zero public sector by 2030.
Poverty	Audit Wales issued a report - 'Time for Change' Poverty in Wales – in November 2022. Key messages from the report were that poverty is multidimensional, complex, growing and impacting more people in Wales. The impact of poverty is far reaching and increasingly more difficult for people to deal with. People in all parts of Wales continue to live in poverty and the number is estimated to be rising, with the cost-of-living crisis pushing more people into poverty The analysis shows that poverty is the single major challenge facing all tiers of government.
Technological developments	Public bodies need to balance the opportunities that technological changes provide with a need to ensure that they do not exclude those who are less comfortable and able to use digital technologies.

© 2022 Auditor General for Wales – Time for Change – Poverty in Wales

The Auditor General also published a report in February 2024 entitled 'From Firefighting to Future-proofing – the Challenge for Welsh Public Services' in which he drew on the work of Audit Wales to *'reflect on the way our public bodies are governed and managed, the importance of minimising losses through fraud and error, the complexity of the public service landscape, and challenges around workforce capacity, digital transformation, and planning for the long term'*. It also emphasised the need more than ever to ensure value for money in public spending to enable government and public organisations to achieve more with what they already spend.

Since late 2021 the UK has been faced with a cost of living crisis which, in addition to cost pressures arising from an ageing population and the impact this has on service demand, has created additional financial pressures across all local authorities in the United Kingdom.

In October 2023 Wales Fiscal Analysis at Cardiff University issued a briefing note on the medium term fiscal outlook for government in Wales. It concluded that:

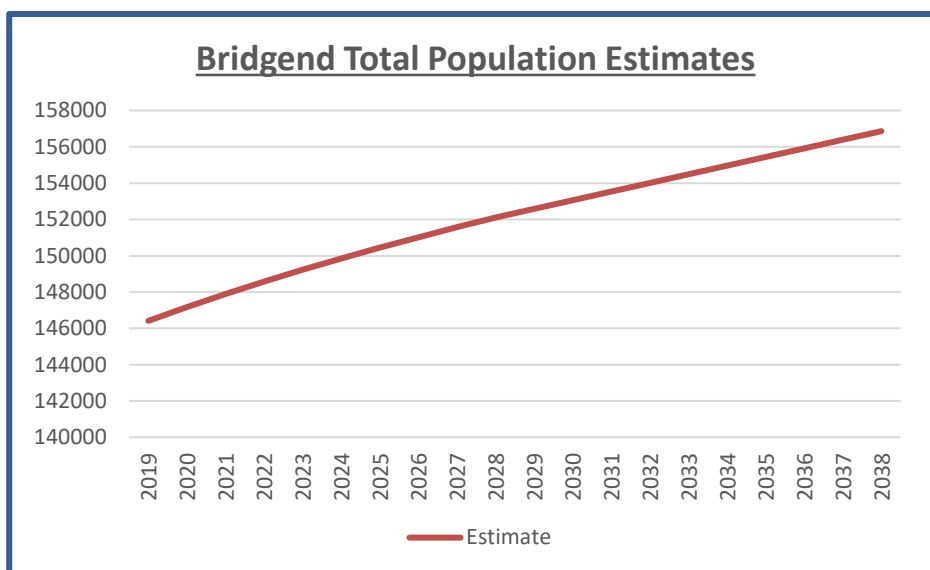
- *....spending pressures have outstripped the growth in local government revenues over the last two years, despite significant nominal terms increases in funding from the Welsh Government. A key driver has been substantial pay increases for local government staff and teachers, despite many workers still seeing real terms pay cuts. In response, local authorities have mitigated pressures by drawing down significantly from their reserves (built up during the previous two years) and Council Tax increases averaging 5.8% in 2023-24.*
- *Under our assumptions, total local government funding from the Welsh Government is set to fall slightly in nominal terms (by an average of -0.2% per year) over the years 2025-26 to 2027-28. That would mean a 4.3% reduction in real terms over the three years.*
- *However, under our central scenario for funding over future years, local authority finances appear to be on an unsustainable path, with the funding gap growing in each year of the projection. Relative to our base year of 2021-22, the funding gap could grow to £744 million by 2027-28.*
- *While the economic and fiscal context could radically change, our projections of spending pressures and funding suggest there could be significant reductions in local services over coming years.*

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

Population increases

- 5.3.2 Indications are that the population will continue to increase over the next 10 to 15 years, from 147,000 in 2021 to 156,000 in 2039, as outlined in Welsh Government population projections in **Chart 7** below. This will place increased pressure on the Council's budget if no additional funding is provided, particularly in terms of school places, adult social care, infrastructure and transportation. However, whether or not this will attract additional funding will depend on population growth across Wales as a whole.

Chart 7: Bridgend Population Estimates



Pupil numbers

- 5.3.3 An increase in pupil numbers in schools places significant pressure on both the capital and revenue budgets, in terms of ensuring there are sufficient school places in the right location for pupils. This can result in capital investment in new schools, adaptations to schools or re-balancing the mix of schools, primary, secondary and special, but also Welsh medium and English medium. **Table 18** below shows that there has been a significant increase in secondary and special school pupils over the period, with a recent corresponding reduction in primary pupils. Overall pupil numbers are lower now than they have been for the past five years. The funding per pupil in special schools, in particular, is significantly higher due to the additional staffing resource required to provide for these pupils, which places additional demands on a limited budget.

Table 18 - Bridgend Pupil Numbers

	Primary	Secondary	Special	Totals
September 2020	13,012	9,631	399	23,042
September 2021	12,844	9,795	390	23,029
September 2022	12,566	9,901	422	22,889
September 2023	12,289	9,773	435	22,497
September 2024	12,001	9,801	452	22,254

Pay awards

- 5.3.4 Since 2018 pay increases have been generally higher than inflation, particularly for those on lower grades and for teachers at the bottom of the pay scales. This is evidenced in recent pay increases for National Joint Council workers, whereby those on the lowest scale points received an overall higher percentage increase than those on the higher scales (5.77% compared to 2.5%). This is in addition to rises in the National Living Wage which is currently at £11.44 (rising to £12.21 in April 2025). When this was announced the Chancellor stated that this “marked a ‘significant step’ towards achieving Labour’s promise of a ‘genuine living wage’ for workers”. The

announcement in October 2024 of the 6.7% increase places pressure on the Council's budget from both in-house and commissioned services.

Contracts

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

Table 19 – Main Multi-Year Contracts

Contract	Contractor	Contract Length	Expiry Date	Current Annual Cost
Waste Collection	Plan B	2 years (plus optional 2 years)	31/03/26	£8.130 million
Home to School Transport	Various	Varies (taxis 1 year plus optional 1 year, buses 4 years plus optional 2 years)	Varies (taxis 2024, buses 2028)	£10.7 million
Cultural Trust	Awen Cultural Trust	20 years	2035	£3.661 million
Leisure Contract	HALO Leisure	15 years	April 2027	£1.257 million

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

- the risk of not securing a suitable partner;
- the risk of increased costs of running the contract going forward;
- the risk of the company remaining viable in the long term;
- start-up and transition problems, especially where there are changes in contractor;
- potential reductions in quality with a new contractor.

When considering the future models of service delivery for these services consideration will have to be given as to how the Council can ensure service quality, economies of scale and economic efficiency is achieved.

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

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

the period of the contract but there is likely to be a final reduction in RSG of around £1 million when the contract ends in 2034.

5.4 Longer Term Strategy

5.4.1 The Covid-19 pandemic and the war in Ukraine, and the impact of both, have reinforced how challenging it is to predict the economic climate in the short term in some instances, let alone in the longer term, with the usual single year budgets, local and national elections and other external forces at play.

5.4.2 In December 2024 Audit Wales published 'Financial sustainability of local government' in which they outlined in detail the work they had undertaken on financial sustainability across each of the 22 councils in Wales. It also provided some examples of how councils could strengthen their financial sustainability. In summary they found that all councils in Wales understand their short and medium term financial positions but most do not take a longer term view of financial sustainability and tend to rely on annual savings rounds, short term savings and short term use of reserves. The report also identified several common financial challenges facing all local authorities, namely:

- Inflation and the cost of living crisis;
- Social care, especially an ageing population and increased numbers of Children Looked After;
- Housing, particularly homelessness prevention duties;
- Education, specifically school budgets, additional learning needs and home to school transport;
- Capital investment and the revenue budget implications of borrowing;
- Environmental sustainability, meeting net zero targets and reacting to storm and flood damage.

5.4.3 The Council must take a view on what strategies it can adopt to try to mitigate any negative impacts on its finances, and some of these are highlighted below.

Digitalisation

In 2020 Cabinet approved a Digital Strategy for the Council which was divided into three key areas – Digital Citizen, Digital Council and Digital Place. The aim was to provide digital services that:

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

The Council is currently drafting a new Digital Strategy. The new document will take into account the needs of stakeholders, both within and outside of the Council, and will be supported with an action plan which includes key milestones.

Commercialisation

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

Charging policy

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

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

Community Asset Transfer

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

Climate Emergency Response

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

Statutory versus non-Statutory Services

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

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

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

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