

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>27 JANUARY 2026</b>
<b>SUBJECT:</b>	<b>DRAFT REVENUE BUDGET 2026/27</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>CLLR ROBIN WILLIAMS – DEPUTY LEADER &amp; PORTFOLIO HOLDER – FINANCE &amp; CORPORATE BUSINESS AND CUSTOMER EXPERIENCE</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER</b>
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<b>LOCAL MEMBERS:</b>	n/a

### **A - Recommendation/s and reason/s**

The final budget will not be approved by the full Council until 5 March 2026, however, at this point, the Executive is recommended to approve the following:-

- (i) The initial proposed budget for 2026/27 of £207.023m;
- (ii) A proposed increase in Council Tax of 4.8%, plus 0.3% to cover Fire Levy = total of 5.1%, taking the Band D charge to £1,792.98;
- (iii) To formally propose to maintain the premium on empty and second homes at 100%;
- (iv) That £1.685m is released from the Council's general balances and earmarked reserves in order to balance the 2026/27 revenue budget.

The detailed report on the preparation of the 2026/27 standstill budget, the provisional settlement and funding the budget gap is attached as Appendices 1 and 2.

### **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 maintaining core services, dealing with service pressures and business continuity.

### **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 2026/27 revenue budget will be taken by the full Council at its meeting on 5 March 2026.

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

Yes. The final decision on the 2026/27 revenue budget will be taken by the full Council at its meeting on 5 March 2026.

<b>Dd – Assessing the potential impact (if relevant):</b>		
<b>1</b>	How does this decision impact on our long term needs as an Island?	Despite the improving financial position and the improved draft settlement, the 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 2026/27. In drawing up the budget proposal, the Executive has considered its statutory duties and the objectives set out in its Corporate Plan.
<b>2</b>	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.
<b>3</b>	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.
<b>4</b>	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	Consultation will take place through a range of Forums which represent stakeholders and the wider population of Anglesey.
<b>5</b>	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 2026/27 will take into account the impact on any protected groups.
<b>6</b>	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.
<b>7</b>	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.
<b>E - Who did you consult?</b>		<b>What did they say?</b>
<b>1</b>	<b>Chief Executive / Leadership Team (LT)</b> (mandatory)	Comments from the LT have been incorporated into the report and the draft report is endorsed by the LT.
<b>2</b>	<b>Finance / Section 151</b> (mandatory)	n/a – this is the Section 151 Officer's report.
<b>3</b>	<b>Legal / Monitoring Officer</b> (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.
<b>4</b>	<b>Human Resources (HR)</b>	Any proposals which impact on staff will have been identified and discussed with the HR Team.

<b>5</b>	<b>Property</b>	Any proposal which impacts on the Council's property and related budgets will have been discussed with the Property Team.
<b>6</b>	<b>Information Communication Technology (ICT)</b>	Any proposal which impacts on the Council's information technology systems and related budgets will have been discussed with the ICT Team.
<b>7</b>	<b>Scrutiny</b>	The initial budget proposals were considered by the Corporate Scrutiny Committee at its meeting on 21 January 2026. An update of the Committee's deliberations will be provided verbally to the Executive.
<b>8</b>	<b>Local Members</b>	Proposals are applicable to all Members.
<b>9</b>	<b>Any external bodies / other/s</b>	
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>• Appendix 1 – Report on Draft Revenue Budget 2026/27</li> <li>• Appendix 2 – 2026/27 Proposed Budget by Service</li> </ul>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• Medium Term Financial Plan 2026/27 – 2028/29 – See Executive meeting Agenda, 23 September 2025 – Item 12.</li> </ul>		

**DRAFT REVENUE BUDGET 2026/27****1. INTRODUCTION**

- 1.1. The following report sets out the Executive's provisional revenue budget for 2026/27. 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 2025, and the provisional local government settlement, which was issued by the Welsh Government (WG) on 24 November 2025, and the revised settlement figure received on 9 December 2025. 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 2026. The final budget proposal will be subject to a review by the Scrutiny Committee on 18 February 2026, and will be recommended for approval by the Executive on 24 February 2026, with the final 2026/27 budget being approved by the Council at its meeting on 5 March 2026. 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 2026/27 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 UK, 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 UK Chancellor announced the budget on 21 November 2025, which increased taxation in order to fund higher welfare spending and to create a larger level of fiscal headroom. The budget did not release any significant sums of money for the Welsh Government (WG).
- 1.4. The situation for 2026/27 is further complicated by the current situation within the Senedd and that Labour no longer hold a majority. The provisional settlement was based on an overall increase of 2% in the overall budget, with a sum of £380m retained to be distributed by the new Government following the elections in May 2026. However, an agreement has been reached between the WG and Plaid Cymru which sees this funding being distributed as part of the final budget for 2026/27, with an additional £112m being allocated to Local Government in Wales. Anglesey's share of this additional funding is £2.58m.
- 1.5. The situation faced by Welsh councils may be better than that faced by English councils, but the financial position of all councils is still precarious.
- 1.6. The WLGA undertook a survey of all 22 councils, and this concluded that Welsh councils were facing budget pressures of £560m in 2026/27, £486m in 2027/28 and £512m in 2028/29. To meet those financial pressures in 2026/27, without additional WG funding, would require an average increase in Council Tax of 28%.

**2. MAIN ASSUMPTIONS ARISING FROM THE MEDIUM TERM FINANCIAL PLAN**

- 2.1. The Medium Term Financial Plan (MTFP) (reported to the Executive on 23 September 2025 – Item 12) 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 2026/27. The standstill budget is a budget which provides resources to operate services at 2025/26 levels, but updated to reflect any known changes outside the control of the services (committed changes) and to reflect the estimated costs in 2026/27.
- 2.2. 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 2026/27.

- 2.3. As the financial year has 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 24 November 2025, showed an increase of £303.7m in the overall level of funding for Wales, which is equivalent to a 4.9% increase in cash terms. However, a further announcement was made on 9 December 2025, which allocated an additional £112.8m to the local government settlement. The details are shown in Table 1 below:-

<b>Table 1</b>		
<b>2025/26 Provisional Settlement</b>		
	<b>Anglesey</b>	<b>Wales</b>
	<b>£'m</b>	<b>£'m</b>
2025/26 AEF	135.881	6,139.078
Adjustment for the Change in the Taxbase	(0.134)	0.000
Previous Years Grants Transferred In / (Out) para 3.2 below	3.055	134.263
<b>2025/26 Adjusted AEF</b>	<b>138.802</b>	<b>6,273.341</b>
<b>Provisional AEF 2026/27 – November 2025</b>	<b>141.994</b>	<b>6,442.817</b>
Additional Funding Announced December 2025	2.585	112.824
<b>Revised Provisional AEF 2026/27</b>	<b>144.579</b>	<b>6,555.641</b>
<b>Increase in comparison to 2025/26 AEF</b>	<b>8.698</b>	<b>416.563</b>
<b>% Increase in comparison to 2025/26 AEF</b>	<b>6.40%</b>	<b>6.79%</b>
<b>Increase in comparison to 2025/26 Adjusted AEF</b>	<b>5.777</b>	<b>282.300</b>
<b>% Increase in comparison to 2025/26 adjusted AEF</b>	<b>4.16%</b>	<b>4.50%</b>

- 3.2. During 2025/26, WG provided additional funding to meet the additional costs relating to the rise in employer National Insurance contributions (£97.223m across Wales, £2.223m for Anglesey) and also to support the councils with the additional costs relating to the pay awards for both teaching and non-teaching staff (£37.040m across Wales and £0.831m for Anglesey).
- 3.3. 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 fare better from these adjustments, whilst others are impacted negatively and, as a result, not every authority receives the same level of increase. In the 2026/27 provisional settlement, there is a range of increases from 6.1% (Newport) down to 4.1% (Gwynedd, Conwy, Ceredigion & Carmarthenshire). Anglesey's increase is 0.3% below the Welsh average, and the 13th joint highest increase from the 22 authorities.
- 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, below, sets out the major grants which the Council will receive:-

**Table 2**  
**Main Revenue Grants – All Wales Allocations 2025/26 & 2026/27**

Grant	2025/26 Allocation £'000	2026/27 Allocation £'000	% Change
Local Authority Education Grant	407,227	418,322	+ 2.72%
Universal Primary Free School Meals	93,058	92,607	- 0.48%
Youth Support Grant	11,483	11,557	+ 0.64%
Housing Support Grant	204,341	208,427	+ 2.00%
Bus Network Grant	42,000	42,000	0.00%
Bus Services Support	25,500	25,500	0.00%
Sustainable Waste Management Grant	16,400	TBC	TBC
Children & Communities Grant	222,278	222,278	0.00%
Social Care Workforce Grant	45,000	45,000	0.00%
Substance Misuse Action Fund	41,063	41,063	0.00%
Pathways of Care Transformation Grant	30,000	30,000	0.00%
Violence Against Women, Domestic Abuse and Sexual Violence	3,654	TBC	TBC

#### **4. MAIN BUDGET CHANGES FOR 2026/27**

**4.1.** The major changes between the 2025/26 final budget and the 2026/27 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 2025/26 pay award, effective from April 2025, was not agreed until July 2025. The final agreed pay award was set as an increase of 3.2%. The total initially included in the 2025/26 non teaching pay budgets was 4.1% and, therefore, this over provision will be corrected in the 2026/27 budget.

**4.2.2.** In determining the level of the 2026/27 pay award, consideration has to be made that inflation continues to fall and is expected to start the 2026/27 financial year at 3.1%, and is expected to fall to 2.2% by March 2027. However, the National Living Wage also impacts as to the level of the pay award. The National Living Wage, from April 2025, was £12.21 per hour, which is £0.44 below the hourly rate of the lowest point on the national pay scale. The National Living Wage will rise to £12.71 (+ 4.1%) from April 2026, which is only £0.06 above the hourly rate of the lowest pay scale in 2025/26. However, the lowest point on the national pay scale is to be deleted from April 2026 and the lowest point will, therefore, be £12.85 per hour, which is £0.14 above the National Living Wage from April 2026.

**4.2.3.** A 3% rise would increase the minimum hourly rate to £13.24, which is £0.53 above the National Living Wage, and a 4% rise would increase the rate to £13.37, which is £0.66 above the National Living Wage.

**4.2.4.** The Unions have submitted a pay claim of 10% or £3,000 on each point of the pay scale, whichever is the higher. If this was agreed, it would take the hourly rate of the lowest point of the scale to £14.41, which is £1.70 above the National Living Wage.

**4.2.5.** In the absence of an agreed pay award, an assumption of 4% has been included in the 2026/27 budget.

### **4.3. Teaching Pay Inflation**

- 4.3.1.** Teachers' pay changes every September. In setting the 2025/26 budget, an assumption of 2% was made for the pay award effective from September 2025. However, the actual pay award was 4.0%. WG has confirmed that they will fund the cost above the assumption they factored into the 2025/26 settlement, which equated to an additional £10.411m of funding for Wales, £231k for Anglesey. For 2026/27, an additional £17.85m has been included in the settlement to cover the full year cost of the pay award.
- 4.3.2.** No information has been provided as to the teachers' pay award applicable from September 2026. This pay award will cover the period September 2026 to August 2027, during which time inflation is expected to fall from 2.7% to 2.0%. An estimate of 3.3% has been included for the pay award from September 2026, which is the average inflation over the period plus 1%.
- 4.3.3.** The correction of the under provision in the 2025/26 budget will increase the budget by £0.95m, and the inflationary increase to March 2027 will add a further £0.65m to the Council's pay budget, with increments and staff changes adding a further £0.16m.

### **4.4. Local Government Pension Scheme**

- 4.4.1.** The Local Government Pension Scheme (LGPS) is valued on a triennial basis, which resets the employer's contribution rate. The valuation takes into account the current value of the fund along with the future values of assets and liabilities.
- 4.4.2.** The fund is currently in a healthy position, with a surplus of assets over liabilities of £1.286bn, compared to £468m at the last valuation. This equates to a funding level of 166%, compared to 120% at the last valuation. Anglesey's share of the fund shows a surplus of £154m and a funding level of 152%.
- 4.4.3.** The employer's contribution rate is split into 2 rates:-
- Primary Rate – which funds the cost of future benefits earned by active members. This cost is charged to the service budgets.
  - Secondary Rate – which adjusts the funding of the costs associated with the funding of benefits for active and inactive members earned up to the valuation date. This cost is charged to the Corporate and Democratic budget.
- 4.4.4.** For Anglesey, the primary rate falls from 21.1% to 16.0%, and the secondary rate increases from -1.0% to 1.1%. Overall, this changes the contribution rate from 20.1% down to 17.1%. This reduces the employer contribution costs by around £2.3m per annum (before the pay award is taken into account) for the primary rate, but increases the costs by £1.1m in respect of the secondary rate.

### **4.5. Non Pay Inflation**

- 4.5.1.** Inflation fell in September 2024 to 1.7%, its lowest point since mid 2021, but then began to rise again through the last part of 2024 and the majority of 2025, when it peaked at 3.8%. It has subsequently begun to fall, and is forecast to continue to fall during 2026, but not reaching the Bank of England's target level of 2% until mid 2027.
- 4.5.2.** When the 2025/26 budget was set, inflation was forecast to fall quickly during 2025 and, as such, 2% was allowed for in the budget. However, the fall did not occur and the average level of inflation for 2025/26 is estimated to be 3.5%. As a result, an adjustment for the under provision for inflation is required in setting the 2026/27 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 types 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 2025 inflation is used to uprate contract rates from April 2026), will work slightly against the Council as the rate is higher than the forecast rate for 2026.

#### **4.5.5. 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.

#### **4.5.6 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 67% since April 2017, compared to an increase of 54% in the Council's budget and 46.7% in the Aggregate External Funding (AEF) provided by WG.



- 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 2026, the National Living Wage will rise from £12.21 to £12.71, a rise of 4.1%. This is a cost that the providers cannot avoid and is likely to be passed onto the Council through higher fees.
- As a starting point for the preparation of the standstill budget, a 5% increase has been factored into the budget as the inflationary increase for all residential care across all sectors, with a 4.5% increase for domiciliary care and direct payments. It is estimated that this will increase the costs by £1.7m in 2026/27.
- Children's out of county placements are experiencing significant rises in placement costs, as the number of providers reduce and the demand across Wales continues to be high. The Council's reliance on out of county placements is reducing as the amount of local provision increases (Cartrefi Clyd, Foster Parents). However, specialist placements are still required, and these tend to be a significant cost. An additional £540k has been allowed for to meet these increased costs.

#### **4.5.7 Fees and Charges**

- The Council's budget includes a range of fees and charges, some are set by WG, specific legislation or other outside bodies, and some are set by the Council. The total fees and charges budget for 2025/26 was £14.5m, with £6.7m 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 £200k in income.
- Statutory fees and charges and other Government Grants account for approximately £34m of the 2025/26 net revenue budget. An increase of 2% would generate an additional £680k, 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 2025 being used as the basis for the 2026/27 budget. For 2026/27, 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 9 pupils. The net impact of these changes is a reduction of £572k in the primary schools budget and an increase of £67k in the secondary school budget.

During 2025, Canolfan Addysg y Bont (CAYB) increased its capacity, which resulted in an additional 11 pupils being educated at the school. The formula is adjusted to reflect any change in the severity of the pupils' additional needs, which impacts on the staffing ratios. For 2026/27, an increase of £178k has been added to the funding to reflect this change.

#### **4.7 Primary School Integration**

Additional funding is provided to primary schools through the delegated schools budget to meet the cost of educating children with additional learning needs. The formula for distributing the funds takes into account the assessed needs of each child and allocates funding based on the requirements to meet these needs. The formula for 2026/27 shows an increasing number of pupils assessed as having additional learning needs (ALN) and also an increase in the severity. This requires additional funding, amounting to £423k, to be included in the budget to meet these demographic changes.

#### **4.8 Other Educational Changes**

Each year, changes take place at the start of the academic year which impact on the education budget, in addition to inflation. These changes mainly relate to school transport and out of county educational placements. The net change of these budgets is a reduction of £168k.

In addition, the number of school days in a financial year can change, depending on the timing of Easter. In 2027, Easter falls in late March and, as such, the number of school days in 2026/27 is lower. This impacts on school transport costs and school meals costs, and the budget is adjusted to reflect the lower number of school days. For 2026/27, this adjustment allows for a reduction of £107k in the budget. However, it should be noted that this will have to be corrected in the 2027/28 budget.

#### **4.9 Adult Services Demography**

Anglesey has an ageing population, and the increase tends to be people who move to Anglesey to retire and, as such, have limited family support. As a result, the number of older people requiring care from the Council increases. The over 85 population is forecast to grow by 28% by 2032, which is equivalent to an annual growth rate of 3.6% per annum. Based on current numbers, this would be an additional 26 clients requiring care in 2026/27. Using the current allocation of clients between the various care sectors, this will require an additional £0.87m to be added to the budget.

#### **4.10 Children's Services Demography**

The number of children in the Council's care continues to increase, and the forecast indicates a further 5% increase in the number of children in care. This equates to an estimated increase in costs, above inflation, of £430k, and this sum has been allowed for in the standstill budget.

#### **4.11 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 in its levy on the 6 constituent authorities of 4.47%, which increases the budget by £2.32m. Due to population changes, the Council's share of the increase is 3.41%, which is an increase in the levy on the Council of £177k, which is equivalent to a 0.30% rise in Council Tax. This takes the levy which is funded by the Council to £5.362m.

#### **4.12 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 2025/26 was £80k. Although the CJC has yet to make a final decision, it is anticipated that this levy will not increase significantly in 2026/27, and an inflationary increase of £1.5k has been allowed for in the budget.

#### **4.13 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 £10m), with a further £10m to £15m required in 2026/27. The additional MRP and interest costs are apportioned between the General Fund and the Housing Revenue Account. It is estimated that the additional borrowing will increase costs by £238k in 2026/27.

In the 2025/26 budget, a decision was taken to use the over provision generated from the change in the MRP policy in 2018, and to only make a minimum provision in 2025/26. This maintained a prudent approach to financing external debt. In 2026/27, the MRP will be provided for in full and will add £1.5m to the Council's budget.

Interest rates have been high since 2022, and peaked at over 5%. These high interest rates, along with a high level of cash balances, generated significant additional income for the Council, through interest paid on investments. However, as the Council has begun to use its reserves and has funded capital expenditure from its own cash reserves, rather than through borrowing externally, the level of cash available to invest has reduced significantly and has fallen below £10m in January 2026.

Interest rates are anticipated to fall during 2026/27, from their current level of 4.0% to around 3.5% by March 2027. However, the additional planned borrowing should boost cash balances and allow the interest receivable budget to remain at around £450k.

The overall effect of the MRP and interest charges is to increase the capital financing budget by £0.970m.

#### **4.14 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 (SSA) 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 2025/26, the overall budget to fund the Council Tax Reduction Scheme (CTRS) stood at £7.35m, but the current forecast is that the budget will underspend by around 1%, which does not indicate a need to amend the budget due to a changing caseload. The level of Council Tax increase is yet to be finalised but, by using an assumed rate of increase for Council Tax, the net impact on this budget is an increase of £367k.

#### **4.15 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 2025/26, £1.0m of the additional funding was allocated for this purpose. Current demand for assistance through these schemes should utilise all of the funding, and the demand is expected to continue into 2026/27. The standstill budget, therefore, allows for the £1m budget to remain and increased in line with the increase in Council Tax (whatever the final increase is).

#### **4.16 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 may arise.

The total budget in 2025/26 was £2.586m, and the estimated budget requirement for 2026/27 is £2.441m, which allows for an inflationary increase for some contingencies.

#### 4.17 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 reduce 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 WG (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 3 below:-

Table 3 Budget Funding Gap 2026/27			
2025/26 Final Budget	Reference	£'m	£'m 195.443
<b>Main Budget Adjustments (as set out in Paragraph 4)</b>			
Pay Inflation and Other Staffing Costs	4.2 – 4.4	1.210	
Non Pay Inflation	4.5	5.751	
Pupil Numbers	4.6	(0.353)	
Primary School Integration	4.7	0.423	
Other Education Budget Adjustments	4.8	(0.275)	
Adult Services Demography	4.9	0.868	
Children's Services Demography	4.10	0.429	
Levies	4.11 – 4.12	0.176	
Capital Financing Charges	4.13	0.759	
Council Tax Reduction Scheme	4.14	0.367	
Use of Council Tax Premium	4.15	0.050	
NI Grant Transferred into Settlement	3.2	2.000	
Contingencies and Other Committed Changes	4.16 – 4.17	(0.075)	
			11.330
<b>Standstill Net Revenue Budget 2026/27</b>			<b>206.773</b>
<b>Funded By</b>			
Revenue Support Grant (RSG)		117.875	
Share of Non-Domestic Rates Pool		26.704	
<b>Total Aggregate External Finance</b>			144.579
2025/26 Council Tax Budget (adjusted for the change in the taxbase and increase in second home premium)			57.810
<b>Total Funding Prior to Increase in Council Tax</b>			<b>202.389</b>
<b>Funding (Surplus) / Deficit (before any change in Council Tax)</b>			<b>4.384</b>

**5.2** In order to fund the funding deficit of £4.384m, it would be necessary to increase Council Tax by 7.59%. This would take the Band D charge to £1,835.47, which is an annual increase of £129.42 and a weekly increase of £2.48. 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 1.73%.

## **6 BUDGET RISKS**

- 6.1** In setting the budget, there are a number of financial risks which need to be assessed which may impact on the accuracy of the final budget. 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 2026/27. In the current financial climate, a number of these risks are clearly outside the Council's control, e.g. demand for statutory service provision, 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 £17.2m by the end of the financial year, but this is based on an assumption that the 2025/26 budget will underspend by £1.5m.
- 6.3** 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 2026/27 of approximately £208m, the minimum required sum would be £10.4m. This leaves a potential £6.8m 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.
- 6.4** 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 2026/27, but there is still significant uncertainty over the pay awards. The Unions have submitted a pay claim of 10% or £3,000 on each spinal column point, whichever is the higher. If this demand was agreed to, it would add another £4.2m to the pay budget, above what has been allowed for in the standstill budget.
  - **Teachers' Pay Award** – an element of the increase is funded by WG 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 2026 will be.
  - **National Living Wage** – the UK Government announced that the National Living Wage (previously known as the minimum wage) would increase by 4.1% in April 2026, to £12.71 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 £1.24 per hour higher than the National Living Wage). The latest increase in the Real Living Wage was announced in October 2025, with a rise of 6.7%.

The WG requires 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 increase 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 AEF, the Council receives significant levels of additional funding in the form of specific grants from the WG 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 2025/26 have been good and, in the main, exceed the budget targets and, even if income levels begin to fall in 2026/27, 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 between £25m and £30m 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 BUDGET SAVINGS AND INVESTMENTS

7.1 As part of the 2026/27 budget setting process, a detailed review of all budgets was undertaken to identify:-

- Budgets that were no longer required;
- Budgets that were overstated;
- Income budgets that could be increased.

7.2 A summary of the findings of the review is shown in Table 4 below:-

**Table 4**  
**Summary of Budget Savings Identified**

<b>Service</b>	<b>Unrequired Budgets</b>	<b>Overstated Budgets</b>	<b>Understated Income Budgets</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Education, Skills & Young People	0	40,533	0	<b>40,533</b>
Adult Services	175,000	0	0	<b>175,000</b>
Highways, Waste & Property	0	64,456	265,000	<b>329,456</b>
Regulation & Economic Development	60,000	61,997	100,000	<b>221,997</b>
Corporate Budgets	209,209	0	0	<b>209,209</b>
<b>TOTAL</b>	<b>444,209</b>	<b>166,986</b>	<b>365,000</b>	<b>976,195</b>

**7.3** Services were also asked to submit bids for additional funding to meet existing or new service pressures. The following bids are proposed to be included in the initial budget proposal for 2026/27.

**7.4 Additional Funding for Additional Learning Needs Service - £200,000**

The joint service with Gwynedd Council is due to end in September 2026. Work is ongoing to determine the staffing structure and associated budgets for the new in-house service. An estimate of £200k has been included for the additional full year cost but, given that the service will start in September 2026, a smaller sum will be required in 2026/27 before the full year cost is required in 2027/28.

**7.5 Public Conveniences - £50,000**

The Executive has indicated that opening the public conveniences at Benllech and Trearddur Bay all year round is a priority. This has been implemented in 2025/26 using underspending in other service budgets but, if it is to continue on a permanent basis, then additional funding of £25,000 will be required to meet the cost of cleaning the toilets for a greater number of weeks in the year.

Work is also ongoing to bring other public conveniences back under the control of the Council and to potentially extend their opening hours. This will require additional funding to meet the cost of opening and cleaning the public conveniences.

**7.6 Property Services Compliance - £40,200**

The Asset Management Strategy has an objective to ensure that the Council has an asset portfolio that is in an improved condition, which is more secure, and with improved accessibility.

In order to achieve this objective, additional staffing resource is required to undertake the required inspections and assessments and to report compliance.

**7.7 Planning Enforcement - £51,800**

Complaints relating to unauthorised developments have risen by 30% in the last year, and the Planning Enforcement Team is a very small team which deal with technical issues which can take an extended period to resolve. There are also concerns about the resilience of the team, should staff be moved on to other posts or be absent due to sickness for an extended period of time. The additional post will provide additional capacity and improve resilience.

**7.8 Food Safety Inspections - £146,100 (2026/27 & 2027/28), £64,600 (2028/29 onwards)**

The Food Standards Agency has recently undertaken an audit of the Council's food standard inspection service and have given an "unsatisfactory" rating. The Service currently has around 700 non high risk businesses requiring inspection. The additional post would increase the inspection capacity and allow the backlog to be addressed.

In addition, £81,500 is requested in 2026/27 and 2027/28 to provide additional capacity to deal with the backlog of inspections. Once the backlog is cleared, and with an increased capacity, the Service should have sufficient resources to undertake the required number of inspections each year.

#### **7.9 Occupational Health - £20,000**

The current occupational health service is provided by an external provider, and the Council cannot control the response time to referrals. Delays in undertaking occupational health assessments prolong the length of sickness absences, which is an additional cost for the Council.

The proposal is to employ an in-house specialist, along with a budget for the necessary equipment and to meet the cost of external specialist assessments.

#### **7.10 Cyber Security - £364,200**

The risk of a cyber security attack is ever increasing, with examples of large companies and local authorities suffering significant losses of data and disruption to services following successful cyber-attacks. Cyber security is considered by the Council as a major corporate risk, but the current level of resources is now insufficient to deal with ever increasing number of more sophisticated attacks.

The proposal is to increase the staffing numbers by employing 4 more additional staff, which will increase capacity to monitor and prevent attacks, to deal with any successful attacks and to improve the resilience of the team should staff absences arise. In addition, the investment will allow for the purchase of more sophisticated monitoring and detection software.

#### **7.11 Data Management and Analysis - £81,900**

The Council is currently improving the use of data in its decision making processes, so that it becomes a more data driven organisation. Currently, services across the Council use different methods and systems for recording, managing and analysing data. Arrangements for information governance, data security and standardisation varies. Data dashboards have been developed, but further work is required to roll out further datasets which the Council could benefit from.

The proposal is to employ a Data Manager along with an investment in data analysis software. This would allow for the creation of a long term data strategic plan, to include the standardisation of data use, implementing data standards, ensuring proper data governance and developing a culture of working with data.

#### **7.12 Procurement - £79,400**

New UK and Welsh procurement legislation has placed new responsibilities on the Council in respect of its procurement activities and the need to publish additional information, prior to, during and at the end of each procurement process. There is also a need to track, evaluate and report on the social value delivered through Council contracts, in line with the Public Services (Social Value) Act 2012.

In order to achieve the new requirements, additional capacity is required within the Corporate Procurement Team, and an investment is also required in procurement systems in order to capture, analyse and report on procurement activities within the Council.

#### **7.13 Legal Services - £92,000**

Currently, the Council, along with other councils, are facing significant difficulties in recruiting suitably qualified and experienced solicitors to work in a number of service areas. The Council is currently reliant on employing a number of locum solicitors, which come at a high cost.



The proposal is to employ 2 additional Paralegal officers, who would be easier to recruit, would increase capacity, release more senior staff to undertake higher aspects of their roles and allow the recruited staff to train to become fully qualified solicitors.

#### 7.14 Local Development Plan (LDP) - £100,000 per year for 3 years

The current estimate is that the drafting, consultation and finalisation of the new LDP will cost in the region of £800k. An earmarked reserve of £500k is in place, but the additional £300k is currently unfunded, and the inclusion of £100k in the revenue budget until 2028/29 would allow the plan to be completed and all costs funded.

**7.15** The total cost of the budget proposals would amount to £1,225,600 in 2026/27, of which £1,044,100 would be a permanent budget increase.

**7.16** The revised budget proposal for 2026/27, if the budget savings were implemented and the budget proposals accepted, is shown in Table 5 below:-

**Table 5  
Revised Budget Proposal 2026/27**

	£'m	£'m
Standstill Budget, as per Table 4		206.773
Budget Savings, as per Table 5	(0.976)	
Service Investment proposals – para 7.4 – 7.14	1.226	
		0.250
<b>Revised Budget Requirement 2026/27</b>		<b>207.023</b>
<b>Total Funding Prior to Increase in Council Tax</b>		<b>(202.389)</b>
<b>Funding (Surplus) / Deficit (before any change in Council Tax)</b>		<b>4.634</b>

## 8 BRIDGING THE FUNDING GAP

**8.1** The current estimate for the Council's general balances as at 31 March 2026 is £17.2m. The Council's financial strategy is to maintain 5% of the net revenue budget as general balances, and this figure for 2026/27 would be £10.4m, £6.8m below the estimated balance at 31 March 2026, and could be used to help fund the budget in 2026/27.

**8.2** Audit Wales has 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.

**8.3** Each 1% increase in Council Tax generates £533k in standard council tax and £45k in empty and second home premium, giving a total of £578k in gross income. Based on the 2025/26 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 7<sup>th</sup> lowest in Wales and is £93 below the Welsh average.

**8.4** 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 a 4.8% increase in Council Tax, plus an additional 0.3% to fund the increase in the Fire Service levy. This is a total rise of 5.1%, which takes the Band D charge (excluding Police and Town / Community Council precepts) to £1,792.98, an increase of £87.03, or £1.67 per week. This increase will generate an estimated £2.949m in additional funding.

- 8.5** Based on the above, the initial revenue budget proposal for 2026/27 is set out in Table 6 below:-

<b>Table 6 Initial Budget Proposal 2026/27</b>		
	<b>£'m</b>	<b>£'m</b>
<b>Initial Budget Proposal (as per Table 5)</b>		<b>207.023</b>
<b>Funded By</b>		
Revenue Support Grant (RSG)	117.875	
Share of Non-Domestic Rates Pool	26.704	
<b>Total Aggregate External Finance (AEF)</b>		144.579
Council Tax (including premium and a 5.1% rise)		60.759
Council General Balances		1.685
<b>Total Funding</b>		<b>207.023</b>

## **9 THE BUDGET POSITION FOR 2027/28**

- 9.1** Beyond 2026/27, the economic forecasts suggest that the economy will continue to improve, with inflation and interest rates continuing to fall, but growth will remain relatively low, which will impact on tax revenues and the Government's ability to invest in public services. Given the historically high levels of debt and the Government's commitment to reduce debt as a percentage of GDP by the end of this Parliament, there is only a minimal possibility that increases in the public sector budget will be funded through borrowing.
- 9.2** The comprehensive spending review and the subsequent UK Government budget has set out the funding for Wales. Analysis undertaken by Wales Fiscal Analysis estimates that, in cash terms, the local government settlement will increase by 0.6% in 2027/28, which is a real terms reduction of 1.4%.
- 9.3** The situation is further complicated by the forthcoming Senedd elections in May and the strong possibility of a change in Government, who may have different priorities, which could impact on the funding for local government in Wales.
- 9.4** 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 and beyond.
- 9.5** 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.
- 9.6** In setting the budget, a significant level of one-off funding (general balances) have been used once again to set a balanced budget for 2026/27. Although this will still leave the Council with a healthy level of general balances, the use of reserves cannot continue in the long term and it 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.
- 9.7** The current financial modelling suggests that the net revenue budget for 2027/28 will rise by around £6.2m (3%), whilst AEF will rise by 0.6%, which equates to £0.9m. This would require the funding gap to be financed by rises in Council Tax of 8.7%, assuming that reserves are no longer available to finance the budget.

- 9.8** Other funding sources may be available in 2027/28 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.
- 9.9** The balancing of the 2026/27 budget has been extremely challenging but, based on the current assumptions, it is anticipated that the position in 2027/28 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 2026/27. 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 services and, possibly, not achieving the statutory standards expected. Work has already commenced to identify potential budget savings for 2027/28, and these savings proposals will be considered further during 2026/27.

## **10 CONCLUSION**

- 10.1** The budget for 2026/27 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 2027/28 may remain challenging, with a permanent solution to the 2026/27 funding shortfall required and an ever increasing demand for services.
- 10.2** 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 continue 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.
- 10.3** 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. Some of the proposed investment in services in 2026/27 goes some way in dealing with the most critical issues but, if the position in other services worsens, then this will place an additional financial cost on the Council which will have to be factored into future budgets.
- 10.4** The proposed budget increase for 2026/27 is 5.93%, and this is matched by the increase of 6.4% in the cash value of the AEF and the 5.1% rise in Council Tax, with the remaining shortfall funded from reserves.
- 10.5** 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.
- 10.6** 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.
- 10.7** 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.

- 10.8** 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.
- 10.9** The proposed budget begins the process of re-investing in service provision, but whether this can be continued in future years is unclear and much will depend on the level of WG funding following the elections in May 2026. If the level of funding increases is low, then the Council will have to consider reductions in services in 2027/28 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 2028/29 or 2029/30.

## **11 MATTERS FOR DECISION**

**11.1** The final budget will not be approved by the full Council until 5 March 2026, however, at this point, the Executive is recommended to approve the following:-

- The initial proposed budget for 2026/27 of £207.023m;
- A proposed increase in Council Tax of 4.8%, plus 0.3% to cover Fire Levy = total of 5.1%, taking the Band D charge to £1,792.98;
- To formally propose to maintain the premium on empty and second homes at 100%;
- That £1.685m is released from the Council's general balances and earmarked reserves in order to balance the 2026/27 revenue budget.

PROPOSED BUDGET 2026/27 BY SERVICE				
Budget	2025/26 Budget	2026/27 Proposed Budget	Movement	% Change
	£'m	£'m	£'m	%
<b>Lifelong Learning</b>				
Schools	55.538	57.407	+ 1.869	+ 3.37%
Central Education	13.981	14.314	+ 0.333	+ 2.38%
Culture	1.666	1.657	- 0.009	- 0.54%
<b>Total Lifelong Learning</b>	<b>71.185</b>	<b>73.378</b>	<b>+ 2.193</b>	<b>+ 3.08%</b>
<b>Highways, Waste &amp; Property</b>				
Highways	8.496	8.653	+ 0.157	+ 1.85%
Property	1.875	1.978	+ 0.103	+ 5.49%
Waste	10.394	10.788	+ 0.394	+ 3.79%
<b>Total Highways, Waste &amp; Property</b>	<b>20.765</b>	<b>21.419</b>	<b>+ 0.654</b>	<b>+ 3.15%</b>
<b>Regulation &amp; Economic Development</b>				
Economic Development, Leisure & Destination	3.019	2.768	- 0.251	- 8.31%
Planning & Public Protection	3.102	3.404	+ 0.302	+ 9.74%
<b>Total Regulation &amp; Economic Development</b>	<b>6.121</b>	<b>6.172</b>	<b>+ 0.051</b>	<b>+ 0.83%</b>
<b>Adult Services</b>	<b>43.082</b>	<b>45.377</b>	<b>+ 2.295</b>	<b>+ 5.33%</b>
<b>Children's Services</b>	<b>17.556</b>	<b>18.606</b>	<b>+ 1.050</b>	<b>+ 5.98%</b>
<b>Corporate Transformation</b>				
Human Resources	1.824	1.931	+ 0.107	+ 5.87%
ICT	5.081	5.672	+ 0.591	+ 11.63%
Transformation	1.204	1.219	+ 0.015	+ 1.25%
<b>Total Corporate Transformation</b>	<b>8.109</b>	<b>8.822</b>	<b>+ 0.713</b>	<b>+ 8.79%</b>
<b>Housing</b>	<b>2.036</b>	<b>2.098</b>	<b>+ 0.062</b>	<b>+ 3.05%</b>
<b>Resources</b>	<b>4.225</b>	<b>4.248</b>	<b>+ 0.023</b>	<b>+ 0.54%</b>
<b>Council Business</b>	<b>2.213</b>	<b>2.380</b>	<b>+ 0.167</b>	<b>+ 7.55%</b>
<b>Total Service Budgets</b>	<b>175.292</b>	<b>182.500</b>	<b>+ 7.208</b>	<b>+ 4.11%</b>
<b>Corporate Budgets</b>				
Corporate Management	0.823	0.878	+ 0.055	+ 6.68%
Levies	5.277	5.452	+ 0.175	+ 3.32%
Corporate & Democratic	2.238	3.487	+ 1.249	+ 55.81%
Capital Financing Costs	4.637	5.396	+ 0.759	+ 16.37%
Benefits Granted	0.110	0.110	0.000	0.00%
HRA Recharges	(0.840)	(0.865)	- 0.025	+ 2.98%
Council Tax Reduction Scheme	7.349	7.716	+ 0.367	+ 4.99%
Contingencies	1.451	1.191	- 0.260	- 17.92%
National Insurance Grant	(2.000)	0.000	+ 2.000	+ 100.00%
Discretionary Rate Relief	0.106	0.108	+ 0.002	+ 1.89%
Housing Loans and Grants	1.000	1.050	+ 0.050	+ 5.00%
<b>Total Corporate Budgets</b>	<b>20.151</b>	<b>24.523</b>	<b>+ 4.372</b>	<b>+ 21.70%</b>
<b>TOTAL BUDGET</b>	<b>195.443</b>	<b>207.023</b>	<b>+ 11.580</b>	<b>+ 5.93%</b>