

Isle of Anglesey County Council

Report to:	Executive
Date:	26 September 2023
Subject:	Medium Term Financial Plan 2024/25 – 2025/26
Portfolio Holder(s):	Cllr Robin W. Williams – Deputy Leader and Finance Portfolio Holder
Head of Service / Director:	Marc Jones – Director of Function (Resources) / Section 151 Officer
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Local Members:	Not applicable

A – Recommendation/s and reason/s

Recommendations

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 two 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 2024/25 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 option?

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 the budget approved by the Council?

The decision, although impacting on the budget for 2024/25, will not result in the incurring of any additional costs or generate any additional income in the 2023/24 financial year. As a result, the decision will not impact on the budget approved by the Council for 2023/24.

Dd – Assessing the potential impact (if relevant):		
1	How does this decision impact on our long term needs as an Island?	The MTFP sets out the financial position for the Council over the next 2 financial years. This impacts on the level of services which the Council can provide to meet the needs of the Island and its residents.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	Setting out and agreeing the medium term financial position allows the Council to plan for the cost of future services. Good financial planning will allow for the avoidance of unnecessary future costs.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom.	The Council, along with the other 21 Welsh Local Authorities and the Welsh Local Government Association have set out the financial position across Wales to Welsh Government. The Council also works closely with the other 5 North Wales authorities on the detailed assumptions used in the plan.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The annual revenue and capital budgets are subject to a public consultation process. The outcome of the Consultation is considered by the Executive before it makes its final budget proposal to the full Council in March each year.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	The MTFP makes no spending decisions. Any spending decisions would form part of the annual budget and individual proposals would be assessed on their impact on groups protected by the Equality Act 2010 at that point.
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The MTFP makes no spending decisions. Any spending decisions would form part of the annual budget and individual proposals would be assessed on their impact on those experiencing socio-economic disadvantage at that point.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	No impact
E – Who did you consult?		What did they say?
1	Chief Executive / Leadership Team (LT) (mandatory)	The report was considered by the Leadership Team at its meeting on 5 September 2023. Comments from the Chief Executive and the other members of the LT were incorporated into the final draft.
2	Finance / Section 151(mandatory)	The Section 151 Officer is the report author.
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is a member of the Leadership Team .
4	Human Resources (HR)	Not applicable
5	Property	Not applicable
6	Information Communication Technology (ICT)	Not applicable
7	Procurement	Not applicable
8	Scrutiny	
9	Local Members	

F - Appendices

Appendix 1 - Detailed Report on the Medium Term Financial Plan
Appendix 2 - MTFP Assumptions
Appendix 3 - Estimated Net Revenue Budget 2024/25 – 2025/26

Ff - Background papers (please contact the author of the Report for any further information):

1. INTRODUCTION AND BACKGROUND

- 1.1. The Medium Term Financial Plan sets out the Council's likely resource requirement for the next two financial years and details how the Council plans to balance the resource requirement with the funding available.
- 1.2. The Medium Term Financial Plan has been drawn up during a continued period of economic uncertainty. Despite the fact that the Covid lockdown period is over 2 years away and the UK has left the EU since January 2020, the impact on the UK economy is still significant, with problems with supply chains having an inflationary effect. Other global issues, including the continuing war in Ukraine, are also contributing to increased energy costs and supply chain difficulties which, again, are having an impact on inflation.
- 1.3. The impact of the previous Prime Minister and Chancellor's mini budget in September 2022 is now diminishing, but the new Prime Minister's change in economic policy is taking time to have a significant impact, with inflation still high, interest rates increasing and growth very low, with the possibility of a recession in the near future. All of these factors continue to influence the public finances and the amount of funding that will be available for the Welsh Government and local government in Wales. All the indications are that the next two financial years will be extremely challenging and setting a balanced budget will require difficult choices regarding the level of services provided by the Council and the level of Council Tax increase.
- 1.4. The situation is further complicated by the forthcoming general election, which must take place before January 2025. This may result in a change in the UK Government's spending plans prior to the election, and any new Government may have a different economic strategy following the election. Again, this will influence the level of public spending and the funding available to Local Government in Wales.
- 1.5. The Medium Term Financial Plan takes account of all known changes that are required to be built into the 2024/25 base budget, and makes assumptions on the main factors that impact on the Council's revenue budget (pay costs, pensions, general inflation, Welsh Government funding, demographic and demand pressures).

2. THE COUNCIL'S CURRENT FINANCIAL POSITION

- 2.1. In March 2023, the Council set the following budget:-

Table 1
2023/24 Revenue Budget

	£'m
2022/23 Final Net Revenue Budget	158.367
Pay Inflation and Other Staff Related Costs	7.378
Non Pay Inflation	12.569
Budget Pressures and Service Investments	0.766
Capital Financing Charges	(3.190)
Additional Income – above inflationary increase	(0.569)
Budget Savings	(0.753)
2023/24 Final Net Revenue Budget	174.568
Funded By:	
Aggregate External Finance (AEF)	123.663
Council Tax (including Premium)	47.125
Reserves	3.780
Total Funding 2023/24	174.568

- 2.2.** The final net revenue budget for 2023/24 increased by £16.201m, which is equivalent to a rise of 10.23%. The Aggregate External Finance (AEF) increased by 7.9% (after adjusting for the change in the taxbase and grants transferred into the settlement). The Council Tax debit increased by 7.6%. The Band D charge increased by 5.0%, with the remainder of the increase in Council Tax debit as a result of the change in the taxbase and an increase in the second homes premium from 50% to 75%.
- 2.3.** The 2022/23 financial year was still a transitional year for the Council, with all services returning to normal following the Covid lockdowns in 2020 and 2021. Services experienced increasing demand for services, whilst the financial position was helped by addition non-recurring Welsh Government funding, increased income, particularly from Waste and Highway services, and a high level of staff vacancies.
- 2.4.** At the end of the 2022/23 financial year, the Council reported a net underspend of £1.212m (2.37%), with all Services, apart from Adult and Children's Social Care and Housing, reporting an underspend against their budget. This resulted in an increase in the Council's general balances to £13.966m. However, £3.780m of these reserves have been allocated as funding for the 2023/24 budget. As a result, the level of reserves moving forward stands at £10.186m, which is equivalent to 5.83% of the net revenue budget for 2023/24. This compares to the target figure of £8.7m (5.0%) which was approved by the Executive.
- 2.5.** 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 £19.637m at 31 March 2023, a decrease of £3.544m during the year. A review of reserves was undertaken during the year, with £4.13m of reserves being unearmarked and transferred back to the Council's general balances.
- 2.6.** School Balances also fell slightly during 2022/23, falling from £7.827m to £6.716m. As inflationary pressures have increased during 2022/23, more schools used their reserves to balance the 2022/23 budget, and this trend will continue to 2023/24, with schools estimating that £2.82m of school balances will be used in 2023/24 to balance the revenue budget.
- 2.7.** The Council received a significant increase in the level of Aggregate External Finance (AEF) from Welsh Government, up £9.067m (7.9%) from the previous year. However, the funding increase covered the inflationary pressures faced by the Council and was, therefore, not a real terms increase in funding. Council Tax rose by 5% and this increase, along with the increase in the AEF, was insufficient to fund the required rise in the Council's net revenue budget. As a result, £3.78m of reserves were used to balance the budget. 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.
- 2.8.** 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.

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

2.9.1. Funding Gap as a Percentage of Net Revenue Expenditure

Year	Standstill Budget £'m	AEF £'m	Previous Year Council Tax (note 1) £'m	Total Funding Prior to Council Tax Increase £'m	Estimated Funding Gap £'m	% Gap
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	123.555	44.879	168.434	5.396	3.10%

Note 1 – The Previous Year Council Tax figures is 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 worsened again in 2023/24, where the funding gap was mainly filled by the use of reserves to balance the budget.

How the position for 2024/25 and 2025/26 compares to this historical data will be discussed later in this report.

2.9.2. Over / Underspending Relative to Net Revenue Expenditure

Year	Net Revenue Budget £'m	Actual Net Revenue Expenditure £'m	Over / (Under) Spend £'m	% Over / (Under) Spend
2018/19 Actual	130.900	131.533	0.633	0.48%
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 (pending Audit)	158.367	157.420	(1.212)	(0.76%)
2023/24 (Forecast at Q1)	174.569	175.313	0.744	0.43%

The table highlights that, in 2018/19 and 2019/20, the final position was close to the budget, with a small overspend in 2018/19 and a small underspend in 2019/20. Covid then had a significant impact on the demand for services and the level of funding received from Welsh Government, which resulted in 2 years of significant underspends. The position began to normalise in 2022/23 but, again, additional Welsh Government funding improved the position and allowed the Council to underspend once again. The initial forecast for 2023/24 shows a worsening position, with the demand for social care services putting a significant pressure on the Council's budget, with an overspend of 0.43% currently forecast, but the forecast will continue to change over the remainder of 2023/24.

2.9.3. Useable Reserves as a Percentage of the Net Revenue Budget (NRE)

Year	Net Revenue Budget £'m	General Balances £'m	Earmarked Reserves £'m	School Balances £'m	Total Useable Reserves £'m	% Useable Reserves to NRE
2018/19	130.900	5.912	9.914	0.631	16.457	12.57%
2019/20	135.210	7.060	10.090	0.197	17.437	12.83%
2020/21	142.146	11.437	14.846	3.974	30.257	21.29%
2021/22	147.120	12.050	25.562	7.827	45.439	30.89%
2022/23	158.367	13.967	21.952	6.716	42.635	26.92%
2023/24 (forecast)	174.569	9.443	21.952	3.900	35.295	20.22%

The table highlights that the Council's financial position has strengthened significantly since 2018/19 as a result of the underspending in 2020/21, 2021/22 and 2022/23. Although it also indicates that the position is starting to weaken with the use of £3.78m of general balances and £2.8m of school balances to balance the 2023/24 budget, reducing the forecasted percentage to the pre-Covid levels.

2.9.4. Capital Financing Costs as a Percentage of Net Revenue Expenditure Minimum Referniw Position

Year	Net Revenue Budget £'m	MRP £'m	Interest Payable £'m	Interest Receivable £'m	Total Capital Financing Costs £'m	% of Capital Financing Costs to NRE
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 (budget)	174.569	1.369	3.997	(1.036)	4.330	2.48%

The fall in the percentage is due to 2 factors. Firstly, we have not made any additional borrowing since February 2020 and have used our own cash balances to fund capital expenditure funded from supported or unsupported borrowing. Secondly, the change in the MRP policy in 2022/23 halved the annual MRP charge in the early years, although the charge will increase in future years.

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

3. THE UK ECONOMIC OUTLOOK AND BUDGET

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

- 3.2.** The global pandemic, the war in Ukraine and the impact of Brexit have been significant shocks to the UK economy, and has resulted in the UK Government providing unprecedented levels of support to individuals and businesses in the form of Covid grants, energy support grants and cost of living support grants. The UK Government's gross debt (as reported by the ONS) stood at £2.57 trillion, which is 100.5% of the country's GDP. This compares to £2.4 trillion (as at July 2022), which was 102.1% of GDP.
- 3.3.** During 2022/23, the Government borrowed £132bn, compared to £122bn in the previous financial year, and have already borrowed a further £54.4bn in the first quarter of 2023/24. Although the level of borrowing in July 2023 was lower than anticipated, it is not expected that there will be a significant reduction in borrowing in 2024/25 and 2025/26, although borrowing is expected to fall in 2026/27 and 2027/28. If the economy grows and borrowing falls, this should allow the UK Government to meet its target of reducing debt as a share of GDP.
- 3.4.** A number of events has caused inflationary pressures in the UK economy. The rise was mainly caused by the sudden increase in energy prices, following the start of the Ukraine war, but shortages in the UK labour market following Brexit, post covid global supply chain problems and increased import costs have also contributed to the inflationary pressures. Consumer Price Inflation peaked at 11.1% in October 2022, but has now begun to fall, reaching 6.8% by July 2023. The UK Government has committed to bringing down inflation to 5% by the end of 2023, and it is forecast to fall to around the 2% target by the end of 2024/25. However, the more pessimistic forecasts suggest that the fall in the inflation rate may not be as rapid during 2024 and that it could remain at around 5% for all of 2024/25 and into 2025/26.
- 3.5.** The Bank of England 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 Bank of England's Monetary Policy Committee (MPC) have made small incremental increases in the base rate of 0.25% or 0.5% at each review, and the current rate is 5.25%. The Bank of England is committed to get inflation under control, with interest rates being the main lever to achieve this goal. As interest rates rise, consumers have less disposable income to spend and this, in turn, reduces economic demand which, in turn, reduces inflation. Whether interest rates continue to rise or begin to fall is dependant on how quickly inflation falls, but the forecast is that rates will remain around 5% for the foreseeable future.
- 3.6.** Rising interest rates, generally, reduces economic demand and investment, which reduces growth. A recession is defined as 2 successive quarters of negative growth. In 2022, the economy grew by 0.6% and by 0.3% in the first two quarters of 2023, and the forecast level of growth over the next two years is also very low. Low growth does not generate significant increases in tax revenues, and this has a significant impact on the funding available for public services.
- 3.7.** The UK Government has increased the level of both direct and indirect taxes to its highest level since the Second World War, with tax revenues now equivalent to 40% of GDP. The freezing of income tax thresholds and the increase in corporation tax have contributed to the increase. The high tax burdern severely limits the Government's ability to increase public spending by increasing direct or indirect taxes. Some elements of the Conservative party are pushing for a reduction in tax, in order to stimulate growth. The growth in the economy would then create more tax revenue as businesses would generate more profits and the population would have more disposable income.
- 3.8.** The UK Government is under increasing pressure to increase spending on high priority areas, such as the NHS, but also to increase spending on defence, given the rising risks following the Ukrainian war. With borrowing at an all time high and the tax burden also high, the Government's options in respect of public spending are limited.

- 3.9. High borrowing costs result in more of the Government's funding being used to service existing debt, but interest rates need to remain high, in order to reduce inflation. Although the Government's overall aim is to reduce inflation it can only be done by maintaining high interest rates and running the risk that the economy will fall into recession. High inflation increases the Government's costs, e.g. higher public sector pay awards, but getting inflation under control may result in a recession and rising unemployment.
- 3.10. The potential for significant real term increases in public sector budgets in the medium term are very low, unless external factors change significantly, which would include an end to the Ukraine war and resolving some of the outstanding post Brexit issues.

4. FUNDING FROM WELSH GOVERNMENT

- 4.1. Funding of Local Government in Wales has changed significantly over the past decade. After taking account of grants transferring into and out of the settlement and additional funding for new responsibilities, the local government settlement fell each year, in cash terms, between 2013/14 and 2019/20. It began to rise in 2020/21, but only exceeded the 2013/14 level in 2022/23, when the settlement increased by 9.4%. The increase of 7.9% in 2023/24 continued to reduce the gap between the actual level of the settlement and where it would have been if the inflationary increase had been applied each year. Therefore, in real terms the funding is still over 10% less than the 2013/14 level.
- 4.2. As the Welsh Government had been given indicative levels of funding following the Comprehensive Spending Review, they were able to announce the indicative all Wales local government funding settlements for 2024/25 of 3%, with no indication given for 2025/26. The funding is based on the UK Government's spending review in 2021, which did not factor in the significant rise in inflation seen in 2022 and 2023. The Welsh Government estimate that, in real terms, the value of the 2023/24 budget is now £900m lower than when the budget was set. The November 2022 budget statement did result in the Welsh Government receiving an additional £140m in the form of consequential funding, and it will be for the Welsh Government to decide how to use this additional funding.
- 4.3. There may be some increased revenue generated through devolved taxes, which may be greater than the adjustment in the Welsh block grant.
- 4.4. There have been a number of public sector pay settlements in Wales, with Teachers pay rising by 6.5% from September 2022, plus a one off payment of 1.5%, and then a 5% rise from September 2023. NHS pay awards resulted in an increase of 15.7% (with 11.2% consolidated) for the 2 years 2022/23 and 2023/24. Both these pay awards have significantly increased the public sector pay bill in Wales, with no additional funding received by the Welsh Government from the UK Government, unless the UK Government provide additional funding in England.
- 4.5. It is, therefore, likely that the Welsh Government will only receive an increase of funding which will be on, or around, the level of inflation for 2024/25 and, as a result, the additional inflationary costs faced in 2022/23 and 2023/24 will have to be absorbed into the 2024/25 budget without any additional funding.
- 4.6. Around 50% of the Welsh Government's budget funds the NHS in Wales, and the Welsh Government is under pressure to address the increased waiting lists and increased demand for services. Local Government accounts for around 25% of the Welsh Government 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.

- 4.7. Analysis by Wales Fiscal Analysis in April 2023 has modelled a scenario where funding for Local Government in Wales could fall by 1.6% from 2024/25 to 2027/28, although there is huge uncertainty and will be influenced by the UK economy's performance, the UK Government's economic strategy and the outcome of the next general election.

5. NATIONAL AND LOCAL BUDGET PRESSURES

- 5.1. Local Government generally is facing a number of budget pressures, particularly in Social Care and Homelessness. The BBC reported that the budget pressures faced by local authorities in Wales is around £390m over the next 2 years (only 15 from 22 responded). The WLGA estimate that, if councils cannot generate sustainable service reductions to cover the level of reserves used to balance the 2023/24 budget, this along with the additional inflationary and demand pressures may result in a budget pressure of £750m in 2024/25. Based on the indicative levels of increases in the Welsh local government settlement and an annual increase of 4% in Council Tax, this still leaves a shortfall of £500m in 2024/25.

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

i. Pay Increases – Non Teaching Pay

The non teaching pay award is set across England and Wales based on an agreement between the Employers and the Unions. For 2023/24, the current offer is a flat rate increase of £1,925 for all employees up to point 43, with a 3.8% increase for all pay points above this level. In setting the 2023/24 budget, initially 3.5% was allowed for as the pay award but, prior to finalising the budget, an additional £2m from general reserves was released, taking the net increase in pay to 7%. The pay offer for 2023/24 has yet to be accepted by the Unions and, if the final agreed pay award exceeds the sum allowed for in the budget, then this will place additional pressure on the 2024/25 pay award, with each 1% adding an additional £600k to the pay budget.

No information is available on the pay offer for 2024/25 but, as inflation continues to fall, it is anticipated that the pay claim made by the Unions and the pay offer made by the employers will fall. However, there is an additional complication, in that the increase in the national living wage (currently £10.42 per hour) is forecast to rise to between £10.82 and £11.35 per hour in April 2024 (3.8% to 8.9%). The 2023/24 pay offer takes the lowest point of the pay scale to £10.60 (as at April 2023). Therefore, the pay award would have to range between 2% and 7% simply to maintain the lowest point above the national minimum wage level. This range has been used for the purposes of the Medium Term Financial Plan

ii. Pay Increases – Teachers Pay

Teachers pay is set by the Welsh Government, with the pay award being effective from September each year. For the period September 2022 to August 2023, the Teachers' pay award was settled with teachers receiving a 5% rise with an additional one-off payment equivalent to 1.5%. These additional costs have been funded by Welsh Government through grant funding. A 5% rise has been agreed for the academic year 2023/24.

For the purposes of the plan, a range of pay awards between 1% and 3% has been modelled for the academic year 2024/25 and 2025/26.

After factoring in the agreed pay awards and the estimated future pay awards and the need to correct the sum allowed for in the 2023/24 budget, it is estimated that the teacher's pay budget will rise between 3.5% and 7.2%, with the most likely estimate being 5.6%.

iii. Local Government and Teachers' Pension Contributions

The LGPS pension scheme was re-valued in 2022, with the new employer contribution rates being fixed for three years, and so no change is expected in contribution rates for the length of this plan.

The Teachers Pension Scheme was due for revaluation with the new rates applicable from April 2023. The UK Government needs to resolve a number of issues in respect of the Teacher's Pension Fund, and this has delayed the completion of the new valuation and implementation of new employer contribution rates. There is significant speculation that it will be necessary to increase contribution rates significantly, with some forecasting an increase in the contribution rate to 30% or above, from its current value of 23.6%. Each 1% rise in the contribution rate increases the costs by approximately £230k.

iv. Major Service Contracts

A number of the Council's Services are outsourced, including refuse collection and disposal, highway maintenance, school meals, school transport and public service bus contracts. The majority of the contracts are long term agreements which will end after the end of the period covered by this plan. The price of each contract is uplifted annually using a set of pre-determined inflation indices which are defined in each contract. The budget for these contracts is in the region of £25m, and the increase is normally dependant on inflation indices in the preceding autumn. This may result in a high inflation uplift once again in 2024/25, with an estimate of around £1.5m with a smaller uplift of around £0.5m in 2025/26.

v. Energy Costs

The current budget for energy (electricity and gas) in 2022/23 was £4.37m (£2.34m for electricity and £2.03m 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. These changes will reduce costs, but an increase is expected in the corporate energy contracts when they are renewed later this year. The Council is currently tied into a framework agreement until September 2024 for both electricity and gas, with prices updated each October. Energy prices are more stable and price increases should be much lower than 2023 but much will depend on demand through the winter months and the outcome of the continuing war in Ukraine. It will be necessary to correct the 2022/23, budget and allow for the price increases in 2023/24, including any further price increase in October 2023. Therefore, there is a potential for energy costs to increase by over £2m in 2023/24, with a similar rise in 2024/25. Much will depend on the outcome of the war in Ukraine and whether energy prices begin to fall, if and when the war ends.

vi. Elderly Nursing, EMI and Residential Care Home Fees

For a number of years, the annual fee increase for nursing, EMI and residential care home fees have been determined using a standard 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.

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.

Homes are now invariably using top up charges which, if they are unaffordable to the client or their family, are then paid by the Council. This is creating an added cost pressure in addition to increasing client numbers, which is reflected in the fact that Elderly nursing and residential care fee budgets are forecast to overspend by £30k in 2023/24.

Simply allowing for inflation in 2024/25 will add over £400k to the annual costs.

vii. Domicilliary Care Contract

The domicilliary care contracts were re-tendered during 2023, but providers are finding it difficult to retain sufficient number of carers. The Welsh Government has previously made additional funding available to fund an increase in the hourly rates paid to carers.

The Council also maintains an in-house care team which supplements the external providers, but the Council is also experiencing recruitment and retention problems.

Although domicilliary care is not a clear financial risk at this point, it is an emerging risk which may require additional funding in the future in order to allow the Council to meet the increasing demand for services.

viii. Children's Services

The Council has made significant progress in recent years to bring the cost of its Children's Services within its budget. However, 2022/23 saw an increase in the number of children being placed and increases in the fees charged by providers for out of county residential placements, and this continues to be the case in 2023/24. It is currently forecasted that Children's Services will overspend its budget by £0.7m. There is a need to correct this position in setting the 2024/25 budget, unless the Service can reduce the average placement cost or that the number of children in care begins to fall.

ix. Adult Social Care Services

As with Children's Services, there is a significant risk that the demand for Adult Social Care services (elderly, mental health, learning disability etc.) will increase. This is in addition to the inflationary pressures on pay and private sector provider costs. The budget is forecast to overspend £1.5m in 2023/24, but this is after allocating grants and the use of reserves. The true figure is probably closer to between £2.5m and £3m, even after a 16.7% rise in the budget in 2023/24.

x. Homelessness

Since the pandemic, the number of cases being dealt with by the Service has increased and, in the 2022/23 settlement, the Welsh Government included additional funding to meet the cost of the additional demand. As a result, the Council included an additional £350k in the budget, increasing the budget to around £700k. In addition, the Welsh Government provided an additional £180k in grant funding. However, since the budget was set, the situation has worsened with demand continuing to increase. Additional grant funding from Welsh Government has reduced the forecasted overspend down to £85k, but the level of grant funding beyond 2023/24 has yet to be confirmed. This situation is not unique to Anglesey, all councils across Wales are dealing with the same pressures. It is likely the cost-of-living crisis will add to the problem as tenants find it harder to pay rent as well as increasing energy and food costs. The Service is looking at all options to increase the supply of social and private sector rented accommodation and to reduce the number of cases.

xi. Public Transport

Since the pandemic, the number of passengers using public transport has fallen and has not recovered to pre-pandemic levels. Welsh Government has provided additional funding through the Bus Emergency Scheme (BES). This scheme ends in 2023/24 and, without this additional funding, there is a significant risk that the commercial routes will no longer be viable and the subsidised routes will require additional subsidy. It is estimated that the maximum additional funding that would be required to make up for the loss in the BES funding would be £300k, but a lot is dependant on how passenger numbers recover and whether operators can absorb the loss of income without having to increase their rates.

xii. Council Tax Reduction Scheme

Since the funding for the Council Tax Reduction scheme transferred into the local government settlement, the sum included in the Standard Spending Assessment by Welsh Government has remained largely unchanged. As the levels of Council Tax increase, the cost falls on the taxpayers of Anglesey. The economic forecasts suggest a gradual increase in unemployment, which will lead to an increasing caseload. It is unclear whether the cost of living crisis results in a level of lower consumer demand, which impacts on the retail and service industries. This may lead to increased unemployment in these areas. Each 1% increase in the caseload increases the cost by approximately £70k, in addition to the increase as a result of increasing Council Tax.

xiii. 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 on Ysgol Y Graig.

However, it should be noted that the cost of building works has increased since the easing of the lockdown, with a shortage of materials and labour forcing up prices. Although increases appear to have levelled off, there is no indication that prices will return to pre-covid levels. This increases the costs of capital projects which may result in additional borrowing, which will then result in an increase in the capital financing costs. Given the current uncertainty, no allowance has been made for this potential risk in the current plan.

High cash balances and the sharp rise in interest rates allowed the interest receivable budgets to increase by approximately £1m in 2023/24. However, cash balances in 2024/25 will be significantly lower as cash backed reserves begin to run down and it is anticipated that, even though interest rates are expected to remain at the current levels for the majority of 2024/25, the interest received will fall by at least 40% in 2024/25, and a further 10% in 2025/26.

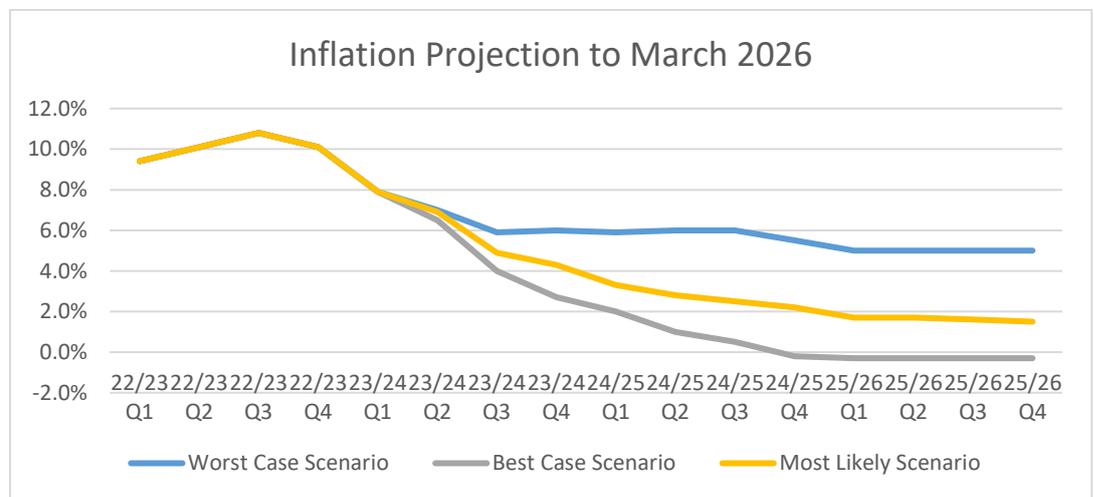
xiv. Fire Service Levy

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 Welsh Government'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 are currently consulting on options which would change how the service is delivered across North Wales, with the cost of the options ranging from an increase of between 8% and 13.5%. The central option would increase costs by 11% and, if all of this increase was funded from the levy, it would increase the Council's contribution by £490k in 2024/25.

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 and has remained high for the first part of 2023. The graph below shows the Bank of England's current forecast:-



Approximately £37m of the Council's budget will be impacted by a general increase in the level of inflation. It will be necessary to correct the under provision in the 2023/24 budget and also allow for inflation in 2024/25. Based on the most likely scenario shown above, it will require an increase of 5% in these budgets to cover the inflationary pressure. This equates to an increase in the budget requirement of approximately £2.0m.

6. INCOME

- 6.1. The Council's current income budget (excluding AEF, Council Tax and specific grant funding) amounts to £49m. This is made up of grants and reimbursements from public bodies (£22.8m), fees and charges set by statute or regulated by the Government (£6.8m), fees and charges set by the Council (£5.7m), long-term rental agreements (£1.5m) and recharges within the Council to other Council services (£12.2m).
- 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. When inflation has been low, the statutory or regulated fees tended to increase by the rate of inflation, however given that inflation is significantly higher, this normal rise in these fees may not be implemented and a lower increase may result.
- 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 Welsh Government. 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 2024/25 – 2025/26

- 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 2 years, and this is set out in Table 2 below:-

Table 2
Projected Net Revenue Expenditure Budget 2024/25 to 2025/26

	2024/25 £'m	2025/26 £'m
Previous Year Final Budget	174.569	187.714
Non Teaching Pay Award	2.207	1.283
Teaching Pay Award	2.211	0.983
Major Service Contracts	1.007	0.438
Energy Inflation	0.437	0.361
Other Non Pay Inflation	1.548	0.800
Income	(1.461)	(1.193)
Social Care Providers Inflation	1.442	0.710
Children's Services Demand	0.680	0.122
Adult Services Demand	2.101	0.481
School Transport	0.204	0.103
Public Transport	0.190	0.021
Homelessness	0.504	0.108
Council Tax Reduction Scheme Caseload	0.473	0.499
Fire Service Levy	0.496	0.150
Capital Financing	0.863	0.310
Other Budget Pressures	0.169	0.192
Estimated Net Revenue Budget	187.641	193.082
Annual Increase	13.072	5.368
Annual Increase Percentage	7.48%	2.86%

- 7.2. The estimated Net Revenue Budget represents an increase of 10.6% over the 2 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, which show an increase in the net revenue budget of £3.86m (2.2%) in 2024/25 and £1.16m (0.7%) in 2025/26 under the best-case scenario, and an increase of £23.2m (13.3%) in 2024/25 and £14.27m (7.2%) in 2025/26 under the worst case scenario. The 3 scenarios give a wide range of estimates for the required net revenue budget for the forthcoming two years, and it demonstrates the significant level of uncertainty that exists around inflation and the future demand for services. This makes financial planning extremely difficult.

8. AGGREGATE EXTERNAL FINANCE AND COUNCIL TAX

- 8.1.** The estimated standstill budget is funded from the level of Aggregate External Finance (AEF) received from the Welsh Government (Revenue Support Grant and NDR Pool Funding) and from the Council Tax raised locally.
- 8.2.** As stated in paragraph 4 above, the Welsh Government has provided indicative increase of 3% in the overall local government budget for 2024/25, however, the figure was based on the position prior to the sharp increase in inflation. No indication has been provided as yet for 2025/26, but the expectation is for a low increase in 2025/26.
- 8.3.** In 2023/24, Anglesey received £123.665m in Aggregate External Finance from the Welsh Government, with the remaining funding coming from Council Tax, £47.124m and the Council's own financial reserves, £3.78m.
- 8.4.** Table 3 below shows the additional income that various changes in AEF and increases in Council Tax would have on the Council's funding (assuming no change in the Council Tax base) and that any additional funding generated by increase in the Council Tax premium would be used to increase budgets on projects to help with the supply of affordable housing on the Island i.e. have a nil effect on the budget.

Table 3

**Impact on Council Funding for Changes in AEF and Council Tax
(net of CTRS) 2024/25**

		Change in AEF Cash Sum							
		+0%	+1%	+2%	+3%	+4%	+5%	+6%	+7%
		£'m							
Council Tax Rise (net of rise in CTRS)	3%	1.21	2.45	3.68	4.92	6.16	7.39	8.63	9.87
	4%	1.61	2.85	4.09	5.32	6.56	7.80	9.03	10.27
	5%	2.02	3.26	4.49	5.73	6.97	8.20	9.44	10.47
	6%	2.42	3.66	4.90	6.13	7.37	8.61	9.84	10.68
	7%	2.83	4.06	5.30	6.54	7.77	9.01	10.25	11.08
	8%	3.23	4.47	5.70	6.94	8.18	9.41	10.65	11.89
	9%	3.63	4.87	6.11	7.34	8.58	9.82	11.05	12.29
	10%	4.04	5.27	6.51	7.75	8.98	10.22	11.46	12.69
	11%	4.44	5.48	6.91	8.15	9.39	10.62	11.86	13.10
	12%	4.84	6.08	7.32	8.55	9.79	11.03	12.26	13.50
	13%	5.25	6.28	7.72	8.96	10.20	11.43	12.67	13.90
	14%	5.65	6.89	8.13	9.36	10.60	11.84	13.07	14.11
	15%	6.06	7.29	8.53	9.77	11.00	12.24	13.48	14.71
	16%	6.46	7.70	8.93	10.17	11.41	12.64	13.88	15.12
	17%	6.86	8.10	9.34	10.57	11.81	13.05	14.28	15.52
	18%	7.27	8.50	9.74	10.98	12.21	13.45	14.69	15.92
19%	7.67	8.91	10.14	11.38	12.62	13.85	15.09	16.33	
20%	8.07	9.31	10.55	11.78	13.02	14.26	15.49	16.53	

9. GENERAL BALANCES AND RESERVES

9.1 In order to fund the estimated additional budget requirement of £13.07m, plus to replace the £3.78m of reserves used to balance the budget in 2023/24 with permanent funding, it would require the AEF to rise by 7% and Council Tax to increase by over 20% to generate sufficient funding. If the AEF only rises by 3%, it would require Council Tax to rise by around 30% in order to generate sufficient permanent funding to meet a net budget requirement of £187.64m.

9.2 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.

- 9.3** As at 31 March 2023, the Council held £13.97m as general balances and £19.64m 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 2023/24, the minimum amount of general balances should be £8.73m. In setting the 2023/24 budget, £3.78m of the general balances were used to balance the budget, which reduces the level of general balances to £10.19m, which is £1.46m above the minimum required balance. However, it should be noted that any overspend on the 2023/24 revenue budget would be funded from general balances. The forecast at the end of quarter 1 of 2023/24, estimates that the revenue budget will overspend by £0.744m, which would reduce the level of general balances down to £9.45m, which is only £0.72m above the minimum threshold.
- 9.4** A review of the earmarked reserves was undertaken in 2022/23, and £4.13m of earmarked reserves were transferred back into the Council's general balances. Included in the earmarked reserves are £6.37m 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.

10. BRIDGING THE FUNDING GAP

- 10.1.** If the financial modelling is correct, then an additional £13.14m will be required to meet the inflationary pressures of providing the current service and to meet the demand pressures in 2024/25, although it should be noted that this figure is based on assumptions, which will need revising as the budget process progresses.
- 10.2.** It can be seen from Table 3 if AEF was to rise by 3% and Council Tax rises by 5%, the additional funding will only generate an additional £6.11m (after adjusting for the increase in CTRS), leaving a gap of £6.96m. However, the use of reserves in 2023/24 must also be taken into account and, if no reserves are used in 2024/25, then the funding shortfall increases by £3.78m to £10.74m.
- 10.3.** The Executive has already stated its intention to raise the second home premium from 75% to 100%, and this will generate an additional £0.85m. If this funding was used to support Council services which are impacted by rising numbers of second homeowners (homelessness prevention, financial and debt management advice, tourism), then this would reduce the estimated funding gap down to £9.93m.
- 10.4.** As shown in paragraph 9, 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 crystallise into something that requires action and funding.
- 10.5.** The Council is legally obliged to set a balanced budget each year, where the budget is a fair and reasonable estimation of the costs faced to provide the services in the year to which the budget relates, and that the estimated cost can be funded from Welsh Government funding, Council Tax and reserves and balances. If the level of funding is insufficient, that only leaves the option of reducing the net expenditure budget to the level of funding available.
- 10.6.** Again, assuming that the funding gap is £10.0m, that equates to revenue savings of 5.7% of the 2023/24 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 – £4.5m in 2023/24
- Capital Financing Costs – £5.36m in 2023/24
- Council Tax Reduction Scheme – £6.97m in 2023/24
- Historic Pension Costs – £0.94m in 2023/24
- Members Allowances – £1.03m in 2023/24
- Audit & Inspection Fees - £0.38m in 2023/24
- Coroners Costs - £0.23m in 2023/24
- Joint Services with Other Local Authorities - £2.73m in 2023/24

10.7. Therefore, any savings have to come from the remaining budgets (£152.4m in 2023/24) and this equates to savings of 6.6% from the budgets where it is possible to implement savings.

10.8. 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.

10.9. Looking ahead to 2025/26, the AEF and Council Tax would generate an additional £3.79m (based on a rise of 2.0% in AEF and 5% in Council Tax), which would take the available resources up to £181.50m, when the estimated net revenue budget to fund the current level of service and demand pressures would be £193.01m, leaving shortfall of £11.51m. £9.93m of this figure relates to the budget shortfall carried forward from 2024/25, leaving an additional £1.58m shortfall in the 2025/26 budget.

10.10. Based on this forecast, the financial resilience indicator which determines the financial funding gap as a percentage of the net revenue expenditure.

Year	Standstill Budget £'m	AEF £'m	Previous Year Council Tax (note 1) £'m	Total Funding Prior to Council Tax Increase £'m	Estimated Funding Gap £'m	% Gap
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 forecast	187.641	127.375	47.124	174.499	13.142	7.00%
2025/26 forecast – note 2	183.078	128.649	50.335	178.984	4.094	2.23%
Note 1 – The Previous Year Council Tax figures is adjusted to take account of changes to the taxbase						
Note 2 – The standstill budget for 2025/26 assumes that the final budget for 2024/25 is revised down to match the funding available						

It can be seen that the position for 2024/25 is the worst position the Council has been for a number of years at this stage of the budget setting process.

11. CONCLUSIONS

- 11.1.** The Medium Term Financial Plan sets out the estimated net revenue budget for the next 2 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 of rapidly increasing inflation, estimating the demand for services, the impact of the cost-of-living crisis on the demand for Council services and the future funding of Local Government in Wales post the UK general election. The level of support from Welsh Government 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.
- 11.2.** The demand for services and the pressure to increase the pay of certain parts of the Council's workforce (both for the Council's own employees and employees working in contracted services) will drive up costs significantly, particularly in 2024/25. If these additional cost pressures are not reflected in the funding settlement from Welsh Government, then the Council will have to implement further cuts to services and / or higher than inflation increases in Council Tax in order to set a balanced budget, which allows the Council to meet its statutory obligations and accurately reflects the costs of providing those services.
- 11.3.** The Council does have some reserves that can be used in 2024/25 to help reduce the potential funding gap, but the funding that can be released is limited and will not bridge all of the gap and the use of reserves does weaken the Council's financial resilience and only postpones the need to implement budget savings or increase Council Tax.
- 11.4.** This Medium Term Financial Plan highlights the fact that the Council is currently facing its most challenging and uncertain financial position, and difficult decisions will have to be taken in order to set a balanced budget in 2024/25 and 2025/26.

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN ASSUMPTIONS

MOST LIKELY SCENARIO		
	2024/25	2025/26
Pay and Price Inflation		
Pay, NI and Pension Costs – Non Teaching	3.5%	2.0%
Pay, NI and Pension Costs - Teachers	5.6%	2.0%
LGPS Contribution Rate	0.0%	0.0%
Teachers Pension Contribution Rate	4.9%	3.5%
Electricity	10.0%	10.0%
Gas	10.0%	10.0%
CPI (including any correction from previous year)	3.7%	1.6%
Main Service Contracts	6.9%	2.8%
Social Care Provider Contracts	4.3%	1.5%
Fees & Charges	3.0%	3.0%
Council Tax	5.0%	5.0%
Aggregate External Finance	3.0%	1.0%
Government Grants	3.0%	2.0%
Levies	11.0%	3.0%
Capital Financing Costs	8.2%	4.3%
Demand Pressures		
Children's Placements	12.5%	2.0%
Adult Social Care Placements	7.2%	2.0%
School Transport	0.0%	2.0%
Homelessness	40.0%	5.0%
Council Tax Reduction Scheme Caseload	2.0%	2.0%

SUMMARY ESTIMATED NET REVENUE BUDGET 2023/24 – 2025/26

	2023/24 £'m	2024/25 £'m	2025/26 £'m
Pay – Non Teaching incl Pension & NI	63.067	65.275	66.558
Pay – Teaching incl Pension & NI	34.500	36.712	37.694
Other Employee Costs	3.781	3.855	3.901
Premises Costs	8.846	9.175	9.326
Energy	4.372	4.809	5.170
Transport	1.236	1.282	1.303
Supplies & Services	23.221	24.168	24.657
School Transport	4.159	4.363	4.465
School Meals	3.019	3.167	3.218
Education Out of County Placements	0.903	0.942	0.974
Education Joint Arrangements	2.639	2.741	2.796
Adult Social Care	27.443	30.724	31.666
Children's Care Placements	7.347	8.288	8.660
Refuse Collection & Disposal	9.097	9.649	9.903
Highway Maintenance & Street Lighting	4.957	5.300	5.448
Public Service Bus Transport	1.236	1.426	1.318
Help for 1 st Time Buyers	1.501	1.502	1.502
Homelessness	1.152	1.656	1.764
Members Allowances & Expenses	1.031	1.072	1.104
Coroners	0.234	0.241	0.248
Audit & Inspection Fees	0.382	0.382	0.382
Fire Service & Other Levies	4.503	4.999	5.149
Council Tax Reduction Scheme & Other Benefits	6.966	7.439	7.938
Capital Financing Charges & Interest Receivable	4.329	5.192	5.501
Contingencies	0.977	1.072	1.219
TOTAL GROSS EXPENDITURE	220.898	235.431	241.864
Grants	(22.894)	(23.581)	(24.053)
Fees & Charges	(12.470)	(12.848)	(13.170)
Recharges	(9.464)	(9.815)	(10.054)
Rents	(1.501)	(1.546)	(1.577)
TOTAL GROSS INCOME	(46.329)	(47.790)	(48.854)
NET REVENUE EXPENDITURE	174.569	187.641	193.010
Increase in Net Revenue Budget		+ 13.072	+5.369
% Increase in Net Revenue Budget		+ 7.48%	+2.86%

SUMMARY ESTIMATED NET REVENUE BUDGET BY SERVICE 2023/24 – 2025/26

	2023/24 £'m		2024/25 £'m		2025/26 £'m	
Economic Development	1.022		1.059		1.079	
Destination	0.819		0.853		0.868	
Leisure	1.243		1.346		1.397	
Planning	1.013		1.052		1.072	
Public Protection	1.657		1.719		1.752	
Regulation		5.754		6.029		6.168
Highways	7.891		8.498		8.553	
Property	1.548		1.640		1.690	
Waste	10.317		10.940		11.217	
Highways, Waste & Property		19.756		21.078		21.460
Adult Services		34.973		38.596		39.711
Children's Services		12.966		14.127		14.615
Schools	49.261		52.120		53.486	
Central Education	12.709		13.235		13.471	
Culture	1.350		1.415		1.450	
Education & Culture		63.320		66.770		68.407
Human Resources	1.587		1.644		1.675	
ICT	4.216		4.593		4.774	
Transformation	1.190		1.228		1.251	
Transformation		6.993		7.465		7.700
Housing		1.590		2.113		2.228
Resources		3.723		3.857		3.932
Council Business		2.013		2.086		2.126
Corporate Management		0.760		0.787		0.802
Capital Financing	4.329		5.192		5.504	
CTRS / Benefits	6.966		7.439		7.937	
Levies	4.504		4.999		5.149	
Help for 1 st Time Buyers	1.502		1.502		1.502	
Other Non Service Budgets	2.443		2.459		2.439	
Contingencies	2.977		3.142		3.330	
Non Service		22.721		24.733		25.861
TOTAL NET EXPENDITURE		174.569		187.641		193.010

