

<b>Meeting of:</b>	<b>CABINET</b>
<b>Date of Meeting:</b>	<b>13 JANUARY 2026</b>
<b>Report Title:</b>	<b>MEDIUM TERM FINANCIAL STRATEGY 2026-27 TO 2029-30</b>
<b>Report Owner: Responsible Chief Officer / Cabinet Member</b>	<b>CHIEF OFFICER – FINANCE, HOUSING AND CHANGE CABINET MEMBER FOR FINANCE AND PERFORMANCE</b>
<b>Responsible Officer:</b>	<b>DEBORAH EXTON DEPUTY HEAD OF FINANCE</b>
<b>Policy Framework and Procedure Rules:</b>	<b>The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li><b>The draft Medium Term Financial Strategy (MTFS) sets out the spending priorities for the Council for the next 4 years alongside a detailed budget for 2026-27.</b></li> <li><b>The report outlines the financial, legislative and policy context within which the draft budget has been prepared alongside more detailed information on the services to be provided by the Council over the period of the MTFS.</b></li> <li><b>The proposed MTFS is driven by the Council's 13 MTFS principles and has been developed by Cabinet and Corporate Management Board.</b></li> <li><b>Welsh Government announced its draft budget on 3 November 2025 before the announcement of the provisional local government settlement on 24 November 2025.</b></li> <li><b>In terms of the provisional local government settlement, the all-Wales increase in Aggregate External Funding (AEF) was 2.7%. The increase for Bridgend was 2.8%.</b></li> <li><b>No information was provided on future years' funding although indications are it will still be extremely challenging.</b></li> <li><b>There were a number of transfers of funding into the settlement.</b></li> <li><b>Based on the provisional local government settlement the proposed net revenue budget for 2026-27 is £403.337 million, and this includes pay and price pressures of</b></li> </ul>

	<p><b>£11.529 million, service budget pressures of £9.194 million (Appendix A), budget reductions of £2.416 million (Appendix B) and a council tax increase of 4.95%. The breakdown of the draft budget for 2026-27 is set out in Table 5.</b></p> <ul style="list-style-type: none"> <li>• Welsh Government has announced that local authorities will receive additional funding in the final settlement, so the position between draft and final budget will change.</li> <li>• Based on the provisional settlement the MTFS sets out a most likely savings target of £32.771 million over the next 4 financial years.</li> <li>• The Council's general capital funding increased by £259,000 to £8.841 million.</li> <li>• The Section 151 officer has a statutory duty to set a balanced and robust budget.</li> <li>• If approved by Cabinet the draft MTFS will be submitted for consultation with the Council's Corporate Overview and Scrutiny Committee before a final version is presented to Council for approval on 25 February 2026.</li> <li>• On 9 December 2025 Welsh Government announced they had made a budget deal with Plaid Cymru which will result in local authorities receiving a 4.5% increase overall, and all authorities receiving at least 4.1% in the final settlement. Once the details are confirmed in January 2026 these will be factored into the final MTFS.</li> </ul>
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## 1. Purpose of Report

1.1 The purpose of this report is to present Cabinet with the draft Medium Term Financial Strategy 2026-27 to 2029-30, which sets out the spending priorities of the Council, key investment objectives and budget areas targeted for necessary savings. The strategy includes a financial forecast for 2026-2030 and a detailed draft revenue budget for 2026-27. Definitions of the key financial terms can be found in the glossary at **Appendix D**.

## 2. Background

### Corporate Plan - Policy Context

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

- A prosperous place with thriving communities
- Creating modern, seamless public services
- Enabling people to meet their potential
- Supporting our most vulnerable

2.2 This draft Medium Term Financial Strategy (MTFS) has been significantly guided by these objectives. Although previous year-on-year changes in Aggregate External Finance (AEF) have necessitated substantial budget reductions across different service areas (£96.7 million since austerity began in 2010 - of which schools have contributed £9.45 million), the Council still plays a very prominent role in the local economy of Bridgend County Borough and in 2025-26 is responsible for annual gross expenditure of over £530 million. The Council is also the largest employer in the county borough. The Council's Corporate Plan is aligned to the Medium Term Financial Strategy, enabling the reader to make explicit links between the Council's well-being objectives and the resources directed to support them. However, it is clear that the challenging financial situation that the Council faces and the level of budget and service cuts that need to be made will inevitably severely impact on and restrict some of the objectives set out in the Corporate Plan for at least 2026-27, but maybe also beyond that, but the Council will remain ambitious in providing the maximum levels of service possible for all residents of the County Borough, within available resources.

2.3 The Welsh Government announced its Final Local Government Settlement for 2025-26 on 20 February 2025. The increase in AEF across Wales was 4.5%, with Bridgend receiving an increase of 3.8%. Due to the number of underlying budget pressures continuing from 2025-26 and new pressures emerging going forward, along with anticipated pay and price increases, this level of funding was not sufficient to meet all demands, leading to the need for a 4.5% council tax increase and £8.379 million of budget reductions.

2.4 The quarterly reports to Cabinet on the revenue position for 2025-26 have outlined in detail the ongoing difficulty in managing and monitoring the budget, in view of challenging and continuing pressures from 2024-25, which include increasing demand in some service areas, such as social services and homelessness. Whilst provisions were made in the 2025-26 budget to mitigate some of these costs, and whilst service models are in place to meet needs early to prevent an escalation of need, there was not sufficient funding to meet all, and the demand has continued to increase.

2.5 Budget planning for the financial year 2026-27 continues to be more uncertain and challenging than usual, with a number of existing and new cost pressures presenting themselves and making a demand on the Council's limited resources. In addition, there continue to be high expectations on the Council to address homelessness more robustly, and on a longer- term sustainable basis, and additionally to meet the needs of a growing and ageing population for social care, which results in increased demand and costs as well as more complex cases in both adult and children's services. In addition, providers of social care – both inside the Council and commissioned services – experience significant inflationary pressures due to wage inflation, including above inflation uplifts to the Real Living Wage, increases to national insurance and energy costs. There is new legislation in the form of the Health and Social Care (Wales) Act (2025) and the transitional revenue and capital costs associated with this legislation require significant investment. We also continue to see increased budgetary pressures in services for pupils with additional learning needs, due to increasing demand and complexity of needs. The Council is having to reduce spend and services in a climate that requires more support for our older and more vulnerable members of society with substantial increased demand for many services.

### **3. Current situation / proposal**

#### **3.1 Budget Narrative**

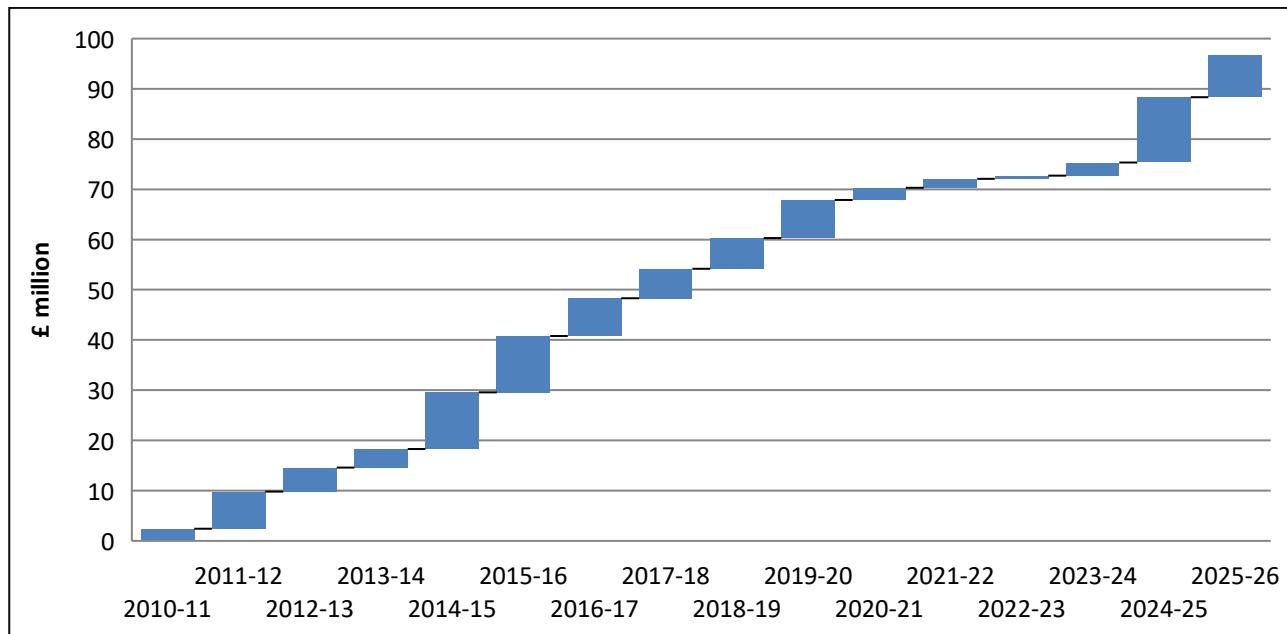
3.1.1 Through the MTFS the Council aspires to improve understanding of its financial strategy, to clarify the link between its corporate well-being objectives and the financial planning processes, and to explain the Council's goal of delivering sustainable services in line with the overarching ambition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

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

#### **3.1.2 Corporate Financial Overview**

Since austerity began in 2010 the Council has made almost £96.7 million (nominal value) of budget reductions, as shown below, towards which school delegated budgets have contributed £9.45 million. These reductions represent around 25% of the Council's current net budget, however the percentage of savings and cuts has not been equal across all Council services, with relative protection given in past years to some areas, such as social services.

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



While the Council's net revenue budget is planned at £403.337 million for 2026-27, 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 £550 million in 2026-27. 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 £240 million of the gross budget is spent on the Council's own staff including teachers and school support staff. Much of the cost of the services provided by external organisations is also wage related – these include for example waste collection operatives, social care workers, leisure staff and foster carers.

The Council gets the majority of its revenue funding (52%) from Welsh Government through the Revenue Support Grant and a share of non-domestic rates. Non-domestic rates are a charge on business properties, the rate for which is set by Welsh Government. The Council supplements this through council tax collection (20%), other grants (19%) and fees and charges (9%). Council tax is a charge that local authorities charge to help to pay for their services. The amount that council tax payers pay is made up of 3 elements:

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

In terms of council tax, the proportion of council tax required to balance the Council's budget has steadily increased over recent years and it currently funds around 28% of the net revenue budget. This means that for every £1 spent on services provided by the Council, only around 28 pence is funded by local council tax payers.

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

## APPENDIX 1

- Legislative changes in social care, including the Health and Social Care (Wales) Act 2025, which reflects 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. These legislative changes are not fully funded by Welsh Government and the removal of profit particularly has significant revenue and capital implications. Grant funding which has been made to support the transitional phase is due to end in 2027-28 which will increase cost pressures.
- 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, the Welsh Language and Education (Wales) Act 2025 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 a consistent number of high-cost independent residential placements and on occasion 'operating without registration' placements for children and young people. To meet this need the budgetary position has worsened as the number of high cost placements continues to exceed budget. There has also been a reduction in the number of in-house foster carers which has exacerbated the need for residential care. This area will be a priority for an invest-to-save initiative with an aim of significantly preventing and de-escalating these high-cost placements whilst continuing to reduce the total number of looked after children.
- Demographic changes – the size of the population is increasing as people living longer with complex health conditions. This means the number of people living in Bridgend with health and social care needs is also increasing with age related illness and disability. 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 delays in access to NHS treatment. 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 carers supporting individuals - children or adults – with significant disabilities are evident. Changing the model of support for adults with a learning disability and mental health is a priority. This will reduce the costly use of residential care for some.

- An increase in free school meals entitlement, separate from and additional to the Welsh Government's Universal Free School Meal entitlement, which brings additional funding pressures, as this increases the amount of funding that is needed to be provided to schools through their delegated budgets.
- More recently, a reduction in the council tax collection rate, due to the difficult economic circumstances that people find themselves in. This is coupled with a potential increase in council tax support as more people find themselves on low incomes or claiming benefits during the cost of living crisis.

The Council's Corporate Plan sets out the approaches that it will take to manage these pressures whilst continuing to ensure that, as far as possible, services can be provided that meet the needs of the citizens and communities in Bridgend. These approaches are:

- Though a large and complex organisation, the Council will make every effort to work as one single organisation. That means avoiding duplication and double handling of data through sharing of systems and processes. This is not always as easy as it sounds because often different rules or opportunities apply to different services. Nevertheless, acting as 'One Council working together to improve lives' is enshrined in the Council's vision.
- The Council will support communities and people to become more resilient by creating their own solutions and reducing dependency on the Council. 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 four 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.

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 2026-27 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.

### **Alternative Delivery Models**

We will continue to seek alternative ways of delivering services if that can ensure greater sustainability and efficiency. 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 (TCCs) will be better able to take on additional responsibility for some local services when appropriate. This work has been enhanced this year with the appointment of a Town and Community Council Liaison Officer, whose role is to act as the main point of contact between the Council and TCCs, providing support, guidance and communication, developing and maintaining strong working relationships. 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.

During 2025-26 the Council underwent a Panel Performance Assessment. The headline findings from the assessment were very positive. However, despite these positives it describes the Council as now being at '*a crossroads in terms of its development and now is the time to act at pace. By making the necessary changes now, the council can make sure it can sustain services and continues to deliver for its communities for years to come.*' To address the issues raised, the Council is now developing a transformation plan which will set out a clear, long-term vision for Bridgend in 2040, and some broad themes / work streams for how we will achieve that vision. Additional strategic capacity has been put into the authority to increase our resilience and enhance the capacity for change. Specifically, it is anticipated that an acceleration of the Council's digital programme will deliver long term efficiency savings. In addition, the council will better embed programme and project management with additional investment to deliver change and sustainability. 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.

Over recent years savings have been made by rationalising the number of operational depots and releasing three of the Council's major staff offices at Sunnyside, Sunnyside House and Ravens Court. 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 2026-27 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.

#### **3.1.3 Education, Early Years and Young People**

The Council is proposing to spend £163 million on services delivered by the Education, Early Years and Young People Directorate in 2026-27, prior to the allocation of additional funding for pay and price increases. Around £130 million of this money will be spent directly by Bridgend's 59 schools and one pupil referral unit.

In addition to the £130 million proposed budget to be initially delegated to schools in 2026-27, 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 £42 million as part of the Sustainable Communities for Learning Programme, £15 million more than was committed last year. 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. Welsh Government approval has been received in respect of the full business case for the Bridgend West primaries scheme, and the remaining Band B full business cases will be submitted to Welsh Government once tender processes have concluded. 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. Assessing the full year revenue impact of this is detailed work that is underway. 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 the school age population)).

School budgets make up one-third of the Council's overall net budget, so it is challenging to find the level of budget reductions that the Council has to meet without impacting on schools. However, for 2026-27, schools have not been tasked with finding any budget reductions from their delegated budgets, and there are currently no proposed budget reductions for schools for 2027-28. In addition, they will receive additional funding for a range of pay and price increases that could total around £5 million. The current net budget for schools is £126.309 million, compared to an overall Council net budget of £383.226 million, so it is difficult to make significant levels of budget reductions without any impact at all on schools, either directly or via central services that support schools.

The forecast pressure on Council budgets for future years is such that further efficiency savings may be unavoidable for schools going forwards, 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. Bridgend has amongst the highest number of special school places and demand is growing. Equipping schools better to manage the needs of children in mainstream settings will be a priority to contain and even reduce the budget to sustainable levels.

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 e.g. those with additional learning needs or emotional, social and behavioural difficulties who experience challenges with a full timetable.

In June 2022, Bridgend Youth Justice Service was inspected by Her Majesty's Inspectorate of Probation. At that time, the service was deemed as requiring improvement. The main challenges faced by this service included increased numbers of children open to the service, the management of an increase in the number of first-time entrants into the criminal justice system and a reduction in grant funding. Since then, significant improvements have been made. His Majesty's Inspectorate of Probation (HMIP) most recently inspected Bridgend Youth Justice Service in November 2025. While we await formal (published) feedback from HMIP, initial feedback in respect of the work of Bridgend Youth Justice Service has been extremely positive and the service has managed well dealing with increased demand.

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 Transport Policy.

### **3.1.4 Social Services and Well-being**

After Education and schools, the largest area of Council spend is 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 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, including above inflation increases to the Real Living Wage and employer national insurances costs, and non-pay costs, including energy 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. Consideration of expanding our in house offer will also be a priority as the market increasingly adjust prices with top-ups as supply is lower than demand.

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 significantly 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 (i.e. not registered with Care Inspectorate Wales). 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 3 years has been steady at around 20 and whilst the Council is investing in its own residential provision the revenue costs of operating Council care homes also need to be provided for. 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, and was approved by Cabinet in November 2024, which sets out the operating model, workforce plan, practice model and prevention and wellbeing approach to supporting vulnerable people 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 services 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 comply with Welsh Government's commitment to pay all care workers the Real Living Wage, 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, with rising prices over recent years and this year's increase in employer national insurance contributions, 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 intervene early and preventatively, 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.

In addition to children and family services and adult social care, the Social Services and Wellbeing directorate also has responsibility for prevention and wellbeing, including the healthy living partnership with Halo and the cultural partnership with Awen. These partnerships also experience the impact of inflationary pressures, particularly the Awen partnership which has very limited ability to raise income.

### **3.1.5 Housing and Homelessness**

Housing as a determinant of physical and mental health is widely recognised and this link is reinforced by the range of activities and services provided by the Housing Team. The Housing (Wales) Act 2014 introduced the need to move to a more preventative approach to homelessness and this is a core principle of the work undertaken. The service has responded to the ongoing 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 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 2025 this had increased to 276 households. 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 2024-25 the net spend from core budget was £2,909,503.

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 October 2024 this number had increased to 3,709 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.

Capacity to work with and commission Housing Associations is limited as is the capacity to manage and develop services for such a high level of need. This will be considered carefully in 2026.

### **3.1.6 Public Realm**

Most of the Council's net budget is spent on education and social care – these are very valued services but are naturally aimed at certain groups within our community. However, the Council's work on the public realm has a direct and visible impact on everybody. This includes our work to maintain highways, parks and open spaces, clean our streets, and collect and dispose of our waste.

In 2026-27 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 2026-27.

The Council is now in the process of bringing its waste services back in-house from July 2027. Bridgend has been named as the top performing waste authority in Wales, with recycling rates at over 73% in 2023-24. 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 2026-27.

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. It will be a priority to increase capacity in these areas.

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.

### 3.1.7 Supporting the Economy

Whilst this is a Council priority, services such as regeneration and economic development as discretionary services have had to make considerable reductions to their budgets over recent years. The Council has delivered this by employing fewer but more highly skilled staff and focusing activity more narrowly on priority areas to maximise impact. Going forward, we will continue to collaborate on a regional basis with the nine other Councils that make up the South East Wales Corporate Joint Committee (CJC), known as Cardiff Capital Region City Deal. 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. 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. 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 144 year old listed building for future generations.

The Council also adopted the Replacement Local Development Plan (RLDP) in March 2024. We are the first local authority in Wales to have an approved RLDP, 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 RLDP 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.

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, 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 endeavour to 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 was extended for a transition year in 2025-26, ahead of wider local growth funding reforms. However, this was at a level that is around 40% lower than the previous year's budget. Further information is still awaited on the SPF replacement, the Local Growth Fund. 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, the tender for the main construction works was awarded and the construction contract has commenced.

### **3.1.8 Regulatory and Corporate Services**

The Council operates a number of other services which it recognises fulfil specific and important roles. In many cases these are statutory though the precise level of service to be provided is not defined in law. The main areas are as follows:

#### Shared Regulatory Services

This is a combined service with the Vale of Glamorgan and Cardiff City Councils, for which Bridgend will contribute around £1.8 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, most recently due to the cost of living crisis. We are determined to regain the pre-2020 high levels of collection, but it is an uphill struggle. From 1 April 2026 Welsh Government are introducing changes to the recovery process to give council tax payers longer to pay before losing the right to pay by instalments which will result in a delay in income being received, increased postage costs and less income from court costs.

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 long-term empty properties was introduced and took effect on 1 April 2023, whilst a council tax premium on second homes took effect on 1 April 2024. For the first 24 months the premium charge is set at 200% of the annual charge, increasing to 300% thereafter.

A number of benefits, including Housing Benefit and Universal Credit, are funded by the central UK government, but the administration of Housing Benefit applications falls to the Council. The Benefits Service also administers applications on behalf of the Council for Council Tax Reduction, Discretionary Housing Payments, Free school meals, Special Guardianship allowances, Adoption allowances and Disabled Facilities Grants.

### **3.1.9 Other Council Wide Services**

There are a number of things that the Council does that support the delivery of services but which themselves are not visible to the public. We need to maintain these services with sufficient capacity to support our services whilst making them as efficient and effective as possible. In many cases we operate such services by sharing with other organisations. Opportunities for further collaboration or sharing in these service areas has been and will continue to be explored. There are a number of proposed budget cuts against these services for 2026-27 onwards, all of which will compromise their ability to support frontline services and may, in some circumstances, be potentially counter-productive, for example, in terms of enabling the collection of additional income, or by inadvertently increasing costs in other service areas.

#### Property and building maintenance

The Council continues to review its commercial property portfolio, identifying asset management opportunities and the mechanisms required to deliver a sustainable increase in income. Alongside this, the Council is continuing to dispose of assets it no longer requires in order to deliver its services, such as Ravens Court, in order to provide further investment in our capital programme.

The Council has brought together its asset management and building maintenance functions, and has centralised all premises repairs, maintenance and energy budgets into a single 'corporate landlord' service within the Communities Directorate. This enables us to better manage compliance, embed 'whole life costing' approaches into decision-making, manage the quality of work undertaken by contractors, and thereby deliver efficiencies in the management of our estate. This focus on reducing our assets and energy efficiency will be essential if the Council is to meet Welsh Government's target for all public sectors bodies to achieve net zero by 2030.

The service will continue to review its processes in 2026-27 including seeking further operational efficiencies and streamlined business processes, from ICT investment, improved procurement and contract management.

### Legal services

The Council needs to maintain effective legal support for all of its services. Any changes to services as part of the transformation agenda will need to be undertaken lawfully. Direct support to services such as Education and Social Services is delivered by a combination 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 continue to increase in number and complexity.

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. Proposals will be developed to enhance these areas in response to the Panel Performance Assessment recommendations.

Working closely with our recognised trade unions, we maintain positive and transparent employee relations arrangements.

### ICT

We are continuing to invest in the automation and digitisation of services in line with our Digital Strategy, where it is appropriate to do so. Work will continue as part of the corporate Transformation Programme which will help achieve savings in future years, through the development and digitising of information-intensive processes, freeing up capacity and making efficiencies. The use of data needs improvement and the capacity to implement new systems has been limited. 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. Bridgend is currently behind where we wish us to be and this will be a priority for investment.

The ICT service is supporting 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 is developing an updated Corporate Procurement Strategy which will support a number of corporate priorities.

### Democratic Services

The Council is a democratic organisation with 51 elected members (Councillors) who make decisions, set policy direction and oversee the general performance of the Council. The number of elected members in each authority is set independently. Their remuneration is also determined by an independent panel. The Democratic Services team support all Members and ensure the appropriate arrangements are in place to comply with legislative requirements.

### Internal Audit

Our Regional Internal Audit Service is provided by a joint service that we share with the Vale of Glamorgan and Merthyr Councils. The service carries out routine checks and investigations to ensure that the Council maintains good governance – especially as it relates to the proper accountability of money and other resources. The level of service to be provided by the joint service in 2026-27 has been reviewed.

## **3.2 The Financial Context**

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

## 3.2.2 The MTFS includes:

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2026-27 and outline proposals for 2027-28 to 2029-30.
- The capital programme for 2025-26 to 2035-36, linked to priority areas for capital investment and the Capital Strategy, which will be presented for approval by Council in February 2026, along with the Treasury Management Strategy 2026-27.
- The Corporate Risk Assessment, which will be updated and included in the final MTFS in February 2026.

3.2.3 When Welsh Government announced the Final Local Government Settlement for 2025-26 in February 2025, they did not provide any indicative allocations for future years, but planning was on the basis of a cash flat (0% change to AEF) settlement for 2026-27 and future years. However, since the MTFS was agreed by Council in February, in July this year Welsh Government announced its approach to the budget for 2026-27. The Finance Secretary indicated that a one-year budget would be published in October which would increase departmental budgets by inflation. No indication was provided on what the level of inflation would be, but as a consequence of the announcement we updated our assumptions to be a most likely scenario of 2% increase in aggregate external funding.

3.2.4 On 1 July 2025 the Finance Secretary set out the Welsh Government's approach to the 2026-27 budget. He indicated that it would be a one-year only budget, due to the forthcoming Senedd elections, that it would not introduce major new spending commitments, and would focus once again on a healthier Wales, green jobs and growth, connecting communities and opportunity for every family.

3.2.5 Welsh Government announced their outline draft budget on 14 October 2025, which set out their high level strategic fiscal proposals for expenditure and financing. The Welsh Government Finance Secretary stated that it provided a stable platform on which public services can plan in the run-up to the Senedd election, and that government departments would have at least the same amount of funding, in real terms, as they had this year. He also said that Welsh Government were determined to recognise the particular circumstances of local government as they work together on a settlement which will protect jobs and frontline services, understanding the strict rules it has to comply with when making its budgets.

3.2.6 Following this, Welsh Government outlined their detailed draft budget on 3 November 2025. The Welsh Government Draft Budget sets out updated revenue and general capital spending plans for 2026-27. The Cabinet Secretary for Finance and Welsh Language stated that these were initial spending plans, to enable public services to begin their own planning for the next financial year. He stated that the Draft Budget allocates 98.6% of all the funding available for 2026-27 which means that more can – and will – be done to invest in the ‘vital needs of Wales’, by the time of the Final Budget in January 2026. He stated that 2025-26 allocations have been rolled over and departmental allocations increased by around 2% at this stage of the draft budget. He indicated that there is currently around £380 million of unallocated funding, a combination of revenue and capital.

3.2.7 In respect of local authorities the Cabinet Secretary reiterated that additional funding allocated during 2025-26 for the public sector to meet the UK Government's increased employers' National Insurance costs, and to meet pay awards for teachers and local authority staff has been included in the baseline funding for 2026-27. There is also an uplift of 2% for general inflation and 2.2% for pay inflation. Additional funding was also included to ensure no individual local authority receives an increase of less than 2.3%.

3.2.8 The provisional local government settlement was announced on 24 November 2025. The Cabinet Secretary for Housing and Local Government indicated that this provisional settlement provided £6.4 billion from the Welsh Government Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) to spend on delivering key services. The final budget and final local government settlement is due to be announced on 20 January 2026, so any changes between the provisional and final settlement will be reflected in the final Medium Term Financial Strategy presented to Council in February 2026. The Cabinet Secretary has indicated that there should be little or no change between the provisional and final settlements because of updates to the tax base, as the ones used in the provisional settlement are the most up to date. However, she could not guarantee that there will be no other changes between the provisional and final settlements, but she did not intend making any significant changes to the methodology or the data underpinning the distribution of the settlement.

3.2.9 Following the announcement of the provisional local government settlement, the Chancellor of the Exchequer presented the Autumn Budget 2025 to Parliament on 26 November 2025. The Office for Budget Responsibility (OBR) released a full economic and fiscal forecast on the same day.

3.2.10 In the Autumn Budget the Chancellor said that the budget would maintain their investment in the economy and the National Health Service, it would cut the cost of living and bring down inflation, providing immediate relief for families. The Chancellor said that there would be an extra £505 million added to the Welsh Government's budget between now and 2028 as a result of new spending commitments in England, and as part of the budget, changes have been announced to the way that Wales is funded which the UK Government says will lead to £425 million extra "spending power" for the Welsh Government.

3.2.11 In response to the Autumn Budget the Welsh Government First Minister said, "*This is a Budget which will help people right across Wales. It will mean more money in the pocket of people who need it the most, support for energy bills, a raise in the minimum wage and good news for pensioners.*" She also said, "*We called on the UK Government to continue to support us with more money for hard pressed public services and they have delivered with an extra £500m, building on the £5 billion of extra funding they have already confirmed*".

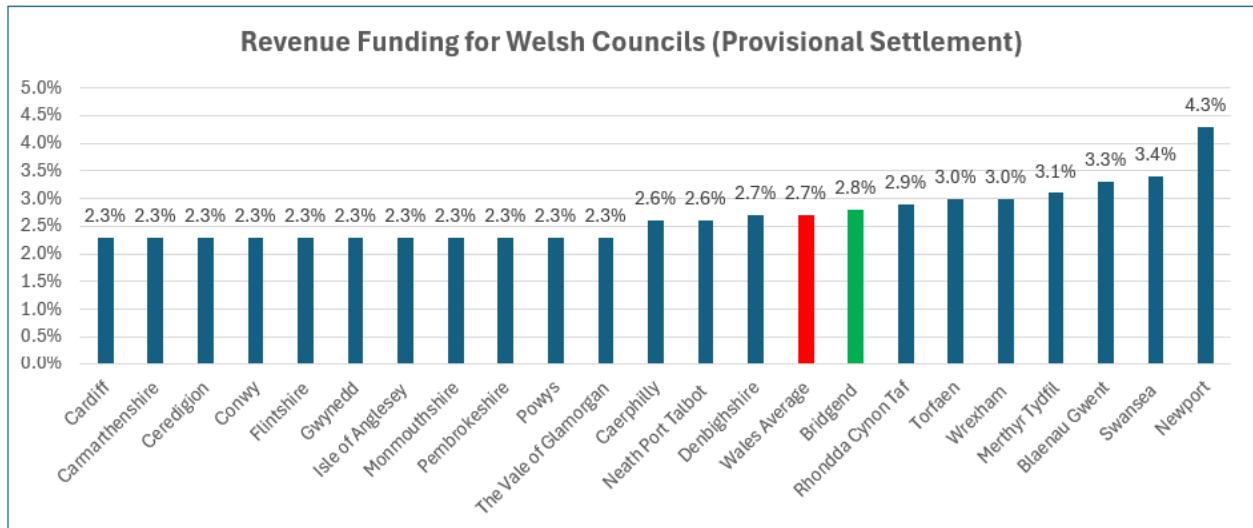
### **3.3 Welsh Government Provisional Local Government Settlement 2026-27**

3.3.1 As mentioned above, Councils received their provisional settlements from Welsh Government on 24 November 2025. The headline figure is an overall increase of 2.7% across Wales and, for Bridgend, a reported increase of 2.8% in Aggregate External Finance (AEF), after a number of transfers into the settlement in respect of

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pay and national insurance, which were funded through specific grants in 2025-26. No local authority received less than a 2.3% increase in funding. In terms of cash increases, this represents a £7.9 million increase in funding, after the specific transfers into the settlement.

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



Source: WG Provisional LGF Settlement 2026-27

3.3.2 The Cabinet Secretary for Housing and Local Government stated '*The provisional settlement provides £6.4bn from the Welsh Government Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) to spend on delivering key services. This is an average increase of 2.7% on a like-for-like basis and includes an additional £5.5m (on top of the £8.6m allocated at draft budget) to ensure no authority receives an increase of less than 2.3%.*

3.3.3 The Cabinet Secretary also stated '*We have been listening to local government, and we fully recognise the challenges that they face. This provisional settlement is the beginning of the budget process. Our priority has been to provide councils with the stability they need to set budgets which protect and deliver core frontline services. We will continue to work closely with the Welsh Local Government Association and council leaders to see where we can provide additional flexibility when managing their budgets.*'

3.3.4 In a letter to Chief Executives and Directors of Finance in Wales the Cabinet Secretary stated that the provisional settlement included a baseline of £91.5m, added in previous years, to reflect their ongoing commitment to the real living wage in social care and that she expected this funding to be used for its intended purpose to support the provision of the real living wage of £13.45 for social care workers in line with their shared commitment to this vital workforce. This is included as a budget pressure in **Appendix A**.

3.3.5 In terms of capital funding the Cabinet Secretary stated that as part of their approach to uplift budgets in line with inflation, the general capital funding for local authorities has increased from £200 million to £204 million across Wales. In addition, funding for the Low Carbon Heat Grant for 2026-2027 will be almost £31 million, continuing

their work with local government to respond to the joint priority of improving the local government estate, by providing low carbon heating contributing to the Net Zero Wales plan.

3.3.6 On 9 December 2025 Welsh Government announced that they had reached a budget agreement with Plaid Cymru that secured almost £300 million of additional investment in Wales' public services in 2026-27, and that the agreement would secure the passage of the Final Budget for 2026-27 in January 2026. As part of the agreement there would be additional funding of £112.8 million for local government in 2026-27, which would provide an overall 4.5% increase to the local government settlement. The leader of Plaid Cymru said "Our aim in negotiating with Welsh Government was to look after public services, protect jobs and keep council tax bills as low as possible". The announcement said that all Councils would receive increases above 4%, with an overall increase to local government of 4.5%. Bridgend has been notified that provisionally our increase could be 4.6%, an additional £5 million compared to the provisional settlement. Whether there are any conditions or expectations around this funding will be known when we receive the final local government settlement in January. However, this could provide the opportunity to either reduce or remove proposed budget reductions, fund additional growth pressures or reduce the council tax increase in the final MTFS. This change is not reflected in this draft budget.

### **3.4 Settlement Implications for 2026 to 2030**

3.4.1 Welsh Government has stated that, due to the Senedd Elections in May 2026, this is a one-year local government settlement only. However, given recent announcements from both Welsh and UK Governments it is likely that the financial position in the next few years will be no less challenging than it is for 2026-27.

### **3.5 Transfers into the 2026-27 Revenue Settlement**

3.5.1 The provisional settlement includes a number of transfers into the local government settlement. These are listed below alongside the figures for Bridgend:

Teachers' Pay	£818,343
Additional Learning Needs Coordinators (ALNCo) Pay	£184,274
Public Sector Pay	£665,984
Fire Pay	£12,660
Employer National Insurance Contributions	£4,351,321

3.5.2 There may be additional transfers into the final settlement as Welsh Government continues to review and rationalise the number of grants that the local authority has to administer.

### **3.6 Specific Grants**

3.6.1 As part of the Welsh Government's Programme for Government, the Welsh Ministers have committed to reducing the administrative burden on local authorities, to allow them to focus on their vitally important work delivering services. At the heart of this work is their desire to ensure that local authorities are not hampered by unnecessary bureaucracy. Welsh Government has indicated that work has been completed or is underway in other grant areas to streamline the amount of

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monitoring of grants, to ensure Welsh Government is only collecting the information which it, with local authorities, needs to understand the impact and outcomes of grant programmes. This has included reducing the frequency of monitoring returns, simplifying grant application forms and having stepped criteria for business cases dependent on the size and risk of programmes or projects.

3.6.2 The picture on changes to specific grants is available at an all-Wales level for most grants, but not yet at an individual authority level. However, from the information provided, and Welsh Government's announcements, it is clear that Welsh Government has provided a 2% inflationary uplift for most grants for 2026-27.

3.6.3 The biggest change in grant funding will be to the United Kingdom Shared Prosperity Fund which will cease at the end of 2025-26 and be replaced by the Local Growth Fund, for a three year period. Welsh Government is currently consulting on how that money could be spent. Currently Bridgend receives £5.601 million of revenue funding and £2.149 million of capital funding from the Shared Prosperity Fund. It has been reported that, going forward, the majority of the Local Growth Fund will consist of capital funding, with a smaller amount of revenue funding available, and this could have implications for services currently provided through the grant.

### 3.7 Current Year (2025-26) Financial Performance

3.7.1 The in-year financial position as at 30 September 2025 is shown below.

**Table 1- Comparison of budget against projected outturn at 30 September 2025**

Directorate/Budget Area	Original Budget 2025-26 £'000	Revised Budget 2025-26 £'000	Projected Outturn Q2 2025-26 £'000	Projected Over / (Under) Spend 2025-26 £'000
<b>Directorate</b>				
Education, Early Years and Young People	154,862	157,073	156,784	(289)
Social Services and Wellbeing	115,909	119,451	119,334	(117)
Communities	33,754	34,429	34,506	77
Chief Executive's	24,815	25,762	26,544	782
<b>Total Directorate Budgets</b>	<b>329,340</b>	<b>336,715</b>	<b>337,168</b>	<b>453</b>
<b>Council Wide Budgets</b>				
Capital Financing	5,958	5,907	4,680	(1,227)
Levies	10,209	10,209	10,209	0
Apprenticeship Levy	750	869	869	0
Council Tax Reduction Scheme	17,054	17,054	17,268	214
Insurance Premiums	1,363	1,363	1,375	12
Repairs & Maintenance	670	670	670	0
Pension Related Costs	430	430	462	32
Other Council Wide Budgets	17,452	10,009	4,628	(5,381)
<b>Total Council Wide Budgets</b>	<b>53,886</b>	<b>46,511</b>	<b>40,161</b>	<b>-6,350</b>
<b>Total</b>	<b>383,226</b>	<b>383,226</b>	<b>377,329</b>	<b>(5,897)</b>

3.7.2 The overall projected position at 30 September 2025, as reported to Cabinet on 21 October 2025, is a net under spend of £5.897 million comprising £453,000 net over spend on directorates and a net under spend of £6.350 million on Council wide

budgets. During quarter 2, pay awards for 2025-26 were agreed for Joint Negotiating Committee (JNC) Chief Officers, National Joint Council (NJC) employees, along with Teachers' pay awards from September 2025. The agreed pay awards for JNC and NJC staff were lower than budgeted for and the projected under spend on this budget has been recognised under other Council wide budgets. The ongoing uncertainty over future pay awards means that it is likely that the provision set aside in the MTFS for 2026-27 will need to be supplemented by any funding not committed from the central pay budget during 2025-26.

### **3.8 Medium Term Financial Strategy (MTFS) 2026-27 to 2029-30**

- 3.8.1 This section of the report sets out the proposed MTFS for the Council for the next four financial years, based on the latest information available from Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.
- 3.8.2 The development of the MTFS 2026-27 to 2029-30 is led by Cabinet and Corporate Management Board (CMB) and takes into account auditors' views, the recommendations of the Scrutiny Budget Working Group (SBWG), views of scrutiny committees and issues arising during 2025-26, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning.
- 3.8.3 Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. Cabinet and CMB will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners).

### **3.9 MTFS Principles**

- 3.9.1 As well as consideration of future income and expenditure scenarios, the MTFS provides a set of clear principles which drive the budget and spending decisions over 2026-2030 and which Members and others can examine and judge the Council's financial performance against. The thirteen MTFS principles are:
  1. There will be a "One-Council" approach to the Medium Term Financial Strategy with a view on long term, sustainable savings proposals that are focused on ensuring that the Council remains financially viable over the full period of the MTFS.
  2. All budget related decisions will align with the principles of the Well-being of Future Generations (Wales) Act 2015.
  3. The Council will continue to meet its statutory obligations and demonstrate how it directs resources to meet the Council's corporate priorities. Other resource strategies (including the Treasury Management Strategy and Capital Strategy) are kept under review to maintain alignment with the MTFS and the Corporate Plan.

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

3.9.2 The MTFS Budget Reduction Contingency Reserve referenced in Principle 7 enables the Council to manage delays or unforeseen obstacles to the delivery of significant MTFS budget reduction proposals. No allocations have been made to date in 2025-26 from this reserve. The level of this reserve will be kept under review by the Section 151 officer in light of forecast difficulties in delivering specific future budget reduction proposals.

### **3.10 Council Tax**

3.10.1 The 2026-27 draft Revenue Budget, shown in Table 5 below, assumes a 4.95% increase in council tax for 2026-27, which is required to enable the Council to meet

the considerable financial challenges that it faces both currently and going forward, not least the ongoing pay and price pressures, along with the unprecedented number of unavoidable service pressures facing the Council as it tries to support its most vulnerable residents. This level of increase will be reviewed again following the consultation process before the final budget is agreed. Going forward an assumed annual increase of 4.5% has also been included for 2027-2030.

### 3.11 MTFS Resource Envelope

3.11.1 The published provisional 2026-27 Aggregate External Finance (AEF) figure is an increase of 2.8% for Bridgend. In the MTFS 2025-26 to 2028-29, it was stated that the Council would continue to work towards a most likely scenario in its planning assumptions for 2026-27 of an annual 0% change in AEF and an assumed increase in council tax of 4.5% for 2026-27, with anticipated 0% changes to AEF for future years, recognising the ongoing uncertainty around our funding in future years. However, despite the better than anticipated settlement, as stated above, as a result of the unprecedented challenges facing the Council, and in trying to keep the level of budget reductions to a minimum, it is proposed to increase council tax by 4.95% for 2026-27.

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

3.11.3 Welsh Government has not given any information on likely levels of funding for 2027-28 onwards, due to the Senedd Elections in May 2026. However, it is anticipated that the financial position will be no less challenging and that Councils should plan accordingly. Therefore, for 2027-28 onwards, given the level of funding uncertainty in future years, as well as unknown pay and price increases, we will continue to assume 0% change to AEF and an estimated council tax increase of 4.5%. However, they will continue to be monitored and will be amended as further fiscal and economic information is made known.

**Table 2 – MTFS Scenarios: % Change in AEF**

	2026-27 % Change	2027-28 % Change	2028-29 % Change	2029-30 % Change
Best Scenario	+2.8%	+1.0%	+1.0%	+1.0%
<b>Most Likely Scenario</b>	<b>+2.8%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Worst Scenario	+2.8%	-1.0%	-1.0%	-1.0%

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

**Table 3: MTFS Potential Net Budget Reductions Requirement**

	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000	Total £'000
<b>Best Scenario</b>	2,416	7,438	7,182	6,915	<b>23,951</b>
<b>Most Likely Scenario</b>	2,416	10,349	10,122	9,884	<b>32,771</b>
<b>Worst Scenario</b>	2,416	13,260	13,004	12,737	<b>41,417</b>

### 3.12 Managing within the MTFS Resource Envelope

3.12.1 Given the slightly better than anticipated settlement, and the positive impact of the actuarial valuation on employers' pension contributions, explained in more detail in paragraph 3.18.5, the amount of budget reductions required for 2026-27 is lower than in previous years. Over the period of the MTFS the financial forecast for 2026-2030 is currently predicated on £32.771 million of budget reductions being met from Directorate and Corporate budgets. However, the assumptions beneath them can change quickly and with an uncertain, but no less challenging, financial settlement likely going forward, this level of reductions could change going forward. Directors have already been tasked with identifying future years' budget reductions, to ensure they are realisable at the earliest opportunities. The budget reduction targets 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, went as low as 1.7% in September 2024 but has remained above 3% since April 2025, and was 3.6% for October 2025. This still compares favourably with the higher 8% - 11% increases experienced during 2022 and 2023 but it is much higher than the Bank of England's target of 2% - which the Bank considers a stable pace of increase.
- 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 Terrorism (Protection of Premises) Act 2025, and the implications of the Health and Social Care (Wales) Act 2025.
- Complying with the budget principle of full cost recovery, where possible. Consequently fees and charges will increase by the statutory minimum or at least CPI, unless determined otherwise.
- Increases in staffing costs, including a confirmed 6.7% increase in the Real Living Wage (from £12.60 to £13.45 per hour), a 4.1% increase in the national living wage from April 2026 (from £12.21 to £12.71), along with the

impact of staff pay increases in both 2025-26 and 2026-27. These include the full year effect of the teachers' pay increase of September 2025 (4% increase), the unknown teachers' pay increase in September 2026 and increases for non-teachers for 2026-27, which are still to be determined.

With regard to pay claims for 2026-27 the NJC Pay Claim has been submitted by Unison, Unite and GMB Unions, requesting an increase of:

- at least £3,000, or 10% (whichever is greater) for all staff, as well as a minimum hourly rate of £15.
- 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 £240 million, every additional 1% increase will add at least a further £2.4 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 2025 pay award. No information has been received to date on the potential teachers' pay award for September 2026.

### **3.13 Net Budget Reduction Requirement**

3.13.1 Table 4 shows the current position in respect of addressing the most likely forecast budget reduction requirement of £32.771 million. It shows that £2.826 million of budget reduction proposals have already been identified over the period of the MTFS, including the full £2.416 million required for 2026-27. The table shows that the Council still needs to develop proposals to the value of £29.945 million. This will require some difficult decisions to be made on the range and level of services that the Council provides going forward.

**Table 4 - Risk Status of Budget Reduction Proposals 2026-27 to 2029-30**

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
2026-27	832	1,106	478	2,416	0	2,416
2027-28	0	0	410	410	9,939	10,349
2028-29	0	0	0	0	10,122	10,122
2029-30	0	0	0	0	9,884	9,884
<b>Total</b>	<b>832</b>	<b>1,106</b>	<b>888</b>	<b>2,826</b>	<b>29,945</b>	<b>32,771</b>
Percentage of total required	3%	3%	3%	9%	91%	100%

3.13.2 Table 4 illustrates the difficult position that the Council finds itself in financially over the life of the MTFS. For 2026-30 only 9% of savings have been identified, which leaves the Council at risk of not balancing the budget. This will depend on the level of settlement that the Council receives and the total budget reductions required to balance the budget. Indications from Welsh Government are that financial settlements in future years will still be challenging and the Council will continue to face high pay and price pressures. Consequently we will continue to identify options to close the gap during the remainder of the financial year and into 2026-27, whilst at the same time seeking additional funding from Welsh Government, particularly for new responsibilities.

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

### **3.14 Scrutiny and Challenge**

3.14.1 We will be undertaking our annual budget consultation prior to the final budget being presented to Cabinet and Council at the end of February. The aim of the consultation will be to seek views on the priority areas for residents, in order to enable us to review and set a balanced budget. It is recognised that budget planning for 2026-27 continues to be challenging, and that the Council is still facing a significant level of cost pressures.

3.14.2 In advance of the budget consultation, in October 2025 the Council introduced a 'Time to Talk Budget' campaign. This included infographics, social media posts and

## APPENDIX 1

dedicated webpages, outlining the current budget and how it is funded in order to enhance residents' understanding of how the budget is compiled, what contribution council tax makes to the Council's budget, any restrictions on the budget, and responses to frequently asked questions.

3.14.3 The results of the budget consultation will be collated and considered by Cabinet in order to further inform final decisions on the MTFS in February 2026.

### 3.15 2026-27 Draft Revenue Budget

3.15.1 Table 5 shows the draft revenue budget for 2026-27. Any unallocated funding from the provisional settlement is currently held within the central budgets and will be re-allocated when the final budget is determined. In addition, following Welsh Government's announcement on 9 December 2025, any additional funding received through the final local government settlement will be allocated in line with any conditions or expectations attached to it, or taking into consideration the outcome of the budget consultation.

**Table 5 – Draft Revenue Budget 2026-27**

	Revised Budget 2025-26 £000	Specific Transfers from WG incl pay and NI £000	Inter-Directorate Transfers £000	Employers' Pensions Contributions £000	Pay / Prices £000	Budget Pressures £000	Budget Reduction Proposals £000	Opening Revenue Budget 2026-27 £000	Potential In-Year Allocations for Pay and Prices * £000	Potential Final Budget 2026-27 £000
<b>Service Directorate Budgets:</b>										
Central Education, Early Years and Young People Schools	32,246 126,309	332 3,072		-285 -968	229 1,707	1,322 29	-717 0	33,127 130,149	1,010 3,086	34,137 133,235
Education, Early Years and Young People	158,555	3,404	0	-1,253	1,936	1,351	-717	163,276	4,096	167,372
Social Services & Wellbeing	119,218	1,121		-1,663	69	6,345	-1,041	124,049	3,186	127,235
Communities	34,429	401		-668	238	415	-408	34,407	1,302	35,709
Chief Executives	25,755	428	20	-645	21	1,083	-250	26,412	844	27,256
<b>Total Directorate Budgets</b>	<b>337,957</b>	<b>5,354</b>	<b>20</b>	<b>-4,229</b>	<b>2,264</b>	<b>9,194</b>	<b>-2,416</b>	<b>348,144</b>	<b>9,428</b>	<b>357,572</b>
<b>Council Wide Budgets:</b>										
Capital Financing	5,907							5,907		5,907
Levies	10,210		13					10,223		10,223
Repairs and Maintenance	670							670		670
Council Tax Reduction Scheme	17,054				750			17,804		17,804
Apprenticeship Levy	869							869		869
Pension Related Costs	430							430		430
Insurance Premiums	1,363							1,363		1,363
Other Council Wide Budgets	8,766	666	-20		8,515	0	0	17,927	-9,428	8,499
<b>Total Council Wide Budgets</b>	<b>45,269</b>	<b>679</b>	<b>-20</b>	<b>0</b>	<b>9,265</b>	<b>0</b>	<b>0</b>	<b>55,193</b>	<b>-9,428</b>	<b>45,765</b>
<b>Net Budget Requirement</b>	<b>383,226</b>	<b>6,033</b>	<b>0</b>	<b>-4,229</b>	<b>11,529</b>	<b>9,194</b>	<b>-2,416</b>	<b>403,337</b>	<b>0</b>	<b>403,337</b>

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

\*\* Updated Council structure, as approved by Council on 19 November 2025, will be reflected in quarterly monitoring reports 2026-27

\*\*\* £3m Real Living Wage for commissioned services in social care included in Social Services & Wellbeing budget pressure

3.15.2 The proposed net budget for 2026-27 will be funded by:

**Table 6 – Net Budget Funding**

	£	%
Revenue Support Grant	236,621,155	58.67
Non Domestic Rates	54,468,272	13.50
Council Tax Income	112,247,891	27.83
<b>Total</b>	<b>403,337,318</b>	<b>100%</b>

**3.16 Council Tax Implications**

- 3.16.1 Based on the proposed budget of £403.337 million, there is a proposed 4.95% increase in council tax for 2026-27. This is required due to a combination of increasing demand for services and significant cost pressures, both pay and price increases. This level of increase is needed to enable the Council to set a balanced budget. This proposed increase will be kept under review and confirmed when the final budget is submitted for approval in February, once the consultation process has ended and the final settlement has been received.
- 3.16.2 As mentioned above, council tax currently only provides around 28% of the Council's funding. The majority of funding comes from Welsh Government, via the Revenue Support Grant and the Council's share of non-domestic rates. An increase in council tax of 1% therefore only provides around £1 million of additional funding.

**3.17 Inter-Directorate Transfers**

- 3.17.1 There is only one small inter-directorate transfer included in the draft budget, in respect of the Joint National Council senior management structure approved by Council in November 2025.

**3.18 Pay, Prices, Pensions and Demographics**

- 3.18.1 Pay awards for teachers, National Joint Council (NJC) and Joint Negotiating Committee (JNC) staff for 2025-26 have been agreed. They included an increase of 4% on all teachers' pay scales and allowances, an increase of 3.2% on all NJC pay points, and an increase of 3.2% for JNC Chief Officers and Chief Executive pay points. No information on pay claims for 2026-27 is available at this time. With so much uncertainty it is difficult to determine what the pay pressure will be in 2026-27 but with a staff budget of over £240 million, every additional 1% increase will add at least a further £2.4 million pressure to the Council's pay budget. Funding has been allocated in the budget for the full year effect (April to August 2026) of the teachers' September 2025 pay award.
- 3.18.2 In March 2022 Bridgend County Borough Council was officially recognised as a Real Living Wage accredited employer by the Living Wage Foundation, and all BCBC-employed staff, including social care staff, were paid at the level of the Real Living Wage. In October 2025 it was announced by the Real Living Wage Foundation that the Real Living Wage would increase by 6.7%, from £12.60 to £13.45 per hour. The rate was to be implemented as soon as possible, but by 1 May 2026 at the latest. For in-house staff this will be paid from 1 April 2026, and funding for this is reflected in the directorate pay and price allocations, along with consequential adjustments to the NJC pay scales.
- 3.18.3 Funding for price inflation in 2026-27 has been retained centrally to meet provision for increases in energy costs, rents, allowances and contractual commitments, which are still largely unknown. A further review of allocations will be undertaken before the final budget is agreed and any necessary amendments made. In respect of non-domestic rates Welsh Government has announced that further information on these arrangements will be determined as part of the preparations for their Final Budget.

3.18.4 Following approval of the final budget, the remaining inflationary provision will be retained centrally and allocated during the year as any unknown or unforeseen contract price inflation is agreed, in particular where the index is set after the Council's budget is approved.

3.18.5 The Council has received the provisional results of the triennial actuarial valuation of the Local Government Pension Fund as at 31 March 2025. The valuation shows that, based on the performance of the fund at that time, the employer's contributions required by the authority from April 2026 for the next three years is a potential reduction from the current 19.4% to a proposed 15.2%. This is based on high asset performance in the fund, specifically gains on investments, changes to membership and financial assumptions, since the last valuation. The impact of this is a potential reduced cost of employer's contributions of £4.229 million per annum, the budget for which has been top sliced from directorate budgets and centralised, to be used to fund some of the unavoidable budget pressures that the Council is facing. The confirmed contribution rate will be confirmed in the final MTFS.

3.18.6 In terms of demographics, there is 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 was an increase of 21.5% in people aged 65 years and over, resulting in increased pressure on a number of service areas, including residential care, home care and the assessment and care management teams.

### **3.19 Employers' National Insurance Contributions**

3.19.1 In the Autumn Budget 2024 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. The cost to the Council of implementing this for BCBC staff, and for the Fire and Rescue Authority, which the Council contributes to, is £4.828 million. The UK Government indicated it would provide additional funding to help to cover the costs of the increase for public sector workers. In addition there have been pressures from the Council's commissioned services, who also faced additional costs, for the Council to contribute to this cost, which were estimated to be as high as £1.5 million. In the MTFS 2025-2029 Council therefore approved a budget pressure of £1.5 million to help to mitigate these costs. In October 2025 we received a grant offer letter of £4,351,321 from Welsh Government towards additional employers' national insurance costs. Additional grant funding of £96,082 was also received towards the costs for post-16 provision in schools, resulting in total grant funding for the Council of £4.447 million. The Welsh Government Finance Secretary indicated that this grant funding would only cover around 80% of the costs of public sector employees, so the local authority has had to fund this shortfall of around £380,000, in addition to the cost of commissioned services. This grant funding has now been transferred into the settlement on a recurrent basis.

### **3.20 School Delegated Budgets**

3.20.1 Given the difficult financial position that the Council found itself in, a 1% efficiency in school budgets (£1.186 million) was included in the MTFS for 2025-26, given that school budgets account for around a third of net revenue expenditure. For 2026-27 the overall provisional settlement for the Council is slightly less challenging than

anticipated, therefore schools have not been asked to find any savings in 2026-27 or beyond at this stage.

3.20.2 There are still a significant number of pressures on school delegated budgets for 2026-27 and beyond, not least the full year cost of the September 2025 teachers' pay award for April to August 2026 (4% increase), the new pay award for teachers from September 2026, and the non-teachers' pay award from April 2026. Additional funding will be provided to them during 2026-27 to offset these additional pay and price pressures, which could reach £5 million based on current estimates. It is also understood that a number of school grants will be increasing in 2026-27 which will also help to support schools.

### **3.21 Budget Pressures**

3.21.1 During 2025-26 a number of unavoidable service budget pressures have arisen for 2026-27 and future years, and those proposed to be funded are detailed in **Appendix A**. They are split into recurrent base budget pressures and emerging directorate pressures. The total of the budget pressures identified for 2026-27 is £9.194 million and this covers those pressures deemed to be unavoidable or statutory, and tries to mitigate some of the more significant budget pressures arising in 2025-26. The recurrent base budget pressures are based on the quarter 2 revenue monitoring position, but will be reviewed again before the final budget, using the quarter 3 information, and amended as necessary. It should be noted that budget pressure bids amounting to over £20 million were originally submitted, but these have had to be prioritised due to the limited funding available. 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 2026-27. There may be additional pressures arising over the coming months and as stated previously, additional funding received via the final local government settlement. Consequently the total pressures requirement may change between draft and final budget.

3.21.2 Some of the more significant pressures facing the Authority include:

- Costs associated with supporting and protecting our most vulnerable residents, especially children.
- Support for children with additional learning needs.
- Increased costs of commissioned services in the social care sector following the 6.7% increase in the Real Living Wage, and in general following the 4.1% increase in the National Living Wage from announced by the UK government. Of the £6.345 million of budget pressures in Social Services and Wellbeing, £3 million is in respect of the Real Living Wage for commissioned services.

3.21.3 The UK's Packaging Extended Producer Responsibility (pEPR) scheme is a reform that shifts the full financial cost of managing household packaging waste from taxpayers (local authorities) to the businesses that place it on the UK market. Payments to local authorities are being made from November 2025 to cover their costs for managing household packaging waste. These payments, funded by producers of packaging, are calculated based on the net efficient disposal costs for each material type, and for Bridgend CBC in 2025-26 equates to £3.922 million. Similar amounts are anticipated in future years until businesses reduce their packaging waste. The pressures shown in **Appendix A** therefore do not include many budget pressures in the communities' directorate as the pEPR funding will

enable the directorate to support pressures in their service areas from the waste budget funding it releases. This will include mitigating pressures in respect of fleet management, planning, additional waste collection and disposal requirements, both capital and revenue, and in respect of the circular economy. However, it is worth noting that some of the recurrent pressures may need reviewing in future years if the pEPR funding reduces significantly.

### 3.22 Budget Reduction Proposals

3.22.1 Budget reduction proposals of £2.416 million for 2026-27 have been identified from service budgets to achieve a balanced budget, and these are detailed in **Appendix B**. This year it has again been extremely challenging to identify reductions in service budgets in order to balance the budget. Given the level of savings made by the Council in recent years, additional budget reductions are not easy to achieve and going forward will require transformational change, often including up-front investment, to reconfigure services and processes. Currently there are four emerging invest to save proposals under consideration – in adults' and children's social care, the provision of secondary nurture classes to reduce exclusions, and in respect of reducing the unit cost of placements in non-maintained / out of county settings. These budget reduction proposals will have a significant impact on staff and residents alike, but are necessary in order to set a balanced budget, or council tax would have to increase by an even higher rate.

3.22.2 Some of these proposals were approved by Council in the MTFS 2025-2029 and they are outlined in Table 7 below:

**Table 7 – Budget Reductions already Approved**

Ref	Proposal	£'000	Approval Date
EEYYP2	Review of Home to School Transport	417	£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 and implementation from September 2025.
SSW2	Redevelop the indoor bowls arena space	10	Approved in MTFS 2025-2029
SSW12	Business efficiencies in social services support services	129	Approved in MTFS 2025-2029
COM2	Review of cleaning specifications and frequencies on BCBC Operational assets	35	Approved in MTFS 2025-2029
COM3	Further review of cyclical servicing and maintenance contracts	40	Approved in MTFS 2025-2029
COM4	Increase income across the commercial property portfolio	15	Approved in MTFS 2025-2029

CEX6	Review provision of the CCTV service	250	Approved in MTFS 2025-2029. Original value was £444k but this has been reduced.
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### 3.23 Partnership Working

3.23.1 As part of the MTFS process, and in view of the challenging financial circumstances the Council faces, we also review each of our main strategic partnerships to identify any potential cost savings. The Council's main strategic partners are:

- 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 put forward savings for 2026-27. Those proposals will be considered by the SRS Joint Committee in January 2026 and their recommendation will feed into the budget setting process.
- The partnerships with Halo Leisure and Awen Cultural Trust to run our leisure facilities and library and cultural facilities respectively, were also thoroughly reviewed. These key partners are delivering services at considerably less cost than when the Council provided leisure, culture and library services internally and have added considerable social value to communities in Bridgend. In recent years both partners have increasingly focussed on supporting the most vulnerable and provide a highly effective preventative offer. There will be a need to ensure that these partnerships continue to innovate whilst also recognising that these partners as providers also experience the same inflationary pressures – pay and non-pay - as other Council suppliers.
- Following Welsh Government's review of the school improvement system in Wales (the "Middle Tier Review"), from September 2025 several changes were made in respect of school improvement arrangements across Wales. The main change for Bridgend schools is that support for school improvement is now delivered directly by the local authority. Central South Consortium stills plays a key role in supporting schools across Bridgend, Merthyr Tydfil, Cardiff, the Vale of Glamorgan and Rhondda Cynon Taff, by providing a wide-ranging, professional learning offer.
- 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. It is known as the Cardiff Capital Region City Deal. For 2026-27 it is anticipated that the local authority contribution will remain at or around the same overall level as 2025-26.

### 3.24 Council Wide Budgets

3.24.1 Council Wide budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, levies, including that for the South Wales Fire and Rescue Authority, centrally held pay and prices provisions, insurance budgets,

discretionary rate relief and centrally held building related costs. A number of these budgets are fixed and unavoidable, and therefore cannot be reduced without putting the Council at risk. The higher than anticipated pay awards in recent years, soaring inflation, and unprecedented amount of budget pressures has put also additional pressure on these budgets.

3.24.2 The South Wales Fire and Rescue Authority covers 10 South Wales Council areas including Bridgend County. It is funded by raising a levy on its constituent Councils, based on population. The current levy on Bridgend for 2025-26 is £9,532,347. For 2026-27 the Council has received a transfer of £12,660 into the provisional settlement from Welsh Government in respect of Fire and Rescue Authority (FRA) pay increases in 2025-26. This will be passported to the FRA as part of the annual levy in 2026-27. The FRA are currently consulting on a proposed increase of 2.99% across all its constituent local authorities for 2026-27, which, after population changes, would equate to an increase in Levy of £285,048 for Bridgend. Following the consultation process a final decision will be made at the FRA Board meeting in February 2026. The agreed budget increase for the Council will be included as a budget pressure in the final MTFS report.

### **3.25 Business Rates (Non-Domestic Rates)**

3.25.1 The Local Government Finance (Wales) Act 2024 provided the Welsh Government with the ability to introduce differential multipliers for Wales. They include the introduction of:

- a lower multiplier for small to medium sized retailers
- a higher multiplier for high value properties

The levels of all multipliers have been determined as part of the Welsh Government's budget setting for 2026 to 2027. The lower multiplier has been set at £0.35, the higher multiplier at £0.515 and the standard multiplier has been set at £0.502 (£0.568 in 2025-26).

3.25.2 The next non-domestic rating list will also take effect on 1 April 2026, following revaluation. The Welsh Government will provide transitional relief to all ratepayers whose liabilities will increase by more than £300 following the revaluation. Any such increases will be phased in over two years. The impact on the business rates bills for the Council's buildings is currently being assessed and any amendments required to budgets will be picked up in the final MTFS.

### **3.26 Fees and Charges**

3.26.1 In general, fees and charges are increased by CPI, subject to rounding, or in line with statutory or service requirements, except where a clear decision is taken not to do so. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers and Directorates will apply the requirements outlined in the Council's Fees and Charges Policy, which was updated and approved by Cabinet in May 2024. As a key principle, where a decision has been taken to charge for a service, the Council will aim for full cost recovery, except where there is a conscious decision which is consistent with Council priorities, recognising that the service would then be subsidised by council tax payers.

3.26.2 A full list of all fees and charges for 2026-27 will be published on the Council's webpages once the budget has been approved for 2026-27.

### 3.27 Council Reserves

3.27.1 In line with the MTFS principle 8, the Council will endeavour, where possible, to maintain the Council Fund at a level of 5% of the Council's net budget, excluding schools. This is currently £10.008 million, or 3.9% of the Council's net budget excluding schools, slightly lower than the target of 5% due to the need to draw down from it in recent years to balance the accounts at year end.

3.27.2 Details of the Council's total earmarked reserves position at 31 October 2025 are shown in Table 8. These continue to be reviewed during 2025-26 and where they are no longer required they will be unwound. A more detailed position statement will be included in the Final MTFS report to Council on 25 February 2026.

**Table 8 – Earmarked Reserves**

Opening Balance 01 Apr 25	Reserve	Net Additions/ Reclassification	Draw-down	Unwound	Closing Balance 31 Oct 2025
£'000		£'000	£'000	£'000	£'000
	<b>Corporate Reserves:</b>				
46,038	Capital Programme Contribution	45	-	-	46,083
2,290	Asset Management Reserves	-	(209)	-	2,081
1,830	Major Claims & Insurance Reserves	-	-	-	1,830
1,892	Service Reconfiguration	-	-	-	1,892
2,294	Change Management/Digital Transformation	-	(184)	-	2,110
500	Economic and Future Resilience Fund	-	-	-	500
3,179	Other Corporate Reserves	-	-	-	3,179
<b>58,023</b>	<b>Total Corporate Reserves</b>	<b>45</b>	<b>(393)</b>	<b>-</b>	<b>57,675</b>
	<b>Directorate Reserves:</b>				
1,919	Education & Family Support	-	(38)	-	1,881
1,856	Social Services & Wellbeing	-	(265)	-	1,591
1,835	Communities	-	(182)	(1)	1,652
1,966	Chief Executives	83	(123)	-	1,926
<b>7,576</b>	<b>Total Directorate Reserves</b>	<b>83</b>	<b>(608)</b>	<b>(1)</b>	<b>7,050</b>
	<b>Equalisation &amp; Grant Reserves:</b>				
316	Education & Family Support	-	-	-	316
47	Social Services & Wellbeing	-	-	-	47
2,478	Communities	(355)	(81)	-	2,042
47	Chief Executives	310	-	-	357
-	Cross Directorate	-	-	-	-
<b>2,888</b>	<b>Equalisation &amp; Grant Reserves:</b>	<b>(45)</b>	<b>(81)</b>	<b>-</b>	<b>2,762</b>
(619)	School Balances	-	-	-	(619)
<b>67,868</b>	<b>TOTAL RESERVES</b>	<b>83</b>	<b>(1,082)</b>	<b>(1)</b>	<b>66,868</b>

### 3.28 Capital Programme and Capital Financing Strategy

3.28.1 This section of the report deals with the proposed Capital Programme for 2025-26 to 2035-36, which forms part of, but extends beyond the MTFS. It has been

developed in line with the MTFS principles and reflects the Welsh Government draft capital settlement for 2026-27, which provides General Capital Funding (GCF) for 2026-27 of £204 million across Wales and of £8.841 million for BCBC for 2026-27, of which £3.849 million is un-hypothesized supported borrowing, with the remaining £4.992 million provided through general capital grant. This is £259,000 more than we received in 2025-26.

3.28.2 The original Capital Programme budget approved by Council on 26 February 2025 has been further revised and approved by Council during the year to incorporate budgets brought forward from 2024-25, slippage into 2026-27 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, which will be considered for the final MTFS. Given limited capital resources and increasing costs of contracts, the Council will need to make difficult decisions about which capital schemes it can afford to progress, which will involve prioritising existing and future schemes, as not all will be affordable. The programme will require constant review, of not just new, but also existing approved schemes, since the figures included for schemes may change following tender processes.

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

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

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

3.28.4 Following approval by Council of the Capital Strategy in February/March each year, and the subsequent quarterly monitoring reports to Cabinet and Council, any amendments to the capital programme are usually dealt with during the year rather than just as part of the MTFS. The latest capital programme was approved by Council in November 2025 and any further changes will be included in the updated capital programme presented to Council for approval on 4 February 2026 or the

capital programme to be included in the final MTFS to be approved by Council on 25 February 2026.

3.28.5 The capital programme contains a number of annual allocations that are met from the total general capital funding for the Council. The proposed allocations for 2026-27 are shown in Table 9 below.

**Table 9 – 2026-27 Proposed Annual Allocations of Capital Funding**

	Proposed 2026-27 £'000
Highways Structural Works	340
Carriageway Capital Works	250
Disabled Facilities Grants	2,450
Housing Renewal / Empty Property Schemes	100
Minor Capital Works	1,130
Community Projects (match funding)	50
Street lighting / Bridge infrastructure replacement	400
ICT equipment replacement	400
2030 Decarbonisation	150
<b>Total</b>	<b>5,270</b>

### **3.29 Capital Receipts**

3.29.1 The disposals strategy for the period to 2030 is still 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. Welsh Government have now increased their share of the joint venture and we will go forward with them as equal partners. The equalisation resulted in a substantial early capital receipt for the Council.

3.29.2 Whilst Porthcawl will be the focus of the disposal programme in the immediate future, the agreed sale of our land at Ewenny Road, Maesteg to Avant Homes is progressing well, with the land remediation works due to be completed in January 2026. The completion of these works will trigger the completion of the land sale which will bring in a capital receipt in the 2025-26 financial year. Based on the deal that has been exchanged this is likely to result in a capital receipt of around £1.35 million to the Council.

3.29.3 Since last year the sale of our former offices at Ravens Court, Bridgend, to South Wales Police has been completed resulting in a capital receipt to the Council of £1.85 million. The sale of the former YGG Cwm Garw site in Pontycymer has been delayed and will now complete in the 2026-27 financial year albeit this is a relatively small receipt of £65,000.

- 3.29.4 Our strategic land holding at Parc Afon Ewenni, Waterton, Bridgend which was due to be brought forward for sale is now being considered for our own use and will not be marketed for sale in the immediate future.
- 3.29.5 Capital receipts from property disposals are subject to the exchange of contracts, so it is prudent not to commit them until we have a contractual agreement.

### **3.30 Prudential (Unsupported) Borrowing**

- 3.30.1 Total Prudential Borrowing taken out as at 1 April 2025 was £46.889 million, of which £31.246 million was outstanding. It is estimated that the total borrowed will increase by £7.512 million by the end of 2025-26.
- 3.30.2 Future prudential borrowing could include an estimated £1.964 million towards the purchase of fleet, £1.565 million towards new school builds and £1.5 million towards the refurbishment of Community Children's Play Areas.

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

- 4.1 A high level Equality Impact Assessment (EIA) will be carried out and included within the Final MTFS in February 2026. The high level EIA considers the impact of the strategy, policy or proposal on the nine protected characteristics, the Socio-economic Duty and the use of the Welsh Language.
- 4.2 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the local population in different ways. In developing these proposals, consideration has been given to their potential impact on protected groups within the community and on how to avoid a disproportionate impact on people within these groups.

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

- 5.1 The Well-being of Future Generations (Wales) Act 2015 provides a framework for embedding sustainable development principles within the activities of Council and has major implications for the long-term planning of finances and service provision. The 7 well-being goals identified in the Act have driven the Council's four well-being objectives.
- 5.2 The well-being objectives are designed to complement each other and be part of an integrated way of working to improve well-being for people in Bridgend County. In developing the MTFS, officers have considered the importance of balancing short-term needs in terms of meeting savings targets, with safeguarding the ability to meet longer-term objectives.
- 5.3 The proposals contained within this report cover a wide range of services and it is inevitable that the necessary budget reductions will impact on the wellbeing goals in different ways. A Well-being of Future Generations Assessment will be undertaken on proposed individual projects and activities where relevant and will feed into specific reports to Cabinet or Council.

5.4 The Council's approach to meeting its responsibilities under the Well-being of Future Generations (Wales) Act 2015, including acting in accordance with the sustainable development principle, is reflected in a number of areas within the Medium Term Financial Strategy, not least:

5 Ways of Working	Examples
Long Term	<ul style="list-style-type: none"> <li>Outlining the impact of a number of different funding scenarios (Best, Most Likely and Worst) to provide an element of flexibility to the Council.</li> <li>Majority of savings generated from making smarter use of resources with service reductions kept to a minimum and only as a last resort.</li> <li>The development of a Capital Strategy and 10 year capital programme which reflects the Council's affordability in terms of capital receipts and borrowing.</li> <li>Investment in capital schemes that support the Council's corporate priorities and benefits the County Borough over a longer period.</li> </ul>
Prevention	<ul style="list-style-type: none"> <li>Investment in preventative measures to reduce the burden on more costly statutory services.</li> </ul>
Collaboration	<ul style="list-style-type: none"> <li>Savings generated from collaboration and integrated working.</li> </ul>
Integration	<ul style="list-style-type: none"> <li>Explicit links between the Corporate Plan, the Capital Strategy, the Treasury Management Strategy and the Medium Term Financial Strategy</li> </ul>
Involvement	<ul style="list-style-type: none"> <li>A robust budget consultation exercise, including surveys, community engagement stands and social media debates, to inform proposals.</li> </ul>

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

## 6. Climate Change and Nature Implications

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

**7. Safeguarding and Corporate Parent Implications**

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

**8. Financial Implications**

8.1 This report outlines the financial issues that Council is requested to consider as part of the 2026-27 to 2029-30 MTFS. The Council's Section 151 Officer is required to report annually on the robustness of the level of reserves. The current and future anticipated level of Council reserves is sufficient to protect the Council in light of unknown demands or emergencies and current funding levels. It must be emphasised that the biggest financial risks the Council is exposed to at the present time relates to the uncertainty of Welsh Government funding, both generally for local government into the medium term with recent one-year settlements, and specifically for some of the pressures the Council is currently facing in its service areas, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFS Principle 9, as set out in the MTFS, and it is essential that revenue service expenditure and capital expenditure is contained within the identified budgets.

8.2 The Section 151 Officer is also required to report to Council if they do not believe that they have sufficient resource to discharge their role as required by section 114 of the Local Government Act 1988. Members should note that there is currently sufficient resource to discharge this role.

8.3 The proposed budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparation. However, there is always a risk of change, as evidenced by the volatile economic environment of the last 12 months. Subject to the risks identified the proposed MTFS provides a firm basis for managing the Council's resources for the year 2026-27 and beyond.

8.4 However, the extremely challenging financial situation that the Council is facing, currently and in the coming years, cannot be under-stated. Whilst the Council's provisional settlement was slightly better than anticipated, there are still significant service pressures facing the Council going into 2026-27. These pressures, along with new emerging pressures, all need to be met from the funding available. The only way to mitigate them is through service reductions or higher increases in council tax. The Council's reserves are falling, and there is limited capacity to establish new reserves, so using reserves to balance the budget is not a robust or long term solution, particularly in light of the fact that these financial challenges are still likely to be facing us into 2027-28 and possibly beyond. All of these factors must all be taken into consideration when approving the budget for 2026-27 onwards.

**9. Recommendation**

9.1 It is recommended that Cabinet submits for consultation the 2026-27 annual budget and development of the MTFS 2026-27 to 2029-30, as set out in this report, prior to presenting a final version for approval by Council on 25 February 2026.

**Background documents**

Individual Directorate Monitoring Reports  
Provisional Local Government Revenue and Capital Settlements 2026-27