

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	21 JANUARY 2025
SUBJECT:	DRAFT REVENUE BUDGET 2025/26
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN W WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER – FINANCE
HEAD OF SERVICE:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

The final budget will not be approved by the full Council until 6 March 2025, however, at this point, the Executive is recommended to approve the following:-

- (i) The initial proposed budget for 2025/26 of £195.234m;
- (ii) A proposed increase in Council Tax of 8.85%, plus 0.65% to cover Fire Levy = Total of 9.50%, taking the Band D charge to £1,721.70;
- (iii) To formally propose to maintain the premium on empty and second homes at 100%;
- (iv) That £2.000m is released from the Council's general balances and earmarked reserves in order to balance the 2025/26 revenue budget.

The detailed report on the preparation of the 2025/26 standstill budget, the provisional settlement and funding the budget gap is attached as Appendices 1, 2 and 3.

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

A number of options have been considered in reaching the proposed budget detailed in this report. The options took into account the level of net expenditure based on the draft settlement from Welsh Government and options relating to the level of Council Tax. The proposed budget aims to strike a balance between reducing Services and raising Council Tax.

C - Why is this a decision for the Executive?

The setting of the initial budget proposal is a matter delegated to the Executive.

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

Yes. The final decision on the 2025/26 revenue budget will be taken by the full Council at its meeting on 6 March 2025.

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

Yes. The final decision on the 2025/26 revenue budget will be taken by the full Council at its meeting on 6 March 2025.

Dd – Assessing the potential impact (if relevant):		
1	How does this decision impact on our long term needs as an Island?	The current financial situation is challenging, with the funding from government being insufficient to meet the rising costs faced by the Council. This shortfall in funding will impact on the Council's ability to respond to the long term challenges and opportunities faced by the Island. This is an initial budget proposal which will be reviewed prior to setting and approving the final budget for 2025/26. In drawing up the budget proposal, the Executive has considered its statutory duties and the objectives set out in its Corporate Plan.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	The details of any savings proposals are set out in the report.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	The Council has been working with other Councils, regional and local partners and the WLGA to press the Welsh Government for the best financial settlement possible.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The proposed budget will be subject to a period of consultation which will allow Anglesey citizens to comment on the proposals.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Any proposals included in the draft budget for 2025/26 will take into account the impact on any protected groups.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The budget will result in an increase in the Council Tax payable by the taxpayers of Anglesey. Those experiencing socio-economic disadvantage are more likely to qualify for help through the Council Tax Reduction Scheme, which should result in no financial impact / limited financial impact to those who are experiencing socio-economic disadvantage.
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 identified.
E - Who did you consult?		What did they say?
1	Chief Executive / Leadership Team (LT) (mandatory)	Comments from the LT have been incorporated into the report and the draft report is endorsed by the LT.
2	Finance / Section 151 (mandatory)	n/a – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a Member of the LT and any comments made have been taken into account in discussions on this report in the LT.
4	Human Resources (HR)	Any proposals which impact on staff will have been identified and discussed with the HR Team.
5	Property	Any proposal which impacts on the Council's property and related budgets will have been discussed with the Property Team.

6	Information Communication Technology (ICT)	Any proposal which impacts on the Council's information technology systems and related budgets will have been discussed with the ICT Team.
7	Scrutiny	The initial budget proposals were considered by the Corporate Scrutiny Committee at its meeting on 15 January 2025. The Committee resolved to support the Executive's Initial Budget Proposal.
8	Local Members	Proposals are applicable to all Members.
9	Any external bodies / other/s	
F - Appendices:		
<ul style="list-style-type: none"> • Appendix 1 – Report on Draft Revenue Budget 2025/26 • Appendix 2 – 2025/26 Proposed Budget by Service • Appendix 3 – Proposed Budget Reductions for 2025/26 		
Ff - Background papers (please contact the author of the Report for any further information):		
<ul style="list-style-type: none"> • Medium Term Financial Plan 2025/26 – 2027/28 – See Executive meeting Agenda, 24 September 2024 – Item 10. 		

DRAFT REVENUE BUDGET 2025/26**1. INTRODUCTION**

- 1.1. The following report sets out the Executive's provisional revenue budget for 2025/26. The budget is prepared on the basis of the assumptions set out in the Medium Term Financial Plan (MTFP) approved by the Executive in September 2024, and the provisional local government settlement, which was issued by the Welsh Government on 10 December 2024. The report also outlines the proposed revenue savings which have been identified by the individual services and have been discussed by the Leadership Team, individual Portfolio Holders and the Executive.
- 1.2. The final settlement figures are not anticipated to be received until late February 2025. The final budget proposal will be subject to a review by the Scrutiny Committee on 19 February 2025, and will be recommended for approval by the Executive on 27 February 2025, with the final 2025/26 budget being approved by the Council at its meeting on 6 March 2025. No significant change is anticipated between the provisional and final settlement but, if a significant change arises, the budget proposal approved by the Executive would be changed prior to submission to the full Council.
- 1.3. The 2025/26 budget is being set in a significantly challenging time for the UK economy, for the financing of public sector services and the challenges being faced by all local authorities in the United Kingdom, with increased demand for services, the impact on the high level of inflation since early 2022 and the reduction in real terms in central government funding. The change of the UK government has begun to result in a change in approach to funding public services and this has resulted in additional funding for public services in 2024/25 and 2025/26. It remains to be seen whether the increase in funding is sustainable i.e. will the growth in the economy generate sufficient tax revenues to allow continued increases in funding?
- 1.4. The situation faced by Welsh Councils may be better than that faced by English Councils but the financial position of all Councils has worsened over the past 12 months, with some Councils openly suggesting that they may have to issue a Section 114 notice within the next 2 years, without significant increases in funding.
- 1.5. The WLGA undertook a survey of all 22 Councils and this concluded that Welsh Councils were facing budget pressures of £563m in 2025/26, £457m in 2026/27 and £462m in 2027/28. To meet those financial pressures in 2025/26, net revenue budgets would have to increase by around 7%. These figures were prepared prior to the increases in the national living wage and the changes to National Insurance, which were announced by the UK Government on 30 October 2024.
- 1.6. Prior to the announcement of the draft local government settlement for Wales, there was a significant level of uncertainty around what it would contain and whether additional permanent funding would be included to meet the cost of increases in teachers' pay and employer pension contributions and the additional costs arising from the changes in national insurance faced, not only by the Council in respect of its own staff, but also by the Council's contractors and, in particular social care providers. Clarity on the position in respect of additional national insurance costs is still awaited (see paragraph 4.4 for more information).
- 1.7. Prior to the announcements made in the October 2024 budget and the subsequent provisional local government settlement, the estimated funding deficit faced by the Council was significant and larger than seen during the period of austerity. The announcements of additional funding go some way to close the financial gap, but do not fund all the financial pressures faced by the Council in the medium to long term, and difficult decisions will still have to be made that will impact on the Council, staff, service users and the Island's residents and communities.

2. MAIN ASSUMPTIONS ARISING FROM THE MEDIUM TERM FINANCIAL PLAN

- 2.1. The Medium Term Financial Plan (reported to the Executive on 24 September 2024 – Item 10) sets out a number of assumptions (noted in Appendix 2 of that report). Since the preparation of the MTFP, the position in respect of a number of assumptions have been clarified, which has allowed assumptions to become more certain. These assumptions have been taken into account and updated in calculating the standstill budget for 2025/26. The standstill budget is a budget which provides resources to operate services at 2024/25 levels but updated to reflect any known changes outside the control of the services (committed changes) and to reflect the estimated costs in 2025/26.
- 2.2. It should be noted that the announcements made in the UK Government budget have required an update on pay and national insurance assumptions and also on the inflation assumptions in respect of the Council's main service contracts and social care provision.
- 2.3. These assumptions have been factored into the standstill budget, along with more detailed changes (committed changes) which allow for known increases in costs e.g. contractual commitments. The draft budget also allows for additional funding, known changes to grant funding and minor budget corrections deemed necessary to ensure that the Council's budget accurately reflects the costs it faces in 2025/26.
- 2.4. As the financial year is moved forward, the service pressures faced by the demand led statutory services (Adult and Children's Social Care, Homelessness, Out of County Education and School Transport) have become clearer and have been factored into the budget setting process (see paragraph 4.12).

3. PROVISIONAL SETTLEMENT

- 3.1. The provisional settlement for Local Government in Wales, announced on 10 December 2024, shows an increase of £410.3m in the overall level of funding for Wales, which is equivalent to an 7.2% increase in cash terms. The details are shown in Table 1 below:-

Table 1		
2025/26 Provisional Settlement		
	Anglesey	Wales
	£'m	£'m
2024/25 Aggregate External Finance (AEF)	127.586	5,720.524
Adjustment for the Change in the Taxbase	(0.097)	0.000
Previous Years Grants Transferred In / (Out)	3.418	156.860
2024/25 Adjusted AEF	130.907	5,877.384
Provisional AEF 2025/26	135.605	6,130.839
Increase in comparison to 2024/25 adjusted AEF	4.698	253.455
Increase in comparison to 2024/25 AEF	8.019	410.315
% Increase in comparison to 2024/25 AEF	6.29%	7.17%
% Increase in comparison to 2024/25 adjusted AEF	3.59%	4.31%

- 3.2. A number of various datasets are adjusted in the allocation formula, including population, the number of people in receipt of benefits, children in receipt of free school meals, school pupils etc., and these impact on the allocation to each authority differently. Some authorities fair better from these adjustments, whilst others are impacted negatively and, as a result, not every authority receives the same level of increase. In the 2025/26 provisional settlement, there is a range of increases from 5.6% (Newport) down to 2.8% (Monmouthshire). Anglesey's increase is 0.7% below the Welsh average, and the 16th highest increase from the 22 authorities.

- 3.3.** The Council, through the Welsh Local Government Association (WLGA) is still pressing for a funding floor to be included in the final settlement, which would reduce the impact on Councils which are receiving a settlement which is significantly lower than the Welsh average. It remains to be seen whether the Welsh Government (WG) provides additional funding to allow for a floor in the final settlement.
- 3.4.** In addition to the unhypothecated funding that the Council receives in the form of the AEF, all Councils in Wales receive additional revenue funding in the form of specific grants, which fund specific services in accordance with the grant conditions set by WG. The details of the individual allocations to each Council will be issued in due course, but the overall level of grant funding for Wales is set out in the provisional settlement. Table 2 sets out the major grants which the Council will receive:-

**Table 2
Main Revenue Grants – All Wales Allocations 2024/25 & 2025/26**

Grant	2024/25 Allocation £'000	2025/26 Allocation £'000	% Change
Local Authority Education Grant	378,973	399,800	+5.50%
Universal Primary Free School Meals	92,756	93,500	+0.80%
Youth Support Grant	11,483	11,483	0.00%
Housing Support Grant	182,488	204,300	+11.95%
Bus Network Grant	39,000	40,365	+3.50%
Bus Services Support	24,800	25,772	+3.92%
Sustainable Waste Management Grant	16,400	TBC	TBC
Children & Communities Grant	179,583	179,583	0.00%
Social Care Workforce Grant	45,000	45,000	0.00%
Substance Misuse Action Fund	41,063	41,063	0.00%
Deprivation of Liberty Safeguards	3,000	3,000	0.00%
Violence Against Women, Domestic Abuse and Sexual Violence	2,794	2,794	0.00%

- 3.5.** As part of the UK Chancellor's budget in October 2024, additional funding was allocated to the WG in the 2024/25 financial year. In addition, funding has also been provided to WG to meet the majority of the costs of the increase in the teacher's pension employer's contribution rate. WG has announced a number of additional grants for local authorities in Wales which the Council will receive in 2024/25.
- 3.6.** The additional funding received by the Council, and how it proposes to use the funding, is shown in Table 3 below:-

Table 3

Additional Welsh Government Funding Received During 2024/25

Grant Title	Purpose	Grant Received £	How the Council will utilise the funding
2024/25 Pay pressure support	To help Councils meet the additional cost of the NJC pay award	1,196,219	The 2024/25 budget covered the majority of the pay award cost, the remainder will be funded from a specific earmarked reserve. This grant will be added to the Council's general balances.
Teachers' Employer Pension Contribution increase	To fund the additional cost of the increase in the pension contribution rate, effective from 1 April 2024	1,345,535	This additional cost was allowed for in full in the 2024/25 budget. This grant will be added to the Council's general balances.
Fire Fighters Employer Pension Contribution increase	To fund the additional cost of the increase in the pension contribution rate, effective from 1 April 2024	62,909	The North Wales Fire Service partly included the additional cost in the 2024/25 budget and, as such, was funded by the increase in the levy. The Fire Service estimate that an additional £250k from across the 6 authorities will be required. This will require the Council to pay over £22,768 from this grant, with the remaining £40,141 being added to general balances.
Teacher's Pay Additional Funding	To help the Council meet the cost of the Teacher's pay award	402,601	In setting the local government settlement, WG factored in the cost of the pay award of 3.7%, however, the actual pay award was 5.5%. The Council, in setting its budget allowed 2% for the pay award. As a result, all of this grant will be transferred to schools along with additional funding from earmarked reserves.
Local Authority Education Grant	To provide additional funding for schools and to meet the needs of children and young people with ALN	807,043	This grant will be passed on to schools and the Education Service
Improving hospital discharge rates	To allow Councils to increase community based care over the winter	£250,000 (estimated)	The service budget will be increased to allow for the purchase of additional provision.
Support for domiciliary care	Additional funding following the decision to retain the £100 a week maximum charge for home based care	TBC	This will be used to reduce the net cost of the homecare service.
	TOTAL ADDITIONAL FUNDING	4,064,307	

- 3.7.** This additional funding is welcomed and reduces the risk of the Council overspending its 2024/25 budget, however, the position is subject to no significant adverse incidents or substantial increases in the demand for services during the second part of the financial year. This should result in the Council's general balances increasing by £2.58m.

4. MAIN BUDGET CHANGES FOR 2025/26

4.1. The major changes between the 2024/25 final budget and the 2025/26 initial budget are detailed below.

4.2. Non Teaching Pay Inflation

4.2.1. Pay costs will change annually to reflect the changes in staff over the year (new staff being appointed to a different point on the pay scale), staff receiving annual increments and the pay award. The 2024/25 pay award, effective from April 2024, was not agreed until November 2024. The final agreed pay award was set as an increase of £1,290 per employee up to point 42 on the pay scale, and 2.5% on all scales from point 43 onwards. This gave a range of increases from 5.77% for the lowest point on the payscale, to 2.5% for the highest point on the payscale. On average, the pay award resulted in a 4.0% increase in the Council's non-teaching pay costs. The total initially included in the 2024/25 pay non teaching pay budgets was 3.5% and, therefore, an additional £325k is required to be added to the 2025/26 budget to correct the underestimation in the 2024/25 budget.

4.2.2. In determining the level of the 2025/26 pay award, consideration has to be made that inflation continues to fall and is expected to start the 2025/26 financial year at 2.8% and is expected to fall to 2.1% by March 2026. However, the National Living Wage also impacts as to the level of the pay award. The National Living Wage, from April 2024, was £11.44 per hour, which is £0.82 below the hourly rate of the lowest point on the national pay scale. The National Living Wage will rise to £12.21 (+ 6.7%) from April 2025, which is only £0.05 below the hourly rate of the lowest pay scale in 2024/25. To maintain the differential of £0.82 between the National Living Wage and the lowest point on the pay scale would require the lowest pay to rise by £1,500. If this increase was to be applied to all pay scales, it would increase pay costs by 4.5% on average across all pay scales.

4.2.3. The Unions have yet to submit their pay claim but is likely that they will request a higher than inflation pay rise given that the pay rise awarded in 2024/25 was lower than the awards granted to other public sector workers in Wales. However, in the absence of any further information at this point, an assumed pay award of 4.5% has been included in the standstill budget, which is 2% to 2.5% above the assumption of general inflation. This may have to be revised prior to the completion of the budget process. An additional 1% in the non teaching pay inflation assumption would increase the budget by £662k.

4.2.4. Based on the assumptions made, the pay changes adds £3.1m to the Council's budget.

4.3. Teaching Pay Inflation

4.3.1. Teachers' pay changes every September. In setting the 2024/25 budget, an assumption of 2% was made for the pay award effective from September 2024. However, the actual pay award was 5.5%. WG have confirmed that they will fund the cost above the assumption they factored into the 2024/25 settlement, which was 3.7%. A grant of £403k has been received to meet the additional cost (difference between 5.5% and 3.7%) in 2024/25.

4.3.2. No information has been provided as to the teachers' pay award applicable from September 2025. This pay award will cover the period September 2025 to August 2026, during which time inflation is expected to fall from 2.6% to 1.9%. An estimate of 2% has been included for the pay award from September 2025.

4.3.3. The correction of the underprovision in the 2024/25 budget will increase the budget by £1.8m, and the inflationary increase to March 2026 will add a further £0.4m to the Council's pay budget, with increments and staff changes adding a further £0.2m.

4.4. National Insurance Costs

4.4.1. The Chancellor announced two significant changes to employers national insurance contributions, which reduced the pay threshold from which contributions have to be made from £9,100 to £5,000 and also increased the contribution rate from 13.8% to 15%. This adds approximately £2.2m to the Council's own staffing costs, but will also impact on the costs faced by the Council's contractors and care providers.

4.4.2. It is difficult to model accurately the impact of these changes because the additional costs will vary depending on the income earned, with a higher percentage increase in respect of lower paid workers. The estimated cost is that the reduction in the threshold will increase contributions by £1.5m, and the increase in the rate will add another £0.66m to the costs.

4.4.3. The UK Government has indicated that public sector bodies will receive additional funding to meet the cost and, if this occurs in England it will create a consequential sum for the WG through the Barnett formula. WG would then determine how to distribute this sum to local authorities. There is a significant risk that this allocation process will not be completed prior to the Council having to set the final 2025/26 budget in March 2025. A contingency sum of £2m has been allowed as additional grant funding.

4.5. Non Pay Inflation

4.5.1. Inflation has continued to fall, and fell below the Bank of England's target in September 2024 but, due to rising energy costs, it moved back above the target in October 2025. It is expected to rise slightly during 2025, peaking at between 2.5% and 3%, but will return to the target level of 2% by the end of the 2025/26 financial year.

4.5.2. The budget assumption for the 2024/25 budget was correct and no adjustment is necessary to correct any over or underprovision for inflation in the 2025/26 budget.

4.5.3. The Council's non pay costs are made up of a number of different contracts and procurement methods, all of which are affected by inflation in different ways:-

- Long term contracts where the inflation calculation is incorporated into the contract using pre-determined inflation indices, and using the figure as at a particular point in time. These type of contracts tend to favour the Council when inflation rates are rising, but they do reflect what is happening with particular types of goods which impact on the contractor's costs, e.g. the inflation factor for the refuse collection contract will be heavily linked to the cost of fuel as this is a major cost for the contractor.
- Contracts where the annual increase is negotiated. These are, in the main, residential and nursing care home fees and other care contracts. Consumer Price Index (CPI) is not the main factor on these price increases as the main cost is staffing. The level of inflation is linked to pay and, in particular, the increase in the national living wage and the real living wage.
- Long term framework agreements where the annual price is set by the framework and not as part of an individual agreement between the Council and the supplier / contractor. These include our main energy contracts. Again, the price increase will be linked to specific factors relating to the goods supplied, rather than using CPI as the basis for the increase.

- Goods and services that are purchased as and when required, either through a one off tender process, obtaining quotations or simply by placing an order. These costs are subject to inflationary pressures as the price the Council pays is dependent on the price at the time the order is placed or tender received.
- 4.5.4.** In drawing up the standstill budget, the level of inflation as determined by a specific contract has been allowed for. The fact that the inflationary increases in the Council's main contracts are based on inflation levels in the Autumn of the preceding year (Autumn 2024 inflation is used to uprate contract rates from April 2025), will work slightly in the Council's favour as the rate is lower than the forecast rate for 2025.
- 4.5.5.** The one area that will impact on the inflationary increases in these contracts is the rise in national living wage and the national insurance changes. The Medium Term Financial Plan (MTFP) allowed for an increase of 3% for all major contracts. The national insurance changes will add around 3% to the contractor's costs, and the rise in the national living wage may add 2% above what was allowed for in the MTFP. Therefore, an additional 5% in inflation, arising from the changes announced in the budget will add a further £1.25m to the Council's costs above what was allowed for in the MTFP. The total inflationary increase on outsourced contracts is £1.84m.
- 4.5.6.** It is unclear whether any additional funding will be forthcoming from the UK Government and the WG to meet impact of additional pay and national insurance costs on Council contractors. It should be noted that Anglesey is more exposed to this risk than other Councils in Wales as we have a greater number of outsourced contracts (waste collection, school meals, highway maintenance).

4.5.7. Energy Costs

- The Council retendered its gas and electricity contracts during 2024, with the new contracts becoming effective from October 2024. The contracts run for a period of 3 years, with the rates fixed for the length of the contract. This gives the Council certainty for the medium term that it will be protected from any price increases.
- Energy costs will still vary with usage. The Council is investing in changing the heating method in a number of its buildings to heat source pumps. This work is being funded mainly through WG grants. This should reduce the Council's usage and lower costs, although the impact is difficult to determine at this point and is not factored into the budget.

4.5.8. Social Services Care Contracts Inflation

- The Council sets an annual fee for residential and nursing homes each year, with this figure being based on the toolkit which has been historically used by North Wales Councils for a number of years. Care home providers have made a number of representations at a local and national level that the current fees are insufficient and that, without a significant increase, their businesses will become unsustainable. A number of providers are unwilling to accept placements at the fee set by the Council and the actual charge is higher.
- The North Wales methodology has slowly broken down, with Councils across North Wales moving away from the figure generated by the toolkit to varying degrees. In trying to address the concerns of the providers, the Council has increased fees by an average of 22.8% since April 2022. This has increased the budget for residential and nursing fees, from £8.3m to £10.2m.

- The National Living Wage is a significant factor in the cost of both the residential and nursing sector and the domiciliary care sector, given that providers use this figure as the starting point to set the pay of their employees. As of April 2025, the National Living Wage will rise from £11.44 to £12.21, a rise of 6.7%. This is a cost that the providers cannot avoid and is likely to be passed onto the Council through higher fees. Care Forum Wales estimate the cost per resident per week as £45.
- The changes in national insurance thresholds and employer contribution rates will also increase the costs faced by providers. Care Forum Wales estimate the additional cost as £22 per resident per week.
- After taking into account the costs which will be impacted by the National Living Wage (£45 per resident per week), the changes to national insurance (£22 per resident per week) and those where the general level of inflation applies (estimated at £10 per resident per week), this equates to around a 9% increase on the average fee. To cover this cost plus an allowance to cover homes that charge above the standard fee, 10% has been allowed to cover the increased costs of care home fees. This will increase the Council's costs by £1m (not taking into account the increase in demand).
- Other care budgets, including domiciliary care, residential placements in Adult Services (Mental Health and Learning Disabilities) and care provided through the direct payment scheme will also be impacted by the increase in the National Living Wage and the changes to national insurance. Where the care is provided in a residential or nursing placement, the inflation assumption is as noted above but, for domiciliary care and direct payment costs, it is assumed that the costs will increase by staff related cost factors i.e. 8.7%. These increases will add an additional £1.97m to the Council's budget.

4.5.9. General Inflation

- The general inflation (CPI) has fallen from a peak of 11% in October 2022 to its current rate of 2.3% (November 2024). It is expected to remain at a similar level during the majority of 2025, before falling back to the Bank of England target of 2% by the end of 2025. The estimated average inflation rate for 2025/26 is 2.4%, and a small correction to the sum allowed for in the 2024/25 budget (-0.5%). This will result in 1.9% being applied as the general inflation figure to the majority of budgets not covered by a specific inflation rate.
- It is estimated that general inflation will increase the Council's budget by £0.93m.

4.5.10. Fees and Charges

- The Council's budget includes a range of fees and charges, some are set by the WG, specific legislation or other outside bodies, and some are set by the Council. The total fees and charges budget for 2024/25 was £12.47m, with £5.7m within the Council's control. The Executive has set an increase of 3% to controllable fees and charges, but it is for each service to determine the individual fees and charges. It is estimated that the 3% increase will generate an additional £170k in income.
- Statutory fees and charges and other Government Grants account for approximately £30m of the 2024/25 net revenue budget. An increase of 2%, in line with CPI, would generate an additional £393k, although the provisional settlement shows that some grants will be frozen whilst others will be reduced.

4.6. Pupil Numbers

Each year, the effect of the change in pupil numbers in the primary and secondary sectors is taken into account as part of the budget setting process, with the pupil numbers as at September 2024 being used as the basis for the 2025/26 budget. For 2025/26, the number of primary school pupils has continued to fall, with a further drop of 156 pupils, whilst the number of secondary school pupils (years 7 to 11) has increased by 58 pupils. The net impact of these changes is a reduction of £528k in the primary schools budget and an increase of £233k in the secondary school budget.

Canolfan Addysg y Bont is currently operating at full capacity and cannot accommodate additional pupils. The formula is adjusted to reflect any change in the severity of the pupils additional needs, which impacts on the staffing ratios. For 2025/26, a small increase of £3k has been added to the funding to reflect this change.

4.7. School Closures

In September 2024, 2 primary schools were closed (Ysgol Carreglefn and Ysgol Talwrn), with the catchment area for these schools transferring to Ysgol Llanfechell and Ysgol Y Graig. The pupil led funding is maintained in the budget but budget savings have been made in respect of the building costs and some fixed costs relating to both schools. This has allowed the delegated schools budget to be reduced by £239k, although some of the saving will be offset by future increases in the capital financing charges as a result of borrowing undertaken to build the new Ysgol Y Graig Bach unit.

4.8. Fire Service Levy

The Council's budget includes levies raised on the Council by other bodies who have the statutory power to set a levy. The main levy raised is by the North Wales Fire Authority, which sets an overall levy for the 6 North Wales authorities and this is allocated across the 6 authorities on the basis of population. The North Wales Fire Authority is planning an increase its levy on the 6 constituent authorities of 7.17%, which increases the budget by £3.47m. However, due to the change in population, Anglesey's contribution to the levy falls from 10.03% to 10.02% of the total levy. This results in an increase to the levy on the Council of £342k, which is equivalent to a 0.65% rise in Council Tax. This takes the levy which is funded by the Council to £5.19m.

4.9. Corporate Joint Committee Levy

There is now a requirement for the 6 North Wales Authorities to set up a Corporate Joint Committee (CJC) to be responsible for strategic transport and planning policy and regional economic development. The Council's share of the levy set for 2024/25 was £77k. Although the CJC has yet to make a final decision, it is not anticipated that this levy will increase significantly in 2025/26, and an inflationary increase of £3k has been allowed for in the budget.

4.10. Capital Financing Charges

Capital Financing Charges are made up of the Minimum Revenue Provision (MRP), annual interest charges on outstanding loans and interest received on investments. The Council changed the MRP policy to the annuity method in 2022, which generated a significant reduction in the 2023/24 budget. However, the annuity method results in the MRP charge increasing each year, not taking account any new borrowing which may have been undertaken.

The Council's level of cash balances has been high since 2020, and the strategy has been to run down these cash balances, rather than borrow externally. However, as the Council's reserves and school balances are run down, the Council's cash balances are reaching their minimum and new borrowing will have to be undertaken in 2025/26 (estimated up to £15m). This will generate additional MRP and Interest costs of £707k.

Interest rates were exceptionally low from 2020 to 2022 and, as a result, a very low level of income was generated from investments. However, the position changed in 2022 and interest rates continued to rise into 2023. The increase in interest rates and the high cash balances allowed a budget of £1.036m to be set for 2023/24, but this fell to £670k in 2024/25.

Interest rates are anticipated to fall during 2025/26, from their current level of 4.75%, to around 3.25% - 3.5% by March 2026. During 2024/25, there has been a gradual fall in investment returns from around 5.2% at the beginning of 2024/25 to the current rates of around 4.6%. The fall in the base rate over the forthcoming year will also result in a fall in investment returns, which will again reduce the interest receivable budget to around £450k.

The overall effect of the MRP and interest charges is to increase the capital financing budget by £0.302m.

4.11. Council Tax Reduction Scheme

Since 2011, the cost of providing financial support to those in need of help in paying their Council Tax has formed part of the Council's budget, but the sum allowed for in the Council's Standard Spending Assessment has remained virtually unchanged. As the level of Council Tax has increased and the number of claimants has changed, the additional cost of the scheme has fallen on the Council Taxpayers to fund. The increase in this budget is directly linked to the final increase in the Council Tax charge.

In 2024/25, the overall budget to fund the Council Tax Reduction Scheme stood at £7.39m, but the current forecast is that the budget will underspend by around 7%. This gives capacity to reduce this budget due to a lower caseload. However, this will be offset by any increase in Council Tax. The level of Council Tax increase is yet to be finalised but, by using an assumed rate of increase for Council Tax and the assumed reduction in the caseload, the net impact on this budget is an increase of £133k.

4.12. Demand Led Budgets

The current forecast for 2024/25 does not indicate that the Council will experience a significant overspending position at the end of the financial year, which suggests that there are no unfunded budget pressures. However, the headline figure is not representative of the underlying position as it includes budget overprovision which will be corrected in the standstill budget, one off budget savings from vacant posts and other non pay costs and additional one off grants and the use of earmarked reserves, which provide one off funding, which reduce the level of overspending.

Taking these factors out highlights that 2 main budgets are experiencing demand and cost pressures which need to be corrected in the 2025/26 budget. The areas under pressure are social care budgets, which mainly deliver statutory services to the most vulnerable members of society. The Council is obliged to provide the services and there can be an urgent requirement to provide care to ensure that the health or safety of the client is maintained. Identifying placements at short notice, in a sector where demand outstrips supply, can significantly increase costs and this can be outside the control of the Council.

It is estimated that the increasing caseload and rising costs in the care sector require a budget correction (in addition to inflation) of £1.27m for Adult Social Care and £2.24m for Children's Services. These have been factored into the standstill budget.

4.13. Use of Council Tax Premium

The Council Tax premium on empty properties and second homes generates additional income for the Council, and part of this additional income funds schemes to help young local people purchase their own house on the Island. In 2023/24, £1.2m of the additional funding was allocated for this purpose, along with £300k to implement and administer an amended planning requirement in respect of second homes (article 4). However, underspending from previous years, which had accrued in an earmarked reserve, was sufficient to fund the estimated expenditure in 2024/25 and, as a result, the budget was removed for one year. Reinstating this budget and allowing for the increase in Council Tax would increase the budget requirement to £1.85m. This sum has been included in the standstill budget but can be amended as the budget is finalised.

4.14. Grants Transferring into the Settlement

Three grants relating to homelessness have transferred into the settlement with a combined value of £431k. The value of these grants have been added to the Homelessness budget.

4.15. Contingencies

As part of the budgeting process, a number of contingency budgets are built into the budget to cover fixed term costs, potential risks that may require funding during the year, or as a general contingency which is utilised during the year as additional budget pressures arise or as unexpected events occur. Holding contingency budgets is very important and ensures that the risk of unexpected expenditure having a negative impact on the Council's financial sustainability is mitigated. The current age and condition of the Council's asset stock does increase the risk that the Council will face more unexpected expenditure in order to allow services to continue to be provided from buildings where major problems arise.

The total budget in 2024/25 was £1.357m and the estimated budget requirement for 2025/26 remains unchanged.

4.16. Other Committed Changes

In drawing up the standstill budgets, a number of minor budget corrections are made to reflect changes that are required or previous decisions to increase individual budgets. The net effect of these adjustments is to increase the overall standstill budget by £450k. The main changes relate to the reduction in the grant contribution from Y Gymdeithas to the Oriel £57k, a reduction to reflect the fall in the number of school days in the financial year £81k, changes in business rates valuation £79k, additional rental income for new business units £119k, and increased software costs £102k. The net effect of all the committed changes is an increase of £24k in the budget.

5. THE FUNDING POSITION

5.1. After taking into account the provisional settlement from Welsh Government (as set out in paragraph 3) and the main budget changes (as set out in paragraph 4), the funding position prior to any increase in Council Tax is set out in Table 4 below:-

Table 4			
Budget Funding Gap 2025/26			
	Reference	£'m	£'m
2024/25 Final Budget			184.164
Main Budget Adjustments (as set out in Paragraph 4)			
Pay Inflation and Other Staffing Costs	4.2 to 4.4	7.698	
National Insurance Additional Grant Funding	4.4.3	(2.000)	
Non Pay Inflation	4.5	3.035	
Pupil Numbers	4.6	(0.292)	
School Closures	4.7	(0.239)	
Levies	4.8 & 4.9	0.345	
Capital Financing Charges	4.10	0.302	
Council Tax Reduction Scheme	4.11	0.133	
Demand Led Services	4.12	3.577	
Use of Council Tax Premium	4.13	1.847	
Grants Transferring into the Settlement	4.14	0.431	
Contingencies and Other Committed Changes	4.15 to 4.16	0.024	
			14.861
Standstill Net Revenue Budget 2025/26			199.025
Funded By			
Revenue Support Grant (RSG)		(110.508)	
Share of Non Domestic Rates Pool		(25.097)	
Total Aggregate External Finance			(135.605)
2024/25 Council Tax Budget (adjusted for the change in the taxbase and increase in second home premium)			(52.629)
Total Funding Prior to Increase in Council Tax			(188.234)
Funding (Surplus) / Deficit (before any change in Council Tax)			10.791

5.2. In order to fund the funding deficit of £10.791m, it would be necessary to increase Council Tax by 20.6%. This would take the Band D charge to £1,896.21, which is an annual increase of £323.91 and a weekly increase of £6.23. In order to reduce the increase in Council Tax, it would be necessary to utilise the Council's own reserves or to implement revenue budget savings. Each £1m reserves used, or savings implemented, reduces the increase in Council Tax by 1.9%.

6. BUDGET RISKS

- 6.1. In setting the budget, there are a number of financial risks which need to be assessed which may result in a financial cost to the Council. Some of these risks have been allowed for in the budget proposal, but others have not been allowed for in the budget and would be covered by the Council's general balances and reserves, should the risk materialise into a financial cost in 2025/26. In the current financial climate, a number of these risks are clearly outside the Council's control, e.g. demand for statutory service provision, impact of the changes in national insurance, levies set by other bodies, new or changing service requirements set by Welsh and / or the UK Government.
- 6.2. The Council's current level of unallocated general balances is forecasted to stand at £11.1m by the end of the financial year. Additional WG grant funding of £1.385m in respect of teachers pensions and £1.176m in respect of in year pressures, can also be transferred to the general balances as the current budget provision should be sufficient. This would take the estimated balance to £13.64m, provided that the 2024/25 budget does not overspend. As a rule of thumb, the Executive has set the minimum general balance as 5% of the net revenue budget. Based on the standstill net revenue budget for 2025/26 of approximately £199m, the minimum required sum would be £9.95m. This leaves a potential £3.4m available to help fund the revenue budget over the next 2 to 3 years, but it should be noted that reducing the level of general balances and earmarked reserves does weaken the Council's financial position, and could lead to future financial difficulties should it be necessary to fund any significant unexpected expenditure e.g. funding future revenue overspending.
- 6.3. The current position of the 2024/25 revenue budget estimates that there will be a small overspend of 0.5% of the net budget. Although it is difficult to accurately estimate the final level of expenditure, it is not currently expected that the overspend will rise significantly, and would not impact significantly on the level of general balances at the end of this financial year.
- 6.4. In drawing up the draft revenue budget, it has been necessary to make a number of assumptions. The assumptions are based on the professional judgement of the Finance Team and other Council staff, external forecasts of both the UK and Welsh Governments or other professional bodies and other historical and statistical information. The potential impact on the revenue budget of errors in the main assumptions are detailed below:-
- **NJC Pay Award** – as noted in paragraph 4.2 above, the budget has been inflated to reflect the estimated pay awards for 2025/26, but there is still significant uncertainty over the pay awards. The Unions have yet to submit their claim for 2025/26 and the pay offer will be influenced by the level of the national living wage. In order to maintain the existing differential between the lowest point of the payscale and the national living wage as at April 2025 (£12.44), it would require all points to rise by £1,500 per annum, which equates to an average increase of 4.5%. Each 1% above this figure adds approximately £630k to the Council's pay bill.
 - **Teacher's Pay Award** – an element of the increase is funded by the Welsh Government through the settlement and, if this has been insufficient, historically, the WG has provided additional funding to meet the cost. This significantly reduces the financial risk faced by the Council. The matter is further complicated by the fact that the teachers' pay award is applied in September of each year and, as a result, there is no indication as to what the possible pay award from September 2025 will be.
 - **National Living Wage** – the UK Government announced that the National Living Wage (previously known as the minimum wage) would increase by 6.7% in April 2025, to £12.44 per hour. The National Living Wage puts pressure on the Council's budget in two ways, i.e. what it pays its own staff (see above) but also what its main contractors pays its staff.

A large number of staff employed by the Council's main contractors and service providers pay their staff on, or around, the Real Living Wage level. This is particularly true in the care sector (residential and nursing home care, homecare etc). Increases to the National Living Wage will result in an increase in the Real Living Wage (the Real Living Wage is currently £1.58 per hour higher than the National Living Wage). The Welsh Government require Councils to provide sufficient funding to allow providers to pay the Real Living Wage and the increase in this figure will be reflected in the increases in the fees the Council has to pay to their contractors and service providers. Although an increasing of funding has been allowed for, there is a risk that it will not be sufficient to meet the demands from providers, who may also be facing pressure as a result of general inflation, particularly food, energy and fuel costs.

- **General Inflation** – The budget risk relating to general inflation is significantly lower than when CPI was in excess of 10%. Although there is a risk that inflation could rise above the assumption used in the budget, the level of potential increase will be marginal (0.5% to 1%) and this will only have a minimal impact on actual costs paid by the Council.
- **Service Demand** – The standstill budget allows for the provision of services at the current level of demand in certain services where the demand can fluctuate (Children's Services, Adult Social Care, Homelessness, Council Tax Reduction Scheme). Any significant increase in service demand will create additional financial costs for the Council which would not be covered by the existing budgets.
- **Grant Income** – As noted in Table 2 above, in addition to the funding received through the Aggregate External Finance, the Council receives significant levels of additional funding in the form of specific grants from the Welsh Government and others. When the level of specific grant funding falls or is not increased to reflect the increase in costs, it is not always possible to react quickly to the change as the service funded by the grant is integrated into the service funded from the Council's core budget. There is, therefore, a delay between the reduction in funding and the Council's ability to reduce the associated cost through the reconfiguration of the service.
- **Income Targets from Fees and Charges** – As the cost of living crisis eases, residents will potentially have more disposable income, which generates income for the Council, mainly through Leisure services and car park income and to a lesser extent planning and building regulation fees. Income levels in 2024/25 have been good and in the main exceed the budget targets and even if income levels begin to fall in 2025/26, they are likely to remain on or around the budget targets.
- **Other Grant Funding** – In addition to the core Council budget funded from AEF, Council Tax and Reserves, the Council receives approximately £25m in additional grant funding as per table 2 above. This funding provides additional services or is used to compliment the core revenue funding. It does not always follow that these grants are increased in line with the increase in AEF or the general level of inflation. Some grants can be frozen at the previous year's level. This can increase the demand on the core budget as services funded by grants cannot always be reduced quickly. To mitigate this risk, the council holds an earmarked reserve of £250k which can be used to supplement the core budget if required.

7. BRIDGING THE FUNDING GAP

- 7.1. The standstill budget allows for an increase of £1.273m in the Adult Services budget to reflect an assumed increase of 5% in demographic / service demand. However, Adult Services has seen a significant increase in its budget over recent years (62% since 2019/20), it is unsustainable to continue to fund demographic pressures. It is therefore expected that the service has to fund any demographic pressures by delivering services in a more efficient way, which may require changes to the level of service provided and how it is delivered.

- 7.2. A number of other savings measures have been identified which are summarised in Table 5 below and detailed further in Appendix 3:-

Table 5	
Summary of Proposed Budget Reductions 2025/26	
	£'000
Efficiency / Modernisation / Rationalisation of services	400
Raising Income above inflation / Generating income from new sources	239
Service Reductions	60
Total of Proposed Budget Reductions	699

- 7.3. In 2024/25, the Council utilised earmarked reserves, generated from budget underspends from previous years, to fund housing grants and loans to help first time buyers. Based on the previous allocation formula and taking into account an assumed level of Council Tax, the allocation formula would be £1.84m, however, it is unlikely that there is sufficient demand to utilise all of this funding. The budget will be reinstated, but capped at £1m, which reduces the net expenditure budget by £0.849m.
- 7.4. The Council is required to set aside an annual sum to meet future loan repayments as they become due, this is known as Minimum Revenue Provision (MRP) and is designed to ensure that future generations are not required to fund the cost of funding decisions taken now. The Council revised its MRP policy in 2018 and once again in 2022. The revision of the policy allowed the Council to recalculate the MRP charge made in prior years to reflect the revised policy. This exercise demonstrated a difference of £11m between the cumulative charge made under the old and new policies, i.e. the Council has over provided for MRP in previous years. The Code of Practice requires the Council to make a prudent charge and it is possible to take into consideration this over provision when determining the charge for 2025/26. Based on the current policy, the MRP charge should rise to £1.81m, however, only £392k is required to meet annual loan repayments and this leaves the possibility to reduce the MRP charge by £1.418m, whilst still ensuring that the Council has made a prudent charge.
- 7.5. As part of the 2024/25 budget, a target was set to reduce staffing budgets by £1m. This was to be done by reviewing posts and to take the opportunity to review staffing structures when vacancies arose. In 2024/25, £463k of savings have been identified, with a further £136k identified for 2025/26. This leaves a balance of £401k to find. It is proposed to reduce the target to £599k, which has the effect of increasing the budget by £401k.
- 7.6. Based on the above changes to the standstill budget, the standstill budget would reduce by £3.791m, giving a net budget requirement of £195.234m and would reduce the funding gap, prior to increasing Council Tax to **£7.000m**.
- 7.7. The Council level of general balances at the beginning of the financial year was £11.180m, and the additional funding received in 2024/25 (see paragraph 3.5 and Table 3 above), along with sums allocated from general balances during 2024/25, will increase the balance to £12.658m. The Council's financial strategy is to maintain 5% of the net revenue budget as general balances and this figure for 2025/26 would be £9.95m, £2.708m below the estimated balance at 31 March 2025 and could be used to help fund the budget in 2025/26.
- 7.8. In a recent audit on the Council's financial sustainability, and in the national report summarising the results of the audit of the 22 Councils, Audit Wales noted that using reserves in this way did not make best use of the reserves, and a greater impact would be had by using reserves to fund transformation programmes that could deliver improved services at a lower cost. This must be borne in mind when deciding the use of reserves as in year funding. However, the use of reserves does allow the Council more time to plan for service delivery changes to reduce the overall net revenue budget in 2026/27.

- 7.9. Each 1% increase in Council Tax generates £487k in standard council tax and £39k in empty and second home premium, giving a total of £526k in gross income. Based on the 2024/25 Band D charge of £1,572.30, each 1% rise increases the Band D charge by £15.72 or £0.30 per week. The Council's current charge is the 7th lowest in Wales and is £93 below the Welsh average.
- 7.10. The fact that the funding from the WG is lower than the inflation and demand pressures faced by the Council, it does require an above inflation increase to Council Tax in order that the Council can set a fully funded budget. The Executive is proposing an 8.85% increase in Council Tax, plus an additional 0.65% to fund the increase in the Fire Service levy. This is a total rise of 9.5%, which takes the Band D charge (excluding Police and Town / Community Council precepts) to £1,721.70, an increase of £149.40, or £2.87 per week. This increase will generate an estimated £5.000m in additional funding.
- 7.11. Based on the above, the initial revenue budget proposal for 2025/26 is set out in Table 6 below:-

Table 6		
Initial Budget Proposal 2025/26		
	£'m	£'m
Standstill Net Revenue Budget 2025/26 (as per Table 4)		199.025
Additional Budget Adjustments		
Cap the sum generated by the Council Tax premium to provide loans and grants to 1 st time buyers to £1m	(0.849)	
No demographic increase for Adult Services	(1.273)	
Cap the MRP charge only to cover loan repayments that fall due in 2025/26	(1.418)	
Other Savings – see Table 5 and Appendix 3	(0.699)	
Reduce the staff savings target set in the 2024/25 budget	0.401	
Balance to General Contingency	0.048	
		(3.791)
Initial Proposed Net Revenue Budget 2025/26		195.234
Funded By		
Revenue Support Grant (RSG)	110.508	
Share of Non Domestic Rates Pool	25.097	
Total Aggregate External Finance		135.605
Council Tax (including premium and a 9.5% rise)		57,629
Council General Balances		2.000
Total Funding		195.234

8. THE BUDGET POSITION FOR 2026/27

- 8.1. The change in the UK Government has signalled the potential for greater investment in public services. We have already seen additional funding being provided by WG in 2024/25 and a better settlement for 2025/26 than was expected prior to the general election.

- 8.2.** It is expected that the UK Government will undertake a comprehensive spending review in Spring 2025, which will set out indicative budgets to the end of the current UK parliament (possibly 2029). This may allow the WG to provide Local Authorities with a longer term indicative settlement (potentially for 2026/27 and 2027/28), although it is noted that the Welsh Assembly elections will take place in May 2026, which may result in a change in the long term funding plans.
- 8.3.** With regard to expenditure, the risks of inflationary pressures are much reduced, but of course external factors can impact on the level of inflation. Pay awards are also expected to fall and should be more in line with inflation in 2026/27.
- 8.4.** The largest risk is an increase in demand for those services which are subject to significant changes in client demand (Adult Services, Children's Services and Homelessness). Determining the level of service is difficult, even in the short term, and trying to predict service levels for a period 18 months to 2 years into the future is difficult.
- 8.5.** In setting the budget, a significant level of one off funding (general balances) and temporary reduction in budgets (capital financing charges) have been used to set a balanced budget for 2025/26. These changes cannot continue into 2026/27 and this will require permanent changes to the budget to allow the Council to meet its statutory requirement to set a fully funded budget, whilst not reducing reserves further, which could weaken the Council's long term financial sustainability.
- 8.6.** The current financial modelling suggests that the net revenue budget for 2026/27 will rise by around £6m (3%), whilst AEF will rise by 2%, which equates to £2.7m. This would require the funding gap to be financed by rises in Council Tax of 6.2%, assuming that reserves are no longer available to finance the budget.
- 8.7.** Other funding sources may be available in 2026/27, and beyond, which may contribute to the resources available to the Council. These include any business rates retention from the designated freeport areas, funding that could be generated from the introduction of a Visitor Levy on Anglesey and any changes to the empty and second home premium. The first will depend on progress to develop the freeport areas and the second and third will require further decisions by the Council. No account has been taken of these potential funding sources, but this will be reviewed as further information becomes available.
- 8.8.** The balancing of the 2025/26 budget has been extremely challenging but, based on the current assumptions it is anticipated that the position in 2026/27 will begin to improve. However the Council will be required to find permanent budget solutions to replace the budget that has been funded by reserves in 2025/26. This will be extremely challenging, without having to significantly reduce the quality and range of services provided. Future budget savings will have to include the reducing or stopping of services and, possibly, not achieving the statutory standards expected. Work has already commenced to identify potential budget savings for 2026/27, and these savings proposals will be considered further during 2025/26.

9. CONCLUSION

- 9.1.** The budget for 2025/26 has been set in the context of an improving funding position and an expectation that funding will continue to rise or at least keep pace with inflation. However, the position for 2026/27 may remain challenging with a permanent solution to the 2025/26 funding shortfall required and an ever increasing demand for services.
- 9.2.** There are also a number of factors outside the control of the Council which can have significant cost implications for the Council. The challenging budget position faced by the Council is not unique to Anglesey, it is a position that is being faced by every local authority in the UK. Sound financial management in the past has placed the Council in a strong financial position to deal with the challenge in the short term, but if costs and demand for services continues to grow and is not matched by the required funding increases, a significant restructure of Council services will be required to avoid the Council becoming insolvent.

- 9.3. The Council's services rely on its committed and hard working staff and the impact on these members of staff also needs to be recognised. The financial challenge will require a reduction in staffing levels but, if this is not met by a reduction in workload, the pressure on staff will continue to grow and will lead to difficulties in retaining existing staff, recruiting new staff and ensuring that the Council has a healthy workforce. Dealing with these issues will come with a financial cost which will have to be factored into future budgets.
- 9.4. The local government provisional settlement for Wales is as forecast and does not fully cover the cost pressures currently faced by the Council. The standstill budget for 2025/26 is required to rise by 8.1%, but the provisional settlement only provides 3.6% for the Council. The shortfall is significant and cannot be made up by raising Council Tax alone.
- 9.5. The position in respect of grant funding creates an additional financial challenge which will result in a reduction in some grant funded services. This will become clearer once the individual allocation of each grant is known.
- 9.6. Prudent financial management in previous years has significantly strengthened the Council's financial position and has increased the Council's level of general balances and earmarked reserves. This improved financial position has allowed the Council to put forward a budget proposal which allows the Council Tax rise to be as low as possible, although it has to be higher than the current rate of inflation.
- 9.7. There is a level of risk surrounding the budget, in particular whether sufficient provision has been made for pay increases and the increasing demand for services. The risk is mitigated through the fact that the Council does hold general balances and earmarked reserves which could be redirected to fund any additional costs, and this highlights the importance of maintaining a healthy level of reserves.
- 9.8. However, the continued use of reserves to balance the budget is unsustainable and weakens the Council's financial resilience. The use of reserves allows the Council to review its budget requirement in the long term, where the services provided must be re-aligned to the core funding available.
- 9.9. The proposed budget begins the process of reducing service provision, but further significant reductions in services will have to be implemented in 2026/27 and beyond to enable the Council to continue to set a balanced budget and to keep Council Tax rises to a reasonable and affordable level. Failure to do so increases the risk of the Council becoming financially unsustainable by 2026/27 or 2027/28.

10. MATTERS FOR DECISION

- 10.1. The final budget will not be approved by the full Council until 6 March 2025, however, at this point, the Executive is recommended to approve the following:-
 - The initial proposed budget for 2025/26 of £195.234m;
 - A proposed increase in Council Tax of 8.85%, plus 0.65% to cover Fire Levy = Total of 9.50%, taking the Band D charge to £1,721.70;
 - To formally propose to maintain the premium on empty and second homes at 100%;
 - That £2.000m is released from the Council's general balances and earmarked reserves in order to balance the 2025/26 revenue budget.

PROPOSED BUDGET 2025/26 BY SERVICE				
Budget	2024/25 Budget	2025/26 Proposed Budget	Movement	% Change
	£'m	£'m	£'m	%
Lifelong Learning				
Schools	53.067	55.538	2.471	4.66
Central Education	13.307	13.931	0.624	4.69
Culture	1.555	1.666	0.111	7.14
Total Lifelong Learning	67.929	71.135	3.206	4.72
Highways, Waste & Property				
Highways	8.215	8.497	0.282	3.43
Property	1.993	1.833	(0.160)	(8.03)
Waste	10.108	10.333	0.225	2.23
Total Highways, Waste & Property	20.316	20.663	0.347	1.71
Regulation & Economic Development				
Economic Development & Maritime	3.013	2.975	(0.038)	(1.26)
Planning & Public Protection	2.896	3.102	0.206	7.11
Total Reg & Economic Development	5.909	6.077	0.168	2.84
Adult Services	38.454	43.048	4.594	11.95
Children Services	14.434	17.556	3.122	21.63
Corporate Transformation				
Human Resources	1.695	1.825	0.130	7.67
ICT	4.705	5.082	0.377	8.01
Transformation	1.244	1.202	(0.042)	(3.38)
Total Corporate Transformation	7.644	8.109	0.465	6.08
Housing	1.660	2.037	0.377	22.71
Resources	4.018	4.225	0.207	5.15
Council Business	2.125	2.213	0.088	4.14
Total Service Budgets	162.489	175.063	12.574	7.74
Corporate Budgets				
Corporate Management	0.802	0.823	0.021	2.62
Levies	4.931	5.277	0.346	7.02
Corporate & Democratic	2.079	2.238	0.159	7.65
Capital Financing Costs	5.753	4.637	(1.116)	(19.40)
Benefits Granted	0.109	0.110	0.001	0.92
HRA Recharges	(0.800)	(0.840)	(0.040)	5.00
Council Tax Reduction Scheme	7.283	7.416	0.133	1.83
Contingencies	2.107	1.404	(0.703)	(33.36)
National Insurance Grant	0.000	(2.000)	(2.000)	
Staff Savings to be found	(0.694)	0.000	0.694	(100.00)
Discretionary Rate Relief	0.105	0.106	0.001	0.095
Housing Loans and Grants	0.000	1.000	1.000	
Total Corporate Budgets	21.675	20.171	(1.504)	(6.94)
TOTAL BUDGET	184.164	195.234	11.070	6.01

PROPOSED BUDGET REDUCTIONS FOR 2025/26

Category	Service	Proposal	£
Efficiency / Modernisation / Rationalisation of services	Children's Services	Use of AI to reduce administration costs in respect of case conferences	36,000
	Economic Development & Maritime	Delete the remaining budget in respect of blue flag beaches accreditation	11,500
	All Services	Delete unutilised supplies and services budgets	175,000
	Adult Services	Rationalise the provision of day services for clients with physical and learning disabilities	177,000
TOTAL SAVINGS FROM EFFICIENCY / MODERNISATION AND RATIONALISATION OF SERVICES			399,500
Raising Income above inflation / Generating income from new sources	Housing	Increase the fee for access to the Housing Options register	10,500
	Housing	Fund staffing costs from an increased recharge to the HRA and from grant funding / earmarked reserves	69,200
	Economic Development & Maritime	Improve billing and collection methods for maritime income and increase some fees above inflation	30,000
	Property	Commence charging service charges, in accordance with the lease agreements for industrial and business units	32,500
	Highways	Increase fees above the level of inflation allowed for in the standstill budget	60,000
	Waste	Increase the fee for the green garden waste service by a sum greater than the level of inflation allowed for in the standstill budget	37,500
TOTAL SAVINGS FROM INCOME GENERATION			239,700
Service Reductions	Waste	Reduce the total days that recycling centres are open from 10 days per week to 8 days per week (Penhesgyn Wednesday to Sunday, Gwalchmai Sunday to Tuesday)	60,000
TOTAL SAVINGS FROM SERVICE REDUCTIONS			60,000
TOTAL SAVINGS PROPOSALS			699,200