

# Budget Overview 2020-21



## The Financial Context

For a number of years, all across the UK, councils have been faced with unprecedented challenges in the face of reduced Government funding and increased demands on essential services. There is also widespread uncertainty following the UK's exit from the European Union, and the impact that this could have on the economic climate. Whilst the Welsh Government's funding settlement to local authorities for 2020-21 is much better than previously expected, it comes at a time of increasing demand and uncertainty and will still be challenging.

The Welsh Government announced its final budget for 2020-21 in February 2020. It included additional funding to meet financial pressures arising from the teachers' pay award, and teachers' pensions increases, along with the impact of Universal Credit on the number of pupils eligible for free school meals. It also included the final year of capital funding across Wales (£100 million over a 3 year period) to support capital investment in local authority assets and infrastructure, along with £15 million across Wales to enable local authorities to address the urgent need to decarbonise.

From 2016-17 to 2019-20 the Council has had to make savings of more than £27 million due to reductions in funding from national government along with increasing demand. Given the current economic climate, and uncertainty surrounding it, we assume that the difficult financial position will continue for a number of years to come and in our Medium Term Financial Strategy we estimate that, between 2020-21 and 2023-24, we will have to make further savings of approximately £29 million.

Budget cuts of this scale present the Council with a significant challenge that will require us to make many difficult decisions about what services can be maintained and what cannot. Obviously we want to minimise the impact of reduced funding on the services that we provide to our citizens. We are, therefore, looking to find over half of our savings from making smarter use of resources, rather than cutting the quality or level of service.

The balance will be realised from changes to our policies and the way some services are delivered as well as reducing or withdrawing some of the services we currently provide. As approximately two thirds of the Council's budget relates to staff pay costs, it is inevitable that any decrease in service area budgets will lead to a reduction in the Council's workforce.

Bridgend County Borough Council recently undertook a budget consultation to gain residents and stakeholder's views on the above proposals, which have been considered as part of the overall process. We are committed to working closely with the community to minimise the impact of the budget cuts, and this could include the transfer of some assets to the community to manage and run.

## Revenue Budget 2020-21



A local authority's annual revenue budget covers the day-to-day running costs of the local authority (including staff salaries, housing maintenance, pensions, operational costs etc.). The net revenue budget for services provided by the Council in 2020-21 is £286.885 million, an increase of £16.076 million compared to 2019-20. The Council gets the majority of its revenue funding from Welsh Government through the Revenue Support Grant and share of Non Domestic Rates. The increase in funding for Bridgend from Welsh Government for 2020-21 is 4.7%. This increase will be required to fund the full year effect of the teachers' pay and pensions increases for the period April to August 2020, the future impacts of teachers' pay awards which will come into effect from September 2020 and to provide funding for free school meals, given the continued rollout of Universal Credit by the UK Government.

The Council's budget for 2020-21 includes an allocation of £6.683 million to meet unavoidable budget pressures, including those arising from Welsh Government legislation in respect of additional learning needs, demographic and statutory changes. This is in addition to significant pressures arising from nationally agreed pay increases, such as the National Living Wage, and pressures arising in respect of public realm and other place related services and schemes.

To achieve a balanced budget the Council's budget includes savings proposals of £2.413 million in 2020-21. One of the Council's key principles in developing its Medium Term Financial Strategy is to meet its statutory obligations and direct its resources towards its corporate priorities / wellbeing objectives.

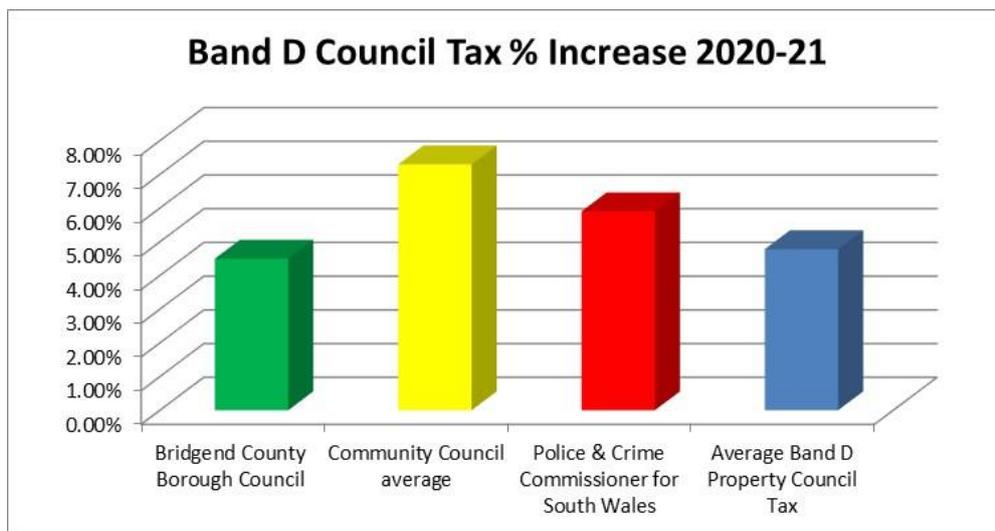


## Council Tax

Council tax is a charge that local authorities charge to help to pay for their services. It is a source of funding used by councils to support the cost of services that are not met completely through grants or Welsh Government funding. It is used to pay for a large range of local services including education, planning, social services, waste collection and recycling, pest control, playgrounds, highways maintenance, libraries, sports and leisure facilities, amongst others.



The amount to be met from council tax this year amounts to almost £84 million, an average Band D increase of 4.5% for the county borough council element. The Police and Crime Commissioner for South Wales precept has increased by an average Band D equivalent of 5.9%, and the average Band D community council precept has increased by 7.3%. The total average overall increase in council tax is 4.78%.



## Capital Programme

The capital programme includes a number of major schemes that involve either acquisition, creation or replacement of one or more of the Council's assets, such as schools, highways, other public buildings. Planned capital expenditure for 2020-21 amounts to £56.434 million. This includes:

- £0.9m to commence the 21st Century Schools Band B improvement programme,
- £3.0m on carriageway and footpath resurfacing,
- £0.8m on bridge strengthening in the Ogmore Valley,
- £1.4m on street lighting energy efficiency,
- £2.5m on Porthcawl Regeneration,
- £5.5m capital investment in the Cardiff Capital Region City Deal, and
- £6.4m to redevelop Maesteg Town Hall into a cultural hub.



There are also a number of annual fixed allocations to provide statutory Disabled Facilities Grants, undertake capital minor works to Council buildings and address recurrent maintenance requirements in respect of highways, street lighting and bridges. These investments are being funded through core capital grants from Welsh Government, capital receipts (from the disposal of existing assets), prudential borrowing and revenue budgets amounting to £38.8 million, with the balance being funded from external grants.

## Balances and Reserves

The Council Fund is a reserve held to manage the impact of uneven cash flows and unexpected events or emergencies. The balance is estimated to be approximately £9 million at 31 March 2020. In addition, the Council holds a number of earmarked reserves which are set aside for specified purposes and can be used to finance spending on these purposes in future years.