

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

1 MARCH 2016

REPORT OF THE SECTION 151 OFFICER

MEDIUM TERM FINANCIAL STRATEGY 2016-17 to 2019-20

1. Purpose

- 1.1 The purpose of this report is to present Cabinet with the Medium Term Financial Strategy 2016-17 to 2019-20, which includes a financial forecast for 2016-20, a detailed revenue budget for 2016-17 and a Capital Programme for 2016-17 to 2025-26.

2. Connections to the Corporate Plan

- 2.1 The Corporate Plan and Medium Term Financial Strategy (MTFS) identify the Council's service and resource priorities for the next four financial years, with particular focus on 2016-17.

3. Background

Corporate Plan - Policy Context

- 3.1 The Council reviews its Corporate Plan each year to ensure it continues to reflect the Council's corporate improvement priorities, commitments and performance indicators. Continuing austerity and demands on public services will require the Council to operate differently in the coming years and against that background three new corporate priorities have been developed for 2016-2020:
- Supporting a successful economy
 - Helping people be more self-reliant
 - Smarter use of resources
- 3.2 The Council's Corporate Plan is being presented to Council alongside the MTFS and the two documents are aligned to each other, enabling the reader to make explicit links between the Council's priorities and the resources directed to support them.
- 3.3 The Council's MTFS is set within the context of UK economic and public expenditure plans, Welsh Government priorities and legislative programme. It articulates how the Council plans to use its resources (revenue and capital) to support the achievement of its corporate priorities as well as the management of its statutory and core duties, known pressures and risks. The MTFS 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, risks or unforeseen demands from year to year without impacting unduly on services or council tax payers.

3.4 The MTFS includes:-

- The principles that will govern the strategy and a four year financial forecast, comprising detailed proposals for 2016-17 and outline proposals for 2017-18 to 2019-20.
- The Capital Programme for 2016-17 to 2025-26, linked to priority areas for capital investment and Capital Financing Strategy.
- The Treasury Management Strategy 2016-17 and Corporate Risk Register.

The Financial Context

3.5 In his 2015 Autumn Statement, the Chancellor of the Exchequer reported a £27 billion improvement in the UK's public finances, and set out spending plans designed to move the UK government's expected borrowing from £73.5 billion in 2015-16 to a forecast £10.1 billion surplus by 2019-20. However, his subsequent speech on 7 January 2016 here in Wales sounded a much more cautious note – highlighting the risks and headwinds of global instability, volatile commodity prices and referencing the “stop-start recoveries” experienced by other economies in the western world in recent years.

3.6 Against that background the UK Government Settlement to the Welsh Government for 2016-17 is a cash increase of 0.85%. There is no settlement at this point for future years.

Welsh Government Final Local Government Settlement

3.7 In the provisional Local Government Settlement Councils across Wales received an average -1.4% reduction in Aggregate External Finance (AEF) for 2016-17 (after allowing for transfers into and out of the Settlement). Bridgend's reduction was -1.2% (£2.301 million), but this figure includes a requirement to protect school budgets equivalent to 1% above the change in the Welsh Government's Revenue Budget (£1.578 million or 1.85%) as well as notional additional funding for social services pressures.

3.8 On 11 February 2016, officers received an updated provisional settlement figure (based on latest data) which provides only an additional £7,000 for 2016-17 (revised reduction £2.294 million). However, the Final Local Government Settlement will not be published until 2 March 2016, and voted upon on 9 March 2016, the day before Bridgend Council meets to agree its own budget. As such this report and the figures contained herein are based on the revised provisional settlement and these may be subject to change in the final MTFS report for Council on 10 March.

Settlement Implications for 2017-2020

3.9 The Minister has given no indication of the future allocations for 2017-18 onwards, but in view of current economic and fiscal projections and in the absence of other information the MTFS sets out a most likely scenario predicated on an assumption that AEF will reduce by -3.2% for 2017-18, 2018-19 and 2019-20. Based on these

assumptions the total recurrent reductions required from 2016-17 to 2019-20 amount to £35.531 million.

Grant Transfers into the 2016-17 Revenue Settlement

- 3.10 The full picture on specific grants is not yet clear, but the draft settlement includes information on a number of changes to the level of grants at an all Wales level which impact on the Council's resources. Specifically:
- The Outcome Agreement Grant funding of £1.4 million has been transferred into the Revenue Support Grant (RSG).
 - A reduction in the Single Environment Grant across Wales. The actual reduction to Bridgend is 4.4% or £127,000.
 - A reduction in the Families First grant of 16.7% across Wales. The actual reduction to Bridgend is 11.7%, or £223,000.

Regional Collaboration Fund / Intermediate Care Fund

- 3.11 The Regional Collaboration Fund ends on 31 March 2016, but the Intermediate Care Fund will increase from £20 million in 2015-16 to £50 million across Wales for 2016-17. This Fund has been allocated by the Welsh Government to the NHS, but it is provided to support greater integration with local authorities.

Council Tax

- 3.12 In line with his advice to councils in recent years, the Minister's announcement on the provisional settlement encouraged councils "to take account of all income streams", reminding councils that the RSG was not the only source of funding and reiterated that Welsh Government offers considerable flexibility to authorities in Wales which is not available to their counterparts in England. The proposals for 2016-17 are based on a Council Tax increase of 3.9% based on an appropriate balance between service provision and the financial burden of any rise on households.

Welsh Government Capital Settlement

- 3.13 In February 2015, Council approved a Capital Programme for 2015-16 to 2024-25, based on the assumption that annual Welsh Government capital funding would be flat lined from 2015-16 onwards. Council subsequently approved revised capital programmes during the year, reflecting funding changes to some schemes, slippage, additional external funding approvals and changes to expenditure profiles. The provisional Local Government Capital Settlement for 2016-17 provides this Council with £6.296 million capital funding for 2016-17, which is only £8,000 more than 2015-16. No indications have been given for 2017-18 or beyond.

Current Year (2015-16) Financial Performance

- 3.14 The in-year financial position as at 31 December 2015 is shown in Table 1 below

Table 1 – Comparison of budget against projected outturn at 31 December 2015

Directorate/Divisions	Revised Budget	Projected Outturn	Projected Over / (Under) Spend	Projected Over / (Under) Spend
	2015-16 £'000	2015-16 £'000	Qtr 3 2015-16 £'000	Qtr 2 2015-16 £'000
Directorate				
Education and Transformation	105,835	105,735	(100)	(221)
Social Services and Wellbeing	60,987	60,885	(102)	(7)
Communities	25,210	25,344	134	104
Resources	14,438	14,273	(165)	(333)
Legal & Regulatory Services	6,089	5,720	(369)	(114)
Total Directorate Budgets	212,559	211,957	(602)	(571)
Council Wide Budgets				
Capital Financing	10,372	10,372	0	0
Precepts and Levies	6,912	6,912	0	0
Repairs and Maintenance	1,100	1,000	(100)	0
Council Tax Reduction Scheme	13,869	13,500	(369)	(385)
Insurance Costs	1,634	1,634	0	0
Other Corporate Budgets	5,755	5,661	(94)	(390)
Total Council Wide Budgets	39,642	39,079	(563)	(775)
Total	252,201	251,036	(1,165)	(1,346)

3.15 The overall projected position as at 31 December 2015 is a net under spend of £1.165 million, comprising £602,000 net under spend on Directorates and £563,000 under spend on corporate budgets. At this point in the financial year £1.230 million of budget reduction proposals had a **RED** RAG status meaning that they will not be achieved in the current financial year, while £1.481 million were categorised as **AMBER** meaning they will only be delivered in part. This represents a risk for the Council in 2016-17 and Directors are looking to progress these proposals or to identify the alternatives in their place. The delivery of these proposals will continue to be monitored in 2016-17.

4. Current Situation

MTFS 2016-17 to 2019-20

4.1 This section of the report sets out the proposed MTFS for the Council for the next four financial years, based on the latest information available from the Welsh Government. It does not include fixed funding, expenditure or activity projections, but sets best, worst and most likely scenarios for the resources that will be available. The MTFS is reviewed regularly and amended as additional information becomes available, with the detail for future years being developed over the period of the strategy.

- 4.2 The development of the MTFS 2016-17 to 2019-20 has been led by Cabinet and Corporate Management Board (CMB) and has taken into account the views of auditors, overview and scrutiny committees and issues arising in 2015-16, underpinned by the ongoing aim to embed a culture of medium term financial planning closely aligned with corporate planning. Implementation of the MTFS will continue to be led by Cabinet and CMB, supported by financial and performance data. The Council will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners). As well as linking explicitly to the Council's corporate priorities, the MTFS also links to other internal resource strategies such as the Workforce Plan, the ICT Strategy, the Treasury Management Strategy, the Asset Management Plan and the Council's Transformation Programme.

Scrutiny and Challenge

- 4.3 As stated in paragraph 4.2, Cabinet and CMB continue to seek to embed a culture of medium term financial planning within the Council. Against that background, further efforts have been made this year to secure greater involvement of stakeholders in the development of the MTFS and the Corporate Plan. "Shaping Bridgend's Future" an eight week consultation was undertaken during October and November 2015 and included an online survey, community engagement workshops, social media debates, community engagement stands and a meeting with third sector organisations. Members had the opportunity to take part in a budget workshop similar to the public engagement events. The results have been presented in a separate Cabinet report and are therefore not detailed here. 1.3% of the population (1,819 responses) responded to the consultation with positive support for the majority of proposals put forward. The response rate (13 per 1000) is considered in statistical terms to be a valid sample size and is a 311% increase on the response rate last year which is welcomed.
- 4.4 80% of respondents agreed with the three proposed priorities, although 71% believed something was missing, citing most commonly the themes of streamlining the Council, public transport and infrastructure and local business support. The majority of respondents agreed with the idea of protecting some services over others, but equally around two thirds felt that schools, an area which has received Welsh Government protection in recent years, should be expected to make efficiency savings too. 11 of the 12 budget reduction proposals put forward received majority support, with the weakest support for reductions in highway maintenance, which received 48%. A full list is given below in Table 2 below.
- 4.5 In addition to the public consultation, Cabinet and CMB have been working with the Budget Research and Evaluation Plan over the last six months to facilitate the budget planning process. The Draft budget report approved by Cabinet in January has also been scrutinised by the Council's Overview and Scrutiny Committees resulting in a report from the Corporate Resources and Improvement (CRI) Committee. Cabinet has considered the CRI Committee's recommendations and a response to these is provided in Schedule A.

Table 2 – Budget Reduction Proposals consultation response

Rank	Proposal	Introduce or increase proposed budget reduction (%)	Introduce Smaller budget reduction (%)	Cut elsewhere (%)
1	Online services	87	9	5
2	Lifeguard services	83	14	3
3	Regeneration	82	13	5
4	Looked after children	73	18	9
5	Complex homecare	72	19	9
6	Holiday support for people with a learning disability	69	24	7
7	Nursery service	66	24	10
8	Subsidised bus routes	61	30	9
9	Parks and playing fields	59	29	12
10	Street cleaning	57	27	16
11	Respite care	54	33	13
12	Highway maintenance	48	37	15

- 4.6 Cabinet and CMB have reflected on the responses received from the public consultation and the CRI Committee and has made a number of changes to its budget reduction proposals as a result. In particular the budget reduction proposal for highways maintenance has been reduced by £0.5 million from the £1.207 million consulted on. Similarly the proposal to cut subsidised bus routes by £229,000 has been reduced to just £15,000 in 2016-17. In addition the proposed budget reduction to voluntary sector bodies of £33,000 has been reduced to £15,000 in 2016-17.

MTFS Principles

- 4.7 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 2016-2020 and which Members and others can examine and judge the Council's financial performance against. The fourteen key principles are to ensure that:
1. The Council continues to meet its statutory obligations and demonstrates how it directs resources to meet the Council's corporate priorities.
 2. Adequate provision is made to meet outstanding and reasonably foreseen liabilities.
 3. The financial control system is sufficiently robust to support the delivery of financial plans and mitigate corporate risks.
 4. Budgets will be reviewed annually to ensure existing and forecast spend is still required and to identify further efficiency savings as required to meet inescapable budget pressures.
 5. Financial plans provide an optimum balance between income and expenditure for both capital and revenue.

6. All services seek to provide value for money and contribute to public value.
 7. 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.
 8. The Council Fund balance will be maintained at a minimum of £7 million over the MTFS period and reach 2.7% of Gross Revenue Expenditure by 2019-20.
 9. Capital investment decisions support the Council's corporate priorities and mitigate any statutory risks taking account of return on investment and sound option appraisals.
 10. 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.
 11. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
 12. Resources are allocated to deliver the Bridgend Change Programme based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS and a MTFS Budget Reduction Contingency will be maintained
 13. Other resource strategies (including the Workforce Development Plan, Treasury Management Strategy, ICT Strategy and Asset Management Plan) are kept under review to maintain alignment with the MTFS and the Corporate Plan.
 14. Budgets will be managed by Corporate Directors in accordance with the Council's Financial Procedure Rules.
- 4.8 Principle 12 has been expanded in response to the significant financial challenges the Council expects to face over coming years to allow the council to manage inescapable problems with delivery of particular savings when they arise until a solution can be found.

MTFS Resource Envelope

- 4.9 The MTFS planning assumptions for 2017-20 are based on an annual reduction in AEF of -3.2% and an assumed increase in council tax of 3.9% for 2017-18, 4.2% for 2018-19 and 4.5% for 2019-20, recognising the ongoing uncertainty around our funding in future years. The 2016-17 AEF figure is -1.2% based on the published Provisional Settlement. The final MTFS taken to Council will be subject to any changes in the Final 2016-17 settlement from Welsh Government as outlined in paragraph 3.8 above. Over and above this however, future years' assumptions are all subject to change, not least due to continuing economic uncertainty as

evidenced in paragraph 3.5 above. Furthermore, pay and prices and budget pressures will continue to be influenced by national legislative and policy developments. The MTFS will be 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 delivery of the Corporate Plan on track. In view of the uncertainties, the MTFS has been developed taking into account possible resource envelope scenarios, based on percentage changes in AEF shown in Table 3.

Table 3 – MTFS Scenarios: % Change in AEF

	2016-17	2017-18	2018-19	2019-20
	% Change	% Change	% Change	% Change
Best Scenario		-1.5%	-1.5%	-1.5%
Most Likely Scenario	-1.2%	-3.2%	-3.2%	-3.2%
Worst Scenario		-4.5%	-4.5%	-4.5%

Managing within the MTFS Resource Envelope

4.10 The MTFS assumes that Directorates will absorb within existing budgets any non-contractual inflationary pressures up to the prevailing CPI rate (currently 0.3%). However, there are a number of foreseen pressures that the Council will have to manage over the MTFS period. The exact amounts needed to fund them may not be known so assumptions are made in the MTFS for:

- Projected demographic changes;
- Inflationary uplifts to support specific contractual commitments;
- Inflation for energy costs based on notification of known increases and projected forward pricing;
- Known impact of national policies and legislation not accompanied by commensurate funding e.g. Welfare Reform Bill; Social Services and Wellbeing Act; school budgets' protection; Living Wage; and auto enrolment;
- Increases in employer pension contributions;
- The removal of the National Insurance Contribution rebate as a result of the introduction of the single tier state pension in April 2016; and
- Minimum increases in fees and charges of the statutory minimum or CPI (at prevailing rate, currently +0.3%) plus 1%.

4.11 For 2016-17, the MTFS includes an additional £6.451 million for the above known pressures plus £1.4 million for the transfer in of the Outcome Agreement Grant. In addition, each year consideration is given to any inescapable unforeseen Directorate pressures that cannot be accommodated within existing budgets. £2.316 million of inescapable pressures have emerged during 2015-16 and are explained in more detail in paragraph 4.30 below. In total, the Council has unavoidable pressures of £10.167 million in 2016-17.

MTFS Budget Reduction Requirement

- 4.12 Table 4 below shows how much the Council needs to find from within existing budgets to help meet the inescapable pressures it is facing over the next four years, based on the AEF assumptions in Table 3 and assumed Council Tax increases of 3.9% in 2016-17 and 2017-18 and then 4.2% in 2018-19 and 4.5% in 2019-20.

Table 4 – Budget reduction scenarios

	2016-17	2017-18	2018-19	2019-20	Total
	Actual	Required Reductions			
	£000	£000	£000	£000	£000
Best Scenario	7,477	6,002	6,509	5,979	25,967
Most Likely Scenario	7,477	9,190	9,697	9,167	35,531
Worst Scenario	7,477	11,628	12,135	11,605	42,845

- 4.13 The figures for 2017-18 are £1 million lower than in the Draft Budget which is due to changes to the inescapable budget pressures for 2016-17, explained in paragraph 4.31 below.
- 4.14 Cabinet and CMB are working together to develop plans to meet the most likely scenario above. In the event of the worst case materialising in any year, the budget shortfall would have to be met from the Council Fund and or a further increase in Council Tax while additional budget reduction plans could be developed. Should the best case scenario arise then Cabinet and CMB would look to reduce the impact on services as well as Council Tax.
- 4.15 Table 5 shows current progress on identifying budget reduction proposals.

Table 5 – Risk Status of Budget Reduction Proposals 2016-17 to 2019-20

Year	GREEN: Proposal developed and deliverable	AMBER: Proposal in development but includes delivery risk	Budget reductions Identified So far	RED: proposals not yet developed	Total Required
	£000	£000	£000	£000	£000
2016-17	3,451	4,026	7,477	0	7,477
2017-18	617	5,003	5,620	3,570	9,190
2018-19	0	2,619	2,619	7,078	9,697
2019-20	0	1,283	1,283	7,884	9,167
Total	4,068	12,931	16,999	18,532	35,531
% of total required	11.4%	36.4%	47.8%	52.2%	100%

RED Proposals not yet developed or under consideration
AMBER Proposal in development, but includes delivery risk
GREEN Proposal developed and deliverable

4.16 The 2016-17 proposals have been amended since the Draft Budget report to reflect the £18,000 reduction to the cut in the third sector funding proposal (CS1). A number of proposals for 2016-17 onwards require further information and analysis and so are not included separately at this point in time. In line with the risk categories above such proposals will be identified in future reports when they achieve an **AMBER** or **GREEN** RAG status. Proposals currently under consideration include:

- Digital transformation of council services;
- Income generation opportunities;
- Further reductions in employee numbers;
- Reconfiguration of post 16 education provision;
- Working with partners to protect community facilities; and
- Review of nursery education provision.

4.17 Cabinet and CMB have given a commitment to try and find at least 50% of the budget reductions through smarter use of resources rather than by cutting the quality or level of services. This gets harder each year to achieve, but as Table 6 shows the plans set out in this report will deliver 66% of the required budget reductions through efficiency measures, such as:

- Retendering learner transport contracts
- A safe reduction in the number of Looked after children
- Income generation from other public sector bodies
- Development of online services
- Staffing restructures

Table 6 – Budget Reduction Proposals 2016-17 to 2019-20

	2016-17	2017-18	2018-19	2019-20	Total	%
	£'000	£'000	£'000	£'000	£'000	
Smarter Best Use of Resources	4,371	4,400	1,454	916	11,141	66
Managed Service Reductions	735	504	335	0	1,574	9
Collaboration & Service Transformation	1,221	319	163	200	1,903	11
Policy Changes	1,150	397	667	167	2,381	14
Total Identified as at 1 March 2016	7,477	5,620	2,619	1,283	16,999	

4.18 Table 6 categorises each proposal for the reader and shows that 34% of the budget reductions identified so far will come from policy changes, collaboration, service transformation or as a last resort managed service reductions. Proposals in these categories are subject to consultation and Equality Impact Assessments and include changes to Youth Offending Service; remodelling adult social care; savings from the regulatory services collaboration; changes to the eligibility criteria for adult social care; changes to children's respite care; and increasing planning application fees.

4.19 Delivering £35.5 million of budget reductions will result in a smaller Council because around two thirds of the Council's net revenue budget is required to meet the pay costs of its employees. Efforts continue to manage the inevitable workforce reduction by holding vacancies, redeployment, early retirements and voluntary

redundancies (VER), but some compulsory redundancies will continue to be necessary. Over the MTFS period, the Council will need to ensure there are sufficient funds in the corporate redundancy budget and service reconfiguration earmarked reserve to meet VER costs.

Corporate Risk Assessment

- 4.20 The Council's Risk Assessment identifies the key corporate risks and mitigating actions and is attached as Schedule B. These risks have been taken into account in the preparation of the MTFS and where there are identifiable financial implications these have been provided for either within the budget or earmarked reserves. Where the financial risks are not clear, such as the costs associated with Local Government Reorganisation, the risk is covered by the Council Fund.

2016-17 Net Budget Requirement

- 4.21 The net budget requirement is the amount of budget the Council requires to fulfil its functions. It is calculated using the previous year's budget as the baseline, adding any inescapable budget pressures and subtracting any budget reduction proposals. Appendix A shows the 2016-17 budget requirement and provides indicative figures for the subsequent three years based on the most likely scenario.
- 4.22 The financing of the net budget comes from the Welsh Government settlement and Council Tax income. Table 7 summarises the 2016-17 budget requirement and how it will be financed.

Table 7 – Net Budget Requirement

	2016-17
	£000
2015-16 Net Budget (Table 1)	252,201
2016-17 Pressures (Para 4.11)	10,167
2016-17 Budget Reductions (Table 5)	(7,477)
2016-17 Net Budget Requirement	254,891
<i>Financed by:</i>	
2015-16 Net Budget (Table 1)	252,201
Less Net Reduction in AEF (£2.294 million (para 3.8) less £1.4 million OA Grant (para 3.10))	(894)
Council tax increase of 3.9% (para 3.12) plus change in tax base	3,584
2016-17 Net Funding Total	254,891

2016-17 Revenue Budget

- 4.23 Table 8 presents the detailed net revenue budget for 2016-17. This includes specific grants transferring into the settlement as outlined in paragraph 3.10.

Table 8 – Revenue Budget 2016-17

	Revised Budget 2015-16 £000	Specific Grant Transfers from WG £000	Inter-Directorate Transfers £000	School Protection £000	NI & Pension Changes £000	Pay / Prices / Demographics £000	Inescapable Budget Pressures £000	Budget Reduction Proposals £000	Revenue Budget 2016-17 £000
Service Directorate Budgets:									
Education & Transformation									
Education & Transformation	20,548				270	29	223	-910	20,160
Schools	85,287			1,578	0	0			86,865
	105,835	0		1,578	270	29	223	-910	107,025
Social Services & Wellbeing									
Adult Social Care	40,173		-157		429	717	81	-1,837	39,406
Safeguarding	18,068				143	32		-557	17,686
Sport, Play and Active Wellbeing	2,746				16	0		-296	2,466
	60,987	0	-157	0	588	749	81	-2,690	59,558
Communities									
Resources	25,077		256		290	67	197	-1,336	24,551
Legal & Regulatory Services	14,436		-106		291	36	363	-1,205	13,815
	6,090				93	0		-398	5,785
Total Directorate Budgets	212,425	0	-7	1,578	1,532	881	864	-6,539	210,734
Corporate Budgets:									
Capital Financing	10,372		56					-300	10,128
Levies	6,912					12	58	-23	6,959
Repairs and Maintenance	1,100							-200	900
CTR Scheme	14,254					350		-300	14,304
Sleep Ins	800								800
Pension Related Costs	1,190				68				1,258
Insurance Premiums	1,634		-3			28		-100	1,559
Other Corporate Budgets	3,514	1,400	-46	-1,578		3,580	1,394	-15	8,249
Total Corporate Budgets	39,776	1,400	7	-1,578	68	3,970	1,452	-938	44,157
Net Budget Requirement	252,201	1,400	0	0	1,600	4,851	2,316	-7,477	254,891

4.24 The net budget will be funded by:

Table 9 – Net Budget Funding

	£	%
Revenue Support Grant	145,232,718	56.98
Non Domestic Rates	42,282,679	16.59
Council Tax Income	67,375,793	26.43
Total	254,891,190	100%

Council Tax Implications

4.25 The implications in terms of the Council Tax increase (excluding Police & Crime Commissioner for South Wales and Community Council precepts) are shown in Table 10.

Table 10 – Council Tax Increase 2016-17

2015-16 Average Band D	£1,249.07
2016-17 Average Band D	£1,297.78
% Increase	3.9%
Weekly Increase	£0.94

Pay, Prices and Demographics

- 4.26 At this point in time, a national pay settlement has not been agreed, but the Employers are offering a total of 2.4% over two years. The 2016-17 budget assumes this is accepted and the appropriate amount has therefore been retained centrally to meet this cost, which will be allocated to Directorate budgets once known.
- 4.27 Price inflation has been allocated to service budgets and includes provision for contractual increases in business rates, food costs, energy costs and other commitments. In addition, provision has been made for an estimated increase in employer pension contributions from 1 April 2016.
- 4.28 The remaining inflation provision will be retained centrally within corporate budgets and reviewed pending the outcome of any unforeseen demand led contract price inflation in relation to, for example, unexpected increases in energy costs or adjustments which may be required to meet contractual increases where the index is set after the Council's budget is approved.

Delegated Schools' Budget

- 4.29 The Delegated Schools' Budget has been completely protected from the reductions that other Directorates have had to find. The 2016-17 budget provides an additional £1.578 million to the schools' budget to meet the Welsh Government's 1% protection commitment.

Unavoidable Pressures

- 4.30 The final schedule of unavoidable pressures is attached at Appendix B and presents a number of recurrent and one off pressures, totalling £2.316 million. The January Draft Budget report explained that budget pressures identified at that time were subject to change before the Final Budget. The main changes are:
- the removal of the pressure relating to the provision of social care in the Parc Prison as Welsh Government grant has been agreed.
 - A reduction in the funding requirement for implementation of the Welsh Language Standards, which reflects the forecast cost of implementing the majority of the standards due to take effect in 2016-17. The pressure does not take into account the financial implications of a number of standards for which the Council is preparing an appeal on the basis that they are unreasonable or disproportionate. The financial implications of these are significant and unaffordable and should the appeal be unsuccessful the Council would have to meet the costs in the short term from a combination of corporate contingency (normally reserved for emergencies such as extreme weather events) or the Council Fund until recurrent funding could be identified either from budget reductions elsewhere or Council Tax increases.
 - A new pressure of £1 million (one-off funding) to finance part of the capital grant required to deliver the provision of two Extra Care Housing schemes.
- 4.31 In total for 2016-17, the recurring pressures total £1.235 million. The one-off pressures total £1.081 million and funding for these will be retained in corporate budgets and allocated to services as and when they are needed during 2016-17.

The recurrent budget associated with the one off pressures has been included in the 2017-18 allowance for budget pressures, which has reduced the level of budget reductions required in that year by £1 million.

Budget Reductions

- 4.32 Budget reduction proposals totalling £7.477 million have been identified from service and corporate budgets to achieve a balanced budget. These are detailed in Appendix C.

Corporate Budgets

- 4.33 Corporate budgets include funding for the Council Tax Reduction Scheme, costs of financing capital expenditure, the unallocated inflation budget, a central contingency provision, discretionary rate relief, provision for redundancy related costs and the Carbon Reduction Commitment.
- 4.34 For 2016-17, the Welsh Government has included the Outcome Agreement Grant (£1.4 million in 2015-16) within the RSG and as such it will no longer be included in corporate budgets.

Fees and Charges

- 4.35 As a minimum, income from fees and charges will be increased by at least CPI (at the prevailing rate, currently 0.3%) plus 1%, subject to rounding, or in line with statutory requirements. Schedules of fees and charges will be reported separately, as usual, under Delegated Powers. New charges or charges that have been included in the 2016-17 budget and are above the general increase are shown in Appendix D.
- 4.36 A corporate income generation policy has been developed during the year which is included in Appendix E for approval. The policy aims to set a consistent approach across council services and outline key principles to be applied. As a key principle, where a decision has been taken to charge for a service, the Council will aim for full cost recovery, except where there is a conscious decision which is consistent with council priorities, recognising that the service would then be subsidised by council tax payers.

MTFS Support for Corporate Priorities

- 4.37 Appendix F details the Directorate Base Budgets for 2016-17. The MTFS supports the delivery of the Council's corporate priorities and Table 11 below summarises Directorate budgets which will be used to support these and core services and statutory functions. A more detailed analysis is shown in Appendix G. Because the Council's priorities for 2016-20 are different to those in the past a comparison with previous years would not be valid.

Table 11 – 2016-17 Budget by Corporate Improvement Priority

Budget 2016-17 Corporate Improvement Priorities			
Directorate	Corporate Improvement Priorities	Core Services & Statutory Functions	Total
	£'000	£'000	£'000
Education & Transformation	9,521	10,639	20,160
Schools	36,170	50,695	86,865
Adult Social Care	27,146	12,260	39,406
Safeguarding & Family Support	17,686	0	17,686
Sport, Play & Active Wellbeing	239	2,227	2,466
Communities	4,445	20,106	24,551
Resources	469	13,346	13,815
Legal & Regulatory Services	0	5,785	5,785
Corporate Budgets	138	44,019	44,157
NET BUDGET REQUIREMENT	95,814	159,077	254,891

Council Reserves

- 4.38 The Council's Reserves and Balances Protocol attached at Appendix H sets out the principles used to assess the adequacy of reserves, the rationale for establishing reserves and the arrangements for monitoring reserves. For the last three years, the Council has maintained its Council Fund at a minimum of £7 million and at 31 March 2015 it was £7.45 million, which is 2.3% of Gross Revenue Expenditure (GRE) compared to a Welsh average of 2.7% for the same period. If the Council Fund was used to cover GRE, it would last 8.3 days compared to a Welsh average of 10 days. Against that background and in the face of continued uncertainty regarding the economy, public finances and Local Government Reorganisation, it is recommended that the Council seeks to increase its Council Fund up to the Welsh average of 2.7% of GRE (£8.801 million based on 2014-15) by the end of the MTFS period. This will be monitored and will depend upon financial performance during future periods and the need to cover against specific risks as they arise through the earmarked reserves process.
- 4.39 In accordance with the Protocol, a review of the Council's financial risks, pressures and reserves was undertaken at period 6 and period 9 in 2015-16. Appendix I sets out the forecast movement (as at 1 March 2016) in the Council's Earmarked Reserves and the Council Fund by the end of 2015-16 and 2016-17. At this point the forecast movement to 31 March 2016 is an overall reduction in usable reserves of £1.956 million on the assumption of:
- Full drawdown of £1.044 million of the Treasury Management Reserve to refinance existing loans by paying off premiums;
 - A net reduction in the capital contribution reserve of £1.275 million (taking account of a £2.5 million transfer out to the Major Claims Reserve for potential capital contractual claims) and a transfer in from Other Corporate Budgets of £1.425 million to support the Council's Capital programme;
 - The drawdown of £379,000 from the Change Management fund in respect of a number of projects including the creation of the Awen Trust;

- Forecast draw down of £604,000 from the Directorate Issues Reserve; £77,000 to be carried forward into 2016-17 for the Deprivation of Liberty assessment costs; and an unwinding of the £809,000 balance at year end;
- The reclassification of £0.5 million between the Insurance Earmarked Reserve and the Insurance Provision; and
- The net addition of around £1.277 million from forecast accrued Council Tax income at year end into the Service Reconfiguration Reserve after draw downs during the year. This will help to meet the investment requirements associated with Transformation Programmes such as digital transformation and Extra Care provision.

4.40 An assessment is currently being undertaken on the business case for making a contribution to the Pension Fund to meet outstanding superannuation liabilities as a means of reducing pressure on the Council's revenue budget in the future. No allowance has been made for this in the movement of reserves forecast in Table 12 or Appendix I as this is subject to further advice.

4.41 In line with the Protocol, a further review will be undertaken at the end of the current financial year and transfers made at this point taking account of the overall financial position of the Council including the final out-turn, actual accrued Council Tax income, earmarked reserve levels, the Council Fund level and any new pressures or risks that need to be provided for. At this time Directors will be invited to submit earmarked reserve requests to meet any specific unfunded pressures that they expect to arise in 2016-17 and these will be considered in the context of Directorate outturn positions as well as that of the Council as a whole. In advance of that process the forecast movement in reserves for 2016-17 assumes:

- An overall reduction in usable reserves of £6.61 million during 2016-17;
- The full drawdown of the Car Parking Strategy, Waste Management Contract and Welfare Reform Reserves;
- The drawdown of the Capital Programme Contribution Reserve, Capital Feasibility Reserve and Asset Management Reserve in line with the current Capital Programme expenditure profile;
- The drawdown of the Change Fund reserve in line with amounts allocated for the 2016-17 financial year; and
- A forecast addition of £1.2 million to the Service Reconfiguration Reserve and a drawdown of £1.5 million in respect of Extra Care in 2016-17.

Table 12 – Summary of Usable Earmarked Reserves

Opening Balance 1 April 2015 £'000	Reserve	Movement 2015-16 £'000	Closing Balance 31 March 2016 £'000	Movement 2016-17 £'000	Closing Balance 31 March 2017 £'000
7,450	Council Fund Balance	-	7,450*	-	7,450*
35,334	Total Earmarked Reserves	(1,956)	33,378	(6,610)	26,768
42,784	Total Usable Reserves	(1,956)	40,828	(6,610)	34,218

* Increases up to 2.7% of GRE are not included in forecast as they will be dependent upon affordability following year-end reviews of reserves, revenue outturn and pressures

Capital Programme and Capital Financing Strategy

4.42 This section of the report deals with the proposed Capital Programme for 2016-17 to 2025-26, which forms part of, but extends beyond the MTFS. It also covers the Council's capital financing strategy. Both have been developed in line with the MTFS principles and reflect the Welsh Government capital settlement for 2016-17. The Programme has been revised since the draft budget report to Cabinet on 12 January to take into account proposed new capital schemes following a review of the Council's capital investment requirements.

Capital Programme 2016-17 to 2025-26

- 4.43 Appendix J sets out the proposed Capital Programme for the period 2016-17 to 2025-26. The Welsh Government provisional capital settlement for 2016-17 provides General Capital Funding (GCF) for the Council of £6.296 million in 2016-17, of which £3.914 million is un-hypothecated supported borrowing and the remainder £2.382 million is General Capital Grant. No indicative allocations have been provided for 2017-18, so for now it is assumed that this level of funding will remain constant for years after 2016-17, but this will be indicative only.
- 4.44 The Programme was last revised in October 2015. Since then a review has been underway to identify the Council's capital investment requirements for 2016-2025, compared to available capital, against the following four criteria:
- Link to proposed new corporate priorities;
 - Level of risk associated with investing (in terms of impact on service delivery, ability to meet MTFS budget reductions, and prevention of building failure and closure);
 - Budgetary provision for any additional revenue costs arising from the scheme;
 - Payback period (where appropriate).
- 4.45 Following a rigorous appraisal process and a review of the amount of funding available, the schemes set out in Table 13 are proposed to be included within the Capital Programme for 2016-17 onwards. A number of schemes are subject to Cabinet approval of business cases and/or confirmation of external funding and will only proceed once these agreements are secured.

Table 13 – Proposed New Capital Schemes

Project Title	Scheme Outline	Total Scheme Cost £'000	Estimated BCBC Funding Required £'000	Other Funding Sources
Refurbishment of the Caretaker's Lodge and Heron House, Heronsbridge School	To enable 52 week residential provision in-county for children with disabilities, to reduce the number of children placed out of county.	286	286	N/A
Town Beach Revetment Sea Defence, Porthcawl	Construction of pre-cast Concrete Terraced Revetment to replace the deteriorating coastal defences along the Esplanade Road seafront.	3,552	714	Welsh Government Grant
Modernisation and mobilisation of the homecare workforce	To replace current manual systems, to introduce a new e-homecare system, with iCall installed.	72	72	N/A
Maesteg Comprehensive School Highways	Improvements to meet Health and Safety Executive requirements.	500	300	BCBC Specific Reserve
Maesteg Town Hall	This will involve providing additional facilities within the Town Hall and co-locating library provision. This project will be managed by Awen Cultural Trust.	3,845	500	ERDF / Lottery
Relocation of Household Waste Recycling Centre	To develop a new HWRC at Village Farm Industrial Estate in Pyle in line with WRAP best practice guidance for improving performances at HWRCs.	1,328	1,328	N/A
DDA Works at Civic Offices	To address accessibility and staff welfare issues and concerns.	120	120	N/A
Health and Safety Improvements around Schools	To improve traffic and transport safety in and around school premises.	500	500	N/A
Bridge Strengthening A4061 Ogmoredale Valley	To strengthen the bridge to enable it to withstand abnormal load traffic.	2,450	2,450	N/A
Smart System and Heat Programme	The council will work with the ETI to develop plans to heat homes and businesses using cutting-edge technology.	76,000	250	WG, EU, Private Sector
Provision of two Extra Care facilities in Bridgend and Maesteg	£2.5 million capital grant to be awarded to preferred Registered Social Landlord (RSL) partner towards facility construction costs; plus £0.5 million for contingency and to meet any associated infrastructure costs.	8,000	3,000	Balance to be funded by preferred RSL partner

4.46 Subsequent to further funding becoming available, additional projects may be added to the capital programme during the next financial year. However, this will be subject to retaining a contingency amount of capital receipts to meet any unforeseen risks.

4.47 The Capital Programme also contains a number of fixed annual allocations that are met from the total general capital funding for the Council. These annual allocations have been reviewed as part of the capital planning process and it is proposed that they remain at current levels for 2016-17, as follows:

- Highways and Transportation Capitalised Repairs – given the backlog of repairs and maintenance of highways it is recommended that this annual allocation be maintained at the current level;
- Disabled Facilities Grants and Housing Renewal Schemes – Cabinet agreed in September 2015 to amend the Private Sector Housing Renewal and Disabled Adaptations Policy, which this funding supports, to amend two existing grants (Empty Homes Grant and Assistance to RSLs), and to include a new grant – the Home Security Grant to assist people suffering from domestic abuse. It is proposed to keep these allocations at existing levels;

There has been slippage against this budget in recent years, due to delays in Occupational Therapy referrals, so the service is cautious not to reduce this budget in case it cannot meet the cost of referrals;

- Strategic Regeneration Fund (SRF) allocations are committed to projects up to 2020-21 to provide matched funding for the Welsh Government's Structural Funding Programme 2014-20. As outlined in the report to Council in July 2014 this provides flexibility in the Capital Programme to enable the Council to take advantage of and maximise external funding opportunities, mitigate funding shortfalls which can occur between grant bid and offers stages and provide some contingency for additional spending pressures on regeneration projects.
- Minor works – The Capital Programme currently includes an allocation of £1.1 million to tackle the backlog of capital minor repairs and maintenance works in the Council's existing buildings and non-buildings infrastructure, as well as energy management, fire prevention and DDA capital schemes. There is also a £600,000 revenue budget available to meet revenue repairs and maintenance. The revenue budget is being reduced by £150,000 as part of the MTFs following rationalisation of administrative assets, so it is proposed to maintain the capital allocation at this level. The Corporate Property Group is responsible for allocating this funding to projects during the financial year.
- Since 2008-09 Town and Community Councils have been able to apply for match funding from the Council for local projects and as a result a number of worthwhile community projects have been developed. In October 2015, Council agreed to increase the funding in the Capital Programme to £100,000 to support Community Asset Transfer (CAT).

4.48 In addition, it is recommended that two additional fixed annual allocations be included to meet the on-going costs of Bridgelink / Telecare equipment replacement, and street lighting / bridge infrastructure replacement, covering street lighting column replacement, bridge erosion and scour protection. This brings the total commitment to 80.53% of the 2016-17 General Capital Funding, as shown in Table 14:

Table 14 – Current Annual Allocations of Capital Funding

	2015-16 £'000	% of 2016-17 GCF
Highways Capitalised Repairs	200	3.18%
Transportation Capitalised Repairs	250	3.97%
Disabled Facilities Grant	2,350	37.33%
Housing Renewal Schemes	100	1.59%
Special Regeneration Funding	540	8.58%
Minor Works	1,100	17.47%
Community Projects	100	1.59%
Bridgelink / Telecare replacement	30	0.48%
Street lighting / Bridge infrastructure replacement	400	6.35%
Total	5,070	80.53%

- 4.49 In February 2014 Council confirmed its commitment to contribute £1 million per year from core capital funding (£5 million total across the life of the 21st Century Schools Programme), as part of the local authority matched funding contribution for the Programme. This leaves a balance of general capital funding of £226,000.

Capital Programme link to the Corporate Priorities

- 4.50 Table 15 outlines how the Council is using its capital programme to support the new corporate priorities.

Table 15 – Capital Programme by Improvement Priority

Improvement Priority	Revised 2015-16 £000	2016-17 £000	2017-18 £000	2018-19 to 2025-26 £000	Total £000
1. Supporting a Successful Economy	6,730	15,293	4,429	5,446	31,898
2. Helping People to be more Self-Reliant	3,566	6,432	2,380	19,040	31,418
3. Making Smarter Use of Resources	18,768	20,178	23,138	18,299	80,383
Addressing Statutory Risks / OBAU	2,625	1,650	1,750	14,050	20,075
TOTAL	31,689	43,553	31,697	56,835	163,774

Supporting a Successful Economy

- 4.51 The proposed capital programme includes a number of projects which will help to support a successful economy by, for example, investing in the three main towns in the County Borough through infrastructure investment, regeneration and town

centre developments. This also involves investing in replacement bridges and shoring up our sea defences, which are considered important elements for improving economic conditions through the provision of road links to towns and industrial estates.

- 4.52 The Smart System and Heat Programme aims to work with local authorities across the UK to develop innovative smart solutions to generating and distributing heat at a local level. The total programme cost is in the region of £76 million, with funding being sought from a number of sources, including Welsh Government, European funding and funding from private sector suppliers. The contribution of £250,000 is included in the capital programme as a contribution to the overall programme subject to a clear direction being agreed on the funding mechanism for the whole scheme, managing any treasury management implications and identifying an appropriate use for Bridgend's contribution.
- 4.53 The proposed programme includes a scheme to develop a cultural hub in Maesteg Town Hall. The plan is to bring together cultural facilities, to improve footfall within the Town Centre and manage the backlog of repairs and maintenance required in the Grade II listed building. This facility is currently managed by Awen Cultural Trust, and they will work with the Council to secure significant external funding to support this project.
- 4.54 The Porthcawl sea defence revetment works draws on 75% Welsh Government funding towards a total scheme costs of £3.552 million. The seafront provides an important contribution to employment and the economy of Porthcawl. The renewal of sea defences will give renewed confidence to stakeholders to continue to visit and invest in the area, reduce the whole life maintenance costs of the existing structure and protect utilities, commercial and residential property. The design stage will be carried out in 2016-17.

Supporting Vulnerable People to Remain Independent

- 4.55 The largest project in relation to priority two is the proposed capital grant funding to support the creation of two Extra Care schemes in the County Borough. Once operational, these will provide an alternative for service users who have the potential to remain independent and therefore reduce the need for more traditional models of care such as residential care. The Extra Care investment is in the form of a capital grant to the successful housing association partner for the two schemes. In previous years, developments across Wales have previously benefitted from Welsh Government support in the form of Social Housing Grant. However this funding stream has ended and consequently council has undertaken a competitive process to determine the level of Council investment required. The funding will be secured against the continued provision of facilities and is subject to Cabinet approval of the business case.
- 4.56 Funding is included for increased mobile ICT provision for the homecare workforce which will enable greater efficiency and safety in the workforce.
- 4.57 £2.35 million of annual capital funding is allocated to Disabled Facility Grants which form a recurrent investment in helping people to be more self-reliant and remain in their own homes.

Smarter Use of Resources

- 4.58 The Schools' Modernisation and Investment Programme forms a cornerstone of the corporate priority making smarter use of resources. School modernisation and school improvement complement each other, and well established collaborative arrangements are taking forward strategies to enhance teaching and learning and school leadership, supported by state of the art buildings and the innovative use of new technology. The Welsh Government has committed to fund £22.475 million of the total costs (currently estimated at £45.510 million) for Band A priority projects, through a combination of capital grant and the Local Government Borrowing Initiative, with the balance met from Council resources. Council has agreed that this would be met from core funding allocations of £5 million, anticipated S106 funding of £5.288 million and projected receipts from the sale of schools and other sites, and other contributions, of £12.747 million.
- 4.59 The programme is based on the current estimated expenditure profile over the funding period. This is an ambitious programme and it is essential that the planned capital receipts already committed and ring fenced from the sale of school sites to finance the programme are retained for this purpose. Any change to this commitment would require Council approval.
- 4.60 In the meantime, the following projects are included in the Council's approved programme, but funding for each project will not be confirmed until Welsh Government approves the final business case and sufficient capital receipts have been generated:

Table 16 – 21st Century School Programme – Band A

Project	Current Status
Coety / Parc Derwen Primary School	Construction complete – school opened 2 nd November 2015 as per the statutory notice. In defects period.
Special Education Needs Provision	Construction completed – school opened 15 th June 2015 as per the statutory notice. The Bridge Alternative Provision and education support services have transferred into the campus.
Garw Valley South Primary Provision	Revised OBC approved, awaiting Ministerial confirmation. Planning permission sought. Cabinet approval sought to appropriate the land. Progressing procurement option.
Pencoed Primary School	Design commenced. Consultation regarding relocating the school commencing shortly. School opening date revised to April 2018. SOC submitted to WG.
Gateway Primary Provision	OBC approved by WG. Currently out to tender for the design and build of the school. Tender return date Friday 25 th March.
Mynydd Cynffig Primary School	Primary school opened on a split site on 1 st September 2015 as per the statutory notice. Revised SOP submitted to WG for their consideration.
Héronsbridge Special School	Exploring opportunities for additional capacity to meet needs of children with ASD.

- 4.61 The revised programme also includes a scheme to rationalise assets at Heronsbridge School to enable residential provision for children with disabilities on a 52 week a year basis, to enable children to stay within Bridgend rather than being placed in establishments far from the family home. This will enable revenue savings to be made and will ensure more efficient use of the assets available.
- 4.62 Other schemes included within the programme are focused on maximising the use of ICT and other assets to provide a better quality of service at the same or reduced cost, and to contribute towards Welsh Government recycling targets. Other projects address health and safety and DDA requirements in and around Council buildings.

Capital Financing Strategy

- 4.63 The Capital Financing Strategy is underpinned by the Council's Treasury Management Strategy. The two key principles used in the Capital Financing Strategy are:
1. Decisions on the treatment of surplus assets are based on an assessment of the potential contribution to the revenue budget and the capital programme.
 2. 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.

Capital Receipts

- 4.64 The Council estimates that around £21 million could be generated as part of the enhanced disposals programme, with circa £9.3 million already delivered (anticipated to reach £10 million by the end of 2015-16) and circa £11 million of capital receipts to be generated over the next three years 2016-17 to 2018-19, of which £4 million is expected to be realised in 2016-17. Of the £21 million, £8.8 million relates to school buildings and land vacated through the 21st Century Schools Programme, to be used as match funding for the programme. It includes receipts anticipated from the sale of surplus sites within the County Borough. Receipts are subject to the exchange of contracts, so it is prudent not to commit them until we have a contractual agreement.

Prudential Borrowing

- 4.65 Prudential Borrowing totalling £41.5 million was approved by Council on 25 February 2015, which included £5.6 million of Local Government Borrowing Initiative (LGBI) funding towards the costs of the 21st Century Schools Programme.
- 4.66 Total prudential borrowing taken out by the end of 2016-17 is estimated to be £41.745 million, which takes into account additional fleet purchases and LGBI funding for street lighting, highways and the 21st Century Schools Programme, of which approximately £32 million is still outstanding.

Treasury Management Strategy 2016-17

4.67 The Prudential Code for Capital Finance in Local Authorities (fully revised 2011) requires the Council to set a number of Treasury Management Indicators and report them within the Treasury Management Strategy. The Council is required, prior to the start of the financial year, to approve the Treasury Management and Investment Strategies for 2016-17, and the Treasury Management and Prudential Indicators for the period 2016-17 to 2019-20. These are included in the Treasury Management Strategy 2016-17, attached as Appendix K. The indicators either summarise the expected activity or introduce limits upon the activity, reflect the underlying capital programme and provide assurance that capital investment decisions are affordable, prudent and sustainable.

5. Effect on Policy Framework and Procedure Rules

5.1 The budget setting process is outlined within the Council's Constitution and Financial Procedure Rules.

6. Equality Impact Assessment

6.1 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.

6.2 A high level equality impact assessment (EIA) has been undertaken on the Council's budget proposals and updated MTFs (see Appendix L). EIAs have been completed for individual 2016-17 proposed budget reduction proposals which may impact on certain groups of citizens within the County Borough.

7. Financial Implications

7.1 This report outlines the financial issues that Council is requested to consider as part of the 2016-17 to 2019-20 MTFs. The Council's Chief Financial Officer is required to report annually on the robustness of the level of reserves. The 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 relate to the uncertainty of Welsh Government funding, the increasing difficulty in the delivery of planned budget reductions as well as the identification of further proposals and the financial uncertainties surrounding the implementation of local government re-organisation. Therefore, it is imperative that the Council Fund balance is managed in accordance with the MTFs Principle 8 in paragraph 4.7 above and essential that revenue service expenditure and capital expenditure is contained within the identified budgets.

7.2 The Chief Financial Officer is also required to report to Council if he/she does not believe that he/she has sufficient resource to discharge his/her role as required by s114 of the Local Government Act 1988. Members should note that there is sufficient resource to discharge this role.

7.3 The budget includes estimates which take into account circumstances and events which exist or are reasonably foreseeable at the time of preparing the budget. The budget has been prepared following consultation with Members, the School Budget Forum and service managers. Subject to the risks identified in the body of the report the MTFS provides a firm basis for managing the Council's resources for the year 2016-17 and beyond.

8. **RECOMMENDATIONS**

8.1 Cabinet is asked to approve the MTFS 2016-17 to 2019-20 including the 2016-17 revenue budget, the Capital Programme 2016-17 to 2025-26 and the Treasury Management Strategy 2016-17 and recommend these to Council for adoption. In particular it is asked to approve that the following specific elements are forwarded to Council for approval:

- The MTFS 2016-17 to 2019-20
- The Net Budget Requirement of £254,891,190 in 2016-17.
- A Band D Council Tax for Bridgend County Borough Council of £1,297.78 for 2016-17 (Table 10).
- The 2016-17 budgets as allocated in accordance with Table 8 in paragraph 4.23.
- The Capital Programme 2016-17 to 2025-26 (Appendix J).
- The Treasury Management Strategy 2016-17 and Treasury Management and Prudential Indicators 2016-17 to 2019-20 (Appendix K).
- The Corporate Income Generation and Charging Policy (Appendix E)

8.2 Cabinet is asked to delegate authority to the Section 151 Officer to make any necessary amendments to the MTFS that arise from the Final Welsh Government settlement, prior to the publication of the Final MTFS Council report on 3 March 2016.

Ness Young CPFA
Section 151 Officer and Corporate Director - Resources
1 March 2016

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Background Papers:
Final Local Government Revenue and Capital Settlements 2016-17
Cabinet Report – MTFS 2016-17 to 2019-20 – 12 January 2016
Provisional Local Government Revenue and Capital Settlements 2016-17
Cabinet Report – MTFS 2016-17 to 2019-20 - 14 July 2015