

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

14 JULY 2015

REPORT OF THE SECTION 151 OFFICER

MEDIUM TERM FINANCIAL STRATEGY 2016-17 TO 2019-20

1. Purpose of this report

- 1.1 The purpose of this report is to update Cabinet on the development of the Medium Term Financial Strategy (MTFS) 2016-17 to 2019-20.

2. Connections to the Corporate Plan

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

3. Background

- 3.1 The Council's MTFS is set within the context of UK economic and public expenditure plans, Welsh Government priorities influencing settlements and legislation which defines the scope the Council has to raise income from council tax and to borrow for capital expenditure.
- 3.2 The Council's MTFS includes all elements of the Council's financial strategy for the next four years, with emphasis on planned budget reductions and development of the Bridgend Change Programme (aka the Transformation Programme). It also encompasses the Capital Strategy which is designed to ensure that capital investment proposals are prioritised and evaluated in accordance with asset management principles and contribute towards the Council achieving its strategic and service priorities.
- 3.3 On 17 June 2015, the Public Services Minister published proposals to reduce the number of councils in Wales from twenty two to eight or nine. The proposal is for Bridgend to merge with Rhondda Cynon Taff and Merthyr Tydfil Councils. This represents a significant change both from the Williams commission proposals and the voluntary merger put forward by Bridgend and the Vale of Glamorgan and there are currently no specific details over a roadmap and timelines. In the absence of any certainty, Bridgend's financial plans must be predicated on delivery of reductions against current budgets, including collaborative efforts with existing neighbouring authorities where practical and savings and or service improvements can be delivered.
- 3.4 As no further information on likely funding levels has been received from Welsh Government, the current budget reduction targets for 2016-17 to 2018-

19 are as outlined in the MTFS report to Council in February 2015, with a similar reduction for 2019-20. These are based the scenario of a continued reduction in Aggregate External Funding (AEF) of -4.5%. Although severe, the AEF assumption continues to look most likely in the context of the UK Government's plan to cut public service budgets. Further detail on the UK position is expected in the Chancellor's Budget on 8 July and a verbal update will be provided during the presentation of this report.

- 3.5 Cabinet / CMB have been working with members and staff to develop a new corporate strategy for the Council for the period 2016-2020 setting out strategic themes, aims and areas of focus.

4. Current Situation

MTFS development

- 4.1 The corporate strategy, with its revised corporate objectives, will inform the allocation of resources in the MTFS period 2016-2020. This will mean that, rather than following a "salami slicing" approach in which all service directorates face the same proportional reductions, in future some element of prioritisation may be afforded to specific budget areas which deliver against the new objectives.
- 4.2 During recent months Directors have reviewed existing budget reduction proposals and confirmed their current status and achievability, making necessary changes particularly in respect of timescales and value of reductions (albeit that some are still considered to have a RED or AMBER risk status). The table below sets out the status of current proposals and the shortfall over the MTFS period.

Year	GREEN	AMBER	RED	Total Reductions Identified	Total to be Identified	Total Reductions Required
	£'000	£'000	£'000	£'000	£'000	£'000
2016-17	3,980	3,885	3,394	11,259	2,307	13,566
2017-18	235	1,803	4,252	6,290	5,973	12,263
2018-19	90	363	5,137	5,590	6,173	11,763
2019-20	0	0	500	500	11,500	12,000
Total Identified	4,305	6,051	13,283	23,639	25,953	49,592
% of Reductions Identified	17.3 %	25.9%	56.8%			

- 4.3 The remaining revenue budget shortfall over the four years is currently estimated at £25.953 million.

Next Steps

- 4.4 Directorates are currently reviewing budgets and working to identify further reductions to meet budget shortfalls identified. These will be submitted to finance by 17 July, and will then be presented to Cabinet/CMB in early September following detailed review and assessment by officers.
- 4.5 During July and August, a series of internal staff engagement events will be held to communicate and receive feedback on the revised corporate priorities. This will be followed during September/October by a public consultation to seek feedback on corporate priorities and budget reductions. This will build upon the consultation carried out during October 2014, and takes on board feedback from participants with the aim of ensuring a stronger response.

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 final budget proposals will cover a wide range of services and it is inevitable that the necessary budget reductions in developing these proposals will impact on the local population in different ways. The Equality Impact Assessment will be carried out and included with the final budget and reported to Council in February 2016.

7. Financial Implications

- 7.1 The expectation at this time is that the Council will have to make revenue budget reductions totalling £49.592 million from 2016-17 to 2019-20. So far £23.639 million have been identified, with £25.953 million yet to be found.
- 7.2 The Council is statutorily required to set a balanced budget, under the 2003 Local Government Act the Council's Chief Financial Officer (i.e. S151 Officer) must report on the robustness of the budget and the adequacy of proposed financial reserves and this must form part of the Council's budget consideration and decision making. This will include identifying the risks associated with identified budget reductions and the implications and contingency plans if they are not delivered as planned. As such it is essential that the proposals put forward are deliverable or, where they are at risk, contingency plans are produced.

8.0 Recommendation

- 8.1 It is recommended that Cabinet notes the work being undertaken in developing the Medium Term Financial Strategy, including the development of £25.953 million of new budget reduction proposals and plans for public consultation on the corporate strategy and MTFS in the autumn.

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July 2015**

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Background Documents:

25 February 2015 Council Report – Medium Term Financial Strategy 2015-16 to 2018-19