

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>REPORT TO:</b>	<b>EXECUTIVE COMMITTEE</b>
<b>DATE:</b>	<b>5 MARCH 2026</b>
<b>SUBJECT:</b>	<b>MEDIUM TERM FINANCIAL PLAN AND 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>	<b>n/a</b>

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

#### 1. MEDIUM TERM FINANCIAL PLAN AND 2026/27 REVENUE BUDGET

##### 1.1 Purpose

The Executive is required to agree a number of key matters in respect of the 2026/27 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 5 March 2026. The matters requiring agreement are:-

- The Council's Revenue Budget and resulting Council Tax for 2026/27;
- The Council's updated Medium Term Financial Plan;
- The use of any one-off funds to support the budget.

##### 1.2 Summary

This paper shows the detailed revenue budget proposals requiring final review and agreement for 2026/27, and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree, and the Executive is asked to make final recommendations to the Council.

The paper also updates the Medium Term Financial Plan, which provides a context for work on the Council's future budgets. However, it should be noted that a further report on the Council's Medium Term Financial Plan will be presented to the Executive later in the year, when further information on the economy and the proposed future local government financial settlement may be clearer.

#### 2. 2026/27 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is requested :-

- To recommend to the full Council to accept the draft revenue budget as proposed, and to increase the Council Tax Band D charge by 5.1%, taking the charge for 2026/27 to £1,792.98, noting that a formal resolution, including the North Wales Police and Town / Community Council precepts, will be presented to the Council on the 5 March 2026;
- To note the Section 151 Officer's recommendation that the Council should maintain a minimum of £10.4m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 5 of Appendix 1;
- To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;

<ul style="list-style-type: none"> <li>• To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;</li> <li>• To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;</li> <li>• To confirm that the level of Council Tax Premium for second homes and empty homes is maintained at 100%.</li> </ul>		
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>		
A number of options were considered following the issue of the initial budget proposals. The final budget proposals take account of the final local government settlement, views expressed during the consultation process and the views of the Scrutiny Committee.		
<b>C - Why is this a decision for the Executive?</b>		
The Council's Constitution requires the Executive to publish its final budget proposal prior to its consideration by the Council.		
<b>CH - Is this decision consistent with policy approved by the full Council?</b>		
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>D - Is this decision within the budget approved by the Council?</b>		
N/A		
<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?	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 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.	Discussions on the budget proposals have also taken place at :- School Finance Forum; Older People's Forum; Town and Community Council Forum.
<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 final 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 (CTRS), 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)	The Chief Executive and LT have been part of the budget setting process throughout, and are in agreement with the report and support the final budget proposal.
<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 part of the LT and, as such, the Officer’s comments have been taken into account.
<b>4</b>	<b>Human Resources (HR)</b>	-
<b>5</b>	<b>Property</b>	-
<b>6</b>	<b>Information Communication Technology (ICT)</b>	-
<b>7</b>	<b>Scrutiny</b>	Final budget proposals were considered by the Scrutiny Committee at its meeting on 18 February 2026. A verbal update on the outcome of the meeting will be provided to the Executive.
<b>8</b>	<b>Local Members</b>	The Council’s budget is applicable to all Members and consultation has taken place throughout the budget setting process.
<b>9</b>	<b>Any external bodies / other/s</b>	See Section 2 of the report.
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>• Appendix 1 - Detailed report on the Budget Proposals</li> <li>• Appendix 2 - Summary of the Proposed Revenue Budget 2026/27 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>• Initial Budget Proposals for 2026/27 – Executive Committee – 27 January 2026</li> <li>• Initial Budget Proposals for 2026/27 – Corporate Scrutiny Committee – 21 January 2026</li> <li>• Medium Term Financial Plan for 2026/27 to 2028/29 – Executive Committee – 23 September 2025</li> </ul>		

## 1. INTRODUCTION AND BACKGROUND

- 1.1. The following report sets out the 2026/27 revenue budget proposals and is one of a set of reports which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy Statement and Fees and Charges.
- 1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan (MTFP), as approved by the Executive Committee in September 2024, and can be summarised as follows:-

**Table 1**  
**Medium Term Financial Plan 2026/27 to 2028/29**

	2026/27 £'m	2027/28 £'m	2028/29 £'m
Net Revenue Budget B/F	195.443	208.076	205.961
Budget Pressures and Inflation	12.634	5.138	4.263
Savings B/F from previous year	0.000	(7.253)	(1.295)
<b>Revised Standstill Budget</b>	<b>208.076</b>	<b>205.961</b>	<b>208.929</b>
Aggregate External Finance (AEF) (assuming 3.7% rise in 2026/27 and 0.6% rise in 2027/28 and 2028/29)	(140.867)	(141.712)	(142.576)
Council Tax (assuming 5% rise in 2026/27 & 2027/28 and 3% rise in 2028/29)	(59.956)	(62.954)	(64.843)
<b>Total Funding</b>	<b>(200.823)</b>	<b>(204.666)</b>	<b>(207.419)</b>
<b>Additional Funding Requirement / Savings Required</b>	<b>7.253</b>	<b>1.295</b>	<b>1.510</b>
<b>Main Assumptions</b>			
Pay Awards – Non Teaching	3.6%	2.0%	2.0%
Pay Awards – Teaching (from Sept 2026)	4.8%	2.5%	2.0%
General Inflation	3.6%	2.0%	2.0%

- 1.3. The figures quoted in the MTFP were based on assumptions and information available at the time the MTFP was drawn up. The purpose of the MTFP was not to provide an accurate assessment of the budget requirement, but to give a high level assessment of the potential budget gap.
- 1.4. Following on from the publication of the MTFP, a number of factors were finalised which has allowed more certainty when calculating the standstill budget. As inflation has fallen, it becomes less of a factor and becomes easier to estimate the level of inflation for the forthcoming year.
- 1.5. The Welsh Government (WG) announced its provisional settlement in November 2025, and Anglesey received an increase of 2.3% in AEF (after allowing for the transfer of grants into the settlement). A further £112.8m was added to local government funding in December 2025, and the revised AEF showed an increase of 4.16% for Anglesey, which is higher than the estimate included in the MTFP.
- 1.6. However, despite these changes and that the funding gap was lower than forecast in the MTFP, it is still a challenging financial position for both 2026/27 and in the following two financial years, with costs still expected to rise due to inflation and increased demand, but little prospect that the funding from WG will be sufficient to cover all of these increases in costs.

- 2. THE INITIAL BUDGET PROPOSAL**At its meeting on 27 January 2026, the Executive discussed its original budget proposal and the final budget settlement which the WG had published on 20 January 2026.
  - 2.2.** The final settlement was higher than anticipated in the MTFP, and would provide the Council with £144.584m, which is an increase in cash terms of £8.698m (6.40%) but, after allowing for grants transferring into the settlement and the effect of the change in the Council's taxbase, the adjusted increase was £5.777m (4.16%).
  - 2.3.** The Executive proposed a budget for 2026/27 of £207.029m and, given the final AEF of £144.584m, this would require an increase of 5.1% in Council Tax and the use of £1.685m of the Council's general balances to balance the budget.
  - 2.4.** In setting the proposed budget, the Executive recognised the need to protect front line services and increasing budgets to meet an increased demand in Adult and Children's services, whilst ensuring that schools receive all the funding required to meet the cost of inflationary pressures. The proposal also invested £1.226m in smaller services which are experiencing difficulties in maintaining the statutory requirements, and to address emerging risks faced by the Council.
  - 2.5.** Although not intended as a measure of what the Council's net revenue budget should be, the Standard Spending Assessment (SSA) does give some indication as to whether the Council's budget is at a reasonable level for the Council. The SSA for 2026/27 is £201.479m and the proposed budget is, therefore, 102.8% of the SSA, which is the same level as the 2025/26 budget.
- 3. SCRUTINY COMMITTEE**Due to the delays in receiving the provisional and final settlement, the budget timetable for 2026/27 has had to be condensed in order to ensure that the Council is in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The Finance Scrutiny Panel also examined in detail the service investment proposals at its meeting on 8 January 2026, and the Panel's comments were reported to the Corporate Scrutiny Committee meeting on 21 January 2026. At this meeting, the Committee resolved to support the Executive's initial budget proposal.
  - 3.2.** The final budget proposal was given further consideration by the Corporate Scrutiny Committee at its meeting on 18 February 2026, and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.
- 4. FINAL BUDGET PROPOSAL**
  - 4.1.** No matters have arisen since the issuing of the initial budget proposal which requires any amendment to the net expenditure budget, and this remains at £207.029m.
  - 4.2.** The final settlement included an initial £5,962 above the level of the provisional settlement plus the additional funding. Given that this is a minor sum, the general contingency budget has been increased by this sum in order to maintain a balanced budget.
  - 4.3.** The level of reserves to be used to balance the 2026/27 budget is significant, and a total of £12.35m has been used to balance the budget in the last 3 financial years. Based on current projections, it may be possible to use reserves again in 2027/28 to contribute to the overall funding. It should be noted that the use of reserves only delays the need to reduce the Council's overall net revenue budget, and their use are not a permanent solution to the financial position faced by the Council.
- 5. ROBUSTNESS OF ESTIMATES**
  - 5.1.** Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.
  - 5.2.** Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.
  - 5.3.** The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may

be an element of risk as to whether plans will be delivered or targets achieved. Different risks to the budget are considered in turn below:-

- **Pay Inflation Risk** – When inflation levels are low and the overall movement in the inflation rate is small, then the inflation risk is low, as has been the case for a number of years. Given that there is no pay offer made for NJC staff for 2026/27, and that the WG has yet to indicate what the Teacher’s pay award will be from September 2026, there is still considerable uncertainty in respect of pay inflation and, with a pay bill in excess of £100m, a 1% error in the pay inflation assumption could result in a £1m under funding position in 2026/27. This risk is mitigated by the fact that the Council holds an earmarked reserve to fund any inflationary pressures. This would be released to fund any additional pay budget requirement, with the long term budget then being corrected in 2027/28.
- **Price Inflation Risk** - The general measure of inflation (Consumer Price Index - CPI) has fallen back to more normal levels of around 3%, and is expected to fall to the Bank of England’s target rate of 2% during 2026. However, these forecasts may be impacted by how the economy performs over the coming months, whether further tax rises are implemented or cuts to public expenditure take place and whether global energy prices increase. The forecasted reduction in the Bank of England base rate could also create an inflationary pressure.

CPI is a general measure of inflation, and particular areas of expenditure may see inflation at a higher or lower level than CPI. Whatever happens with inflation, it is not expected to rise significantly, and any variance should be within 1% of the figure allowed for in the budget. As a result, the financial impact in 2026/27 will only be marginal and can be funded by the Inflation Reserve which the Council holds.

- **Interest Rate Risk** - Interest rates affect a single year’s revenue budget through the interest earned - i.e. an interest rate rise is beneficial. The Authority’s Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration, with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates have remained high, with the Council achieving over 4% returns on investments. In setting the budget, an estimate of the interest receivable has been factored into the budget, but there is a risk that the budget will not be achieved if interest rates begin to fall quickly, or if the funds available to be invested are lower than forecast. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases, the other is likely to increase also.

- **Grants Risk** - These are risks attached to the large number of specific grants from WG, or other bodies, which provide in excess of £30m additional funding. The final settlement indicates that, in overall terms, grant funding across Wales will increase by 2%, however, individual grants may increase by more or less than this figure. What is not clear for all grants is the specific grant funding for Anglesey. Whilst the immediate response is to say that when the grant ceases, so must the associated expenditure,

there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or it involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out.

- **Income Risks** – The budget is based on securing an overall 3% increase in fees, and a number of services have assumed rises up to 3%. In addition, some budgets have been restated to reflect the historic levels of income collected. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. The cost of living crisis may have an impact on the income generated from services such as leisure, car parking, planning and building regulations, where users may choose to reduce their expenditure on these non-essential services. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.
- **Demand Risk** – A number of services can experience a change in the demand for its services. Some can be predicted and taken into account when setting the budget, e.g. changes in pupil numbers. Others are more difficult to predict, and a small increase in numbers can have a significant impact on costs. Allowance has been made in the 2026/27 budget for the current level of service demand for social care, additional learning needs and homelessness prevention, although there is a risk of the increase in demand continuing in 2026/27 above what has been allowed for in the budget. This would result in an overspend in those services affected, which would have to be funded from the Council's general reserves and balances.
- **Optimism Risk** – In previous years, probably the greatest risk in current circumstances is that the Authority, Members and Officers have been over-optimistic in the savings that will be achieved, or that demand for services, particularly social care, will not increase significantly. For 2026/27, the budget does include over £0.9m of budget adjustments to reflect historic patterns of expenditure or income. There is a risk that the changes made are not reflected in the actual income and expenditure in 2026/27 but, again, the risk is low and would be funded from general balances should the risk actually materialise.
- **Over-caution Risk** – This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required, and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid. The Section 151 Officer is satisfied with the budget setting process and that the budget set is a fair assessment of the resources required by each service, based on the relevant factors as they stand at the moment.
- **Council Tax Premium** – In setting the taxbase, it is accepted that the number of empty properties and second homes can change during the year and, as such, only 80% of eligible properties are included in the taxbase. This protects the Council's budget should there be a significant drop in numbers. However, it should be noted that the number of empty properties used in the taxbase calculation rose from 544 properties in October 2024 to 568 properties in October 2025. The number of second homes rose from 2,443 properties to 2,616 properties over the same period.

Many factors influence the number of second homes, and a rise has been seen during 2025 as the Valuation Office transfers self catering properties from the Non-Domestic Rates register back to the Council Tax register as the number of nights the property has been let has not achieved the increased threshold. There is a significant risk that properties will return to the Non-Domestic Rates register in 2026/27 as the owners successfully appeal the original decision, or that they now let the property for the

required number of nights. To mitigate the risk, £900k is held in an earmarked reserve to fund the cost of any refunds and to mitigate for the reduction in the income in 2026/27.

The premium is designed to encourage second home owners to sell or let their property, however, it may also encourage a greater amount of non payment or avoidance by transferring to business rates or by other avoidance means. To mitigate the risk, additional staff will be employed to identify tax avoidance and minimise the amount of the premium lost as a result. As the Executive has committed to using all of the additional premium to address the issues caused by high numbers of second homes on Anglesey, any significant reduction in income would result in a reduction in the funding available for these initiatives in future years.

**Council Tax Income** – The Council Tax income budget is based on the taxbase calculation as at November of the previous financial year. The taxbase changes constantly during the year, as new properties are included and exemptions and single person discounts are granted. These changes cannot be estimated and, invariably, lead to a difference between the actual debit raised and the budget.

The cost of living crisis may also impact on the Council's collection rate, as more households struggle financially with rising costs. The proposed increase in the level of Council Tax may also impact collection rates. This may result in a financial loss in 2026/27, or future years, when uncollectable debts are eventually written off.

- 5.4. Having considered all the risks noted above, and the mitigating actions, the Section 151 Officer is of the view that the budgets are robust and deliverable, and the Council's current healthy level of general balances and earmarked reserves provides sufficient mitigation against the risks identified.

## 6. GENERAL AND SPECIFIC RESERVES

- 6.1. The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget, which are set out in paragraph 5, above.
- 6.2. In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality, in conjunction with the base budget itself and the financial risks which face the Authority. In addition, the review should incorporate a medium term view, where needed, and should take into account key developments that may impact on the need and use of one-off resources.
- 6.3. A robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one-off funds need to be adequately protected to fund future strategic / transformational changes, as opposed to funding significant overspends on the base budget itself.
- 6.4. Account has been taken of the need to keep the immediate reductions in spending, and the resulting impact on services, to a minimum, but this must be balanced against the need to ensure the medium and long term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service budget, and reserves must also be adequate to absorb these pressures.
- 6.5. As at 1 April 2025, the Council's general reserves stood at £15.71m (after allowing for the £2.46m used to balance the 2025/26 budget), which is equivalent to 8.0% of the Council's net revenue budget for 2025/26, 9.1% if the delegated schools' budget is excluded. During the year, no allocations have been made from the general reserve, and it is forecast that

the 2025/26 budget will be £3.23m below the budget. This gives an estimated revised balance of £18.94m, or 9.7% of the 2025/26 net revenue budget.

- 6.6. School balances began the 2025/26 financial year at £5.07m but are forecast to fall to £2.82m by the end of 2025/26. It is expected that schools will use the majority of these balances in order to fund the 2026/27 budget.
- 6.7. The level of general balances is a matter for the Council to decide, based on the recommendation of the Council's Section 151 Officer, but, as a general rule, 5% of the net revenue budget is considered to be an acceptable level. It is a matter for debate whether the net revenue budget should exclude the delegated school's budget, as schools hold their own balances to meet unexpected costs. Based on the current financial situation, there is a high degree of confidence that the level of general balances will exceed 5% of the net revenue budget at the beginning of the 2026/27 financial year.
- 6.8. Having taken into consideration the level of the Council's general balances, school balances, earmarked reserves and contingency budgets, the Section 151 Officer is content that the Council's financial position is sufficiently robust to withstand any difficulties that may arise during 2026/27 if the proposed revenue budget is insufficient to meet the actual costs incurred by the Council during 2026/27.

## 7. COUNCIL TAX

- 7.1. The Council's Band D Council Tax charge for 2025/26 was £1,705.95, which was 16<sup>th</sup> from the 22 Authorities in Wales, and is lower than the Welsh Average of £1,784. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 2, below: -

**Table 2**  
**Comparison of Council Tax Band D Charges for North Wales Authorities**

Authority	Band D Charge 2025/26 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,705		
Gwynedd	1,907	202	11.86%
Conwy	1,888	183	10.73%
Denbighshire	1,780	74	4.37%
Flintshire	1,816	110	6.46%
Wrexham	1,746	41	2.40%

- 7.2. The Council Tax budget for 2026/27 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £57.81m. Therefore, each 1% increase generates an additional £578k (less the required increase to the CTRS budget).
- 7.3. After taking into account the final settlement figure of £144.584m, the revised budget requirement of £207.029m (see Appendix 2) and the use of £1.685m of reserves, it would require £60.760m in Council Tax funding. To fund the revised budget requirement, the increase in the level of Council Tax would be 5.1%, taking the Band D charge to £1,792.98, an increase of £87.03, or £1.67 per week.

## 8. EQUALITIES IMPACT ASSESSMENT

- 8.1. In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Well Being of Future Generations (Wales) Act 2015 to assess the impact of key financial decisions on protected groups, and have due regard to the result of such assessments.

- 8.2. The proposed budget will not impact on any of the protected groups set out in the Regulations and, as a result, no Equality Impact Assessments are considered necessary.

## 9. UPDATING THE MEDIUM TERM FINANCIAL PLAN

- 9.1. As stated in paragraph 1, above, the funding position and staffing costs has changed considerably since the Council approved the Medium Term Financial Plan (MTFP) in September 2025.
- 9.2. The main area of uncertainty for the MTFP moving forward is inflation and its impact on future pay awards, whilst the cost of living crisis and its impact on the demand for Council services is also a major factor.
- 9.3. The updated MTFP for 2027/28 and 2028/29 is shown in Table 3, below:-

**Table 3**  
**Summary Medium Term Financial Plan 2027/28 & 2028/29**

	2027/28 £'m	2028/29 £'m
Net Revenue Budget B/F	207.029	212.141
Budget Pressures and Inflation	5.112	4.242
Savings B/F from previous year	0.000	(2.892)
<b>Revised Standstill Budget</b>	<b>212.141</b>	<b>213.491</b>
Aggregate External Finance (AEF) (assuming 0.6% rise in 2027/28 and 2028/29)	(145.451)	(146.324)
Council Tax (assuming 5% rise in 2027/28 and 3% in 2028/29)	(63.798)	(65.712)
<b>Total Funding</b>	<b>(209.249)</b>	<b>(212.036)</b>
<b>Additional Funding Requirement / Savings Required</b>	<b>2.892</b>	<b>1.455</b>
<b>Main Assumptions</b>		
Pay Awards – Non Teaching	2.0%	2.0%
Pay Awards - Teaching	2.5%	2.0%
General Inflation	2.0%	2.0%

The MTFP estimate above is based on a number of assumptions which may change as we move towards 2027/28, but the plan indicates that there will be a need to make significant further reductions in the net revenue expenditure budget in 2027/28, whilst still increasing Council Tax by an above inflation amount. This, again, could be partly offset by the further use of reserves but, again, this only postpones the need to make budget reductions until 2027/28.

- 9.4. The capital funding situation also has an impact on the revenue budget moving forward, with the current level of funding being insufficient to maintain the Council's buildings and roads to their current standard and to invest in new vehicles and IT hardware. This lack of funding will increase repair and maintenance costs of all the Council's assets as their useful lives are extended. Investment and asset rationalisation will have to be considered in order to ensure that services can be maintained, whilst minimising the additional costs that will fall on the revenue budget moving forward.

- 9.5. The situation may improve in 2027/28 and 2028/29, with the expectation that inflation will have fallen back to the Bank of England's target of 2%, which eases the pressure on costs. In addition, the forecast is that economic growth will improve, which may result in more funding to the WG. However, the forthcoming Senedd elections may result in a different government, who may prioritise local government differently.
- 9.6. The unknown variable will be demand for social care and homelessness services, which can place a significant pressure on budgets should they increase. Any significant increase in demand will impact on the forecasted figures shown in Table 3.
- 9.7. The plan shown in Table 3 is for indicative purposes only, and is based on the assumption that the net revenue budget for 2026/27 is increased in line with inflation. However, it is noted that the Executive may choose to set a lower net revenue budget and lower increase in Council Tax. An updated MTFP will be presented to the Executive in September 2026.

## 10. CONCLUSIONS

- 10.1. It is important that the budget set is achievable and reflects the demands faced by services currently, although it is noted that the continuation of the cost of living crisis would have a significant impact on the Council's budget. The financial position faced by the Council is not unique to Anglesey, but it is a situation that all 22 Welsh councils are facing, along with the vast majority of English councils.
- 10.2. The local government settlement is higher than initially forecast, however, the overall increase in the settlement is insufficient to meet the rising costs as a result of pay awards, inflation and increased demand for services. As anticipated, the only way open to the Council to set a balanced budget, whilst maintaining services and catering for increased demand, is to make budget reductions, combined with an increase in Council Tax and the controlled use of reserves.
- 10.3. The Council's general financial position is still fairly strong, with an underspend forecast in 2025/26, which will allow the level of general balances to remain healthy and above the recommended minimum level of 5% of net expenditure. The use of reserves to balance the 2026/27 budget is a fairly safe strategy, but it is not a strategy that can be used long term. There may be some scope to use reserves again to balance the budget in 2027/28, but this will need to be assessed further in 2026, prior to setting the 2027/28 budget.
- 10.4. The position in 2027/28 may be improving, but this is very much dependant on the economy growing, thereby increasing tax receipts, falling interest rates and low inflation, which would ensure that government funding at least keeps pace with rising costs. The other important factor is demand for services and, if they begin to rise again, then this will put pressure once again on budgets, and necessitate either cuts to services or increasing Council Tax above inflation.
- 10.5. Therefore, in the professional opinion of the Section 151 Officer, the proposed revenue budget for 2026/27 achieves the following objectives:-
  - Ensures that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
  - Uses a combination of budget reductions, reserves and a rise in Council Tax to set a balanced budget.
  - Sets a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be, and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

## 11. RECOMMENDATIONS

- 11.1. To recommend to the full Council to accept the draft revenue budget as proposed, and to increase the Council Tax Band D charge by 5.1%, taking the charge for 2026/27 to £1,792.98.

## FINAL BUDGET PROPOSAL 2026/27 BY SERVICE

	<b>Final Proposed Budget 2026/27 £'m</b>
Education and Culture	73.378
Adult Services	45.377
Children's Services	18.606
Housing Services	2.098
Highways, Waste and Property	21.419
Regulation and Economic Development	6.172
Corporate Transformation	8.822
Resources	4.248
Council Business	2.380
Corporate Management	0.878
<b>Total Service Budgets</b>	<b>183.378</b>
Corporate and Democratic Costs	3.487
Recharges to HRA	(0.865)
Support for Local Housing Help to Buy Schemes	1.050
Levies	5.450
Capital Financing	5.396
Benefits Granted	0.110
Discretionary Rate Relief	0.108
Council Tax Reduction Scheme	7.716
<b>Total Allocated Budgets</b>	<b>205.830</b>
General & Other Contingencies	1.199
<b>Total Budget 2026/27</b>	<b>207.029</b>
<b>Funded By</b>	
Revenue Support Grant	120.504
Non-Domestic Rates	24.081
Council Tax (Including Council Tax Premium)	60.759
Council Reserves	1.685
<b>Total Funding</b>	<b>207.029</b>