

Isle of Anglesey County Council	
Report to:	EXECUTIVE
Date:	23 SEPTEMBER 2025
Subject:	MEDIUM TERM FINANCIAL PLAN 2026/27 – 2028/29
Portfolio Holder(s):	ROBIN WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER – FINANCE & HOUSING
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	
<p>Recommendations</p> <p>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.</p> <p>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 2026/27 revenue budget.</p> <p>The detailed report is attached as Appendix 1.</p>	
B – What other options did you consider and why did you reject them and/or opt for this option?	
<p>The MTFP is based on a number of assumptions, which are based on the best available information. Therefore, no other options are considered.</p>	
C – Why is this a decision for the Executive?	
<p>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.</p>	
Ch – Is this decision consistent with policy approved by the full Council?	
<p>Yes, as per paragraph 4.3.2.2.1 of the Council's Constitution.</p>	
D – Is this decision within the budget approved by the Council?	
<p>The decision, although impacting on the budget for 2026/27, will not result in the incurring of any additional costs or generate any additional income in the 2025/26 financial year. As a result, the decision will not impact on the budget approved by the Council for 2025/26.</p>	

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.	<p>The Council, along with the other 21 Welsh Local Authorities and the Welsh Local Government Association, has set out the financial position across Wales to Welsh Government.</p> <p>The Council also works closely with the other 5 North Wales authorities on the detailed assumptions used in the plan.</p>
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 LT at its meeting on 2 September 2025. 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

E – Who did you consult?		What did they say?
8	Scrutiny	The Finance Scrutiny Panel and the Corporate Scrutiny Committee will consider the MTFP and the proposed revenue budget 2026/27 as the budget setting process continues prior to the 2026/27 budget being set in February / March 2026.
9	Local Members	The budget is relevant to all Council Members.
F - Appendices		
Appendix 1 - Detailed Report on the Medium Term Financial Plan Appendix 2 - MTFP Assumptions Appendix 3 - Estimated Net Revenue Budget 2026/27 – 2028/29		
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 but is still above the the Bank of England's (BoE) target of 2%, and this has slowed the pace of interest rate reduction. The change in UK Government in July 2024 resulted in a change in economic strategy and monetary and fiscal policy. The UK Government completed its comprehensive spending review in June 2025, and this has provided the Welsh Government (WG) with a strong indication of future funding, but the upcoming Welsh Assembly elections has prevented the WG from providing local authorities with a medium term indication of future funding. This, again, makes it more difficult to develop a robust medium term financial plan which takes account of future funding levels.
- 1.3. World events, such as the continuing war in Ukraine and the impact of US tariffs on the world economy, are adding to the economic uncertainty and may slow or reverse the fall in inflation. The level of inflation is key to the Council's MTFP as it drives the level of pay awards and the increases in the cost of the Council's outsourced contracts.
- 1.4. The MTFP takes account of all known changes that are required to be built into the 2026/27 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 2025, the Council set the following budget:-

Table 1
2025/26 Revenue Budget

	£'m
2024/25 Final Net Revenue Budget	184.164
Pay Inflation and Other Staff Related Costs	5.698
Non Pay Inflation	3.380
Budget Pressures and Service Investments	1.887
Capital Financing Charges	(1.116)
Grants Transferring In / (Out)	0.431
Use of Council Tax Premium for Housing Projects	0.999
2025/26 Final Net Revenue Budget	195.443
Funded By:	
Aggregate External Finance	135.881
Council Tax (including Premium)	57.102
Reserves	2.460
Total Funding 2025/26	195.443

- 2.2.** The final net revenue budget for 2025/26 increased by £11.279m, which is equivalent to a rise of 6.1%. The Aggregate External Finance (AEF) increased by 3.8% (after adjusting for the change in the taxbase and grants transferred into the settlement). The Council Tax debit increased by 9.5%. The Band D charge increased by 8.5%, with the remainder of the increase in Council Tax debit as a result of the change in the taxbase and changes in the number of properties subject to the Council Tax premium.
- 2.3.** At the end of the 2024/25 financial year, the Council reported a net underspend of £3.875m (2.10%), with all Services showing an underspend apart from Children's Social Care, Resources and Council Business. The overspend in Council Business and Resources were small and were as a result of issues which were specific to 2024/25 and should be resolved in 2025/26.
- 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. This is a statutory service which is demand driven and, to a large extent, is outside the control of the Council. The budget for Children's Services has increased by 136% since 2017/18, whilst the total Council net revenue budget has only risen 46.7%, and the budget now accounts for 9% of the Council's net revenue budget, compared to 5.9% in 2017/18. Despite the increase in funding, the Service continues to overspend its budget (13.5% in 2024/25), and early indications are that it will again overspend in 2025/26, despite an additional £2m being added to the budget. The financial situation of the Service is a risk to the Council's financial stability in the medium to long term, although the Council has sufficient financial resources available to fund the increased costs in the short term.
- 2.5.** Overall, the Council's services underspent their budgets in 2024/25 by a combined £1.949m, but, when you take out the variances that are not permanent (staff vacancies, additional grant funding and additional income), the underlying position is an overspend of over £3m. The majority of this budget shortfall was addressed in setting the 2025/26 budget, but an element of underfunding remains.
- 2.6.** The financial position at the end of 2024/25 has increased the Council's general balances, from £11.182m at the beginning of the financial year to £18.166m, although £2.460m has been utilised as funding for the 2025/26 revenue budget, which reduces the available reserves down to £15.706m. The increase was due to the underspend noted above plus an additional £3.7m in WG funding that was received during 2024/25.
- 2.7.** 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 2025/26. The Council has set a target of holding 5% of the net revenue expenditure budget as a minimum balance for general reserves, for 2025/26, this is equivalent to £9.8m, which is £5.9m below the current level.
- 2.8.** 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 £18.294m at 31 March 2025, an increase of £1.777m during the year. A review of reserves was undertaken during the year, with £0.1m of reserves being unearmarked and transferred back to the Council's general balances.
- 2.9.** School Balances also fell during 2024/25, falling from £5.577m to £5.074m. The budgetary position of the Council allowed all cost pressures to be fully funded in 2025/26. For 2025/26, schools plan to utilise a further £2.25m of their balances to fund their costs. If the financial position remains as challenging it is currently, it is likely that the school balances will reduce further.

2.10. The Council received an increase in the level of AEF from WG, up £8.295m (6.6%) in cash terms 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 8.5%, 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, £2.46m of reserves were used to balance the budget, in addition to £8.205m used in the previous 2 years. 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.

2.11. 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 / Underspending relative to net revenue budget;
- Useable reserves as a percentage of the net revenue budget;
- Capital Financing Costs as a percentage of net revenue expenditure.

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

2.12.1

Table 2
Funding Gap as a Percentage of Net Revenue Budget

Year	Standstill Budget	AEF	Previous Year Council Tax (note 1)	Total Funding Prior to Council Tax Increase	Estimated Funding Gap	% Gap
	£'m	£'m	£'m	£'m	£'m	
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%
2025/26	199.025	135.605	52.628	188.233	10.792	5.42%
Note 1 – The Previous Year Council Tax figures are adjusted to take account of changes to the taxbase						

The table shows that, 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 has worsened again since 2023/24, with the budget being balanced through a combination of the use of reserves, higher than inflation increases in Council Tax and budget savings.

How the position for 2026/27 onwards compares to this historical data will be discussed later in this report.

2.12.2

Table 3
Over / Underspending Relative to Net Revenue Budget

Year	Net Revenue Budget	Actual NRE	Over / (Under) Spend	% Over / (Under) Spend
	£'m	£'m	£'m	
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 Actual	174.569	172.837	(1.732)	(0.99%)
2024/25 (subject to audit)	184.164	180.289	(3.875)	(2.10%)
2025/26 (as at Q1 forecast)	195.443	193.892	(1.551)	(0.79%)

The table highlights that, despite the challenging financial position each year, the Council has been able to maintain its overall net expenditure within the budget, with Services making a concerted effort to reduce costs or postpone expenditure. The position has also been helped through staff vacancies, additional grant funding and increasing levels of income.

2.12.3

Table 4
Useable Reserves as a Percentage of the Net Revenue Budget (NRB)

Year	Net Revenue Budget	General Balances	Earmarked Reserves	School Balances	Total Useable Reserves	% Useable Reserves to NRB
	£'m	£'m	£'m	£'m	£'m	
2018/19	130.900	5.912	9.458	0.631	16.001	12.22%
2019/20	135.210	7.060	8.760	0.197	16.017	11.85%
2020/21	142.146	11.437	15.455	3.974	30.866	21.71%
2021/22	147.120	12.278	23.183	7.827	43.288	29.42%
2022/23	158.367	14.039	19.638	6.716	40.393	25.51%
2023/24	174.569	15.607	16.517	5.577	37.701	21.60%
2024/25	184.164	18.166	21.449	5.074	44.688	24.27%
2025/26 forecast	195.442	15.706	12.637	3.264	31.607	16.17%

The table highlights that the Council's financial position has strengthened significantly since 2018/19 as a result of the under spending in the last 5 financial years and additional grant support from WG, which was provided outside the normal local government settlement. However, as general balances and school balances are used as budget funding, and earmarked reserves are used, the position weakens again in 2025/26. 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, either through increases in Council Tax or by reducing net expenditure.

2.12.4

Table 5
Capital Financing Costs as a Percentage of Net Revenue Expenditure (NRE)

Year	Net Revenue Budget	Minimum Revenue Provision (MRP)	Interest Payable	Interest Receivable	Total Capital Financing Costs	% of Capital Financing Costs to NRE
	£'m	£'m	£'m	£'m	£'m	
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	184.164	1.569	3.890	(0.883)	4.576	2.48%
2025/26 (Budget)	195.443	0.495	4.592	(0.450)	4.636	2.37%

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 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's gross debt (as reported by the ONS) currently stands at £2.89 trillion, which is 101.0% of the country's Gross Domestic Produce (GDP). This compares to £2.75 trillion (as at March 2024), which was 99.6% of GDP.
- 3.3. During 2024/25, the Government borrowed £149bn, compared to £131bn in the previous financial year, and has already borrowed a further £57.8bn in the first quarter of 2025/26. In October 2024, the Chancellor announced new fiscal rules, which are:-
 - i. That the current budget must move into balance, i.e. day to day costs are met by revenues;
 - ii. Debt must be falling as a percentage of GDP by the fifth year of the forecast, i.e the end of the current parliament in 2029.

- 3.4.** In order to achieve these targets, the Chancellor announced a number of changes to disability benefits and winter fuel payments, which were designed to reduce expenditure by around £15bn by 2029. However, the majority of these changes have been reversed, which will require the Chancellor to find alternative reductions in expenditure or increase taxes to fill this budget shortfall.
- 3.5.** 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 Index (CPI) peaked at 11.1% in October 2022 and fell back to 1.7% in September 2024. However, increasing energy and oil prices and the trade tariffs implemented by the US have caused inflationary pressures, and CPI has risen to 3.6% in June 2025. It is forecast to rise to 3.8% in July / August 2025, before starting to fall back during the second half of 2025, before reaching the BofE's target of 2% late in 2026.
- 3.6.** The BofE base rate was cut to 0.1% in March 2020, and has remained at this very low level until the beginning of 2022. As inflation began to rise, the BofE's Monetary Policy Committee (MPC) has made small incremental increases in the base rate of 0.25% or 0.5% at each review, to reach a peak of 5.25% in August 2023. It was held at this level until August 2024, when it began to fall by small increments to its current level of 4.25%. The BofE 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 inflation remaining on or around the BofE's target. It was anticipated that interest rates would continue to be cut, reaching around 3% in 2026, but the higher than anticipated levels of inflation may slow the fall in interest rates. 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.
- 3.7.** The Government's economic strategy is currently centered around growing the economy in order to generate additional tax revenues. In 2024/25, the economy grew 1.8%, but then shrank 0.4% in the first two months of 2025/26. The economy is forecast to grow by around 1.1% in 2025 and 1.0% in 2026, but this level of growth is unlikely to meet the additional cost pressures on government spending.
- 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, with a commitment to raise defence spending to 2.5% of GDP in April 2027 and to 3% in the next parliament. With borrowing at an all time high, and the tax burden also high, the Government's options in respect of public spending are limited, and protecting certain services will require cuts in non-protected budgets.
- 3.9.** 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, and is forecast to continue to rise to 41.7% by 2027/28, which is the highest level since 1970. The freezing of income tax thresholds and the increase in corporation tax have contributed to the increase. The high tax burden 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 severely limit the Government's ability to fund additional public spending through increased tax revenues.

- 3.10.** 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.
- 3.11.** 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. It is, therefore, not anticipated that the financial constraints on the Council's funding will ease in the short to medium term.

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. Settlements since 2020/21 have exceeded the level of CPI, but the level of the local government settlement is still 8% lower than had CPI been applied to the settlement since 2013/14. It should also be noted that the level of inflation faced by Councils is significantly different than CPI.
- 4.2.** Around 50% of the WG's budget funds the NHS in Wales, and 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 Comprehensive Spending Review, announced by the UK Government in June 2025, set out the potential funding for Wales up to 2028/29. On average, the Welsh block grant is expected to grow by 1.4% in real terms each year. The majority of the increase is a result of consequential funding arising from increases to the NHS and school budgets in England. Passing on these consequentials to equivalent services in Wales would still leave NHS funding growing at below its long run historical average (3.6%). But this would still see other services facing tight budgets over coming years, leaving them – at best – flat in real terms. The budget for 2026/27 reflects the front loading of the settlement, and the budgets for 2027/28 and 2028/29 will be lower.
- 4.4.** The timing of the Welsh Assembly elections is also impacting on the future settlement. The Cabinet Secretary for Finance has announced that the 2026/27 budget will be the 2025/26 with inflation (widely believed to be 2%). This will leave around £400m of funding unallocated and it will be for the new Government to decide how to allocate the remaining £400m. If 25% of the remaining funding was allocated to local government, this would provide an additional 1.57% above the 2% allowed for inflation.
- 4.5.** Based on the above, the local government settlement for 2026/27 has the potential to be £6.361bn, after allowing for the additional £97.223m grant to cover additional national insurance contributions has been factored in, along with a 2% inflation increase and that £100m of the remaining £400m is subsequently allocated to local government. This would represent a cash increase of £322m (5.24%), which would equate to a cash increase in the region of £7m for the Council.
- 4.6.** It should be noted that any allocation of funding from the unallocated £400m would take place after the Welsh Assembly elections and would be too late to be included in the Council's budget when the budget is approved by the Council in March 2026.

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 September 2024, the Welsh Local Government Association (WLGA) estimated that Councils in Wales were facing a budget shortfall of £521m in 2025/26, with further shortfalls of around £460m in 2026/27 and 2027/28, based on providing the services to the level of anticipated demand and to fund the inflationary pressures. A new survey is currently being undertaken, which will feed through into the 2026/27 budget process.
- 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**

In setting the 2025/26 budget, £1,500 was allowed for for each pay grade. The final agreed pay award was a rise of 3.2% across all pay grades. Although this created differences between the budgeted pay grades and the actual pay grades, overall, it is anticipated that the budget for 2025/26 was sufficient to meet the increased costs.

One significant factor which impacts the pay award moving forward is the increase in the National Living Wage. The 2025/26 pay award agreement resulted in point 2 on the scale being deleted in order to keep the lowest point on the pay scale above the level of the National Living Wage. The differences are shown in Table 6 below:-

Table 6
Comparison of the National Living Wage to the Lowest Point on NJC
Payscale

	2024/25	2025/26	2026/27
Hourly Rate of Lowest Point on NJC Scale	£12.26	£12.65	£12.90 ¹
National Living Wage	£11.44	£12.21	£12.65 ²
Difference between NJC scale and National Living Wage	£0.82	£0.44	£0.25
% Difference between NJC scale and National Living Wage	7.2%	3.6%	2.0%
1. Based on an inflationary increase of 2%			
2. Based on the central estimate of the Low Pay Commission = 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. Maintaining a 3.6% differential would require the lowest point on the scale to rise to £13.10, a rise of 3.6%.

In general, pay awards still appear to be higher than the level of CPI, and this does not appear to be changing in the short term, and a higher than inflation pay award is forecast for 2026/27, but there is a potential for the pay award to be more in line with inflation from 2027/28 onwards.

ii. Pay Increases – Teachers Pay

Teachers pay is set by the WG, with the pay award being effective from September each year. The pay award for September 2025 has been set at 4%, which is 2% higher than allowed for in the budget. This will require a budget correction although, as in previous years, some or all of this increase may be funded through additional grant funding from the WG, which would then be incorporated into the 2026/27 settlement.

Other parts of the public sector in England are pressing for pay awards that are significantly higher than inflation, and this may encourage teachers in England, and consequently in Wales, to seek a higher than inflation pay rise.

In determining the assumption for the teacher's pay award, it is estimated that, for the central forecast, the pay rise will be CPI + 1% in September 2026.

iii. Local Government and Teachers' Pension Contributions

The LGPS pension scheme was revalued 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% adjustment in the contribution rate results in a change of approximately £500k in the Council's budget.

The revaluation of the pension fund is currently taking place, and it is anticipated that there will be a reduction in the Council's contribution rate. The amount of the reduction is very much dependant on the Actuary's assumptions that impact on future liabilities. The funding position of the fund is currently very healthy.

The Teachers Pension Scheme was revalued in April 2024, with the teacher's contribution rates increasing from 23.58% to 28.58%. The next revaluation is not due until 2028 and, therefore, no further change is anticipated during the period of this plan. For the purposes of the plan, no change in the contribution rate is anticipated but, if it is increased, the assumption is that the additional cost would be funded by the UK Government.

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 £0.8m in 2026/27, with an increase of around £0.5m in 2027/28 and 2028/29. Although it should be noted that the impact of the rise in the employer national insurance contributions may result in an exceptional adjustment to the 2026/27 price increase.

v. Energy Costs

The current budget for energy (electricity and gas) in 2025/26 is £3.14m (£1.91m for electricity and £1.23m 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.

Any potential increase due to revised prices in October 2027 should be offset by reduced consumption of both gas and electricity due to the new investment in alternative heating and electricity generation methods.

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 tool kit 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 approximately 31% in the 3 years since 2022/23. The increases reflected the higher level of inflation, the increases in the National Living Wage and the impact of the changes to employers' national insurance contributions.

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 2026/27 and 2027/28, with fee increases then falling back to inflation levels in 2028/29. Each 1% increase in fees adds around £120k 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 2026/27, and this increase plus 0.5%, has been allowed for in the plan in 2026/27, with increases in line with general inflation in the following two years.

viii. Children's Services

The Service has seen significant increases in the number of children in care and the cost of providing care and, as a result, significant investment has been made in the Service. Despite the increase in the annual budget, the Service continues to face significant cost pressures, which has resulted in an overspend being recorded in the last 3 years. The financial position is summarised in Table 7 below:-

Table 7
Children's Services – Budget and Actual 2017/18 to 2025/26

Year	Budget £	Budget Increase %	Actual £	Variance £
2017/18	8,292,690		£10,075,336	1,782,646
2018/19	8,728,680	5.3%	£10,565,374	1,836,694
2019/20	10,274,340	17.7%	£10,430,480	156,140
2020/21	10,971,160	6.8%	£10,258,066	-713,094
2021/22	11,196,262	2.1%	£10,831,760	-364,502
2022/23	12,341,762	10.2%	£13,330,614	988,852
2023/24	13,133,474	6.4%	£14,536,308	1,402,834
2024/25	14,428,450	9.9%	£16,376,142	1,947,692
2025/26	17,555,724	21.7%		

Despite a 111% rise in the budget since 2017/18, the budget is still insufficient and, as at the end of the first quarter of 2025/26, an overspend of £918k is again forecast.

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 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 13% in 2026/27, 3.5% in 2027/28 and 2.0% in 2028/29.

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 financial position is summarised in Table 8 below:-

Table 8
Adult Services – Budget and Actual 2017/18 to 2025/26

Year	Budget £	Budget Increase %	Actual £	Variance £
2017/18	22,540,700		22,686,948	146,248
2018/19	24,921,360	9.6%	26,094,400	1,173,040
2019/20	25,205,360	1.1%	26,289,869	1,084,509
2020/21	27,159,700	7.2%	26,927,431	-232,269
2021/22	27,736,225	2.1%	27,599,371	-136,854
2022/23	30,583,049	9.3%	30,530,210	-52,839
2023/24	35,780,051	14.5%	35,194,687	-585,364
2024/25	38,956,887	8.2%	38,021,144	-935,743
2025/26	43,081,817	9.6%		

The budget has increased 91% since 2017/18 and, in recent years, the Service has been able to provide all services within the agreed budget, but this is partly as a result of additional grant funding that has been received in each year.

The plan allows for an increase of 6.6% in the budget to meet inflation and increased demand in 2026/27, with increases of 4.4% in 2027/28 and 2.4% in 2028/29.

x. Homelessness

The net budget for 2025/26 amounts to £1.463m, which includes £431k of WG grant funding which was brought into the settlement in 2025/26. This transfer of grant funding has reduced the risk that funding will not meet demand. To mitigate the risk further, an earmarked reserve of £405k is held to fund any demand pressures that may arise during the year.

The budgetary position for 2025/26 is under control, with the Council benefitting from the private leasing scheme which increases the Council's ability to ensure that tenants placed in these properties are in a position to claim housing benefit in full, which, not only is a cheaper alternative to bed and breakfast accommodation, but also ensures that the net cost to the Council is reduced through housing benefit.

Although homelessness prevention is a budget pressure in a number of Welsh councils, currently it is not seen as a significant risk on Anglesey and, as such, no specific additional financial requirement has been allowed for in the plan.

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 by WG has remained largely unchanged. As the levels of Council Tax increase, the cost falls on the taxpayers of Anglesey. The budget for 2025/26 was increased by 0.9%, despite the fact that the increase in Council Tax (including precepts) was 8.2%, and this was due to the overprovision in the 2024/25 budget which was corrected in 2025/26.

Determining the level of the budget is difficult and is linked to the performance of the economy and the level of unemployment on Anglesey. UK unemployment currently stands at 4.7% and is expected to rise to 5% by the end of the year, before falling back to 4.5% by the end of 2027. As a result, the plan only allows for an increase in the budget in line with the assumed rise in the level of Council Tax.

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 which is set out in the capital strategy.

As a result of a change in the MRP Policy in 2018, the Council had overprovided for MRP in previous years and the Council took the opportunity, in 2025/26, to reduce this overprovision by allowing for a one year MRP "holiday". This budget is restored in 2026/27, which increases the overall budget by £1.2m, with further adjustments in the following two years to take account of borrowing required to fund new capital expenditure in 2026/27 to 2028/29.

The Council has utilised its cash balances to generate income through interest receivable and has benefitted from interest rates which have been significantly higher than historic levels. Both the level of cash balances available for investment and the rate of interest will fall during 2026/27, and this will reduce the income generated through interest. The potential change has been factored into the plan.

xiii. Fire Service Levy

Unlike the North Wales Police & Crime Commissioner, the North Wales Fire & Rescue Service sets 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 Standard Spending Assessment.

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 Fire Authority's Medium Term Financial Strategy for the period 2024 to 2027 identifies that the 2026/27 budget would need to increase by 5.3%. However, this does not allow for the use of reserves and any changes that may have happened since the plan was drawn up.

For the purposes of planning assumptions, an increase in line with inflation has been allowed for in all years of the plan.

xiv. Other Service Pressures

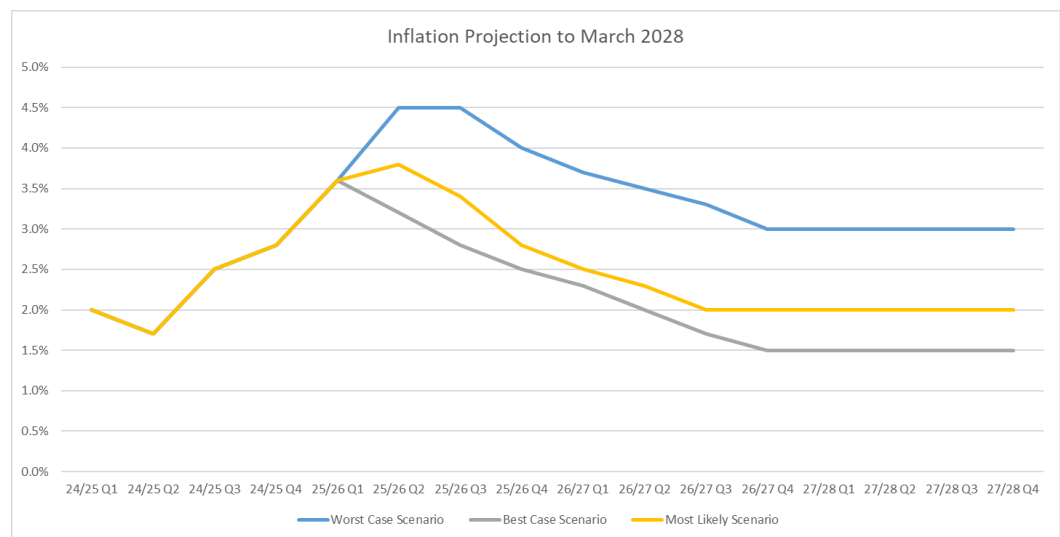
Recent legislative changes and other events have raised the potential that additional investment will be required in some services to deal with legislative changes, service failure or recruitment and retention issues. These services include: Building Control, Corporate Procurement, Legal Services and Corporate Performance. Although no formal decisions have been taken to respond to these challenges, a general sum of £0.5m has been allowed for in the plan in 2026/27 to address some of these issues, but, given the financial position that the Council faces, it is recognised that this investment may not be possible.

xv. 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 then fell back below the BofE's target of 2% in September 2024, before rising once again to its current rate of 3.6%.

The chart below is based on forecasts set out by the BofE and the Office of Budget Responsibility:-

Chart 1
Projected Levels of Consumer Price Index (CPI) Inflation to March 2028



Approximately £48m of the Council's budget will be impacted by a general increase in the level of inflation.

Only 2% was allowed for in the 2025/26 budget, but the estimated average rate is 3.4%, this will require a 1.4% correction in 2026/27. In addition, the estimated rate is 2.2% in 2026/27 and 2.0% in 2027/28 and 2028/29.

xvi. 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 2025/26 was set at £1m. Any underspending on this budget is held in an earmarked reserve. The plan allows for an increase in this £1m budget in line with the assumed rise in Council Tax in each year.

- 6.1. The Council's current income budget (excluding AEF, Council Tax and specific grant funding) amounts to £52.5m. This is made up of grants and reimbursements from public bodies (£28.1m), fees and charges set by statute or regulated by the Government (£7.8m), fees and charges set by the Council (£6.7m), long-term rental agreements in respect of land and property (£1.8m) and recharges within the Council to other Council services (£8.1m). The budget in respect of government grants includes £2m of grant towards the increased cost of national insurance, and this will be transferred into the local government settlement in 2026/27.
- 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. Fees governed by statute or by the WG do not always rise, or the rise is below inflation. Where rises are higher than inflation, they can come with specific requirements, e.g. proposed rises in planning fees will require the Council to provide additional investment to the service to improve service delivery and resilience. As a result, the net effect of the increase in fees is much reduced.
- 6.4. 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 2026/27 – 2028/29

- 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 2026/27 to 2028/29

	2026/27 £'m		2027/28 £'m		2028/29 £'m	
Previous Year Final Budget		195.443		208.076		213.214
Inflationary Pressures						
Non Teaching Pay Award	1.598		0.931		1.459	
Teaching Pay Award	1.789		1.007		0.809	
Major Service Contracts	0.851		0.487		0.497	
Energy Inflation	0.000		0.000		0.063	
Other Non Pay Inflation	1.303		0.793		1.013	
Income	(1.219)		(1.117)		(1.057)	
Social Care Providers Inflation	2.015		1.202		1.057	
Council Tax Reduction Scheme – Increase in Council Tax	0.370		0.388		0.250	
Fire Service Levy	0.190		0.109		0.112	
Total Inflationary Pressures		6.897		3.800		4.203
Demand Led Pressures						
Children's Services Demand	0.858		0.189		0.000	
Adult Services Demand	1.136		0.937		0.000	
Pupil Numbers	(0.125)		(0.217)		(0.273)	
School Transport	0.033		0.034		0.000	
Homelessness	0.022		0.022		0.000	
Council Tax Reduction Scheme – Change in Estimated Caseload	0.000		0.000		0.000	
Investment in Other Services	0.500		0.200		0.000	
		2.424		1.165		(0.273)
Other Costs						
Transfer of NI Grant into the AEF	2.000		0.000		0.000	
Capital Financing	1.262		0.120		0.300	
Use of Council Tax Premium for Housing Projects and Article 4	0.050		0.053		0.033	
Total Other Costs		3.312		0.173		0.333
Estimated Net Revenue Budget		208.076		213.214		217.477
Annual Increase		12.634		5.138		4.263
Annual Increase Percentage		6.46%		2.47%		2.00%

- 7.2. The estimated Net Revenue Budget represents an increase of 11.2% 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. 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 2026/27 to 2028/29

	Best Case	Increase		Worst Case	Increase	
	£'m	£'m	%	£'m	£'m	%
2025/26 Base Budget	195.443			195.443		
2026/27 Estimated Budget	200.412	4.969	2.54%	218.572	23.129	11.83%
2027/28 Estimated Budget	202.166	1.754	0.88%	230.162	11.590	5.30%
2028/29 Estimated Budget	202.271	0.105	0.05%	243.492	13.330	10.13

- 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. SENSITIVITY ANALYSIS

- 8.1. The estimated financial position shown in Table 8 above are based on assumptions relating to a number of factors. Table 10 below shows the change in the net expenditure budget that would result if each assumption was varied by 1%:-

Table 10
Financial Impact of a 1% Change in the Financial Budget Assumptions

Assumption	Impact of a 1% Change £'000
NJC Pay Award	700
Teachers Pay Award	380
General Inflation	337
Main Service Contract Inflation	235
Social Care Provider Inflation	357
Income	(142)
Interest Rate Receivable	(120)
Aggregate External Finance (AEF)	(1,381)
Council Tax (net of CTRS)	(498)
Demand in Children's Placements	86
Demand for Adult Service Placements	290
Homelessness	11
Council Tax Reduction Scheme Caseload	74

9. AGGREGATE EXTERNAL FINANCE (AEF) AND COUNCIL TAX

- 9.1.** The estimated standstill budget is funded from the level of AEF received from the WG (Revenue Support Grant and NDR Pool Funding) and from the Council Tax raised locally.
- 9.2.** As stated in paragraph 4 above, the WG indicated that the AEF (after adjusting for transfers into the settlement) will initially rise by 2%, although may change once a new government is elected in May 2026. There is currently no indication as to the level of AEF in 2027/28 or 2028/29, but the analysis by Wales Fiscal Analysis suggests a real terms cut of 0.6% in the AEF in these two years.
- 9.3.** In 2025/26, Anglesey received £135.881m in AEF from the WG, with a further £2.223m received as a grant to cover the additional national insurance costs, with the remaining funding coming from Council Tax, £57.101m, and the Council's own financial reserves, £2.460m.
- 9.4.** Based on these assumptions above, the AEF would rise to £140.866m in 2026/27, to £143.684m in 2027/28 and £146.558m in 2028/29, but these figures do not take account of any adjustments arising from the distribution formula or the impact of any changes in the taxbase.
- 9.5.** Anglesey's Band D charge for 2025/26 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.
- 9.6.** 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 £74 lower than Flintshire, £202 lower than Gwynedd and £181 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 £17. Increasing the Band D charge to the same level as Flintshire would generate an additional £2.48m in Council Tax revenue, £6.76m if the charge was at Gwynedd's level and £6.06m if the charge was in line with Ceredigion.

10. COUNCIL TAX PREMIUM

- 10.1.** Since 2024/25, the council tax premium on both empty and second homes stands at 100%, and this generated a budget of £4.26m of income in 2025/26. The guidance issued by WG to support the legislation, states that:-
Authorities may use the additional revenue for any purpose, but they are encouraged to use it to help to meet local housing needs, in line with the policy intentions for the premiums.
- 10.2.** The Council has allocated £1m to fund projects specifically designed to help local first time buyers, whilst also allocating funding to administer the projects, to collect the premium, to identify potential lost income through fraud and towards increasing the capacity of the economic development team. It also allows the Council to indirectly fund the impact of a high number of second homes in the area, through subsidising small schools, dealing with the impact of high levels of tourism and any community tensions that arise from tourism.
- 10.3.** 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.

- 10.4.** At present, there is no intention to adjust the second home premium, but consideration is being given to amending the empty homes premium so that the premium increases the longer the property has been empty. Various options have been modelled and could have a positive or negative effect on the levels of income in the period 2026/27 to 2028/29. Given the level of uncertainty as to whether any change will be implemented and which option will be chosen, if any, the change in income arising from changing the empty property period has not been included in the financial model at this time.
- 10.5.** The rules surrounding self catering accommodation being liable for non-domestic rates rather than Council Tax changed in April 2023, but it is only now that the amendments are being received and properties transferring back from the non-domestic rates register to the Council Tax register and being charged a second home premium. Between 150 and 200 properties have reverted back to Council Tax, although many are subject to appeal and may revert back to non-domestic rates in the future. This creates a significant amount of uncertainty surrounding the taxbase and may generate an increased level of income on a permanent basis, e.g. if 200 Band D properties returned to the Council Tax register and were charged a premium, this would generate around £680k in additional funding.

11. GENERAL BALANCES AND RESERVES

- 11.1.** 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.
- 11.2.** As at 31 March 2025, the Council held £18.166m as general balances and £18.294m 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 2025/26, the minimum amount of general balances should be £9.77m. In setting the 2025/26 budget, £2.46m of the general balances were used to balance the budget, which reduces the level of general balances to £15.706m, which is £5.93m above the minimum required balance. However, it should be noted that any overspend on the 2025/26 revenue budget would be funded from general balances. The forecast at the end of quarter 1 of 2025/26 estimates that the revenue budget will underspend by £1.551m. This gives a forecasted balance of £17.257m, which is £7.485m above the minimum threshold.
- 11.3.** 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, with a further £0.095m transferred back to general balances at the end of the 2024/25 financial year. Included in the earmarked reserves are £6.2m 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, the financial cost would have to be funded from the general balances.

12. SCHOOLS

- 12.1.** The delegated schools' budget is an important element of the Council's overall budget, with 28.4% of the overall net budget allocated to schools. Schools also retain any surpluses in their own reserves, and the level of reserves gives a good indication of the financial pressure faced by schools. Table 11 below shows the level of school balances as at 31 March 2025 and the projected balance as at 31 March 2026, after schools have allocated reserves to balance the 2025/26 budget:-

Table 11
School Balances as at 31 March 2025 and Projected Balance as at 31 March 2026

	Primary	Secondary	Special	Total
Balance as at 31 March 2025	£2,579,318	£2,264,916	£229,403	£5,073,638
Used to Balance 2025/26 Budget	£701,980	£1,520,510	£31,330	£2,253,820
Estimated Balance as at 31 March 2026	£1,877,338	£744,406	£198,073	£2,819,818
Number of Schools with Deficit Balance as at 31 March 2025	4	0	0	4
Number of Schools with Estimated Deficit Balance as at 31 March 2026	3	1	0	4

12.2. The overall balance does provide an indication, but other factors need to be considered when determining the financial health of each school. These factors include the size of the school and the trend in the balance over a number of years. A summery assessment of the schools is shown in Table 12 below:-

Table 12
Summary of Financial Health of Schools at 31 March 2025 and 31 March 2026

As at 31 March 2025				
	Primary	Secondary	Special	Total
Healthy	8	3	1	12
Stable and balance adequate	7	0	0	7
Worsening but balance adequate	9	1	0	10
Improving but balance low	4	0	0	4
Balance remains low but not critical	3	0	0	3
Worsening becoming critical	3	1	0	4
Critical	4	0	0	4
Total	38	5	1	44
As at 31 March 2026				
	Primary	Secondary	Special	Total
Healthy	3	0	1	4
Stable and balance adequate	8	0	0	8
Worsening but balance adequate	11	3	0	14
Improving but balance low	1	0	0	1
Balance remains low but not critical	4	0	0	4
Worsening becoming critical	8	1	0	9
Critical	3	1	0	4
Total	38	5	1	44

12.3. Table 12 confirms that, overall, schools are in a generally good financial position, although the situation varies from school to school. Table 12 confirms that the financial health of schools is worsening, with only 4 schools considered to be in a healthy financial position in March 2026, compared to 12 in March 2025. In addition, more schools are at risk of being in a critical financial position in the short to medium term.

13. BRIDGING THE FUNDING GAP

- 13.1. If the financial modelling is correct, then an additional £12.63m will be required to meet the inflationary pressures of providing the current service and to meet the demand pressures in 2026/27, although it should be noted that this figure is based on assumptions, which will need revising as the budget process progresses. Based on the assumptions detailed above, the current budget position in each of the three years of the plan is shown in Table 13 below:-

Table 13
Estimated Funding Shortfall 2026/27 to 2028/29

	2026/27 £'m		2027/28 £'m		2028/29 £'m	
Budget Shortfall (as per Table 8)		12.634		5.138		4.263
Increase in AEF	(4.985)		(0.845)		(0.864)	
Increase in Council Tax	(2.853)		(2.998)		(1.889)	
Additional Funding		(7.838)		(3.843)		(2.753)
		4.796		1.295		1.510
Reserves Used to Balance Previous Year's Budget		2.460		0.000		0.000
Estimated Budget Shortfall after funding		7.256		1.295		1.510
AEF Increase Assumption		+ 2.0%		+0.6%		0.6%
Council Tax Increase Assumption		+ 5.0%		+5.0%		3.0%

- 13.2. In the absence of increased AEF, it would require an increase of 19.8% in Council Tax to enable a balanced budget to be set in 2026/27. This would be an annual increase of £338, which would make Anglesey's Council Tax the 4th highest in Wales, assuming that all other Councils apply a 5% increase in 2026/27.
- 13.3. As shown in paragraph 11, 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 crystalise into something that requires action and funding.
- 13.4. Paragraph 12 shows that, although the overall financial position of schools is worsening, there is some capacity for schools to contribute towards the savings target. The financial model increases the delegated schools' budget by 4% in cash terms, to £57.78m, and reducing this budget by 2% would generate savings of £1.16m. This will make it more difficult for individual schools to balance their budget in 2026/27, in particular smaller schools where the flexibility around class sizes is less.

- 13.5.** The remaining option is to reduce the net expenditure budget and, given that in the last 5 financial years there has been an underspend ranging from £1.3m to £4.8m, there does appear to be some potential to make further reductions in budgets.
- 13.6.** Again, assuming that the funding gap is £7.256m, this equates to revenue savings of 3.7% of the 2025/26 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 – £5.19m in 2025/26;
 - Capital Financing Costs – £4.64m in 2025/26;
 - Council Tax Reduction Scheme – £7.56m in 2025/26;
 - Historic Pension Costs – £1.02m in 2025/26;
 - Members Allowances – £1.19m in 2025/26;
 - Audit & Inspection Fees - £0.44m in 2025/26;
 - Coroners Costs - £0.31m in 2025/26.
- 13.7.** In addition, if schools budget is capped, it is not possible to include the schools budget in any further savings targets. Therefore, any savings have to come from the remaining budgets (£119.6m in 2025/26), and this equates to savings of 6.1% from the budgets where it is possible to implement savings.
- 13.8.** Approximately 85% of the Council's expenditure is on statutory services, with a further 3% on partly statutory services. Of the remaining 12%, 9% is spent on support services, with only 3% spent on non statutory services. Reducing the expenditure on statutory services is difficult and can only be achieved by providing the service more efficiently, or by reducing the level of service provided to the defined minimum.
- 13.9.** 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.
- 13.10.** 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 14 below:-

Table 14
Estimated Funding Gap as a Percentage of Net Revenue Expenditure

Year	Standstill Budget	AEF	Previous Year Council Tax (note 1)	Total Funding Prior to Council Tax Increase	Estimated Funding Gap	% Gap
	£'m	£'m	£'m	£'m	£'m	
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	199.025	135.605	52.628	188.233	10.792	5.42%
2026/27 forecast note 2	208.076	140.590	57.102	197.692	10.384	4.99%
2027/28 forecast	202.830	141.435	59.957	201.392	1.438	0.71%
2028/29 forecast	205.930	142.284	62.955	205.239	0.691	0.34%
Note 1 – The Previous Year Council Tax figures is adjusted to take account of changes to the taxbase						
Note 2 – The standstill budget for 2027/28 & 2028/29 assumes that the final budget for 2026/27 is revised down to match the funding available						

13.11. It can be seen that the position for 2026/27, although slightly better than the position faced in 2024/25 and 2025/26, is still an extremely financially challenging year in terms of setting the budget. The position does begin to improve in 2027/28, 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.

14. CONCLUSIONS

14.1. The Medium Term Financial Plan 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 and the WG elections, which will take place in May 2026. 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.

14.2. 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 2026/27. 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.

- 14.3.** The Council does have some reserves that can be used in 2026/27 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. By the end of the period of the plan, around £10m of permanent savings must be found, or the income generated by Council Tax will have to increase by £10m in addition to the assumed increases in order to resolve the current financial position.
- 14.4.** This Medium Term Financial Plan 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 2026/27 and beyond.
- 14.5.** Increasing the level of Council Tax above the general level of inflation has to be considered as part of the overall long term financial solution to funding the financial shortfall.
- 14.6.** For 2026/27, as in previous years, a mix of budget savings, above inflation increases in Council Tax and the careful use of reserves will have to be utilised in order to achieve a balanced budget.

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN ASSUMPTIONS

MOST LIKELY SCENARIO				
		2026/27	2027/28	2028/29
Pay and Price Inflation				
Pay, NI and Pension Costs – Non Teaching		3.6%	2.0%	2.0%
Pay, NI and Pension Costs - Teachers		4.8%	2.5%	2.0%
Local Government Pension Scheme (LGPS) Contribution Rate		-9.5%	0.0%	0.0%
Teachers Pension Contribution Rate		0.0%	0.0%	0.0%
Electricity		0.0%	0.0%	2.0%
Gas		0.0%	0.0%	2.0%
CPI (including any correction from previous year)		3.6%	2.0%	2.0%
Main Service Contracts		3.6%	2.0%	2.0%
Social Care Provider Contracts		4.1%	2.5%	2.0%
Fees & Charges		3.0%	3.0%	2.0%
Council Tax		5.0%	5.0%	3.0%
Aggregate External Finance		3.7%	0.6%	0.6%
Government Grants		2.0%	2.0%	2.0%
Levies		3.6%	2.0%	2.0%
Capital Financing Costs		24.8%	2.0%	5.0%
Demand Pressures				
Children’s Placements		10.0%	2.0%	0.0%
Adult Social Care Placements		5.0%	5.0%	0.0%
School Transport		2.0%	2.0%	0.0%
Homelessness		2.0%	2.0%	0.0%
Council Tax Reduction Scheme Caseload		0.0%	0.0%	0.0%

SUMMARY ESTIMATED NET REVENUE BUDGET 2025/26 – 2028/29

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m
Pay – Non Teaching, including Pension & NI	69.905	71.503	72.933	74.392
Pay – Teaching, including Pension & NI	37.977	39.641	40.431	40.967
Other Employee Costs	2.572	2.655	2.705	2.760
Premises Costs	7.716	7.996	8.156	8.319
Energy	3.141	3.141	3.141	3.204
Transport	1.210	1.254	1.279	1.305
Supplies & Services	28.486	29.364	29.815	30.412
School Transport	4.403	4.596	4.722	4.816
School Meals	3.487	3.613	3.686	3.759
Education Out of County Placements	0.893	0.934	0.963	0.982
Education Joint Arrangements	2.656	2.757	2.815	2.871
Adult Social Care	35.676	38.286	40.181	40.984
Children's Care Placements	10.831	12.231	12.665	12.918
Refuse Collection & Disposal	8.817	9.137	9.319	9.506
Highway Maintenance & Street Lighting	5.349	5.544	5.654	5.768
Public Service Bus Transport	1.395	1.446	1.475	1.504
Help for 1 st Time Buyers / Article 4	1.000	1.050	1.103	1.136
Homelessness	1.463	1.538	1.592	1.624
Members Allowances & Expenses	1.223	1.248	1.273	1.298
Coroners	0.306	0.312	0.318	0.325
Audit & Inspection Fees	0.441	0.450	0.459	0.468
Fire Service & Other Levies	5.277	5.467	5.576	5.688
Council Tax Reduction Scheme & Other Benefits	7.565	7.935	8.323	8.572
Capital Financing Charges & Interest Receivable	4.638	5.898	6.018	6.319
Contingencies	1.537	1.821	1.470	1.496
TOTAL GROSS EXPENDITURE	247.964	259.817	266.072	271.393
Grants	(28.133)	(26.655)	(27.189)	(27.732)
Fees & Charges	(14.521)	(14.887)	(15.262)	(15.568)
Recharges	(8.063)	(8.359)	(8.530)	(8.701)
Rents	(1.804)	(1.840)	(1.877)	(1.915)
TOTAL GROSS INCOME	(52.521)	(51.741)	(52.858)	(53.916)
NET REVENUE EXPENDITURE	195.443	208.076	213.214	217.477
Increase in Net Revenue Budget		12.633	5.138	4.261
% Increase in Net Revenue Budget		6.46	2.47	2.00

SUMMARY ESTIMATED NET REVENUE BUDGET BY SERVICE 2025/26 – 2028/29

	2025/26 £'m		2026/27 £'m		2027/28 £'m		2028/29 £'m	
Economic Development	0.984		1.006		1.025		1.046	
Destination	0.859		0.886		0.902		0.920	
Leisure	1.177		1.182		1.176		1.199	
Planning	1.218		1.252		1.277		1.303	
Public Protection	1.884		1.925		1.962		2.001	
Regulation		6.122		6.251		6.342		6.469
Highways	8.496		8.785		8.942		9.121	
Property	1.874		1.901		1.929		1.967	
Waste	10.394		10.764		10.964		11.184	
Highways, Waste & Property		20.764		21.450		21.835		22.272
Adult Services		43.082		45.917		47.956		48.915
Children's Services		17.556		19.117		19.687		20.080
Schools	55.538		57.656		58.772		59.674	
Central Education	13.981		14.505		14.797		15.093	
Culture	1.666		1.704		1.731		1.765	
Education & Culture		71.185		73.865		75.300		76.532
Human Resources	1.824		1.868		1.905		1.944	
ICT	5.081		5.247		5.397		5.505	
Transformation	1.204		1.227		1.250		1.275	
Transformation		8.109		8.342		8.552		8.724
Housing		2.036		2.119		2.179		2.222
Resources		4.225		4.322		4.408		4.497
Council Business		2.213		2.265		2.510		2.560
Corporate Management		0.823		0.840		0.857		0.875
Capital Financing	4.637		5.898		6.019		6.319	
CTRS / Benefits	7.565		7.935		8.323		8.572	
Levies	5.277		5.467		5.576		5.688	
Help for 1 st Time Buyers	1.000		1.050		1.102		1.136	
Corporate & Democratic	2.238		2.288		2.330		2.376	
HRA Recharge	(0.840)		(0.871)		(0.888)		(0.906)	
Savings to be Found	0.000		0.000		0.000		0.000	
Contingencies	(0.549)		1.821		1.126		1.146	
Non Service		19.328		23.588		23.588		24.331
TOTAL NET EXPENDITURE		195.443		208.076		213.214		217.477

