Isle of Anglesey County Council

Report to:	**EXECUTIVE**
Date:	**22 SEPTEMBER 2026**
Subject:	**MEDIUM TERM FINANCIAL PLAN 2027/28 – 2029/30**
Portfolio Holder(s):	**CLLR ROBIN WILLIAMS – DEPUTY LEADER AND PORTFOLIO HOLDER – FINANCE & CORPORATE BUSINESS AND CUSTOMER EXPERIENCE**
Head of Service / Director:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
Report Author:	**MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER**
Local Members:	**NOT APPLICABLE**

A – Recommendation(s) and reasons

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

The Executive is requested to note the contents of the plan, to approve the assumptions made and to consider how to bridge the funding gap identified in the report as part of the process to set the 2027/28 revenue budget.

The detailed report is attached as Appendix 1.

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

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

C – Why is this a decision for the Executive?

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

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

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

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

The decision, although impacting on the budget for 2027/28, will not result in the incurring of any additional costs or generate any additional income in the 2026/27 financial year. As a result, the decision will not impact on the budget approved by the Council for 2026/27.

Dd – Assessment of potential impacts (if relevant)

1. How does this decision affect our long-term needs as an island?

The MTFP sets out the financial position for the Council over the next 3 financial years. This impacts on the level of services which the Council can provide to meet the needs of the Island and its residents.

2. Is this a decision that is anticipated to prevent future costs/dependencies on the Council? If so, how?

Setting out and agreeing the medium term financial position allows the Council to plan for the cost of future services. Good financial planning will allow for the avoidance of unnecessary future costs.

3. Have we collaborated with other organisations to come to this decision? If so, with whom?

The Council, along with the other 21 Welsh Local Authorities and the Welsh Local Government Association, has set out the financial position across Wales to Welsh Government (WG). The Council also works closely with the other 5 North Wales authorities on the detailed assumptions used in the plan.

4. Have the citizens of Anglesey played a part in drafting this way forward, including those directly affected by the decision? Explain how.

The annual revenue and capital budgets are subject to a public consultation process. The outcome of the Consultation is considered by the Executive before it makes its final budget proposal to the full Council in March each year.

5. Note any potential impact this decision would have on the protected groups under the Equality Act 2010.

The MTFP makes no spending decisions. Any spending decisions would form part of the annual budget, and individual proposals would be assessed on their impact on groups protected by the Equality Act 2010 at that point.

6. If this is a strategic decision, note any potential impacts the decision would have on those experiencing socio-economic disadvantage.

The MTFP makes no spending decisions. Any spending decisions would form part of the annual budget, and individual proposals would be assessed on their impact on those experiencing socio-economic disadvantage at that point.

7. Please note any potential effects that this decision would have on opportunities for people to use Welsh and not treat the language less favourably than English.

No impact on the Welsh language. Any budget proposal that results in a change in service provision will be assessed on its impact on the Welsh language when the proposal is drawn up.

E – Who did you consult with and what were their comments?

1. Chief Executive / Leadership Team (LT) (mandatory)	The report was considered by the LT at its meeting on 1 September 2026. Comments from the Chief Executive and the other members of the LT were incorporated into the final draft.
2. Finance / 151 Officer	The Section 151 Officer is the author of the report.
3. Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a member of the LT and any comments made have been considered along with all comments made by LT members.
4. HR	The issues covered in the report do not impact on any Human Resource matters.
5. Property	Not applicable
6. IT	Not applicable
7. Procurement	Not applicable
8. Scrutiny	The Finance Scrutiny Panel and the Corporate Scrutiny Committee will consider the MTFP and the proposed revenue budget 2027/28 as the budget setting process continues prior to the 2027/28 budget being set in February / March 2027.
9. Local members	The budget is relevant to all Council Members.

F – Appendices

Appendix 1 - Detailed Report on the Medium Term Financial Plan
Appendix 2 - MTFP Assumptions
Appendix 3 - Estimated Net Revenue Budget 2027/28 – 2029/30

Ff – Background papers (contact the report author for more information)

None

APPENDIX 1

1. INTRODUCTION AND BACKGROUND

1.1. The Medium Term Financial Plan (MTFP) sets outs the Council's likely resource requirement for the next three financial years and details how the Council plans to balance the resource requirement with the funding available.

1.2. The MTFP has been drawn up during a continued period of economic uncertainty. Inflation is now significantly lower, but is still above the Bank of England's (BofE) target of 2%, and this has slowed the pace of interest rate reduction. The UK Government has set out its economic strategy and undertook a comprehensive spending review in June 2025. However, the recent change in Prime Minister may result in a change in economic policy and strategy, which could impact on the level of investment in the public sector, which could then result in a change in inflation levels and bank interest rates.

1.3. World events, such as the continuing war in Ukraine, the war in the Middle East and the impact of US tariffs on the world economy, are adding to the economic uncertainty and may slow or reverse the fall in inflation. The level of inflation is key to the Council's MTFP as it drives the level of pay awards and the increases in the cost of the Council's outsourced contracts.

1.4. The MTFP takes account of all known changes that are required to be built into the 2027/28 base budget and makes assumptions on the main factors that impact on the Council's revenue budget (pay costs, pensions, general inflation, WG funding, demographic and demand pressures).

2. THE COUNCIL'S CURRENT FINANCIAL POSITION

2.1. In March 2026, the Council set the following budget:-

Table 1
2026/27 Revenue Budget

	£'m
2025/26 Final Net Revenue Budget	**195.443**
Pay Inflation and Other Staff Related Costs	3.210
Non Pay Inflation	5.928
Budget Pressures and Service Investments	1.312
Demography Changes	1.333
Capital Financing Changes	0.759
Use of Council Tax Premium for Housing Projects	0.050
Budget Savings and Service Reductions	(1.006)
2026/27 Final Net Revenue Budget	**207.029**
Funded By:	
Aggregate External Finance (AEF)	144.585
Council Tax (including Premium)	60.759
Reserves	1.685
Total Funding 2026/27	**207.029**

2.2. The final net revenue budget for 2026/27 increased by £11.586m, which is equivalent to a rise of 5.9%. The Aggregate External Finance (AEF) increased by 4.2% (after adjusting for the change in the taxbase and grants transferred into the settlement). The Council Tax debit increased by 6.4%. The Band D charge increased by 5.1%, with the remainder of the increase in Council Tax debit as a result of the change in the taxbase and changes in the number of properties subject to the Council Tax premium.

2.3. At the end of the 2025/26 financial year, the Council reported a net underspend of £2.632m (1.35%), with all Services showing an underspend apart from Children's Social Care, Council Business, Culture, Property, Planning and Public Protection and Resources. The overspend in Culture and Resources were small and were as a result of issues which were specific to 2025/26 and should be resolved in 2026/27.

2.4. The position in respect of Children's Services is of greater concern, with the number of children in care increasing and the cost of placements increasing significantly. This is a statutory service which is demand driven and, to a large extent, is outside the control of the Council. The budget for Children's Services has increased by 150% since 2017/18, whilst the total Council net revenue budget has only risen 64.1%, and the budget now accounts for 9% of the Council's net revenue budget, compared to 5.9% in 2017/18. Despite the increase in funding, the Service continues to overspend its budget (7.8% in 2025/26) and early indications are that it will again overspend in 2026/27, despite an additional £1m being added to the budget. The financial situation of the Service is a risk to the Council's financial stability in the medium to long term, although the Council has sufficient financial resources available to fund the increased costs in the short term.

2.5. Overall, the Council's services underspent their budgets in 2025/26 by a combined £0.945m but, when you take out the variances that are not permanent (staff vacancies, additional grant funding and additional income), the underlying position is an overspend of over £4m. A proportion of this budget shortfall was addressed in setting the 2026/27 budget, but an element of underfunding remains.

2.6. The financial position at the end of 2025/26 has increased the Council's general balances, from £18.161m at the beginning of the financial year to £19.038m, although £1.685m has been utilised as funding for the 2026/27 revenue budget and the Executive has allocated a net sum of £1.763m for specific revenue and capital projects, which reduces the available reserves down to £15.590m.

2.7. The general balances can be utilised to fund additional unfunded costs that arise during the year and would fund any overspending that may arise during 2026/27. The Council has set a target of holding 5% of the net revenue expenditure budget as a minimum balance for general reserves, for 2026/27, this is equivalent to £10.35m, which is £5.24m below the current level.

2.8. Earmarked reserves, which are maintained by the Council to fund one off committed projects, to fund anticipated future costs (e.g. uninsured losses) and unutilised grant funding, stood at £25.042m at 31 March 2026, an increase of £4.284m during the year. A review of reserves was undertaken during the year, with £0.72m of reserves being unearmarked and transferred back to the Council's general balances.

2.9. School Balances also fell during 2025/26, falling from £5.074m to £4.327m. The budgetary position of the Council allowed all cost pressures to be fully funded in 2026/27. For 2026/27, schools plan to utilise a further £1.92m of their balances to fund their costs. If the financial position remains as challenging as they are currently, it is likely that the school balances will reduce further.

2.10. The Council received an increase in the level of AEF from WG, up £8.828m (6.4%) in cash terms from the previous year. However, the funding increase did not cover the inflationary pressures faced by the Council and was, therefore, not a real terms increase in funding. Council Tax rose by 5.1%, and this increase, along with the increase in the AEF, was insufficient to fund the required rise in the Council's net revenue budget. As a result, £1.685m of reserves were used to balance the budget, in addition to £10.664m used in the previous 3 years. The use of reserves is viable in the short term and allows the Council time to ensure that long term expenditure matches the funding available, but the use of reserves cannot continue in the long term and their use does weaken the financial resilience of the Council.

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

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

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

2.12.1 **Table 2**
Funding Gap as a Percentage of Net Revenue Budget

Year	Standstill Budget	AEF	Previous Year Council Tax (Note 1)	Total Funding Prior to Council Tax Increase	Estimated Funding Gap	% Gap
	£'m	£'m	£'m	£'m	£'m	
2018/19	132.337	94.924	33.644	128.568	3.769	2.85%
2019/20	134.702	95.159	35.087	130.246	7.156	5.21%
2020/21	142.203	101.005	39.370	140.375	1.828	1.29%
2021/22	147.076	104.825	41.161	145.986	1.090	0.74%
2022/23	155.501	114.549	42.957	157.506	(2.005)	(1.29%)
2023/24	173.830	123.665	44.879	168.544	5.286	3.04%
2024/25	188.992	126.973	47.628	174.601	14.391	7.61%
2025/26	199.025	135.605	52.628	188.233	10.792	5.42%
2026/27	206.774	144.585	57.101	201.686	5.088	2.46%
Note 1 – The Previous Year Council Tax figures are adjusted to take account of changes to the taxbase						

- The table shows that, in 2018/19 and 2019/20, the period of austerity continued, and the funding gap required savings to be implemented and higher than inflation rises in Council Tax. The position then improved in 2020/21 and 2021/22, and the funding gap was able to be filled with a council tax rise on or below inflation. In 2022/23, the situation was significantly better, and it allowed additional investment in services, but the position has worsened again since 2023/24, with the budget being balanced through a combination of the use of reserves, higher than inflation increases in Council Tax and budget savings. Significant funding gaps continued from 2023/24 onwards, although the position was better in 2026/27 as the inflationary pressures reduced and the WG planned expenditure for local government increased.

- How the position for 2027/28 onwards compares to this historical data will be discussed later in this report.

2.12.2 **Table 3**
Over / Underspending Relative to Net Revenue Budget (NRB)

Year	Net Revenue Budget	Actual NRE (Net Revenue Expenditure)	Over / (Under) Spend	% Over / (Under) Spend
	£'m	£'m	£'m	
2019/20 Actual	135.210	134.902	(0.308)	(0.23%)
2020/21 Actual	142.146	137.942	(4.204)	(2.96%)
2021/22 Actual	147.120	142.323	(4.797)	(3.26%)
2022/23 Actual	158.367	157.154	(1.213)	(0.77%)
2023/24 Actual	174.569	172.837	(1.732)	(0.99%)
2024/25 Actual	184.164	180.289	(3.875)	(2.10%)
2025/26 (subject to audit)	195.443	193.578	(1.865)	(0.95%)
2026/27 (as at Q1 forecast)	207.029	205.642	(1.387)	(0.67%)

- The table highlights that, despite the challenging financial position each year, the Council has been able to maintain its overall net expenditure within the budget, with Services making a concerted effort to modernise service delivery, reduce costs or postpone expenditure. The position has also been helped through staff vacancies, additional grant funding and increasing levels of income. This is a permanent challenge whilst maintaining demand driven statutory services.

2.12.3 **Table 4**
Useable Reserves as a Percentage of the Net Revenue Budget

Year	Net Revenue Budget	General Balances	Earmarked Reserves	School Balances	Total Useable Reserves	% Useable Reserves to NRB
	£'m	£'m	£'m	£'m	£'m	
2018/19	130.900	5.912	9.458	0.631	16.001	12.22%
2019/20	135.210	7.060	8.760	0.197	16.017	11.85%
2020/21	142.146	11.437	15.455	3.974	30.866	21.71%
2021/22	147.120	12.278	23.183	7.827	43.288	29.42%
2022/23	158.367	14.039	19.638	6.716	40.393	25.51%
2023/24	174.569	15.607	16.517	5.577	37.701	21.60%
2024/25	184.164	18.161	21.449	5.074	44.684	24.26%
2025/26	195.443	19.038	25.042	4.327	48.407	24.76%
2026/27 forecast	207.029	17.802	15.800	2.402	36.004	17.39%

- The table highlights that the Council's financial position has strengthened significantly since 2018/19 as a result of the underspending in the last 7 financial years and additional grant support from WG, which was provided outside the normal local government settlement. However, as general balances and school balances are used as budget funding, and earmarked reserves are used, the position weakens again in 2025/26. This indicator shows that the Council's ability to continue to use reserves and balances as a source of funding is potentially coming to an end and the underlying structural underfunding will need to be addressed in future budgets, either through increases in Council Tax or by reducing net expenditure.

2.12.4 **Table 5**

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

Year	Net Revenue Budget	MRP (Minimum Revenue Provision)	Interest Payable	Interest Receivable	Total Capital Financing Costs	% of Capital Financing Costs to NRE
	£'m	£'m	£'m	£'m	£'m	
2018/19	130.900	2.463	4.041	(0.062)	6.442	4.92%
2019/20	135.210	2.655	4.261	(0.127)	6.789	5.02%
2020/21	142.146	2.696	4.159	(0.045)	6.810	4.79%
2021/22	147.120	2.752	3.988	(0.016)	6.724	4.57%
2022/23	158.367	1.325	4.233	(0.800)	4.758	3.00%
2023/24	174.569	1.446	5.773	(3.071)	4.148	2.38%
2024/25	184.164	1.569	3.890	(0.883)	4.576	2.48%
2025/26	195.443	0.356	3.921	(0.426)	3.851	1.97%
2026/27 (Budget)	207.029	2.178	3.684	(0.467)	5.395	2.60%
MRP is the sum the Council is statutorily obliged to set aside each year to fund the cost of future loan repayments. The amount is calculated in accordance with the Council's MRP policy.						

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

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

3. THE UK ECONOMIC OUTLOOK AND BUDGET

3.1. Although the Council's central funding comes from the Welsh Government, the UK Government provides the WG with its entire funding, and what is happening with the UK economy and budget impacts directly on the WG and local government funding. An assessment of the UK situation is an important element of the MTFP.

3.2. The global pandemic, the wars in Ukraine and the Middle East and the impact of Brexit have been significant shocks to the UK economy and has resulted in the UK Government providing unprecedented levels of support to individuals and businesses in the form of Covid grants, energy support grants and cost of living support grants. The UK Government's gross debt (as reported by the ONS) currently stands at £2.91 trillion, which is 95.8% of the country's GDP (Gross Domestic Produce). This compares to £2.89 trillion (as at March 2025), which was 99.6% of GDP.

3.3. During 2025/26, the Government borrowed £125bn, compared to £154bn in the previous financial year, and has already borrowed a further £57.6bn in the first quarter of 2026/27. In October 2024, the Chancellor announced new fiscal rules, which are:-

i. That the current budget must move into balance, i.e. day to day costs are met by revenues;

ii. Debt must be falling as a percentage of GDP by the fifth year of the forecast, i.e. the end of the current parliament in 2029.

3.4. The Government's budget in November 2025 made a number of tax and spending changes which allowed the fiscal rules to be met. However, there are a number of financial pressures which may result in these rules being breached before the end of the parliament. The main issue is defence spending, and the need to increase the budget as a percentage of GDP to meet international commitments and to ensure that known and emerging threats are tackled. This, along with recent and future policy changes announced by the new Prime Minister, may require higher taxes, increased borrowing or cuts to other unprotected budgets, including welfare budgets and, potentially, budgets to devolved governments.

3.5. It was anticipated in the summer of 2025 that inflation was on a downward path and would meet the BofE's target of 2% by spring or early summer 2026. However, the war in the Middle East and the uncertainty in respect of oil supplies has driven up the price of oil and gas which, in turn, has pushed up inflation. Inflation, although having fallen to its lowest level for some time in June 2026, is expected to rise during the second half of 2026 and is now not expected to reach the BofE's target until late 2027 or early 2028. However, if hostilities in the Middle East continue for an extended period of time, it has the potential to push oil and gas prices much higher and this, in turn, will result in higher levels of inflation.

3.6. The BofE base rate was cut to 0.1% in March 2020 and has remained at this very low level until the beginning of 2022. As inflation began to rise, the BofE's Monetary Policy Committee (MPC) has made small incremental increases in the base rate of 0.25% or 0.5% at each review, to reach a peak of 5.25% in August 2023. It was held at this level until August 2024, when it began to fall by small increments to its current level of 3.75%. The BofE is committed to get inflation under control, with interest rates being the main lever to achieve this goal. As interest rates rise, consumers have less disposable income to spend and this, in turn, reduces economic demand which, in turn, reduces inflation. Whether interest rates continue to rise or begin to fall is dependent on inflation remaining on or around the BofE's target. It was anticipated that interest rates would continue to be cut, reaching around 3% in 2026, but the higher than anticipated levels of inflation may slow the fall in interest rates and it is now forecast that interest rates will remain unchanged in 2026 and will only fall slightly in 2027, reaching 3.25% by March 2028. It is then likely that they will remain around this level for the foreseeable future and will not fall to the very low levels seen between 2009 and 2021.

3.7. The Government's economic strategy is currently centered around growing the economy in order to generate additional tax revenues. In 2025/26, the economy grew 1.2%, but then remained unchanged in the first two months of 2026/27. The economy is forecast to grow by around 1.0% in 2026 and between 1.0% and 1.3% in 2027, but this level of growth is unlikely to meet the additional cost pressures on government spending.

3.8. The economic situation continues to improve, with inflation back under control and the prospect of lower interest rates and the return of economic growth. However, the record level of national debt and the high tax burden need to be addressed, and this limits the possibility of increases in public spending in the short to medium term.

3.9. The Government is committed to protecting the Health Service budget, along with increasing spending on defence. This will require real term reductions in unprotected budgets, including the funding that will come to Wales. It is, therefore, not anticipated that the financial constraints on the Council's funding will ease in the short to medium term.

4. FUNDING AND THE REVENUE BUDGET

4.1. The revenue budget is funded from 3 sources, the Aggregate External Finance (AEF) received from WG, Council Tax and the Council's own reserves (as shown in Table 1 above).

4.2. In 2016/17, the AEF received by the Council was £91.928m. After adjusting for the values of transfers in and out of the settlement and allowing for inflation at CPI (Consumer Price Index), then the value of the AEF in 2026/27 should be £141.324m, compared to the actual AEF of £144.585m. This is a real terms increase of £3.26m (2.3%) over the 10 year period.

4.3. Had the Council's own revenue budget increased by inflation (after allowing for the transfers into the settlement) and after allowing for the change in the Council Tax base, the budget would have been £191.419m, which is £15.610m lower than the actual budget. At this level, the Band D charge would be £1,478.24, compared to the actual Band D charge for 2026/27 of £1,792.98, which is 21.3% higher.

4.4. The additional £15.61m in the actual revenue budget has been necessary to fund the increase in demand for services (mainly Adult and Children's Social Care) and also to mitigate risks (e.g. cyber-attacks) and to fund other local priorities. This additional budget has been funded by additional AEF above inflation £3.26m, additional Council Tax £10.67m and the use of £1.68m of reserves.

4.5. Around 50% of the WG's budget funds the NHS in Wales and the WG is under pressure to address the increased waiting lists and increased demand for services. Local Government accounts for around 25% of the WG budget. Given that both areas are experiencing both demand and cost pressures, it will be very difficult to set budgets which funds in full both inflationary and demand pressures in both the NHS and Local Government.

4.6. The Comprehensive Spending Review, announced by the UK Government in June 2025, set out the potential funding for Wales up to 2028/29. On average, the Welsh block grant is expected to grow by 1.4% in real terms each year. The majority of the increase is a result of consequential funding arising from increases to the NHS and school budgets in England. Passing on these consequentials to equivalent services in Wales would still leave NHS funding growing at below its long run historical average (3.6%). But this would still see other services facing tight budgets over coming years, leaving them – at best – flat in real terms.

4.7. Wales Fiscal Analysis estimate that, in order to fund the historical increase in NHS budgets, local government budgets would only increase by 0.6% in cash terms in 2027/28. However, additional consequential funding has been received by the WG as a result of increased Additional Learning Needs (ALN) funding in England and in addition not all of the 2026/27 budget was allocated by the previous Welsh Government.

4.8. The Welsh Government's supplementary budget, which failed to be adopted in July 2026, proposed additional ALN funding in Wales of £40m in 2026/27 and £40m in 2027/28. If this funding was brought into the local government settlement as unhypothecated funding, this would result in a 2.2% increase in AEF across Wales. However, there is currently no agreement on the supplementary budget and no guarantee that this funding will be included in future settlements.

4.9. The UK Government's budget is scheduled to be held on 26 November 2026, with the WG planning to announce their draft budget on 17 November 2026. Once these two budgets have been announced, the position relating to local government funding in Wales for 2027/28 and beyond should become clearer.

5. NATIONAL AND LOCAL BUDGET PRESSURES

5.1. Local Government generally is facing a number of budget pressures across a number of statutory demand driven services, particularly in Adult and Children's Social Care and Homelessness. In October 2025, the WLGA (Welsh Local Government Association) estimated that Councils in Wales were facing budget pressures of £560m in 2026/27, with further pressures of around £486m in 2027/28 and £512m in 2028/29, based on providing the services to the level of anticipated demand and to fund the inflationary pressures. A new survey is currently being undertaken, which will feed through into the 2027/28 budget process.

5.2. Of these pressures, social care accounts for 36%, schools account for 24%, with the remaining 40% relating to other Council services. For 2026/27, pay and non pay inflation accounts for 59% of the pressure with the remaining 41% as a result of increased demand for services (social care, ALN and homelessness).

5.3. The following areas are considered the main budget pressures facing the Council over the term of this plan:-

i. Pay Increases – Non Teaching Pay

NJC staff pay is set nationally by the National Joint Council for Local Government Services and is made up of representatives of Councils in England, Wales and Northern Ireland. The 2026/27 pay award has yet to be settled. An offer of 3.3% has been made to the Unions, but this has been rejected. In setting the 2026/27 budget, 4% was allowed as a pay increase and, therefore, the current offer can be funded from the existing budgets but, if the final agreement exceeded 4%, this would create an additional financial pressure for the Council.

Given that the 2026/27 pay award has yet to be settled, it is difficult to estimate the level of the 2027/28 pay award. One significant factor which impacts the pay award moving forward is the increase in the National Living Wage. The 2025/26 pay award agreement resulted in point 2 on the scale being deleted, in order to keep the lowest point on the pay scale above the level of the National Living Wage. The differences are shown in Table 6 below:-

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

	2025/26	2026/27	2027/28
Hourly Rate of Lowest Point on NJC Scale	£12.85	£13.28	£13.55[1]
National Living Wage	£12.21	£12.71	£13.18[2]
Difference between NJC scale and National Living Wage	£0.64	£0.57	£0.37
% Difference between NJC scale and National Living Wage	5.2%	4.5%	2.8%
1. Based on an inflationary increase of 2%			
2. Based on the central estimate of the Low Pay Commission = 3.6%			

In order to maintain or increase the differential, it would be necessary to increase the lowest points on the NJC scale by higher than inflation, and this may require a restructure of the payscale to create a sufficient buffer between the NJC scales and the National Living Wage. Maintaining a 4.5% differential would require the lowest point on the scale to rise to £13.10, a rise of 3.7%.

In general, pay awards still appear to be higher than the level of CPI and this does not appear to be changing in the short term, and a higher than inflation pay award is forecast for 2027/28, but there is a potential for the pay award to be more in line with inflation from 2028/29 onwards.

ii. Pay Increases – Teachers Pay

Teachers pay is set by the WG, with the pay award being effective from September each year. The pay award for September 2026 has been set at 3.5%, which is 0.75% lower than the sum recommended by the Independent Welsh Pay Review Body. As a result, the pay offer has been rejected by the teaching Unions.

The pay offer of 3.5% is 0.2% higher than the sum allowed for in the 2026/27 budget and will require a small correction to the budget if this is the final figure. It has become normal practice that WG fund the cost of the pay award above what was factored into the local government settlement and, therefore, should the final pay award be higher than the 3.5%, it is likely that the cost will be funded by WG.

The pay award from September 2027 is even more difficult to estimate, but it is likely to be higher than CPI (which may be down to 2.3% by September 2027). For the purposes of this plan, CPI + 1% has been allowed for, with an increase in line with CPI in September 2028 and 2029.

iii. Local Government and Teachers' Pension Contributions

The LGPS pension scheme was revalued in 2025, with the new employer contribution rates effective for the period April 2026 to March 2029. A number of factors impact the calculation of the employer contribution rate, which include the investment performance of the fund, the level of gilt rates which determines the discount rate of future liabilities, and the composition of the current membership. Given that the scheme is currently fully funded, it is hoped that any change to the contribution rate will be minimal in April 2029. Each 1% adjustment in the contribution rate results in a change of approximately £500k in the Council's budget.

The Teachers Pension Scheme was revalued in April 2024, with the teacher's contribution rates increasing from 23.58% to 28.58%. The next revaluation is effective from April 2027, and the contribution rate will fall to 17.68%, which will reduce employer contributions by 38.5%. This will reduce the cost for Anglesey by £3.2m from April 2027. However, when the contribution rate increased, the additional cost was funded by WG as a result of consequential funding that was received from the UK Government. WG officials have indicated that a negative consequential will result, which will reduce the AEF received, which would negate the benefit of reduced contributions.

iv. Major Service Contracts

A number of the Council's Services are outsourced, including refuse collection and disposal, highway maintenance, school meals, school transport and public service bus contracts. The majority of the contracts are long term agreements which can end during the period covered by this plan or at a point in time after the end of this plan; each contract has a different start date and length of contract. The price of each contract is uplifted annually using a set of pre-determined inflation indices which are defined in each contract. The budget for these contracts is in the region of £25.5m, and the increase is normally dependant on inflation indices in the preceding autumn.

All the main contracts will come to an end during the period covered by this plan, although it is possible to extend the refuse collection and school meals contracts for additional periods. An increase is expected in the cost of the Highway maintenance contract, and this has been allowed for in this plan.

v. Energy Costs

The current budget for energy (electricity and gas) in 2026/27 is £3.11m (£1.88m for electricity and £1.23m for gas), with the highest costs incurred in secondary schools, leisure centres and the main Council offices. Much work has been done to reduce the consumption of energy in Council buildings, including installing solar panels and a new boiler at the Council Offices, and further grant funding will result in the installation of heat source pumps and improved insulation at 27 schools and other Council buildings over the next 2 years.

The Council retendered both its gas and electricity contracts in early 2024, with the new rates becoming effective from October 2024, with prices fixed until October 2027. The tendering took advantage of a significant fall in both gas and electricity prices, with reductions of over 20% resulting from the tendering process. However, the energy market has changed since 2024 and prices are now higher than when the contracts were tendered but prices are volatile and could change significantly before the Council retenders the contracts in October 2027, and much will depend on the outcome of the Ukraine war and the conflict in the Middle East. If these are resolved in 2026 or 2027, there is the potential for a significant fall in prices but, if the conflicts continue, it is likely that prices will be higher than the level currently paid.

vi. Elderly Nursing, EMI and Residential Care Home Fees – Inflationary Pressure

For a number of years, the annual fee increase for elderly nursing, EMI (Elderly Mentally Infirm) and residential care home fees have been determined using a standard toolkit which all 6 North Wales authorities use as the basis for their fee increase. In 2022, authorities began to move away from the toolkit but are still committed to try and maintain a regional position. The Council has increased fees by approximately 23% in the 3 years since 2023/24. The increases reflected the higher level of inflation, the increases in the National Living Wage and the impact of the changes to employers' national insurance contributions and compares to an increase of 17% in AEF.

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

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

The plan continues to allow for a higher than inflation increase in fees in the 3 years of the plan. Each 1% increase in fees adds around £130k to the Council's expenditure.

vii. Domiciliary Care Contract – Inflationary Pressure

Part of the domiciliary care service is outsourced to the private sector, with the contracts regularly re-tendered. Annual increases in the hourly rate are negotiated with each provider, with the main cost driver being the National Living Wage. The National Living Wage is expected to increase by 3.7% in 2027/28, and this increase plus 0.5% has been allowed for the 3 years of the plan.

viii. Children's Services

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

Table 7
Children's Services – Budget and Actual 2017/18 to 2026/27

Year	Budget £	Budget Increase %	Actual £	Variance £
2017/18	8,292,690		10,075,336	1,782,646
2018/19	8,728,680	5.3%	10,565,374	1,836,694
2019/20	10,274,340	17.7%	10,430,480	156,140
2020/21	10,971,160	6.8%	10,258,066	-713,094
2021/22	11,196,262	2.1%	10,831,760	-364,502
2022/23	12,341,762	10.2%	13,330,614	988,852
2023/24	13,133,474	6.4%	14,536,308	1,402,834
2024/25	14,428,450	9.9%	16,376,142	1,947,692
2025/26	17,230,411	19.4%	18,567,724	1,337,313
2026/27	18,606,231	8.0%		

Despite a 124% rise in the budget since 2017/18, the pressure on this budget remains although, as at the end of the first quarter of 2026/27, an underspend of £44k is forecast. However, this is an early forecast and the position can change significantly during the remainder of the year.

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

Although the Service is attempting to reduce costs, the plan allows for additional investment in the Service to address the overspending position, additional funding to meet a further increase in demand and an inflationary rise which is higher than general price inflation. This will increase the budget requirement by 8.5% in 2027/28, 6.5% in 2028/29 and 6.0% in 2029/30.

ix. Adult Social Care Services

As with Children's Services, there is a significant risk that the demand for Adult Social Care services (elderly, mental health, learning disability, etc.) will increase as the Island's population becomes older. This is in addition to the inflationary pressures on pay and private sector provider costs. The financial position is summarised in Table 8 below:-

Table 8
Adult Services – Budget and Actual 2017/18 to 2026/27

Year	Budget £	Budget Increase %	Actual £	Variance £
2017/18	22,540,700		22,686,948	146,248
2018/19	24,921,360	9.6%	26,094,400	1,173,040
2019/20	25,205,360	1.1%	26,289,869	1,084,509
2020/21	27,159,700	7.2%	26,927,431	-232,269
2021/22	27,736,225	2.1%	27,599,371	-136,854
2022/23	30,583,049	9.3%	30,530,210	-52,839
2023/24	35,780,051	14.5%	35,194,687	-585,364
2024/25	38,956,887	8.2%	38,021,144	-935,743
2025/26	42,355,590	8.7%	41,482,257	-873,333
2026/27	45,376,720	7.1%		

The budget has increased 101% since 2017/18 and, in recent years, the Service has been able to provide all services within the agreed budget, but this is partly as a result of vacant posts, additional client income and additional grant funding that has been received in each year. Without these factors, the underlying position for the service would be an overspend of approximately £1.5m.

In addition to inflation, the plan allows for price increases of between 0.5% and 1.5% above inflation and a 3.6% increase in the demand for services in 2027/28, with inflation set at CPI plus 0.5% and a demand increase of 2% in 2028/29 and 2029/30.

x. Homelessness

The budgetary position for 2026/27 is under control, with the Council benefitting from the private leasing scheme, which increases the Council's ability to ensure that tenants placed in these properties are in a position to claim housing benefit in full, which not only is a cheaper alternative to bed and breakfast accommodation, but also ensures that the net cost to the Council is reduced through housing benefit.

Although homelessness prevention is a budget pressure in a number of Welsh councils, currently it is not seen as a significant risk on Anglesey and, as such, no specific additional financial requirement has been allowed for in the plan, but an increase of 2% in the caseload has been allowed for.

xi. Council Tax Reduction Scheme

Since the funding for the Council Tax Reduction Scheme (CTRS) transferred into the local government settlement, the sum included in the Standard Spending Assessment by WG has remained largely unchanged. As the levels of Council Tax increase, the cost falls on the taxpayers of Anglesey. The budget for 2026/27 was increased by 5.0%, which was in line with the increase in the Council Tax charge.

Determining the level of the budget is difficult and is linked to the performance of the economy and the level of unemployment on Anglesey. UK unemployment currently stands at 4.9%, and is expected to rise to between 5% and 5.5% by the end of the year, before falling back to 4.5% by the end of 2027. As a result, the plan only allows for an increase in the budget in line with the assumed rise in the level of Council Tax.

xii. Capital Financing Charges

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

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

xiii. Fire Service Levy

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

Similar to councils, the Fire Service has faced a significant increase in costs due to pay awards, general price inflation and increased pension contributions.

The Fire Authority's Medium Term Financial Strategy for the period 2026 to 2030 identifies that the 2027/28 budget would need to increase by 4%, with further increases of 6.2% and 6.6% in the following 2 years. The plan also requires savings of £0.56m over the 3 years and the use of £2.85m of reserves.

For the purposes of the plan, inflation plus 1% has been allowed for as the estimated increase in the levy.

xiv. Other Service Pressures

The overall senior management structure is currently being reviewed. The Head of Digital, Transformation and Modernisation is a post that was added to the structure in 2026/27,, but was funded from an earmarked reserve. The cost of this post now needs to be added to the permanent budget. The review has identified a potential requirement for 2 additional heads of service, although no decision has been taken as yet. The plan allows for the funding of these 2 posts.

In 2027/28, there will also be a need to fund the Council elections that take place in May. £240k has been allowed for in the budget to meet these additional one off costs.

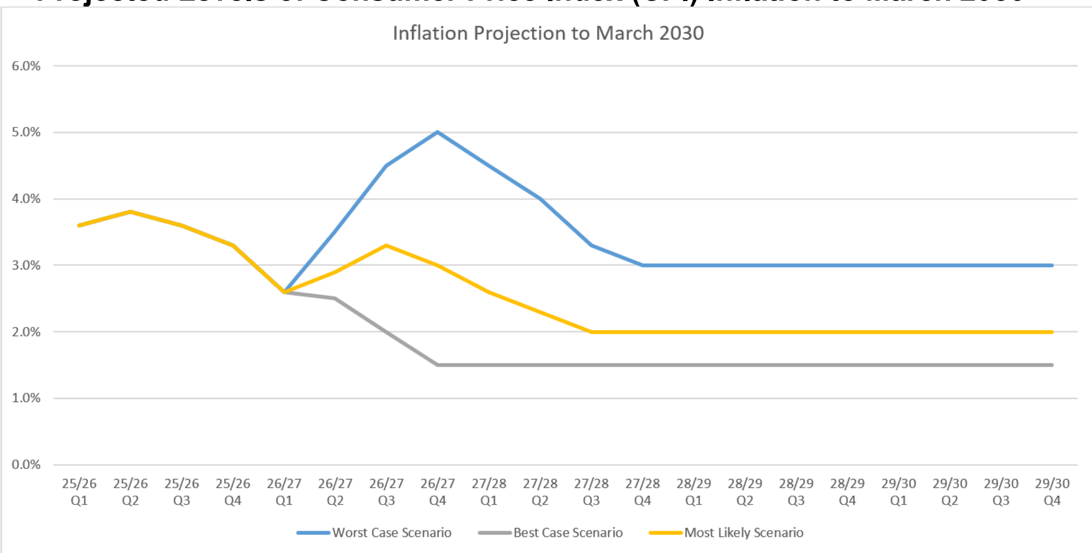
xv. General Price Inflation

Annual non pay budgets are inflated each year to take account of general or specific inflation. Where contracts do not specify a specific price index that should be applied, or where a specific expenditure heading is not seeing a significantly higher or lower inflation rate, then the Consumer Prices Index (CPI) is used as the inflation factor. For a number of years, CPI has remained low and has not been a significant factor when determining the budget. However, the inflation rate rose significantly in 2022, peaking at 11% in October 2022, but then fell back below the BofE's target of 2% in September 2024, before rising once again during 2025, before falling back to its current rate of 2.6%.

Given that the war in the Middle East is likely to continue, energy price increases will already drive up inflation during the late summer and autumn of 2026. If the war ends, inflation should start to fall in 2027 but, if the war continues, it is likely that inflation will continue to rise in early 2027 and will take longer to fall.

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

Chart 1
Projected Levels of Consumer Price Index (CPI) Inflation to March 2030



Approximately £50m of the Council's budget will be impacted by a general increase in the level of inflation. 3.2% has been allowed for in 2027/28, with 2% allowed for in the 2 subsequent years.

xvi. Use of Council Tax Premium

Housing Services utilise an element of the Council Tax premium raised on empty and second homes to provide loans and grants to eligible applicants to help them purchase and / or renovate a home on Anglesey. The budget in 2026/27 was set at £1.05m. Any underspending on this budget is held in an earmarked reserve. The plan allows for an increase in this £1.05m budget in line with the assumed rise in Council Tax in each year. It should be noted that the WG is currently consulting on changes to the regulations relating to the Council Tax premium and this may impact on the level of income generated from the premium in future years.

6. INCOME

6.1. The Council's current income budget (excluding AEF, Council Tax and specific grant funding) amounts to £57.0m. This is made up of grants and reimbursements from public bodies (£30.4m), fees and charges set by statute or regulated by the Government (£8.0m), fees and charges set by the Council (£7.6m), long-term rental agreements in respect of land and property (£1.8m) and recharges within the Council to other Council services (£9.2m).

6.2. It has been the Council's policy to increase the discretionary fees and charges by 3% per annum, although, in some services, increasing the fees and charges by more than inflation has resulted in the Council's fees getting significantly closer to the fees charged by the private sector, e.g. leisure services. For the purposes of this plan, it has been assumed that the discretionary fees and charges will continue to rise by 3% per annum over the life of the plan.

6.3. Fees governed by statute or by the WG do not always rise, or the rise is below inflation. Where rises are higher than inflation, they can come with specific requirements, e.g. proposed rises in planning fees will require the Council to provide additional investment to the service to improve service delivery and resilience. As a result, the net effect of the increase in fees is much reduced.

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

7. PROJECTED BUDGET FOR 2027/28 – 2029/30

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

Table 8
Projected Net Revenue Expenditure Budget 2026/27 to 2028/29

	2027/28 £'m		2028/29 £'m		2029/30 £'m	
Previous Year Final Budget		**207.029**		**215.531**		**221.145**
Inflationary Pressures						
Non Teaching Pay Award	2.215		1.435		1.557	
Teaching Pay Award	(1.692)		1.066		0.905	
Major Service Contracts	0.977		0.531		0.543	
Energy Inflation	0.156		0.163		0.172	
Other Non Pay Inflation	1.376		1.235		1.261	
Income	(1.011)		(1.545)		(1.586)	
Social Care Providers Inflation	2.238		1.240		1.513	
Council Tax Reduction Scheme – Increase in Council Tax	0.397		0.250		0.215	
Fire Service Levy	0.218		0.170		0.175	
Total Inflationary Pressures		**4.874**		**4.545**		**4.755**
Demand Led Pressures						
Children's Services Demand	0.459		0.289		0.298	
Adult Services Demand	1.080		0.977		0.390	
Pupil Numbers	0.039		(0.464)		(0.447)	
School Transport	0.038		0.039		0.039	
Additional Learning Needs	0.173		0.119		0.121	
Homelessness	0.023		0.023		0.024	
Council Tax Reduction Scheme – Change in Estimated Caseload	0.000		0.000		0.000	
Investment in Other Services	0.712		(0.340)		0.000	
		2.524		**0.643**		**0.425**
Other Costs						
Capital Financing	1.051		0.393		0.630	
Use of Council Tax Premium for Housing Projects	0.053		0.033		0.028	
Total Other Costs		**1.104**		**0.426**		**0.658**
Estimated Net Revenue Budget		**215.531**		**221.145**		**226.983**
Annual Increase		**8.502**		**5.614**		**5.838**
Annual Increase Percentage		**4.11%**		**2.60%**		**2.64%**

7.2. The estimated Net Revenue Budget represents an increase of 9.6% over the 3 year period.

7.3. More detail on the estimated Net Revenue Budget and the assumptions that support the plan are attached as Appendix 2 and 3.

7.4. The figures shown above are based on the most likely scenario for all the assumptions. A best case and worse case scenarios have also been modelled. These models are based on the most optimistic and pessimistic assumptions for each of the expenditure headings. The results of the modelling exercise are shown in Table 9 below:-

Table 9
Best and Worst Case Scenario Models 2027/28 to 2029/30

	Best Case	Increase		Worst Case	Increase	
	£'m	£'m	%	£'m	£'m	%
2026/27 Base Budget	207.029			207.029		
2027/28 Estimated Budget	206.971	(0.058)	(0.03%)	224.114	17.085	8.25%
2028/29 Estimated Budget	208.352	1.381	0.66%	236.547	12.433	5.55%
2029/30 Estimated Budget	210.047	1.695	0.81%	249.748	13.201	5.58%

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

8. SENSITIVITY ANALYSIS

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

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

Assumption	Impact of a 1% Change £'000
NJC Pay Award	723
Teachers Pay Award	436
General Inflation	453
Main Service Contract Inflation	255
Social Care Provider Inflation	522
Income	153
Interest Rate Receivable	130
Aggregate External Finance	1,446
Council Tax (net of CTRS)	529
Demand for Children's Placements	91
Demand for Adult Service Placements	280
Homelessness	12
Council Tax Reduction Scheme Caseload	77

9. AGGREGATE EXTERNAL FINANCE AND COUNCIL TAX

9.1. The estimated standstill budget is funded from the level of AEF received from the WG (Revenue Support Grant (RSG) and NDR Pool Funding) and from the Council Tax raised locally.

9.2. There is currently no indication as to the level of AEF over the next 3 years, but the analysis by Wales Fiscal Analysis has calculated that the overall Welsh budget will increase by 0.7% in real terms each year. It also suggests that if NHS spending grew by 1.8% per year in real terms, then this would require other budgets to fall by 0.6% in real terms. If NHS spending grew at 3.6% in real terms (the historical average), the other budgets would have to fall by 2.7% in real terms.

9.3. With inflation forecast to be 2.2% in 2027/28 and 2% in the following two years, this would result in a cash increase of 1.6% in 2027/28 and 1.4% in 2028/29 and 2029/30. The position for 2027/28 is further complicated by the reduction in AEF that will happen in 2027/28 as a result of the change in the teachers' employer contribution rates and the potential for additional ALN funding to be brought into the budget. Having taken into account these changes, the forecast AEF increase for 2027/28 is 1.2% in cash terms, followed by increases of 2% in 2028/29 and 2.5% in 2029/30.

9.4. In 2026/27, Anglesey received £144.584m in AEF from the WG. Based on these assumptions, above, the AEF would rise to £146.312m in 2027/28, to £149.238m in 2028/29 and £152.969m in 2029/30, but these figures do not take account of any adjustments arising from the distribution formula or the impact of any changes in the taxbase.

9.5. Anglesey's Band D charge for 2026/27 was the 16th highest out of the 22 authorities in Wales. However, simply comparing the Band D charge does not give a true comparison as it does not take into account how many properties are in each band. Authorities with a high number of properties in Bands A and B tend to have a higher Band D charge in order to generate sufficient income.

9.6. By comparing the value of the taxbase as a percentage of chargeable dwellings, Anglesey's figure is similar to Flintshire, Gwynedd and Ceredigion, at around 96% to 100%, but Anglesey's Band D charge is £128 lower than Flintshire, £214 lower than Gwynedd and £184 lower than Ceredigion. This suggests that Anglesey's Band D charge is too low and there is some headroom to increase the charge. Each 1% increase in the Band D charge increases the charge by £18. Increasing the Band D charge to the same level as Flintshire would generate an additional £4.24m in Council Tax revenue, £7.10m if the charge was at Gwynedd's level and £6.1m if the charge was in line with Ceredigion.

10. COUNCIL TAX PREMIUM

10.1. Since 2024/25, the council tax premium on both empty and second homes stands at 100%, and this generated a budget of £4.76m of income in 2026/27. The guidance issued by WG to support the legislation, states that:-

- *Authorities may use the additional revenue for any purpose, but they are encouraged to use it to help to meet local housing needs, in line with the policy intentions for the premiums.*

10.2. The Council has allocated £1.05m to fund projects specifically designed to help local first time buyers, whilst also allocating funding to administer the projects, to collect the premium, to identify potential lost income through fraud and towards increasing the capacity of the economic development team. It also allows the Council to indirectly fund the impact of a high number of second homes in the area, through subsidising small schools, dealing with the impact of high levels of tourism and any community tensions that arise from tourism.

10.3. The WG has now granted local authorities in Wales the power to charge premiums of up to 300% but, to date, no Council in Wales has raised the premium to this level.

10.4. At present, there is no intention to adjust the second home premium, but the Executive has agreed to increase the empty property premium gradually, depending on the time the property has been empty, as shown in Table 11 below:-

Table 11
Empty Property Premium from April 2026

Number of Years Empty from April 2026	Premium Charged
Less than 5 years	100%
Between 5 and 6 years	125%
Between 6 and 7 years	150%
Between 7 and 8 years	175%
Between 8 and 9 years	200%
Between 9 and 10 years	250%
Over 10 years	300%

10.5. The change is estimated to generate an additional £400k in the first year, if no properties are brought back into use, and will increase each year as more properties are charged a higher premium. However, the change is designed to encourage property owners to bring their properties back into use and, as a result, it may actually result in a lower number of empty properties and a fall in the income generated. As a result, the plan assumes no change in the income level for the next 3 years.

10.6. The rules surrounding self catering accommodation being liable for non-domestic rates rather than Council Tax changed in April 2023, but it is only now that the amendments are being received and properties transferring back from the non-domestic rates register to the Council Tax register and being charged a second home premium. Between 150 and 200 properties have reverted back to Council Tax, although many are subject to appeal and may revert back to non-domestic rates in the future. This creates a significant amount of uncertainty surrounding the taxbase and may generate an increased level of income on a permanent basis, e.g. if 200 Band D properties returned to the Council Tax register and were charged a premium, this would generate around £680k in additional funding. Again, for the purposes of the plan, this change is considered as having no effect on income levels over the life of the plan.

11. GENERAL BALANCES AND RESERVES

11.1. The Council holds general balances to have sufficient funding to meet any unexpected expenditure which may arise during the year which cannot be funded from existing revenue or capital budgets. In addition, the Council holds earmarked reserves which are held to cover the cost of potential risks, the cost of future planned projects and to hold unused grant funding or any other restricted funds which the Council holds.

11.2. As at 31 March 2026, the Council held £19.038m as general balances and £25.042m as earmarked reserves. The Council's agreed strategy for general balances is to hold a minimum of 5% of the net revenue budget for the year. Therefore, in 2026/27, the minimum amount of general balances should be £10.35m. In setting the 2026/27 budget, £1.685m of the general balances were used to balance the budget and, in addition, the Executive has approved the use of a further £1.763m to fund one off capital and revenue projects, which reduces the level of general balances to £15.59m, which is £5.24m above the minimum required balance. However, it should be noted that any overspend on the 2026/27 revenue budget would be funded from general balances. The forecast at the end of quarter 1 of 2026/27 estimates that the revenue budget will underspend by £2.114m. This gives a forecasted balance of £17.704m, which is £7.437m above the minimum threshold.

11.3. A review of the earmarked reserves was undertaken at the end of the 2025/26 financial year, and £1.43m of earmarked reserves were transferred back into the Council's general balances. Included in the earmarked reserves are £8.9m of reserves which cover specific identified risks such as inflation, uninsured losses and the increase in demand for specific services. These reserves could be released back into the general balances, but this would weaken the Council's financial position because, if the risks materialised, the financial cost would have to be funded from the general balances.

12. SCHOOLS

12.1. The delegated schools' budget is an important element of the Council's overall budget, with 27.7% of the overall net budget allocated to schools. Schools also retain any surpluses in their own reserves, and the level of reserves gives a good indication of the financial pressure faced by schools. Table 12, below, shows the level of school balances as at 31 March 2026 and the projected balance as at 31 March 2027, after schools have allocated reserves to balance the 2026/27 budget:-

Table 12
School Balances as at 31 March 2026 and Projected Balance as at 31 March 2027

	Primary	Secondary	Special	Total
Balance as at 31 March 2026	£1,942,402	£2,118,961	£265,920	£4,327,283
Used to Balance 2026/27 Budget	(£552,461)	(£1,321,490)	(£51,770)	(£1,925,721)
Estimated Balance as at 31 March 2027	**£1,389,941**	**£797,471**	**£214,150**	**£2,401,562**
Number of Schools with Deficit Balance as at 31 March 2026	6	0	0	4
Number of Schools with Estimated Deficit Balance as at 31 March 2027	7	1	0	4

12.2. The overall balance does provide an indication, but other factors need to be considered when determining the financial health of each school. These factors include the size of the school and the trend in the balance over a number of years. A summery assessment of the schools is shown in Table 13, below:-

Table 13
Summary of Financial Health of Schools at 31 March 2026 and 31 March 2027

As at 31 March 2026				
	Primary	**Secondary**	**Special**	**Total**
Healthy	5	0	1	6
Stable and balance adequate	7	1	0	8
Worsening but balance adequate	13	3	0	16
Improving but balance low	1	0	0	1
Balance remains low but not critical	3	0	0	3
Worsening becoming critical	2	1	0	3
Critical	**7**	**0**	**0**	**7**
Total	**38**	**5**	**1**	**44**

As at 31 March 2027				
	Primary	**Secondary**	**Special**	**Total**
Healthy	4	0	1	5
Stable and balance adequate	7	1	0	8
Worsening but balance adequate	11	3	0	14
Improving but balance low	0	0	0	0
Balance remains low but not critical	5	0	0	5
Worsening becoming critical	4	1	0	5
Critical	**7**	**0**	**0**	**7**
Total	**38**	**5**	**1**	**44**

12.3. Table 12 confirms that, overall, schools are in a generally good financial position, although the situation varies from school to school. Table 13 confirms that the financial health of schools is worsening slightly, with only 5 schools considered to be in a healthy financial position in March 2027, compared to 6 in March 2026. In addition, 12 schools are at risk of being in a critical financial position in the short to medium term compared to 10 in March 2026.

13. BRIDGING THE FUNDING GAP

13.1. If the financial modelling is correct, then an additional £8.5m will be required to meet the inflationary pressures of providing the current service and to meet the demand pressures in 2027/28, although it should be noted that this figure is based on assumptions, which will need revising as the budget process progresses. Based on the assumptions detailed above, the current budget position in each of the three years of the plan is shown in Table 14, below:-

Table 14
Estimated Funding Shortfall 2027/28 to 2029/30

	2027/28 £'m		**2028/29 £'m**		**2029/30 £'m**	
Budget Shortfall (as per Table 8)		**8.502**		**5.614**		**5.838**
Increase in AEF	(1.727)		(2.926)		(3.731)	
Increase in Council Tax	(3.035)		(1.914)		(1.643)	
Additional Funding		**(4.761)**		**(4.840)**		**(5.374)**
		3.741		0.774		0.464
Reserves Used to Balance Previous Year's Budget		1.685		0.000		0.000
Estimated Budget Shortfall after funding		**5.426**		**0.774**		**0.464**
AEF Increase Assumption		**+ 1.2%**		**+2.0%**		**2.5%**
Council Tax Increase Assumption		**+ 5.0%**		**+3.0%**		**2.5%**

13.2. In the absence of increased AEF, it would require an increase of 14.0% in Council Tax to enable a balanced budget to be set in 2027/28. This would be an annual increase of £251, which would make Anglesey's Council Tax the 8th highest in Wales, assuming that all other Councils apply a 5% increase in 2027/28.

13.3. As shown in paragraph 11, the Council does have some capacity to use general balances and reserves to help reduce the funding gap, but using reserves does come with risks in so far as they are not a recurring source of income and using reserves does not eliminate the need to bridge the funding gap long term. In addition, using reserves reduces the financial reserves of the Council and weakens its financial position. Care must be taken to ensure that the level of reserves used does not leave the Council in a position where it has insufficient funding to meet any unexpected expenditure or to address potential risks if they crystalise into something that requires action and funding.

13.4. Paragraph 12 shows that, although the overall financial position of schools is worsening, there is some capacity for schools to contribute towards the savings target. The financial model decreases the delegated schools' budget by 1.8% in cash terms, to £56.39m, mainly as a result of the reduction in the teachers' pension employer contributions, and reducing this budget by 2% would generate savings of £1.13m. This will make it more difficult for individual schools to balance their budget in 2026/27, in particular smaller schools where the flexibility around class sizes is less.

13.5. The remaining option is to reduce the net expenditure budget and, given that in the last 5 financial years there has been an underspend ranging from £1.3m to £4.8m, there does appear to be some potential to make further reductions in budgets.

13.6. Again, assuming that the funding gap is £5.426m, this equates to revenue savings of 2.6% of the 2026/27 net expenditure budget. However, the net revenue budget includes a number of budgets which are outside the control of the Council and must be funded, these include:-

- Fire Authority Levy – £5.36m in 2026/27;
- CJC Levy (Corporate Joint Committee) - £0.08m in 2026/27;
- Capital Financing Costs – £5.86m in 2026/27;
- Council Tax Reduction Scheme – £7.93m in 2026/27;
- Historic Pension Costs – £1.03m in 2026/27;
- Members Allowances – £1.28m in 2026/27;
- Audit & Inspection Fees - £0.46m in 2026/27;
- Coroners Costs - £0.32m in 2026/27.

13.7. In addition, if the schools budget is capped, it is not possible to include the schools budget in any further savings targets. Therefore, any savings have to come from the remaining budgets (£127.29m in 2026/27), and this equates to savings of 4.3% from the budgets where it is possible to implement savings.

13.8. Approximately 85% of the Council's expenditure is on statutory services, with a further 3% on partly statutory services. Of the remaining 12%, 9% is spent on support services, with only 3% spent on non statutory services. Reducing the expenditure on statutory services is difficult and can only be achieved by providing the service more efficiently or by reducing the level of service provided to the defined minimum.

13.9. Work has commenced to identify any efficiency savings that can be applied but, given the previous austerity cuts and the rising demand for services, Services have not identified any significant efficiency savings that can be generated. Any savings that can be generated can only be done so through reduction in services or ceasing to undertake services.

13.10. Based on this forecast, the financial resilience indicator which determines the funding gap as a percentage of the net revenue expenditure is shown in Table 15, below:-

Table 15
Estimated Funding Gap as a Percentage of Net Revenue Expenditure

Year	Standstill Budget	AEF	Previous Year Council Tax (Note 1)	Total Funding Prior to Council Tax Increase	Estimated Funding Gap	% Gap
	£'m	£'m	£'m	£'m	£'m	
2018/19	132.337	94.924	33.644	128.568	3.769	2.85%
2019/20	134.702	95.159	35.087	130.246	7.156	5.21%
2020/21	142.203	101.005	39.370	140.375	1.828	1.29%
2021/22	147.076	104.825	41.161	145.986	1.090	0.74%
2022/23	155.501	114.549	42.957	157.506	(2.005)	(1.29%)
2023/24	173.830	123.665	44.879	168.544	5.286	3.04%
2024/25	188.992	127.586	47.628	175.214	13.778	7.29%
2025/26	199.025	135.605	52.628	188.233	10.792	5.42%
2026/27	206.773	144.579	57.810	202.389	4.384	2.12%
2027/28 forecast (Note 2)	215.531	146.311	63.794	210.105	5.426	2.52%
2028/29 forecast (Note 2)	215.719	149.237	65.708	214.945	0.772	0.36%
2029/30 forecast	220.783	152.968	67.351	220.320	0.464	0.21%
Note 1 – The Previous Year Council Tax figures are adjusted to take account of changes to the taxbase						
Note 2 – The standstill budget for 2027/28 & 2028/29 assumes that the final budget for 2026/27 is revised down to match the funding available						

13.11. It can be seen that the position for 2027/28, although slightly better than the position faced in 2025/26 and similar to the position in 2026/27, is still an extremely financially challenging year in terms of setting the budget, given that any efficiency savings have been realised in previous years. The position does begin to improve in 2028/29, but this is very much dependant on inflation and pay awards remaining low, demand for services levelling off, budget savings being identified and delivered and the local government settlement at least keeping pace with inflation.

14. CONCLUSIONS

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

14.2. The demand for statutory services and the pressure to increase the pay of certain parts of the Council's workforce (both for the Council's own employees and employees working in contracted services) will drive up costs significantly, particularly in 2027/28. If these additional cost pressures are not reflected in the funding settlement from WG, then the Council will have to implement cuts to services and / or higher than inflation increases in Council Tax in order to set a balanced budget, which allows the Council to meet its statutory obligations and accurately reflects the costs of providing those services.

14.3. The Council does have some reserves that can be used in 2027/28 to help reduce the potential funding gap, but the funding that can be released is limited and will not bridge all of the estimated gap, and the use of reserves does weaken the Council's financial resilience and only postpones the need to implement budget savings or increase Council Tax. By the end of the period of the plan, around £7m of permanent savings must be found or the income generated by Council Tax will have to increase by £7m in addition to the assumed increases in order to resolve the current financial position.

14.4. This Medium Term Financial Plan highlights the fact that the Council is currently facing another challenging and uncertain financial position, and difficult decisions will have to be taken in order to set a balanced budget in 2027/28 and beyond.

14.5. Increasing the level of Council Tax above the general level of inflation has to be considered as part of the overall long term financial solution to funding the financial shortfall and the Council has the ability to do this, when compared to Council Tax levels in other similar / neighbouring authorities.

14.6. For 2027/28, as in previous years, a mix of budget savings, above inflation increases in Council Tax and the careful use of reserves will have to be utilised in order to achieve a balanced budget.

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN ASSUMPTIONS

MOST LIKELY SCENARIO			
	2027/28	2028/29	2029/30
Pay and Price Inflation			
Pay, NI and Pension Costs – Non Teaching	3.0%	2.0%	2.0%
Pay, NI and Pension Costs - Teachers	3.5%	2.5%	2.0%
LGPS Contribution Rate	0.0%	0.0%	0.0%
Teachers’ Pension Contribution Rate	-38.5%	0.0%	0.0%
Electricity	5.0%	5.0%	5.0%
Gas	5.0%	5.0%	5.0%
CPI (including any correction from previous year)	3.2%	2.0%	2.0%
Main Service Contracts	3.2%	2.0%	2.0%
Social Care Provider Contracts	4.2%	2.5%	2.5%
Fees & Charges	3.0%	3.0%	3.0%
Council Tax	5.0%	3.0%	2.5%
Aggregate External Finance	1.2%	2.0%	2.5%
Government Grants	1.0%	3.0%	3.0%
Levies	4.0%	3.0%	3.0%
Capital Financing Costs	17.7%	5.7%	7.7%
Demand Pressures			
Children’s Placements	5.0%	3.0%	3.0%
Adult Social Care Placements	3.6%	2.0%	2.0%
School Transport	2.0%	2.0%	0.0%
Homelessness	2.0%	2.0%	0.0%
Council Tax Reduction Scheme Caseload	0.0%	0.0%	0.0%
Additional Learning Needs	3.0%	2.0%	2.0%

SUMMARY ESTIMATED NET REVENUE BUDGET 2026/27 – 2029/30

	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m
Pay – Non Teaching, including Pension & NI	68.476	71.218	72.759	74.424
Pay – Teaching, including Pension & NI	43.580	41.927	42.528	42.986
Other Employee Costs	3.934	4.055	4.136	4.219
Premises Costs	7.927	8.180	8.344	8.510
Energy	3.112	3.267	3.430	3.602
Transport	1.296	1.337	1.364	1.391
Supplies & Services	29.923	31.018	31.561	32.359
School Transport	4.626	4.809	4.944	5.083
School Meals	3.468	3.579	3.651	3.724
Education Out of County Placements	0.864	0.899	0.926	0.954
Education ALN Strategy	2.527	2.603	2.656	2.709
Adult Social Care	39.435	42.116	43.917	45.382
Children's Care Placements	12.743	13.839	14.543	15.278
Refuse Collection & Disposal	9.245	9.534	9.725	9.920
Highway Maintenance & Street Lighting	5.755	6.110	6.232	6.357
Public Service Bus Transport	2.458	2.535	2.585	2.637
Help for 1st Time Buyers	1.050	1.103	1.136	1.164
Homelessness	1.546	1.619	1.675	1.733
Members Allowances & Expenses	1.285	1.324	1.363	1.404
Coroners	0.319	0.328	0.335	0.342
Audit & Inspection Fees	0.461	0.476	0.485	0.495
Fire Service & Other Levies	5.450	5.668	5.838	6.014
Council Tax Reduction Scheme & Other Benefits	7.935	8.331	8.581	8.796
Capital Financing Charges & Interest Receivable	5.396	6.446	6.839	7.469
Contingencies	1.199	1.200	1.127	1.152
TOTAL GROSS EXPENDITURE	**264.009**	**273.521**	**280.680**	**288.104**
Grants	(30.389)	(30.692)	(31.613)	(32.561)
Fees & Charges	(15.544)	(15.936)	(16.333)	(16.739)
Recharges	(9.267)	(9.546)	(9.737)	(9.932)
Rents	(1.780)	(1.816)	(1.852)	(1.889)
TOTAL GROSS INCOME	**(56.980)**	**(57.990)**	**(59.535)**	**(61.121)**
NET REVENUE EXPENDITURE	**207.029**	**215.531**	**221.145**	**226.983**
Increase in Net Revenue Budget		**8.502**	**5.614**	**5.838**
% Increase in Net Revenue Budget		**+4.11%**	**+2.60%**	**+2.64%**

APPENDIX 3b

SUMMARY ESTIMATED NET REVENUE BUDGET BY SERVICE 2026/27 – 2029/30

	2026/27 £'m		2027/28 £'m		2028/29 £'m		2029/30 £'m	
Economic Development	1.023		1.058		1.077		1.098	
Destination	0.790		0.820		0.834		0.849	
Leisure	0.955		1.002		1.016		1.034	
Planning	1.372		1.494		1.519		1.546	
Public Protection	2.032		2.158		2.199		2.244	
Regulation		**6.172**		**6.532**		**6.645**		**6.771**
Highways	8.653		9.153		9.289		9.431	
Property	1.978		2.064		2.112		2.167	
Waste	10.788		11.152		11.358		11.570	
Highways, Waste & Property		**21.419**		**22.369**		**22.759**		**23.168**
Adult Services		**45.377**		**48.466**		**50.327**		**51.875**
Children's Services		**18.606**		**20.101**		**20.885**		**21.711**
Schools	57.407		56.388		57.383		58.259	
Central Education	14.314		14.922		15.274		15.633	
Culture	1.657		1.712		1.747		1.785	
Education & Culture		**73.378**		**73.022**		**74.404**		**75.677**
HR Communications & Customer		**2.246**		**2.316**		**2.362**		**2.412**
Digital, Performance & Modernisation		**6.472**		**6.829**		**6.991**		**7.162**
Housing		**2.098**		**2.184**		**2.249**		**2.316**
Resources		**4.248**		**4.387**		**4.470**		**4.561**
Council Business		**2.380**		**2.694**		**2.507**		**2.560**
Corporate Management		**0.878**		**0.904**		**0.922**		**0.942**
Capital Financing	5.396		6.446		6.839		7.469	
CTRS / Benefits	7.935		8.332		8.581		8.796	
Levies	5.450		5.668		5.839		6.013	
Help for 1st Time Buyers	1.050		1.103		1.136		1.164	
Corporate & Democratic	3.590		3.734		3.876		4.026	
HRA (Housing Revenue Account) Recharge	(0.865)		(0.891)		(0.909)		(0.927)	
Contingencies	1.199		1.335		1.262		1.287	
Non Service		**23.755**		**25.727**		**26.624**		**27.828**
TOTAL NET EXPENDITURE		**207.029**		**215.531**		**221.145**		**226.983**