

Isle of Anglesey County Council

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| Report to: | EXECUTIVE |
| Date: | 24 SEPTEMBER 2024 |
| Subject: | MEDIUM TERM FINANCIAL PLAN 2025/26 – 2027/28 |
| Portfolio Holder(s): | COUNCILLOR R WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER - FINANCE |
| Head of Service / Director: | MARC JONES - DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER |
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| Local Members: | Not applicable |

A – Recommendation/s and reason/s

Recommendations

The Council is required to put in place a robust system to monitor and control its revenue budget, and a key element of that system is a Medium Term Financial Plan (MTFP). The plan sets out the Council's budget strategy over the next three year period and sets out the assumptions which will be taken forward to the annual budget setting process.

The Executive is requested to note the contents of the plan, to approve the assumptions made and to consider how to bridge the funding gap identified in the report as part of the process to set the 2025/26 revenue budget.

The detailed report is attached as Appendix 1.

B – What other options did you consider and why did you reject them and/or opt for this option?

The Medium Term Financial Plan is based on a number of assumptions, which are based on the best available information. Therefore, no other options are considered.

C – Why is this a decision for the Executive?

Paragraph 4.3.2.2.1 of the Council's Constitution requires the Executive to publish a pre-budget statement before 30 September each year.

Ch – Is this decision consistent with policy approved by the full Council?

Yes, as per paragraph 4.3.2.2.1 of the Council's Constitution.

D – Is this decision within the budget approved by the Council?

The decision, although impacting on the budget for 2025/26, will not result in the incurring of any additional costs or generate any additional income in the 2024/25 financial year. As a result, the decision will not impact on the budget approved by the Council for 2024/25.

| Dd – Assessing the potential impact (if relevant): | | |
|---|--|--|
| 1 | How does this decision impact on our long term needs as an Island? | The MTFP sets out the financial position for the Council over the next 3 financial years. This impacts on the level of services which the Council can provide to meet the needs of the Island and its residents. |
| 2 | Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how? | Setting out and agreeing the medium term financial position allows the Council to plan for the cost of future services. Good financial planning will allow for the avoidance of unnecessary future costs. |
| 3 | Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom. | The Council, along with the other 21 Welsh Local Authorities and the Welsh Local Government Association (WLGA), has set out the financial position across Wales to Welsh Government (WG). The Council also works closely with the other 5 North Wales authorities on the detailed assumptions used in the plan. |
| 4 | Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how. | The annual revenue and capital budgets are subject to a public consultation process. The outcome of the Consultation is considered by the Executive before it makes its final budget proposal to the full Council in March each year. |
| 5 | Note any potential impact that this decision would have on the groups protected under the Equality Act 2010. | The MTFP makes no spending decisions. Any spending decisions would form part of the annual budget, and individual proposals would be assessed on their impact on groups protected by the Equality Act 2010 at that point. |
| 6 | If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage. | The MTFP makes no spending decisions. Any spending decisions would form part of the annual budget, and individual proposals would be assessed on their impact on those experiencing socio-economic disadvantage at that point. |
| 7 | Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language. | No impact |
| E – Who did you consult? | | What did they say? |
| 1 | Chief Executive / Leadership Team (LT) (mandatory) | The report was considered by the Leadership Team at its meeting on 3 September 2024. Comments from the Chief Executive and the other members of the LT were incorporated into the final draft. |
| 2 | Finance / Section 151(mandatory) | The Section 151 Officer is the report author. |
| 3 | Legal / Monitoring Officer (mandatory) | The Monitoring Officer is a member of the LT. |
| 4 | Human Resources (HR) | Not applicable |
| 5 | Property | Not applicable |
| 6 | Information Communication Technology (ICT) | Not applicable |
| 7 | Procurement | Not applicable |
| 8 | Scrutiny | |
| 9 | Local Members | |

F - Appendices

Appendix 1 - Detailed Report on the Medium Term Financial Plan

Appendix 2 - MTFP Assumptions

Appendix 3 - Estimated Net Revenue Budget 2025/26 – 2027/28

Appendix 4 - Analysis of 2024/25 Budget by Service and type of provision

Ff - Background papers (please contact the author of the Report for any further information):

1. INTRODUCTION AND BACKGROUND

- 1.1. The Medium Term Financial Plan (MTFP) sets out the Council's likely resource requirement for the next three financial years and details how the Council plans to balance the resource requirement with the funding available.
- 1.2. The MTFP has been drawn up during a continued period of economic uncertainty. Inflation is now significantly lower and around the Bank of England's target, but interest rates remain high. The change in UK Government will result in a change in economic strategy and monetary and fiscal policy. This could lead to a change in the level of funding that Welsh Councils may receive. World events, such as the continuing war in Ukraine and the upcoming American Presidential elections, will also influence the world economic situation and add to the level of uncertainty.
- 1.3. The new Labour Chancellor will announce her Autumn Statement on 30 October 2024, and the statement may contain more detail as to the level of funding the Welsh Government (WG) will receive from 2025/26 onwards. This MTFP is based on the current funding indications set by the previous UK Government and may be subject to change.
- 1.4. The situation in respect of the pay award for NJC staff for the financial year 2024/25 has yet to be settled, with a significant gap between the employer's pay offer and the Unions' request. Given that NJC staff pay accounts for around £65m of the Council's expenditure, the lack of an agreement increases the uncertainty for the budgets moving forward. In addition, the WG has yet to announce the Teachers' pay award, which is effective from September 2024. Teachers' pay accounts for £36m of the Council's expenditure.
- 1.5. The MTFP takes account of all known changes that are required to be built into the 2024/25 base budget and makes assumptions on the main factors that impact on the Council's revenue budget (pay costs, pensions, general inflation, WG funding, demographic and demand pressures).

2. THE COUNCIL'S CURRENT FINANCIAL POSITION

- 2.1. In March 2024, the Council set the following budget:-

Table 1
2024/25 Revenue Budget

| | £'m |
|---|----------------|
| 2023/24 Final Net Revenue Budget | 174.569 |
| Pay Inflation and Other Staff Related Costs | 4.813 |
| Non Pay Inflation | 2.446 |
| Budget Pressures and Service Investments | 3.825 |
| Capital Financing Changes | 1.424 |
| Additional Income – above inflationary increase | (0.365) |
| Budget Savings | (2.548) |
| 2024/25 Final Net Revenue Budget | 184.164 |
| | |
| Funded By: | |
| Aggregate External Finance | 127.586 |
| Council Tax (including Premium) | 52.153 |
| Reserves | 4.425 |
| Total Funding 2024/25 | 184.164 |

- 2.2.** The final net revenue budget for 2024/25 increased by £9.595m, which is equivalent to a rise of 5.5%. The Aggregate External Finance (AEF) increased by 2.8% (after adjusting for the change in the taxbase and grants transferred into the settlement). The Council Tax debit increased by 10.7%. The Band D charge increased by 9.5%, with the remainder of the increase in Council Tax debit as a result of the change in the taxbase and an increase in the second homes premium from 75% to 100%.
- 2.3.** At the end of the 2023/24 financial year, the Council reported a net underspend of £1.732m (0.99%), with all Services, apart from Children's Social Care and Highways, reporting an underspend against their budget. The position in respect of Highways related to one-off payments and the underlying position of the Service is that expenditure is within budget.
- 2.4.** The position in respect of Children's Services is of greater concern, with the number of children in care increasing and the cost of placements increasing significantly. The budget for Children's Services has increased by 90% since 2016/17, whilst the total Council net revenue budget has only risen 48.5%, and the budget now accounts for 7.8% of the Council's net revenue budget, compared to 6.1% in 2016/17. Despite the increase in funding, the Service continues to overspend its budget (10.7% in 2023/24) and the financial situation of the Service is a risk to the Council's financial stability.
- 2.5.** The Council's financial position was also improved by the Council's successful appeal against the rateable value of a number of properties and that resulted in a refund of £1.64m, which has been added to the Council's general balances.
- 2.6.** The financial position at the end of 2023/24 has increased the Council's general balances from £14.039m at the beginning of the financial year to £15.614m, although £4.425m has been utilised as funding for the 2024/25 revenue budget. This reduces the available resources to £11.189m. The general balances can be utilised to fund additional unfunded costs that arise during the year and would fund any overspending that may arise during 2024/25. The Council has set a target of holding 5% of the net revenue expenditure budget as a minimum balance for general reserves, for 2024/25, this is equivalent £9.2m, which is £2m below the current level.
- 2.7.** Earmarked reserves, which are maintained by the Council to fund one-off committed projects, to fund anticipated future costs (e.g. uninsured losses) and unutilised grant funding, stood at £16.778m at 31 March 2024, a decrease of £2.859m during the year. A review of reserves was undertaken during the year, with £2.00m of reserves being unearmarked and transferred back to the Council's general balances.
- 2.8.** School Balances also fell during 2023/24, falling from £6.716m to £5.577m. The budgetary position of the Council over the last 2 years has required the Council to cap the inflationary increase provided in the budget and, as a result, Schools have utilised their balances to set a balanced budget. For 2024/25, schools plan to utilise a further £2.17m of their balances to fund their costs. If the financial position remains as challenging as they are currently, it is likely that the school balances will reduce further.
- 2.9.** The Council received an increase in the level of Aggregate External Finance (AEF) from WG, up £3.439m (2.8%) from the previous year. However, the funding increase did not cover the inflationary pressures faced by the Council and was, therefore, not a real terms increase in funding. Council Tax rose by 9.5%, and this increase, along with the increase in the AEF, was insufficient to fund the required rise in the Council's net revenue budget. As a result, £4.425m of reserves were used to balance the budget, in addition to £3.78m used in 2023/24. The use of reserves is viable in the short term and allows the Council time to ensure that long term expenditure matches the funding available, but the use of reserves cannot continue in the long term and their use does weaken the financial resilience of the Council.

2.10. CIPFA recommend the use of 4 financial resilience indicators to assess the Council's financial position, which are as follows:-

- Funding Gap as a percentage of the Net Revenue Expenditure, prior to any increase in Council Tax;
- Over / Under spending relative to net revenue expenditure;
- Useable reserves as a percentage of the net revenue budget;
- Capital Financing Costs as a percentage of net revenue expenditure.

2.11. The current position in respect of each indicator is as follows:-

2.11.1 Table 2 - Funding Gap as a Percentage of Net Revenue Expenditure

| Year | Standstill Budget £'m | AEF £'m | Previous Year Council Tax (note 1) £'m | Total Funding Prior to Council Tax Increase £'m | Estimated Funding Gap £'m | % Gap |
|---------|--------------------------|------------|---|--|------------------------------|---------|
| 2018/19 | 132.337 | 94.924 | 33.644 | 128.568 | 3.769 | 2.85% |
| 2019/20 | 134.702 | 95.159 | 35.087 | 130.246 | 7.156 | 5.21% |
| 2020/21 | 142.203 | 101.005 | 39.370 | 140.375 | 1.828 | 1.29% |
| 2021/22 | 147.076 | 104.825 | 41.161 | 145.986 | 1.090 | 0.74% |
| 2022/23 | 155.501 | 114.549 | 42.957 | 157.506 | (2.005) | (1.29%) |
| 2023/24 | 173.830 | 123.665 | 44.879 | 168.544 | 5.286 | 3.04% |
| 2024/25 | 188.992 | 126.973 | 47.628 | 174.601 | 14.391 | 7.61% |

Note 1 – The Previous Year Council Tax figures are adjusted to take account of changes to the taxbase

The table shows, in 2018/19 and 2019/20, the period of austerity continued, and the funding gap required savings to be implemented and higher than inflation rises in Council Tax. The position then improved in 2020/21 and 2021/22, and the funding gap was able to be filled with a council tax rise on or below inflation. In 2022/23, the situation was significantly better, and it allowed additional investment in services, but the position worsened again in 2023/24 and 2024/25, where the funding gap was mainly filled by the use of reserves to balance the budget.

How the position for 2025/26 onwards compares to this historical data will be discussed later in this report.

2.11.2 Table 3 - Over / Under Spending Relative to Net Revenue Expenditure

| Year | Net Revenue Budget £'m | Actual Net Revenue Expenditure £'m | Over / (Under) Spend £'m | % Over / (Under) Spend |
|----------------------------|---------------------------|---------------------------------------|-----------------------------|------------------------|
| 2018/19 Actual | 130.900 | 131.533 | 0.633 | 0.48% |
| 2019/20 Actual | 135.210 | 134.902 | (0.308) | (0.23%) |
| 2020/21 Actual | 142.146 | 137.942 | (4.204) | (2.96%) |
| 2021/22 Actual | 147.120 | 142.323 | (4.797) | (3.26%) |
| 2022/23 Actual | 158.367 | 157.154 | (1.213) | (0.77%) |
| 2023/24 (subject to audit) | 174.569 | 172.837 | (1.732) | (0.99%) |
| 2024/25 (forecast at Q1) | 184.164 | 184.254 | 0.090 | 0.05% |

The table highlights that, in 2018/19 and 2019/20, the final position was close to the budget, with a small overspend in 2018/19 and a small underspend in 2019/20. Covid then had a significant impact on the demand for services and the level of funding received from WG, which resulted in 2 years of significant underspends. The position began to normalise in 2022/23 but, again, additional WG funding improved the position and allowed the Council to underspend once again.

The financial year 2023/24 has returned to a more normal pre-Covid level of service and funding. The final underspend position was, in part, due to a concerted effort by all services to reduce expenditure by extending periods of staff vacancies and eliminating non-essential expenditure. The position was also as a result of recruitment difficulties and additional grant funding, although at a lower level than in previous years.

2.11.3 Table 4 - Useable Reserves as a Percentage of the Net Revenue Budget

| Year | Net Revenue Budget (NRE) £'m | General Balances £'m | Earmarked Reserves £'m | School Balances £'m | Total Useable Reserves £'m | % Useable Reserves to NRE |
|--------------------|---------------------------------|-------------------------|---------------------------|------------------------|-------------------------------|---------------------------|
| 2018/19 | 130.900 | 5.912 | 9.914 | 0.631 | 16.457 | 12.57% |
| 2019/20 | 135.210 | 7.060 | 10.090 | 0.197 | 17.437 | 12.83% |
| 2020/21 | 142.146 | 11.437 | 14.846 | 3.974 | 30.257 | 21.29% |
| 2021/22 | 147.120 | 12.278 | 25.562 | 7.827 | 45.667 | 31.04% |
| 2022/23 | 158.367 | 13.967 | 21.952 | 6.716 | 42.635 | 26.92% |
| 2023/24 | 174.569 | 15.604 | 19.633 | 5.577 | 40.814 | 23.38% |
| 2024/25 (forecast) | 184.164 | 11.079 | 12.103 | 3.410 | 26.592 | 14.44% |

The table highlights that the Council's financial position has strengthened significantly since 2018/19 as a result of the underspending in 2020/21, 2021/22 and 2022/23. Although it also indicates that the position is starting to weaken with the use of £4.425m of general balances and £2.167m of school balances to balance the 2024/25 budget, reducing the forecasted percentage to the pre-Covid levels. This indicator shows that the Council's ability to continue to use reserves and balances as a source of funding is coming to an end, and the underlying structural underfunding will need to be addressed in future budgets.

2.11.4 Table 5 - Capital Financing Costs as a Percentage of Net Revenue Expenditure

| Year | Net Revenue Budget £'m | MRP £'m | Interest Payable £'m | Interest Receivable £'m | Total Capital Financing Costs £'m | % of Capital Financing Costs to NRE |
|------------------|---------------------------|------------|-------------------------|----------------------------|--------------------------------------|-------------------------------------|
| 2018/19 | 130.900 | 2.463 | 4.041 | (0.062) | 6.442 | 4.92% |
| 2019/20 | 135.210 | 2.655 | 4.261 | (0.127) | 6.789 | 5.02% |
| 2020/21 | 142.146 | 2.696 | 4.159 | (0.045) | 6.810 | 4.79% |
| 2021/22 | 147.120 | 2.752 | 3.988 | (0.016) | 6.724 | 4.57% |
| 2022/23 | 158.367 | 1.325 | 4.233 | (0.800) | 4.758 | 3.00% |
| 2023/24 | 174.569 | 1.446 | 5.773 | (3.071) | 4.148 | 2.38% |
| 2024/25 (budget) | 184.164 | 1.603 | 4.812 | (0.670) | 5.745 | 3.12% |

The fall in the percentage is due to 2 factors. Firstly, no additional external borrowing has taken place since February 2020, and the Council's own cash balances have been used to fund capital expenditure originally planned to be funded from supported or unsupported borrowing. Secondly, the change in the Minimum Revenue Provision (MRP) policy in 2022/23 halved the annual MRP charge in the early years, although the charge will increase in future years.

This indicator is a good indicator of financial health as it shows how much of the Council's annual net revenue budget is used to fund borrowing. The lower the figure, the more funding is available to fund Council services.

3. THE UK ECONOMIC OUTLOOK AND BUDGET

- 3.1. Although the Council's central funding comes from the WG, the UK Government provides the WG with its entire funding, and what is happening with the UK economy and budget impacts directly on the WG and local government funding. An assessment of the UK situation is an important element of the MTFP.
- 3.2. The global pandemic, the war in Ukraine and the impact of Brexit have been significant shocks to the UK economy and has resulted in the UK Government providing unprecedented levels of support to individuals and businesses in the form of Covid grants, energy support grants and cost of living support grants. The UK Government gross debt (as reported by the ONS) currently stands at £2.73 trillion, which is 99.5% of the country's GDP. This compares to £2.57 trillion as at June 2023, which was 100.5% of GDP.
- 3.3. During 2023/24, the Government borrowed £121bn, compared to £132bn in the previous financial year, and have already borrowed a further £49.8bn in the first quarter of 2024/25. The Chancellor has announced that there are currently around £20bn of unfunded commitments but has yet to set the borrowing targets for future years, but it is probable that there will be a requirement to begin to reduce debt as a share of GDP over the lifetime of this Parliament. If the economy grows and borrowing falls, this should allow the UK Government to meet its target of reducing debt as a share of GDP.
- 3.4. A number of events have caused inflationary pressures in the UK economy. The rise was mainly caused by the sudden increase in energy prices, following the start of the Ukraine war, but shortages in the UK labour market following Brexit, post Covid global supply chain problems and increased import costs have also contributed to the inflationary pressures. Consumer Price Inflation (CPI) peaked at 11.1% in October 2022, has fallen back to 2.0% in June 2024, but increased slightly to 2.2% in July 2024. Inflation is forecast to increase slightly during the remainder of 2024, peaking on or around 3% before falling back to the Bank of England's target of 2% by the summer of 2025.

- 3.5. The Bank of England base rate was cut to 0.1% in March 2020, and remained at this very low level until the beginning of 2022. As inflation began to rise, the Bank of England's Monetary Policy Committee (MPC) made small incremental increases in the base rate of 0.25% or 0.5% at each review, to reach a peak of 5.25%, before being reduced to 5% in July 2024. The Bank of England is committed to get inflation under control, with interest rates being the main lever to achieve this goal. As interest rates rise, consumers have less disposable income to spend and this, in turn, reduces economic demand, which, in turn, reduces inflation. Whether interest rates continue to rise or begin to fall is dependant on infaltion remaining on or around the Bank of England's target. Current indications are that inflation is now under control and that interest rates will continue to fall gradually over the coming months, falling to 4.5% by the end of 2024, 3.25% by the end of 2025, reaching 3% by the summer of 2026. It is then likely that they will remain around this level for the foreseeable future and will not fall to the very low levels seen between 2009 and 2021.
- 3.6. Following a period of little or no growth, the UK economy fell into a technical recession (2 successive quarters of negative growth) in the second half of 2023. The first two quarters of 2024 has seen the economy grow by 1.3%, which is an improvement on the past two years. Growth is forecast to slow during the second half of 2024 but will still remain positive, with growth of between 1% and 2% forecast for 2025, 2026 & 2027.
- 3.7. The UK Government has increased the level of both direct and indirect taxes to its highest level since the Second World War, with tax revenues now equivalent to 40% of GDP. The freezing of income tax thresholds and the increase in corporation tax have contributed to the increase. The high tax burdern severely limits the Government's ability to increase public spending by increasing direct or indirect taxes. The new Labour Government pledged not to increase income tax, national insurance or VAT, and this will severly limit the Government's ability to fund additional public spending through increased tax revenues. The growth in the economy would then create more tax revenue as businesses would generate more profits and the population would have more disposable income.
- 3.8. The UK Government is under increasing pressure to increase spending on high priority areas, such as the NHS, but also to increase spending on defence, given the rising risks following the Ukrainian war. With borrowing at an all time high, and the tax burden also high, the Government's options in respect of public sepnding are limited and protecting certain services will require cuts in non-protected budgets.
- 3.9. The economic situation continues to improve, with inflation back under control and the prospect of lower interest rates and the return of economic growth. However, the record level of national debt and the high tax burden needs to be addressed, and this limits the possibility of increases in public spending in the short to medium term.
- 3.10. The Government is committed to protecting the Health Service budget, along with increasing spending on defence. This will require real term reductions in unprotected budgets, including the funding that will come to Wales.

4. FUNDING FROM WELSH GOVERNMENT

- 4.1. Funding of Local Government in Wales has changed significantly over the past decade. After taking account of grants transferring into and out of the settlement, and additional funding for new responsibilities, the local government settlement fell each year in cash terms between 2013/14 and 2019/20. It began to rise in 2020/21, but only exceeded the 2013/14 level in 2022/23, when the settlement increased by 9.4%. The increase of 7.9% in 2023/24 continued to reduce the gap between the actual level of the settlement and where it would have been if the inflationary increase had been applied each year, but a lower than inflation settlement of 3.3% again increased the gap between the actual settlement figure and where it should be if inflation had been applied annually. Therefore, in real terms, the funding is still over 10% less than the 2013/14 level.

- 4.2. Around 50% of the WG's budget funds the NHS in Wales and the WG is under pressure to address the increased waiting lists and increased demand for services. Local Government accounts for around 25% of the WG budget. Given that both areas are experiencing both demand and cost pressures, it will be very difficult to set budgets which funds in full both inflationary and demand pressures in both the NHS and Local Government.
- 4.3. The change of UK Government has resulted in no estimate of the WG's budget being available for 2025/26 onwards. Based on informal discussions with WG officials, the consensus across Welsh Council Treasurers is that the settlement could be between cash flat, i.e. no increase from the 2024/25 figure, and a 1% increase.
- 4.4. The WG is still in discussions with H.M. Treasury on the additional funding that will be made available to cover the increased employer pension contributions in respect of teachers and firefighters. This will increase the base position for 2024/25, but only funds additional costs which the Council have had to fund in 2024/25.
- 4.5. The UK Government recently announced an increase of 5.5% for teachers from September 2024. The WG has yet to announce the pay award for Welsh teachers. If additional funding is released to the Department of Education in England, then this will result in additional funding for Wales through the Barnett formula. It will be a decision for the WG whether all or part of this funding is awarded to Councils but, again, it will only fund additional costs that the Councils will have to pay.
- 4.6. Analysis by Wales Fiscal Analysis in June 2024, based on the impact of the UK budget in March and the Labour Party's manifesto pledges, estimates that the WG budget would increase by 1.1% per year on average in real terms but, if additional funding arising from the budget is allocated across Health and Education as in England, it would result in a real terms reduction of 0.8% in the Welsh local government settlement in 2025/26, with a real terms reduction of 1.7% in other WG spending areas.
- 4.7. It is unlikely that the financial position for 2025/26 will become any clearer until the UK budget is announced by the Chancellor on 30 October 2024 and when the WG publishes its 2025/26 budget on 10 December 2024.

5. NATIONAL AND LOCAL BUDGET PRESSURES

- 5.1. Local Government generally is facing a number of budget pressures, particularly in Social Care and Homelessness. In December 2023, the WLGA estimated that Councils in Wales were facing a budget shortfall of £800m in 2024/25, with further shortfalls of £600m in 2025/26 and 2026/27, based on providing the services to the level of anticipated demand and to fund the inflationary pressures.
- 5.2. The following areas are considered the main budget pressures facing the Council over the term of this plan:-
 - i. **Pay Increases – Non Teaching Pay**

The pay award for 2024/25 has not been settled as yet, and unlikely to be resolved before the end of 2024. The Unions have demanded a pay award of £3,000 or 10%, whichever is the higher, which equates to an increase of 13.41% for the lowest pay point and 10% for all points above scale 5, whilst the Employer's offer is £1,290 for all points up to grade 7 and 2.5% thereafter.

The impact of the Union demand and the pay offer compared to the sum allowed for in the 2024/25 budget is shown in Table 6 below:-

Table 6
Impact of the Non Teaching Pay Award on the 2024/25 Budget

| | Base Budget 2023/24 £'000 | Inflation 2024/25 £'000 | Budget 2024/25 £'000 |
|--|---------------------------------|-------------------------------|----------------------------|
| Council Budget (assumed 3.5% increase in 2024/25) | 52,153 | 1,824 | 53,977 |
| Employer's Pay Offer Estimated Cost of Employee Offer – average increase of 4.1% | | 2,139 | 54,292 |
| Funding Shortfall | | | 315 |
| Union Pay Demand Estimated Cost of Union Demand – average increase of 11.1% | | 5,779 | 57,932 |
| Funding Shortfall | | | 3,955 |

As can be seen from the table above, the employer's offer is affordable in terms of the Council's budget provision but, as the pay award increases towards the Union's pay demand, it becomes less affordable and would place a considerable budget pressure on the 2024/25 budget and this would then need to be corrected in the 2025/26 budget.

For 2025/26 onwards, it is anticipated that the pay award should be more in line with inflation and 2% has been allowed for in the MTFP. However, one factor that may result in a higher than inflation increase during the period of this plan is the impact of the national living wage on the pay scales. The difference between the hourly rate of the lowest pay point and the national living wage is shown in Table 7 below:-

Table 7
Comparison of the National Living Wage to the Lowest Point on NJC Payscale

| | 2023/24 | 2024/25 | 2025/26 |
|--|---------|---------------------|---------------------|
| Hourly Rate of Lowest Point on NJC Scale | £11.59 | £12.26 ¹ | £12.50 ² |
| National Living Wage | £10.42 | £11.44 | £11.85 ³ |
| Difference between NJC scale and National Living Wage | £1.17 | £0.82 | £0.65 |
| % Difference between NJC scale and National Living Wage | 11.2% | 7.2% | 5.5% |
| 1. Increase based on the Employer's pay offer of £1,290 per annum | | | |
| 2. Based on an inflationary increase of 2% | | | |
| 3. Based on the OBR forecast of the increase in average earnings of 3.6% | | | |

In order to maintain or increase the differential, it would be necessary to increase the lowest points on the NJC scale by higher than inflation and this may require a restructure of the payscale to create a sufficient buffer between the NJC scales and the national living wage.

ii. Pay Increases – Teachers Pay

Teachers pay is set by the WG, with the pay award being effective from September each year. No pay award has been announced for the year commencing September 2024 and no indication has been provided by WG on the level of any future increases.

The Chancellor has announced a 5.5% increase for teachers in England from September 2024. This may result in additional funding being provided to Wales through the Barnett formula. WG has historically funded the increase in teacher's pay through the local government settlement and, if additional funding is received in Wales and the WG allocate this to local authorities in Wales, then the final pay award should be cost neutral for the Council.

In setting the 2024/25 budget, 2% was allowed for teacher's pay and, if the increase is 5.5%, then the 2025/26 budget will need to be corrected. The full year effect of this correction is £1.27m.

Although there may be some pressure to increase teachers' pay above inflation in future years to aid with recruitment and retention, for the purposes of the MTFP, 2% has been allowed for as future pay awards. Each 1% rise increases the Council's expenditure by around £400k.

iii. Local Government and Teachers' Pension Contributions

The LGPS pension scheme was re-valued in 2022, with the new employer contribution rates effective for the period April 2023 to March 2026. A number of factors impact the calculation of the employer contribution rate, which include the investment performance of the fund, the level of gilt rates which determines the discount rate of future liabilities and the composition of the current membership. Given that the scheme is currently fully funded, it is hoped that any change to the contribution rate will be minimal. Each 1% increase in the contribution rate would increase the Council's costs by approximately £500k.

The Teachers Pension Scheme was revalued in April 2024, with the teacher's contribution rates increasing from 23.58% to 28.58%. This is a 21% increase and added around £1.3m to the Council's budgets. Discussions are still ongoing as to whether the UK Government will fund the total cost of this increase, but current expectations are that around 85% to 90% of the costs will be funded. The increase in contributions has been allowed for in the 2024/25 budget and any additional UK funding would be a windfall and would reduce the funding gap. The next revaluation is not due until 2028 and, therefore, no further change is anticipated during the period of this plan.

iv. Major Service Contracts

A number of the Council's Services are outsourced, including refuse collection and disposal, highway maintenance, school meals, school transport and public service bus contracts. The majority of the contracts are long term agreements which will end after the end of the period covered by this plan. The price of each contract is uplifted annually using a set of pre-determined inflation indices which are defined in each contract. The budget for these contracts is in the region of £24m and the increase is normally dependant on inflation indices in the preceeding autumn. As inflation has fallen, the cost pressure on these contracts reduces, with an estimated increase of around £0.6m in 2025/26, with a similar uplift in 2026/27 and 2027/28.

v. Energy Costs

The current budget for energy (electricity and gas) in 2024/25 was £4.49m (£2.41m for electricity and £2.08m for gas), with the highest costs incurred in secondary schools, leisure centres and the main Council offices. Much work has been done to reduce the consumption of energy in Council buildings, including installing solar panels and a new boiler at the Council Offices, and further grant funding will result in the installation of heat source pumps and improved insulation at 27 schools and other Council buildings over the next 2 years.

The Council retendered both its gas and electricity contracts in early 2024, with the new rates becoming effective from October 2024, with prices fixed until October 2027. The tendering took advantage of a significant fall in both gas and electricity prices, with reductions of over 20% resulting from the tendering process. This will reduce the Council's energy costs by approximately £1m, but this reduction will be greater as the more energy efficient solutions are implemented.

The prices will be fixed for the majority of the period covered by the MTFP.

vi. Elderly, Nursing, EMI and Residential Care Home Fees

For a number of years, the annual fee increase for nursing, EMI and residential care home fees have been determined using a standard toolkit which all 6 North Wales authorities use as the basis for their fee increase. In 2022, authorities began to move away from the toolkit but are still committed to try and maintain a regional position. The Council has increased fees by between 30% and 40% in the 3 years since 2021/22.

Representatives of Care Forum Wales continue to make the case that the fees paid by the Councils do not fully fund the costs the home operators face and that, generally, the fees paid by North Wales Councils are lower than those paid by Councils in the South.

The number of clients placed in homes has stabilised and the costs are now within budget, but this could change quickly, particularly over the winter when the pressure to discharge patients from hospital increases.

The plan continues to allow for a higher than inflation increase in fees in 2025/26, with fee increases then falling back to inflation levels in 2026/27 and 2027/28. Each 1% increase in fees adds around £100k to the Council's expenditure.

vii. Domiciliary Care Contract

Part of the domiciliary care service is outsourced to the private sector, with the contracts regularly re-tendered. Annual increases in the hourly rate are negotiated with each provider, with the main cost driver being the National Living Wage. The National Living Wage is expected to increase by 3.6% in 2025/26 and this increase has been allowed for in the plan, with increases in line with general inflation in the following two years.

viii. Children's Services

An increased investment and the impact of Covid saw the costs of Children's Services being within budget in 2020/21 and 2021/22, however, the budget position has worsened with the Service overspending by £1m (8%) in 2022/23 and £1.4m (11%) in 2023/24. Initial forecasts estimated that, despite an increase of 10% in the 2024/25 budget, the Service will overspend again by £1.78m (12%) in 2024/25.

The number of children in care continues to rise and, despite an increase in the level of provision on the Island (Cartrefi Clyd, Foster Parents), a higher number of children are being placed in out of county service provision provided by the private sector. The demand for these placements is increasing nationally, which is driving up placements costs at a rate which is significantly higher than inflation.

The WG is legislating to eliminate profit from Children's care, with the aim of increasing provision provided through the public sector. In the long term, this increased capacity should stabilise the costs faced by councils but, in the short term, it does not answer the capacity problem and some private sector providers are leaving the market in Wales, which is making the problem worse.

Although the Service is attempting to reduce costs, the plan allows for both additional investment in the Service to address the overspending position, additional funding to meet a further increase in demand and an inflationary rise which is higher than general price inflation. This will increase the budget requirement by 20% in 2025/26, 5% in 2026/27 and 2.6% in 2027/28.

ix. Adult Social Care Services

As with Children's Services, there is a significant risk that the demand for Adult Social Care services (elderly, mental health, learning disability etc.) will increase. This is in addition to the inflationary pressures on pay and private sector provider costs. The situation in 2024/25 has improved with the additional budget increase being sufficient to meet current demand, although this can quickly change.

The plan allows for an increase of £1m in the budget to meet increased demand in 2025/26 and 2026/27, in addition to any inflationary increase.

x. Homelessness

The net budget for 2024/25 amounts to £750k, however, additional grant funding from WG and housing benefit payments increase the gross expenditure to around £2.5m. Demand has increased, but this has mainly been met through additional grant funding.

The risk is that grant funding will be reduced but the demand does not fall away. The budget pressure would then fall on the core Council budget. An earmarked reserve has been created which would mitigate the risk. As a result, the plan only allows for a modest increase in costs over the life of the plan, i.e. 2% in addition to inflation.

xi. Council Tax Reduction Scheme

Since the funding for the Council Tax Reduction scheme transferred into the local government settlement, the sum including in the Standard Spending Assessment (SSE) by WG has remained largely unchanged. As the levels of Council Tax increase, the cost falls on the taxpayers of Anglesey. The budget for 2024/25 was increased by 8% to take account of the increase in Council Tax and an anticipated increase in caseloads. To date, the anticipated increase in caseload has not materialised in 2024/25, with expenditure forecast to be at the level of the 2023/24 budget, i.e. £500k lower than the 2025/26 budget. This should allow for a correction of the budget in 2025/26 to reduce the estimated caseload.

xii. Capital Financing Charges

In addition to interest payments on existing and new loans, the Council is required to make a provision in respect of future loan repayments (known as Minimum Revenue Provision or MRP). MRP is determined in line with the MRP Policy, which has been approved by the Council. Normally, capital expenditure requires some level of additional borrowing and, as the level of borrowing increases, the provision required under the MRP policy and associated interest also increases. This has been factored into the MTFP to take into account the level of supported borrowing which is allowed for in the funding settlement and the Council's planned expenditure on Ysgol Y Graig.

However, it should be noted that the cost of building works has increased since the easing of the lockdown, with a shortage of materials and labour forcing up prices. Although increases appear to have levelled off, there is no indication that prices will return to pre-Covid levels. This increases the costs of capital projects, which may result in additional borrowing, which will then result in an increase in the capital financing costs. Given the current uncertainty, no allowance has been made for this potential risk in the current plan.

High cash balances and the sharp rise in interest rates allowed the interest receivable budgets to increase by approximately £1m in 2023/24. However, cash balances in 2024/25 are significantly lower as cash backed reserves begin to run down and this, combined with a commencing of interest rate cuts, resulted in a lower budget for interest receivable. It will be necessary to externalise some of the current level of internal borrowing to replenish cash balances and, although this will increase investment returns, the additional borrowing will result in higher interest payment costs, which will outweigh any additional interest returns generated. Further details on the Council's borrowing and investment strategy are set out in the Treasury Management Strategy and Update reports which are presented to the Governance & Audit Committee, the Executive and the full Council.

xiv. Fire Service Levy

Unlike the North Wales Police & Crime Commissioner, the North Wales Fire & Rescue Service set a levy each year, which is apportioned between the 6 North Wales authorities on the basis of population, with Anglesey contributing around 10%. The levy is then funded from the Council's net revenue budget and an amount in respect of the Fire Service is included into the WG's SSE.

Similar to Councils, the Fire Service has faced a significant increase in costs due to pay awards, general price inflation and increased pension contributions. A proposed restructure of the Fire Service was not supported by the Fire Authority, and the Fire & Rescue Service is currently reviewing alternative options, which may generate savings.

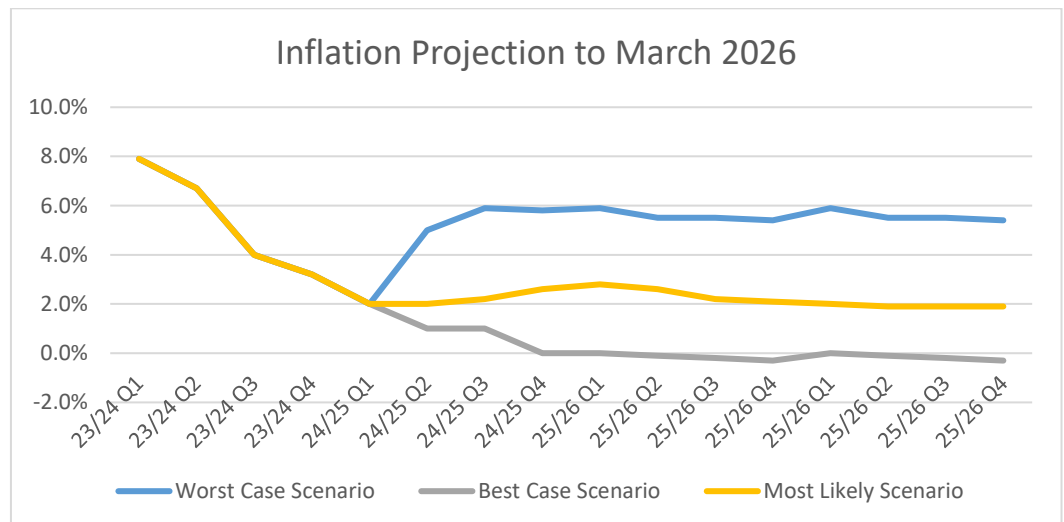
The pay award for fire fighters was in line with the budget assumptions for 2024/25, but there has been a change in the pay of retained fire fighters, increasing pay from 10% to 15% of a full time firefighter’s pay. This is a 50% increase in pay costs for retained firefighters. As North Wales has a high proportion of retained firefighters, this change has a greater impact on North Wales compared to other Fire Authorities.

The increase in the employer’s pension contribution rate is also applicable to the Fire Service. Again, it is anticipated that this will be funded by the UK Government and additional funding will be passed on to the Service from WG (via the 6 authorities). Around £400k of the anticipated cost of £700k has been included in the levy in 2024/25, and the majority of the remainder should be funded.

The Fire Service is still formulating its budget proposals for 2025/26, but every 1% increase in the levy adds approximately £50k to the Council's expenditure budget.

xiv. General Price Inflation

Annual non pay budgets are inflated each year to take account of general or specific inflation. Where contracts do not specify a specific price index that should be applied, or where a specific expenditure heading is not seeing a significantly higher or lower inflation rate, then the Consumer Prices Index (CPI) is used as the inflation factor. For a number of years, CPI has remained low and has not been a significant factor when determining the budget. However, the inflation rate rose significantly in 2022, peaking at 11% in October 2022, but has then fallen back to the Bank of England’s target of 2% by mid 2024. The graph below shows the Bank of England’s current forecast:-



Approximately £44m of the Council’s budget will be impacted by a general increase in the level of inflation. Based on the most likely scenario, 1.9% has been allowed for as the inflation level in 2025/26, rising to 2% for the subsequent 2 years.

xv. Port Health Authority

Commencing in October 2024, the Council will be required to undertake documentary checks on 1% of eligible traffic, with a full inspection service commencing in October 2025. The service will be able to charge a fee for the documentary checks and inspections but, until the volume of traffic becomes known, there is a risk that the fees charged will be insufficient to cover the costs. The Council is in discussions with WG to secure grant funding for the initial period in order that there is no cost to the Authority of operating the service.

The MTFP assumes that there are no costs to the Authority, but it is estimated that the full year cost of undertaking 1% documentary checks is £450k in the first year and £350k thereafter, and the cost of providing the full service is £3.3m in the first year, falling to £2.9m thereafter.

xvi. Council Plan

The Council Plan set outs 66 individual tasks, objectives and targets, covering 6 strategic themes. The majority of the cost of achieving these objectives will be funded from the capital budget, the Housing Revenue Account, current core funding, secured grant funding and additional grant funding yet to be secured. However, an analysis of the potential funding has identified 6 individual objectives relating to Education, the Welsh Language and Social Care and Wellbeing themes that require £550k of additional revenue funding in order to allow the objectives to be delivered.

xvii. Use of Council Tax Premium

Housing Services utilise an element of the Council Tax premium raised on empty and second homes to provide loans and grants to eligible applicants to help them purchase and / or renovate a home on Anglesey. The budget in 2023/24 was £1.2m. Any underspending on this budget is held in an earmarked reserve. In 2024/25, the earmarked reserve was sufficient to fund the scheme in 2024/25 and, as part of the process to balance the budget, this allocation was removed from the 2024/25 budget for one year. The plan allows for the restating of this budget along with an inflationary increase. This would take the available budget to £1.39m.

A sum of £300k was also allocated in 2023/24 to meet the additional costs of implementing Article 4, which controls the number of second homes in an area through the planning system. The Council has yet to determine whether to implement Article 4 or not, and the £300k allocated in 2023/24 has been kept as an earmarked reserve. In 2024/25, no budget was allocated and the reserve is still available to fund the additional cost in 2025/26.

6. INCOME

- 6.1.** The Council's current income budget (excluding AEF, Council Tax and specific grant funding) amounts to £49m. This is made up of grants and reimbursements from public bodies (£24m), fees and charges set by statute or regulated by the Government (£6.9m), fees and charges set by the Council (£5.6m), long-term rental agreements in respect of land and property (£1.5m) and recharges within the Council to other Council services (£10.7m).
- 6.2.** It has been the Council's policy to increase the discretionary fees and charges by 3% per annum, although, in some services, increasing the fees and charges by more than inflation has resulted in the Council's fees getting significantly closer to the fees charged by the private sector, e.g. leisure services. For the purposes of this plan, it has been assumed that the discretionary fees and charges will continue to rise by 3% per annum over the life of the plan.

6.3. In addition to income from fees and charges, a significant amount of grant income is received. The grants received can be to fund specific projects or services, but others are more general in nature and support core services. Given the uncertain position regarding public sector funding, there is a risk that grants are targeted and reduced in order to reduce public spending, rather than a reduction in the general financial settlement the Council receives from WG. Where grants fund specific projects, then it is possible to bring the project to an end if the grant ends, but this is more difficult where services are provided through a mix of core budget and grants.

7. PROJECTED BUDGET FOR 2025/26 – 2027/28

7.1. By taking into account all of the issues detailed in paragraphs 5 and 6, and using the assumptions set out in Appendix 2, it is possible to estimate the revenue budget for the following 3 years, and this is set out in Table 8 below:-

Table 8
Projected Net Revenue Expenditure Budget 2025/26 to 2027/28

| | 2025/26 £'m | | 2026/27 £'m | | 2027/28 £'m | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Previous Year Final Budget | | 184.164 | | 196.005 | | 202.340 |
| Inflationary Pressures | | | | | | |
| Non Teaching Pay Award | 3.321 | | 1.079 | | 2.068 | |
| Teaching Pay Award | 1.472 | | 0.758 | | 1.160 | |
| Major Service Contracts | 0.638 | | 0.656 | | 0.508 | |
| Energy Inflation | (0.987) | | 0.000 | | 0.070 | |
| Other Non Pay Inflation | 0.836 | | 0.842 | | 0.909 | |
| Income | (0.874) | | (0.996) | | (0.954) | |
| Social Care Providers Inflation | 1.880 | | 1.541 | | 0.934 | |
| Council Tax Reduction Scheme – Increase in Council Tax | 0.366 | | 0.359 | | 0.196 | |
| Fire Service Levy | 0.197 | | 0.103 | | 0.105 | |
| Total Inflationary Pressures | | 6.849 | | 4.342 | | 4.996 |
| Demand Led Pressures | | | | | | |
| Children's Services Demand | 2.158 | | 0.166 | | 0.000 | |
| Adult Services Demand | 0.961 | | 0.835 | | 0.000 | |
| Out of County Education Placements | 0.000 | | 0.019 | | 0.000 | |
| School Transport | 0.036 | | 0.037 | | 0.000 | |
| Homelessness | 0.015 | | 0.015 | | 0.000 | |
| Council Tax Reduction Scheme – Change in Estimated Caseload | (0.510) | | 0.135 | | 0.000 | |
| Implementing Council Plan | 0.550 | | 0.000 | | 0.000 | |
| | | 3.210 | | 1.207 | | 0.000 |
| Other Costs | | | | | | |
| Capital Financing | 0.335 | | 0.201 | | 0.300 | |
| Use of Council Tax Premium for Housing Projects and Article 4 | 1.447 | | 0.585 | | 0.051 | |
| Total Other Costs | | 1.782 | | 0.786 | | 0.351 |
| Estimated Net Revenue Budget | | 196.005 | | 202.340 | | 207.687 |
| Annual Increase | | 11.841 | | 6.335 | | 5.347 |
| Annual Increase Percentage | | + 6.43% | | + 3.23% | | + 2.64% |

- 7.2. The estimated Net Revenue Budget represents an increase of 12.80% over the 3 year period.
- 7.3. More detail on the estimated Net Revenue Budget and the assumptions that support the plan are attached as Appendix 2 and 3.
- 7.4. The figures shown above are based on the most likely scenario for all the assumptions. A best case and worse case scenarios have also been modelled. These models are based on the most optimistic and pessimistic assumptions for each of the expenditure headings. The results of the modelling exercise are shown in Table 9 below:-

Table 9
Best and Worst Case Scenario Models 2025/26 to 2027/28

| | Best Case | Increase | | Worst Case | Increase | |
|----------------------------|----------------|----------|--------|----------------|----------|--------|
| | £'m | £'m | % | £'m | £'m | % |
| 2024/25 Base Budget | 184.164 | | | 184.164 | | |
| 2025/26 Estimated Budget | 184.883 | + 0.719 | +0.40% | 206.247 | + 22.083 | +12.0% |
| 2026/27 Estimated Budget | 184.943 | + 0.061 | 0.03% | 220.290 | + 14.033 | + 6.8% |
| 2027/28 Estimated Budget | 185.086 | + 0.143 | 0.08% | 232.894 | + 12.604 | + 5.7% |

- 7.5. The 3 scenarios, best, worst and most likely, give a wide range of estimates for the required net revenue budget for the forthcoming three years, and it demonstrates the significant level of uncertainty that exists around inflation, in particular pay, and the future demand for services. This makes financial planning extremely difficult.

8. AGGREGATE EXTERNAL FINANCE AND COUNCIL TAX

- 8.1. The estimated standstill budget is funded from the level of Aggregate External Finance (AEF) received from the Welsh Government (Revenue Support Grant and NDR Pool Funding) and from the Council Tax raised locally.
- 8.2. As stated in paragraph 4 above, the WG has given no indication as to the potential change in the AEF in 2025/26 and whether the AEF received in 2024/25 will be increased to fund the additional teacher and firefighter pension contributions and any increase in teachers' pay, above the sum that was allowed for in the 2024/25 local government settlement.
- 8.3. In 2024/25, Anglesey received £127.586m in AEF from WG, with the remaining funding coming from Council Tax £52.153m, and the Council's own financial reserves £4.425m.
- 8.4. Table 10, below, shows the additional income that various changes in AEF and increases in Council Tax would have on the Council's funding (assuming no change in the Council Tax base) and that any additional funding generated by increase in the Council Tax premium would be used to increase budgets on projects to help with the supply of affordable housing on the Island, i.e. have a nil effect on the budget:-

Table 10
Impact on Council Funding for Changes in AEF and Council Tax (net of CTRS)
2025/26

| | | Change in AEF Cash Sum | | | | | | | |
|---|------------|------------------------|--------|--------|--------|--------|--------|--------|--------|
| | | +0% | +1% | +2% | +3% | +4% | +5% | +6% | +7% |
| | | £'m | | | | | | | |
| Council Tax Rise (net of rise in Council Tax Reduction scheme) | 3% | 1.346 | 2.621 | 3.898 | 5.174 | 6.450 | 7.725 | 9.001 | 10.277 |
| | 4% | 1.795 | 3.071 | 4.347 | 5.622 | 6.898 | 8.174 | 9.450 | 10.726 |
| | 5% | 2.244 | 3.519 | 4.795 | 6.071 | 7.347 | 8.623 | 9.899 | 11.175 |
| | 6% | 2.692 | 3.968 | 5.244 | 6.520 | 7.796 | 9.072 | 10.347 | 11.623 |
| | 7% | 3.140 | 4.417 | 5.693 | 6.968 | 8.244 | 9.520 | 10.796 | 12.072 |
| | 8% | 3.589 | 4.865 | 6.141 | 7.417 | 8.693 | 9.969 | 11.245 | 12.521 |
| | 9% | 4.038 | 5.314 | 6.590 | 7.866 | 9.142 | 10.418 | 11.693 | 12.969 |
| | 10% | 4.487 | 5.763 | 7.039 | 8.315 | 9.590 | 10.866 | 12.142 | 13.418 |
| | 11% | 4.936 | 6.212 | 7.487 | 8.763 | 10.039 | 11.315 | 12.591 | 13.867 |
| | 12% | 5.384 | 6.660 | 7.936 | 9.212 | 10.488 | 11.764 | 13.040 | 14.315 |
| | 13% | 5.833 | 7.108 | 8.385 | 9.661 | 10.937 | 12.212 | 13.488 | 14.764 |
| | 14% | 6.282 | 7.558 | 8.834 | 10.109 | 11.385 | 12.661 | 13.937 | 15.213 |
| | 15% | 6.730 | 8.006 | 9.282 | 10.558 | 11.834 | 13.110 | 14.386 | 15.662 |
| | 16% | 7.179 | 8.455 | 9.731 | 11.007 | 12.283 | 13.559 | 14.834 | 16.110 |
| | 17% | 7.627 | 8.904 | 10.180 | 11.446 | 12.731 | 14.007 | 15.283 | 16.559 |
| | 18% | 8.076 | 9.353 | 10.628 | 11.904 | 13.180 | 14.456 | 15.732 | 17.008 |
| | 19% | 8.525 | 9.801 | 11.077 | 12.353 | 13.629 | 14.905 | 16.181 | 17.456 |
| 20% | 8.974 | 10.250 | 11.526 | 12.802 | 14.077 | 15.353 | 16.629 | 17.905 | |

- 8.5.** In order to fund the estimated additional budget requirement of £11.841m, plus to replace the £4.425m of reserves used to balance the budget in 2024/25 with permanent funding, it would require the AEF to rise by 7% and Council Tax to increase by over 17% to generate sufficient funding. If there is no increase in AEF, it would require Council Tax to rise by around 36% in order to generate sufficient permanent funding to meet a net budget requirement of £196.005m.
- 8.6.** The position for 2026/27 and 2027/28 does improve as the increase in the net budget requirement reduces to 3.2% in 2026/27 and 2.6% in 2027/28. A 5% increase in Council Tax in both years would generate around £2.2m in additional funding and, with an increase of 2% in AEF (as per the general level of inflation), it would be possible to almost set a balanced budget.
- 8.7.** Anglesey's Band D charge for 2024/25 is the 16th highest out of the 22 authorities in Wales. However, simply comparing the Band D charge does not give a true comparison as it does not take into account how many properties are in each band. Authorities with a high number of properties in Bands A and B tend to have a higher Band D charge in order to generate sufficient income.

- 8.8.** By comparing the value of the taxbase as a percentage of chargeable dwellings, Anglesey's figure is similar to Flintshire, Gwynedd and Ceredigion, at around 96% to 100%, but Anglesey's Band D charge is £86 lower than Flintshire, £184 lower than Gwynedd and £154 lower than Ceredigion. This suggests that Anglesey's Band D charge is too low and there is some headroom to increase the charge. Each 1% increase in the Band D charge increases the charge by £16. Increasing the Band D charge to the same level as Flintshire would generate an additional £2.85m in Council Tax revenue, £6.10m if the charge was at Gwynedd's level and £5.11m if the charge was in line with Ceredigion.

9. COUNCIL TAX PREMIUM

- 9.1.** In 2022, the Executive consulted on increasing the premium on second homes, and the final decision was to increase the premium on second homes to 75% in 2023/24 and 100% in 2024/25. No change was proposed on the premium on empty homes, which remained at 100%.
- 9.2.** The WG has now granted local authorities in Wales the power to charge premiums of up to 300% but, to date, no Council in Wales has raised the premium to this level.
- 9.3.** The purpose of the premium is to provide a local authority with a tool to help:-
- Bring long term empty properties back into use to provide safe, secure and affordable homes;
 - Support local authorities in increasing the supply of affordable housing and enhancing the sustainability of local communities.
- 9.4.** The current level of premium generates approximately £3.6m, of which £1.2m has been allocated to support the provision of loans and grants to first time buyers, £300k has been allocated for the implementation of Article 4, £150k is used to fund the cost of additional Council Tax staff to collect the premium and Housing Services staff to administer the grants and loans schemes. £55k has been invested in the Economic Development Team to assist with improving the local economy. The remaining £1.9m provides additional funding to support communities and to provide tourism services. The types of services funded include:-
- providing a subsidy to fund small schools where pupil numbers are reducing due to high numbers of second homes;
 - providing services around coastal areas, including beach wardens, additional cleaning and waste collection;
 - enabling the Council to deal with community tension arising from high tourist numbers in areas.
- 9.5.** As the Council consulted on the introduction of the premium back in 2015, prior to the introduction of the premium in 2017, there is no requirement to consult if the level of the premium is changed. However, if the level of the premium is raised above 100%, the WG guidance strongly advises local authorities to consult with all interested parties at least 6 months before the beginning of the financial year to which the premium relates. It would, therefore, require the consultation to begin before 1 October 2024, if the intention is to increase either premium from 1 April 2025.
- 9.6.** Each 10% increase in the premium would generate an estimated £325k (second homes premium) and an estimated £50k (empty homes premium).
- 9.7.** The number of properties subject to the second homes premium has fallen since the premium was raised from 35% to 50% and then on to 100%, although the picture is somewhat distorted by the fact that the WG changed the regulations in respect of self catering accommodation and a number of properties, which were previously subject to Non Domestic Rates, have been returned to the Council Tax register. The number of properties subject to the empty property premium has remained fairly consistent over the past 3 years.

10. GENERAL BALANCES AND RESERVES

- 10.1.** The Council holds general balances to have sufficient funding to meet any unexpected expenditure which may arise during the year, which cannot be funded from existing revenue or capital budgets. In addition, the Council holds earmarked reserves which are held to cover the cost of potential risks, the cost of future planned projects and to hold unused grant funding or any other restricted funds which the Council holds.
- 10.2.** As at 31 March 2023, the Council held £15.607m as general balances and £16.778m as earmarked reserves. The Council's agreed strategy for general balances is to hold a minimum of 5% of the net revenue budget for the year. Therefore, in 2024/25, the minimum amount of general balances should be £9.2m. In setting the 2024/25 budget, £4.425m of the general balances were used to balance the budget, which reduces the level of general balances to £11.182m, which is £1.98m above the minimum required balance. However, it should be noted that any overspend on the 2024/25 revenue budget would be funded from general balances. The forecast at the end of quarter 1 of 2024/25, estimates that the revenue budget will overspend by £0.09m and £0.1m of the general balances has already been allocated to fund unanticipated expenditure. This gives a forecasted balance of £10.99m, which is £1.79m above the minimum threshold. It should also be noted that any additional funding received in 2024/25 from WG in respect of the increase in teacher pension contributions would generate a windfall and would increase the level of general balances. There is, therefore, potential to use general balances once again as a funding source, but to a lesser extent than in the previous two years.
- 10.3.** A review of the earmarked reserves was undertaken in 2023/24, and £2.0m of earmarked reserves were transferred back into the Council's general balances. Included in the earmarked reserves are £5.5m of reserves which cover specific identified risks, such as inflation, uninsured losses and the increase in demand for specific services. These reserves could be released back into the general balances, but this would weaken the Council's financial position because, if the risks materialised, financial cost would have to be funded from the general balances.

11. SENSITIVITY ANALYSIS

- 11.1.** The estimated financial position shown in Table 8, above, are based on assumptions relating to a number of factors. Table 11, below, shows the change in the net expenditure budget that would result if each assumption was varied by 1%:-

Table 11
Financial Impact of a 1% Change in the Financial Budget Assumptions

| Assumption | Impact of a 1% Change £'000 |
|---------------------------------------|-----------------------------------|
| NJC Pay Award | 618 |
| Teachers Pay Award | 369 |
| General Inflation | 228 |
| Main Service Contract Inflation | 250 |
| Social Care Provider Inflation | 392 |
| Income | 124 |
| Interest Rate Receivable | 150 |
| Aggregate External Finance (AEF) | 1,275 |
| Council Tax (net of CTRS) | 402 |
| Demand in Children's Placements | 62 |
| Demand for Adult Service Placements | 260 |
| Homelessness | 7 |
| Council Tax Reduction Scheme Caseload | 73 |

12. BRIDGING THE FUNDING GAP

- 12.1.** If the financial modelling is correct, then an additional £11.84m will be required to meet the inflationary pressures of providing the current service and to meet the demand pressures in 2025/26, although it should be noted that this figure is based on assumptions, which will need revising as the budget process progresses.
- 12.2.** If AEF was to rise by 1% and Council Tax rises by 5%, the additional funding will only generate an additional £3.88m (not adjusting for the increase in CTRS), leaving a gap of £7.958m. However, the use of reserves in 2024/25 must also be taken into account and, if no reserves are used in 2025/26, then the funding shortfall increases by £4.425m to £12.383m.
- 12.3.** As shown in paragraph 9, the Council does have some capacity to use general balances and reserves to help reduce the funding gap, but using reserves does come with risks in so far as they are not a recurring source of income and using reserves does not eliminate the need to bridge the funding gap long term. In addition, using reserves reduces the financial reserves of the Council and weakens its financial position. Care must be taken to ensure that the level of reserves used does not leave the Council in a position where it has insufficient funding to meet any unexpected expenditure or to address potential risks if they crystallise into something that requires action and funding.
- 12.4.** Schools currently hold £5.577m of reserves, although £2.167m have been used in 2024/25 to balance the revenue budget, this leaves a balance of £3.410m, which equates to 6.4% of the 2024/25 delegated schools' budget. There is, therefore, some capacity for schools to contribute towards the savings target. The financial model increases the delegated schools' budget to £54.46m and reducing this budget by 2% would generate savings of £1.089m. This will make it more difficult for individual schools to balance their budget in 2025/26, in particular smaller schools where the flexibility around class sizes is less.

- 12.5.** A recent review of the Adult Services budget identified that not all the additional investment made in 2024/25 will be required because demand for services has stabilised, and a zero based budgeting exercise identified that £500k could be taken out of the budget. The financial model also allows for an increase in the budget of £961k to fund demographic pressures. Although there is a significant risk that the demand for services may increase, not providing for demographic pressures within Adult Services would reduce the budget requirement by £961k.
- 12.6.** The financial model allows for inflation of 1.9% on general supplies and services budgets. The majority of these budgets are not strictly demand led and services could reduce expenditure to match the budget. If schools are excluded, and no inflation is allowed for on general supplies and services, this would reduce the budget by £158k.
- 12.7.** The financial model allows for a budget of £1.447m to fund the cost of loans and grants to first time buyers. The demand for this support varies and the Council can control the number of applications approved in any one year, this does give the Council scope to reduce this budget. Reducing it back to £1m would reduce the budget requirement by £447k.
- 12.8.** Based on the adjustments set out in paragraphs 12.3 to 12.7, the funding gap for 2025/26 would reduce from £12.383m to £7.227m. The Council is legally obliged to set a balanced budget each year, where the budget is a fair and reasonable estimation of the costs faced to provide the services in the year to which the budget relates and that the estimated cost can be funded from WG funding, Council Tax and reserves and balances. If the level of funding is insufficient, that only leaves the option of reducing the net expenditure budget to the level of funding available.
- 12.9.** Again, assuming that the funding gap is £7.227m, that equates to revenue savings of 3.9% of the 2024/25 net expenditure budget. However, the net revenue budget includes a number of budgets which are outside the control of the Council and must be funded, these include:-
- Fire Authority Levy – £4.93m in 2024/25;
 - Capital Financing Costs – £6.42m in 2024/25;
 - Council Tax Reduction Scheme – £7.28m in 2024/25;
 - Historic Pension Costs – £1.01m in 2024/25;
 - Members Allowances – £1.13m in 2024/25;
 - Audit & Inspection Fees - £0.42m in 2024/25;
 - Coroners Costs - £0.31m in 2024/25;
 - Joint Services with Other Local Authorities - £2.67m in 2024/25.
- 12.10.** In addition, if schools budgets are capped by 2%, it is not possible to include the schools budget in any further savings targets. Therefore, any savings have to come from the remaining budgets (£106.9m in 2024/25) and this equates to savings of 6.7% from the budgets where it is possible to implement savings.
- 12.11.** An analysis, attached as Appendix 4, shows the budget that is spent in each service on statutory services, non statutory services etc. It shows that 85.9% of the Council net expenditure budget is spent on statutory services. This confirms that it will be very difficult to achieve the budget savings if statutory services are to be maintained.
- 12.12.** Work has commenced to identify any efficiency savings that can be applied but, given the previous austerity cuts and the rising demand for services, Services have not identified any significant efficiency savings that can be generated. Any savings that can be generated can only be done so through reduction in services or ceasing to undertake services.
- 12.13.** Looking ahead to 2026/27 and 2027/28, the position does show some improvement as shown in Table 12, below:-

Table 12
Estimated Funding Shortfall 2026/27 & 2027/28

| | 2026/27 £'m | | 2027/28 £'m | |
|--|----------------|----------------|----------------|----------------|
| Budget Shortfall Brought Forward | | 12.283 | | 12.980 |
| Estimated Inflationary Increase | 5.129 | | 5.347 | |
| Demand Pressures | 0.883 | | 0.000 | |
| Estimated Budget Increase | | 6.012 | | 5.347 |
| Increase in AEF @ 2% | (2.577) | | (2.629) | |
| Increase in Council Tax @ 5% | (2.738) | | (2.875) | |
| Estimated Increase in Funding | | (5.315) | | (5.504) |
| Budget Shortfall Carried Forward | | 12.980 | | 12.823 |
| | | | | |
| Additional Budget Shortfall in Year | | 0.697 | | (0.157) |
| | | | | |

12.14. Based on this forecast, the financial resilience indicator which determines the funding gap as a percentage of the net revenue expenditure, is shown in Table 13, below:-

Table 13
Estimated Funding Gap as a Percentage of Net Revenue Expenditure

| Year | Standstill Budget £'m | AEF £'m | Previous Year Council Tax (note 1) £'m | Total Funding Prior to Council Tax Increase £'m | Estimated Funding Gap £'m | % Gap |
|---|--------------------------|------------|---|--|------------------------------|---------|
| 2018/19 | 132.337 | 94.924 | 33.644 | 128.568 | 3.769 | 2.85% |
| 2019/20 | 134.702 | 95.159 | 35.087 | 130.246 | 7.156 | 5.21% |
| 2020/21 | 142.203 | 101.005 | 39.370 | 140.375 | 1.828 | 1.29% |
| 2021/22 | 147.076 | 104.825 | 41.161 | 145.986 | 1.090 | 0.74% |
| 2022/23 | 155.501 | 114.549 | 42.957 | 157.506 | (2.005) | (1.29%) |
| 2023/24 | 173.830 | 123.665 | 44.879 | 168.544 | 5.286 | 3.04% |
| 2024/25 | 188.992 | 127.586 | 47.628 | 175.214 | 13.778 | 7.29% |
| 2025/26 forecast - note 1 | 196.005 | 128.862 | 52.153 | 181.015 | 14.990 | 7.65% |
| 2026/27 forecast - note 2 | 189.633 | 131.439 | 54.759 | 186.198 | 3.435 | 1.81% |
| 2027/28 forecast | 194.281 | 134.016 | 57.497 | 191.513 | 2.768 | 1.42% |
| Note 1 – The Previous Year Council Tax figures are adjusted to take account of changes to the taxbase | | | | | | |
| Note 2 – The standstill budget for 2026/27 & 2027/28 assumes that the final budget for 2025/26 is revised down to match the funding available | | | | | | |

12.15. It can be seen that the position for 2025/26 is the worst position the Council has been at this stage of the budget setting process for a number of years, and follows on from 2024/25 which was also an extremely financially challenging year in terms of setting the budget. The position does begin to improve in 2026/27, but this is very much dependant on inflation and pay awards remaining low, demand for services levelling off, budget savings being identified and delivered and the local government settlement at least keeping pace with inflation.

13. CONCLUSIONS

13.1. The MTFP sets out the estimated net revenue budget for the next 3 years using a number of assumptions, some of which are more certain than others. The plan allows the Council to determine its future funding strategy, but there are a number of issues which increase the uncertainty surrounding the plan. These include, estimating the future costs at a time when pay awards for the current year have yet to be finalised, estimating the demand for services, the impact of the cost of living crisis on the demand for Council services and the future funding of Local Government in Wales, post the UK general election. The level of support from WG is a key element of the MTFP, and the lack of accurate future forecasts on the level of funding does reduce the level of assurance that the plan can give.

13.2. The demand for services and the pressure to increase the pay of certain parts of the Council's workforce (both for the Council's own employees and employees working in contracted services) will drive up costs significantly, particularly in 2025/26. If these additional cost pressures are not reflected in the funding settlement from WG, then the Council will have to implement further cuts to services and / or higher than inflation increases in Council Tax in order to set a balanced budget, which allows the Council to meet its statutory obligations and accurately reflects the costs of providing those services.

13.3. The Council does have some reserves that can be used in 2025/26 to help reduce the potential funding gap, but the funding that can be released is limited and will not bridge all of the gap, and the use of reserves does weaken the Council's financial resilience and only postpones the need to implement budget savings or increase Council Tax.

13.4. This MTFP highlights the fact that the Council is currently facing its most challenging financial position, and difficult decisions will have to be taken in order to set a balanced budget in 2025/26 and beyond.

13.5. Increasing the level of Council Tax above the general level of inflation has to be considered as part of the overall financial solution to funding the financial shortfall.

MEDIUM TERM FINANCIAL PLAN ASSUMPTIONS

| MOST LIKELY SCENARIO | | | |
|---|----------------|----------------|----------------|
| | 2025/26 | 2026/27 | 2027/28 |
| Pay and Price Inflation | | | |
| Pay, NI and Pension Costs – Non Teaching | 4.0% | 2.0% | 3.0% |
| Pay, NI and Pension Costs - Teachers | 4.0% | 2.0% | 3.0% |
| LGPS Contribution Rate | 0.0% | 0.0% | 0.0% |
| Teachers Pension Contribution Rate | 0.0% | 0.0% | 0.0% |
| Electricity | - 21.3% | 0.0% | 2.0% |
| Gas | -22.8% | 0.0% | 2.0% |
| CPI (including any correction from previous year) | 1.9% | 1.9% | 2.0% |
| Main Service Contracts | 3.0% | 3.0% | 2.0% |
| Social Care Provider Contracts | 5.0% | 3.0% | 2.0% |
| Fees & Charges | 3.0% | 3.0% | 2.0% |
| Council Tax | 5.0% | 5.0% | 2.5% |
| Aggregate External Finance | 1.0% | 2.0% | 2.0% |
| Government Grants | 1.0% | 2.0% | 2.0% |
| Levies | 4.0% | 2.0% | 2.0% |
| Capital Financing Costs | 4.1% | 0.8% | 2.0% |
| | | | |
| Demand Pressures | | | |
| Children's Placements | 35.0% | 2.0% | 0.0% |
| Adult Social Care Placements | 5.0% | 2.0% | 0.0% |
| School Transport | 2.0% | 2.0% | 0.0% |
| Homelessness | 2.0% | 2.0% | 0.0% |
| Council Tax Reduction Scheme Caseload | - 7.0% | 2.0% | 0.0% |
| | | | |

SUMMARY ESTIMATED NET REVENUE BUDGET 2024/25 – 2027/28

| | 2024/25 £'m | 2025/26 £'m | 2026/27 £'m | 2027/28 £'m |
|--|-----------------|-----------------|-----------------|-----------------|
| Pay – Non Teaching, including Pension & NI | 63.994 | 67.315 | 68.944 | 71.013 |
| Pay – Teaching, including Pension & NI | 36.451 | 37.923 | 38.681 | 39.842 |
| Other Employee Costs | 2.721 | 2.810 | 2.863 | 2.920 |
| Premises Costs | 7.528 | 7.672 | 7.822 | 7.978 |
| Energy | 4.488 | 3.501 | 3.501 | 3.571 |
| Transport | 1.227 | 1.251 | 1.276 | 1.301 |
| Supplies & Services | 24.431 | 24.821 | 25.294 | 25.801 |
| School Transport | 4.493 | 4.665 | 4.840 | 4.937 |
| School Meals | 3.267 | 3.332 | 3.398 | 3.466 |
| Education Out of County Placements | 0.938 | 0.966 | 1.014 | 1.034 |
| Education Joint Arrangements | 2.567 | 2.670 | 2.724 | 2.778 |
| Adult Social Care | 30.947 | 33.376 | 35.212 | 35.916 |
| Children's Care Placements | 8.237 | 10.806 | 11.513 | 11.743 |
| Refuse Collection & Disposal | 8.874 | 9.140 | 9.414 | 9.602 |
| Highway Maintenance & Street Lighting | 5.106 | 5.208 | 5.312 | 5.418 |
| Public Service Bus Transport | 2.310 | 2.379 | 2.451 | 2.500 |
| Help for 1 st Time Buyers / Article 4 | 0.002 | 1.449 | 2.034 | 2.085 |
| Homelessness | 1.120 | 1.157 | 1.193 | 1.217 |
| Members Allowances & Expenses | 1.125 | 1.148 | 1.171 | 1.194 |
| Coroners | 0.306 | 0.312 | 0.318 | 0.325 |
| Audit & Inspection Fees | 0.417 | 0.425 | 0.434 | 0.443 |
| Fire Service & Other Levies | 4.931 | 5.129 | 5.231 | 5.336 |
| Council Tax Reduction Scheme & Other Benefits | 7.497 | 7.353 | 7.848 | 8.044 |
| Capital Financing Charges & Interest Receivable | 5.753 | 6.087 | 6.288 | 6.588 |
| Contingencies | 1.306 | 1.856 | 1.307 | 1.333 |
| TOTAL GROSS EXPENDITURE | 230.036 | 242.751 | 250.083 | 256.385 |
| | | | | |
| Grants | (23.981) | (24.221) | (24.705) | (25.200) |
| Fees & Charges | (12.554) | (12.868) | (13.189) | (13.452) |
| Recharges | (7.795) | (8.085) | (8.244) | (8.409) |
| Rents | (1.542) | (1.572) | (1.604) | (1.636) |
| TOTAL GROSS INCOME | (45.872) | (46.746) | (47.742) | (48.697) |
| | | | | |
| NET REVENUE EXPENDITURE | 184.164 | 196.005 | 202.341 | 207.688 |
| | | | | |
| Increase in Net Revenue Budget | | 11.841 | 6.336 | 5.347 |
| | | | | |
| % Increase in Net Revenue Budget | | 6.43% | 3.23% | 2.64% |

SUMMARY ESTIMATED NET REVENUE BUDGET BY SERVICE 2024/25 – 2027/28

| | 2024/25 £'m | | 2025/26 £'m | | 2026/27 £'m | | 2027/28 £'m | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Economic Development | 1.098 | | 1.145 | | 1.167 | | 1.204 | |
| Destination | 0.871 | | 0.899 | | 0.916 | | 0.942 | |
| Leisure | 1.243 | | 1.114 | | 1.106 | | 1.150 | |
| Planning | 1.128 | | 1.184 | | 1.207 | | 1.251 | |
| Public Protection | 1.789 | | 1.860 | | 1.896 | | 1.955 | |
| Regulation | | 6.129 | | 6.202 | | 6.292 | | 6.502 |
| Highways | 8.267 | | 8.515 | | 8.690 | | 8.901 | |
| Property | 1.991 | | 1.955 | | 1.986 | | 2.064 | |
| Waste | 10.111 | | 10.375 | | 10.658 | | 10.886 | |
| Highways, Waste & Property | | 20.369 | | 20.845 | | 21.334 | | 21.851 |
| Adult Services | | 39.197 | | 42.005 | | 44.001 | | 45.039 |
| Children's Services | | 14.436 | | 17.306 | | 18.141 | | 18.590 |
| Schools | 53.066 | | 54.461 | | 55.509 | | 57.081 | |
| Central Education | 13.285 | | 13.795 | | 14.133 | | 14.461 | |
| Culture | 1.576 | | 1.580 | | 1.605 | | 1.650 | |
| Education & Culture | | 67.927 | | 69.836 | | 71.247 | | 73.192 |
| Human Resources | 1.695 | | 1.753 | | 1.787 | | 1.838 | |
| ICT | 4.683 | | 4.817 | | 4.946 | | 5.072 | |
| Transformation | 1.243 | | 1.288 | | 1.312 | | 1.351 | |
| Transformation | | 7.621 | | 7.858 | | 8.045 | | 8.261 |
| Housing | | 1.660 | | 1.720 | | 1.768 | | 1.813 |
| Resources | | 4.017 | | 4.182 | | 4.265 | | 4.394 |
| Council Business | | 2.125 | | 2.203 | | 2.247 | | 2.312 |
| Corporate Management | | 0.802 | | 0.833 | | 0.850 | | 0.875 |
| Capital Financing | 5.754 | | 6.087 | | 6.288 | | 6.588 | |
| CTRS / Benefits | 7.497 | | 7.354 | | 7.848 | | 8.045 | |
| Levies | 4.931 | | 5.129 | | 5.231 | | 5.336 | |
| Help for 1 st Time Buyers | 0.002 | | 1.449 | | 2.034 | | 2.085 | |
| Corporate & Democratic | 2.142 | | 2.200 | | 2.243 | | 2.288 | |
| HRA Recharge | (0.800) | | (0.832) | | (0.849) | | (0.866) | |
| Savings to be Found | (1.000) | | 0.000 | | 0.000 | | 0.000 | |
| Contingencies | 1.355 | | 1.628 | | 1.356 | | 1.383 | |
| Non Service | | 19.881 | | 23.015 | | 24.151 | | 24.859 |
| TOTAL NET EXPENDITURE | | 184.163 | | 196.005 | | 202.341 | | 207.688 |

2024/25 BUDGET BY DEPARTMENT AND SERVICE TYPE

| Service | Statutory and Demand Driven | | Statutory – Not Demand Driven | | Part Statutory, Part Non Statutory / Welsh Government Requirement | | Non Statutory | | Support Services | |
|---------------------------------------|-----------------------------|---------------|-------------------------------|---------------|---|--------------|---------------|--------------|------------------|--------------|
| | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m |
| Economic Development | 0.000 | | 0.000 | | 0.260 | | 0.422 | | 0.416 | |
| Destination | 0.000 | | 0.356 | | 0.000 | | 0.515 | | 0.000 | |
| Leisure | 0.000 | | 0.000 | | 0.032 | | 0.835 | | 0.376 | |
| Planning | 0.299 | | 0.556 | | 0.033 | | 0.000 | | 0.240 | |
| Public Protection | 0.703 | | 1.016 | | 0.016 | | 0.054 | | 0.000 | |
| Regulation | | 1.002 | | 1.928 | | 0.341 | | 1.826 | | 1.032 |
| Highways | 0.463 | | 6.305 | | 0.161 | | 0.543 | | 0.795 | |
| Property | 0.000 | | 1.735 | | 0.000 | | (0.325) | | 0.580 | |
| Waste | 0.750 | | 9.361 | | 0.000 | | 0.000 | | 0.000 | |
| Highways, Waste & Property | | 1.213 | | 17.401 | | 0.161 | | 0.218 | | 1.375 |
| Adult Services | | 34.712 | | 1.672 | | 0.397 | | 0.290 | | 2.126 |
| Children's Services | | 12.539 | | 0.608 | | 0.000 | | 0.883 | | 0.406 |
| Schools | 53.066 | | 0.000 | | 0.000 | | 0.000 | | 0.000 | |
| Central Education | 6.897 | | 4.536 | | 0.422 | | 0.000 | | 1.430 | |
| Culture | 0.000 | | 0.000 | | 1.506 | | 0.036 | | 0.034 | |
| Education & Culture | | 59.963 | | 4.536 | | 1.928 | | 0.036 | | 1.464 |
| Human Resources | 0.000 | | 0.000 | | 0.000 | | 0.000 | | 1.695 | |
| ICT | 0.000 | | 0.000 | | 0.000 | | 0.000 | | 4.683 | |
| Transformation | 0.000 | | 0.000 | | 0.099 | | 0.000 | | 1.144 | |
| Transformation | | 0.000 | | 0.000 | | 0.099 | | 0.000 | | 7.522 |

| Service | Statutory and Demand Driven | | Statutory – Not Demand Driven | | Part Statutory, Part Non Statutory / Welsh Government Requirement | | Non Statutory | | Support Services | |
|--------------------------------------|-----------------------------|----------------|-------------------------------|---------------|---|--------------|---------------|--------------|------------------|----------------|
| | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m | £'m |
| Housing | | 1.068 | | 0.000 | | 0.215 | | 0.303 | | 0.074 |
| Resources | | 0.753 | | 0.606 | | 0.000 | | 0.000 | | 2.658 |
| Council Business | | 0.544 | | 0.372 | | 0.387 | | 0.000 | | 0.822 |
| Corporate Management | | 0.000 | | 0.000 | | 0.000 | | 0.000 | | 0.802 |
| Capital Financing | 0.000 | | 6.423 | | 0.000 | | (0.670) | | 0.000 | |
| CTRS / Benefits | 7.393 | | 0.000 | | 0.000 | | 0.105 | | 0.000 | |
| Levies | 0.000 | | 4.931 | | 0.000 | | 0.000 | | 0.000 | |
| Help for 1 st Time Buyers | 0.000 | | 0.000 | | 0.000 | | 0.002 | | 0.000 | |
| Corporate & Democratic | (0.214) | | 0.682 | | 1.542 | | 0.133 | | 0.000 | |
| HRA Recharge | 0.000 | | 0.000 | | 0.000 | | (0.800) | | 0.000 | |
| Savings to be Found | 0.000 | | 0.000 | | 0.000 | | 0.000 | | (1.000) | |
| Contingencies | 0.000 | | 0.000 | | 0.000 | | 1.355 | | 0.000 | |
| Non Service | | 7.179 | | 12.036 | | 1.542 | | 0.125 | | (1.000) |
| TOTAL NET EXPENDITURE | | 118.973 | | 39.159 | | 5.070 | | 3.681 | | 17.281 |
| % OF NET EXPENDITURE | | 64.6% | | 21.3% | | 2.7% | | 2.0% | | 9.4% |