

ISLE OF ANGLESEY COUNTY COUNCIL

REPORT TO:	EXECUTIVE COMMITTEE
DATE:	29 FEBRUARY 2024
SUBJECT:	MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2024/25
PORTFOLIO HOLDER(S):	COUNCILLOR R WILLIAMS – DEPUTY LEADER & PORTFOLIO HOLDER – FINANCE
HEAD OF SERVICE:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES / SECTION 151 OFFICER
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LOCAL MEMBERS:	n/a

A - Recommendation/s and reason/s

1. MEDIUM TERM FINANCIAL STRATEGY AND 2024/25 REVENUE BUDGET

1.1 Purpose

The Executive is required to agree a number of key matters in respect of the 2024/25 budget. This will then allow the final recommendations to be presented to the full Council at its meeting on 7 March 2024. The matters requiring agreement are:-

- The Council's Revenue Budget and resulting Council Tax for 2024/25;
- The Council's updated Medium Term Financial Strategy;
- The use of any one-off funds to support the budget.

1.2 Summary

This paper shows the detailed revenue budget proposals requiring final review and agreement for 2024/25, and the resulting impact on the Isle of Anglesey County Council's revenue budget. These are matters for the Council to agree, and the Executive is asked to make final recommendations to the Council.

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

2. 2024/25 REVENUE BUDGET AND COUNCIL TAX RECOMMENDATIONS

The Executive is requested :-

- To agree the final details of the Council's proposed budget, as shown in Section 4 of Appendix 1 and Appendix 2;
- To note the Section 151 Officer's recommendation that the Council should maintain a minimum of £9.2m general balances;
- To note the comments made by the Section 151 Officer on the robustness of the estimates made, as set out in Section 5 of Appendix 1;
- to recommend a net budget for the County Council of £184.165m and resulting increase in the level of Council Tax of 9.50% (8.6% for Council Services and 0.9% for the Fire Levy) (£136.44 – Band D) to the full Council, noting that a formal resolution, including the North Wales Police and Town / Community Council precepts, will be presented to the Council on the 7 March 2024;

- That any minor differences between the provisional settlement and the final settlement will be adjusted for by using the general contingency which is included in the 2024/25 budget, or by making a contribution to / from the Council's general reserves in order to set a balanced budget;
- To authorise the Section 151 Officer to make such changes as may be necessary before the submission of the final proposals to the Council;
- To agree that any unforeseen pressures on demand led budgets during the financial year will be able to draw upon funding from the general contingencies budget;
- To request the Council to authorise the Executive to release up to £250k from general balances if the general contingencies budget is fully committed during the year;
- To delegate to the Section 151 Officer the power to release funding from the general contingency up to £50k for any single item. Any item in excess of £50k not to be approved without the prior consent of the Executive;
- To confirm that the level of Council Tax Premium for second homes increases to 100% and for empty homes remains at 100%.

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

A number of options were considered following the issue of the initial budget proposals. The final budget proposals take account of the final local government settlement, views expressed during the consultation process and the views of the Scrutiny Committee.

C - Why is this a decision for the Executive?

The Council's Constitution requires the Executive to publish its final budget proposal prior to its consideration by the Council.

CH - Is this decision consistent with policy approved by the full Council?

Yes. The final decision on the 2024/25 revenue budget will be taken by the full Council at its meeting on 7 March 2024.

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

N/A

Dd – Assessing the potential impact (if relevant):

1	How does this decision impact on our long term needs as an Island?	In drawing up the budget proposal, the Executive has considered its statutory duties and the objectives set out in its Corporate Plan.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	The details of any savings proposals are set out in the report.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	The Council has been working with other Councils and the WLGA to press the Welsh Government for the best financial settlement possible.
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	The budget proposals have been subject to a consultation process, the details of which are included in the report. The Executive has considered the results of the consultation before agreeing the final budget proposal.
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Any proposals included in the final budget for 2024/25 will take into account the impact on any protected groups.

6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The budget will result in an increase in the Council Tax payable by the taxpayers of Anglesey. Those experiencing socio-economic disadvantage are more likely to qualify for help through the Council Tax Reduction Scheme, which should result in no financial impact / limited financial impact to those who are experiencing socio-economic disadvantage.
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 identified.

DD - Who did you consult?	What did they say?
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1	Chief Executive / Leadership Team (LT) (mandatory)	The Chief Executive and Leadership Team have been part of the budget setting process throughout and are in agreement with the report and support the final budget proposal.
2	Finance / Section 151 (mandatory)	N/A – this is the Section 151 Officer's report.
3	Legal / Monitoring Officer (mandatory)	The Monitoring Officer is part of the LT and, as such, the Officer's comments have been taken into account.
4	Human Resources (HR)	-
5	Property	-
6	Information Communication Technology (ICT)	-
7	Scrutiny	Final budget proposals were considered by the Scrutiny Committee at its meeting on 27 February 2024. A verbal update on the outcome of the meeting will be provided to the Executive.
8	Local Members	The Council's budget is applicable to all Members and consultation has taken place throughout the budget setting process.
9	Any external bodies / other/s	See Section 2 of the report.

F - Appendices:

- Appendix 1 – Detailed report on the Budget Proposals
- Appendix 2 – Summary of the Proposed Revenue Budget 2024/25 by Service

FF - Background papers (please contact the author of the Report for any further information):
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- Initial Budget Proposals for 2024/25 – Executive Committee – 23 January 2024
- Initial Budget Proposals for 2024/25 – Corporate Scrutiny Committee – 16 January 2024
- Medium Term Financial Plan for 2023/24 to 2024/25 – Executive Committee – 26 September 2023

1. INTRODUCTION AND BACKGROUND

- 1.1. The following report sets out the 2024/25 revenue budget proposals and is one of a set of reports which provides an overall picture of the financial position of the Council and ensures that the Council funding is allocated to meet its priorities. The other reports in the set relate to the Council's Capital Programme and Capital Strategy, the Council's Treasury Management Strategy and Fees and Charges.
- 1.2. The revenue budget and the continued need to identify revenue savings has been driven by the Medium Term Financial Plan, as approved by the Executive Committee in September 2023, and can be summarised as follows:-

Table 1
Medium Term Financial Plan 2024/25 to 2025/26

	2024/25 £'m	2025/26 £'m
Net Revenue Budget B/F	174.569	177.710
Budget Pressures and Inflation	13.072	5.368
Revised Standstill Budget	187.641	183.078
Aggregate External Finance (AEF) (assuming 3.0% rise in 2024/25 and 1.0% rise in 2025/26)	127.375	128.649
Council Tax (assuming 5% rise in 2024/25 & 2025/26)	50.335	52.852
Total Funding	177.710	181.501
Additional Funding Requirement / Savings Required	9.931	1.577
Main Assumptions		
Pay Awards – Non Teaching	3.5%	2.0%
Pay Awards – Teaching	5.6%	2.0%
General Inflation	4.9%	1.6%
Note – The figures for 2024/25 allowed for a correction of the base budget due to an under provision for pay and price inflation in 2023/24 budget.		

- 1.3. The figures quoted in the MTFP were based on assumptions and information available at the time the MTFP was drawn up. The purpose of the MTFP was not to provide an accurate assessment of the budget requirement, but to give a high level assessment of the potential budget gap.
- 1.4. In drawing up the initial budget proposal, the 2023/24 pay award had been settled, inflation had begun to fall rapidly and the scope for the inflation assumptions to be inaccurate was reduced, new energy prices for the year October 2023 to September 2024 had been received. This allowed for more certainty around the base budget.
- 1.5. The overall draft settlement figures for Wales received from the Welsh Government were in line with the forecast included in the MTFP, although the figure for Anglesey was slightly lower, due to how the funding formula works, with the Council receiving an increase of 2.5% compared to the 3.0% that was included in the MTFP.
- 1.6. However, despite these changes and that the funding gap was lower than forecast in the MTFP, it is still a challenging financial position for both 2024/25 and 2025/26, with costs still expected to rise due to inflation and increased demand, but little prospect that the funding from Welsh Government will be sufficient to cover all of these increases in costs.

2. THE INITIAL BUDGET PROPOSAL

- 2.1.** At its meeting on 23 January 2024, the Executive discussed its original budget proposal and the provisional budget settlement which the Welsh Government had published on 20 December 2023.
- 2.2.** The provisional settlement was slightly lower than anticipated, and would provide the Council with £126.973m, which is an increase in cash terms of £3.308m (2.67%) but, after allowing for grants transferring into the settlement and the effect of the change in the Council's taxbase, the adjusted increase was £3.107m (2.51%).
- 2.3.** The Executive proposed a budget for 2024/25 of £184.219m and, given the provisional AEF of £126.973m, this would require an increase of 10.9% in Council Tax and the use of £4.425m of the Council's general balances to balance the budget.
- 2.4.** In setting the proposed budget, the Executive recognised the need to protect front line services and increasing budgets to meet an increased demand in Adult and Children's services.
- 2.5.** The budget proposal included capping the inflation increase for the delegated schools budget by 2.5%, which reduced the budget by £1.25m, included a savings target of £1m to be generated from workforce reductions, the postponement of the use of the Council Tax premium to fund housing projects for one year, saving £1.2m and other budget savings and income generation projects of £1.327m.
- 2.6.** Although not intended as a measure of what the Council's net revenue budget should be, the Standard Spending Assessment (SSA) does give some indication as to whether the Council's budget is at a reasonable level for the Council. The SSA for 2024/25 is £175.877m and the proposed budget is, therefore, 104.7% of the SSA.

3. SCRUTINY COMMITTEE

- 3.1.** Due to the delays in receiving the provisional and final settlement, the budget timetable for 2024/25 has had to be condensed in order to ensure that the Council is in a position to set the Council Tax within the timeframe set out in the Local Government Finance Act 1992 (Section 30(6)). The Finance Scrutiny Panel also examined in detail the service investment proposals at its meeting on 11 January 2024, and the Panel's comments were reported to the Corporate Scrutiny Committee meeting on 16 January 2024.
- 3.2.** The 2024/25 initial budget proposal was considered by the Corporate Scrutiny Committee at its meeting on 16 January 2024. The Committee resolved to support the Executive's initial budget proposal.
- 3.3.** The final budget proposal was given further consideration by the Corporate Scrutiny Committee at its meeting of 27 February 2024, and a verbal report on the Committee's deliberations will be presented to the Executive at the Committee meeting.

4. CONSULTATION PROCESS

- 4.1.** Despite the short timescale between the publishing of the initial budget proposal and the date of the deadline for setting the Council Tax, a short consultation process was undertaken, with residents asked to answer a number of questions on their spending and funding priorities. The short timescale did limit the number and type of questions asked in order to have sufficient time to analyse the responses.
- 4.2.** A summary of the responses received is summarised in Appendix 2. The main points arising from the consultation was that:-
 - Of the responses received 77% made education and schools one of their 5 top priorities, followed by supporting vulnerable adults and children 68%, and waste collection and recycling 66%.

- 61% of the respondents agreed or strongly agreed with the Statement.
“The council’s budget strategy aims to safeguard services for the most vulnerable people in our community, ensure the financial viability of the council, recover the cost of services through fees and charges, where it can continue to invest, and where possible, to modernise and transform the way the council provides its services”.
- 49.3% of respondents were willing to pay more through fees and charges to protect services, whilst 50.7% would not be willing.
- 79% agreed or strongly agreed to use the additional funding generated from the Council Tax premium on second homes and empty homes to support the funding of service sin 2024/25.
- A varied response was received to the question as to whether the respondents agreed or disagreed with the savings proposals, with less support for the proposals which impact on Schools and Adult Services.
- Only 29% supported the proposed rise in Council Tax of 10.9%, with 36% not wishing to see any rise, with 88% supporting a rise of 5% or less.
- To achieve a balanced budget, 36% wanted all of the budget shortfall to be funded from reserves with 84% wanting at least 50% of the shortfall to be funded from reserves.
- In terms of which services the respondents were willing to see reduced, the services which were more discretionary in nature (Archives, Museums, Tourism and Library Services) were top of the list, whilst respondents wanted to see the more essential type services (social care, schools, fire and waste collection) be protected.

5. FINAL BUDGET PROPOSAL

- 5.1. In drawing up the initial budget proposal, the Council was awaiting the final budget decision in respect of levying bodies and other organisations which receive contribution from the Council. The impact on the Council’s budget of the adjustments resulting from a finalisation of the decisions are shown in Table 2 below.
- 5.2. The UK Government announced that Councils in England would receive an additional £600m in funding for 2024/25, and this will be formally confirmed in the Chancellor’s budget on 6 March 2024. This additional funding creates an additional £25m as consequential funding for the Welsh Government and they have confirmed that £10.6m of this additional funding will return the Social Care Workforce Grant to the 2023/24 level. The remaining £14.4m has been allocated through the Local Government settlement formula. The impact of this additional funding is that the Aggregate External Finance increases by £332k.
- 5.3. There is one outstanding point which have not been reflected in the final Local Government settlement, which relates to the increased employers’ contribution rate for teachers and fire service pensions. It is still anticipated that the additional costs will be fully funded by the UK Government and that funding will be made available to Welsh Government to allow the funding to be passed on to Councils. The discussions between the two Governments are ongoing and it may result in the Council receiving additional funding in 2024/25.

5.4. The Welsh Government have also transferred 3 revenue grants into the final settlement:-

- Implementation of the Performance and Improvement Framework - £40,000;
- Delivery of Flood Prevention - £225,000;
- Child Burials - £16,240.

Given the lateness of the notification, these grants will be incorporated into the budget of the relevant service in 2024/25 and the budget will be reviewed during 2024/25 and adjusted accordingly in 2025/26, if the sum transferred into the budget is not fully required.

5.5. In drawing up the final budget proposal a number of budgets have been reviewed and this has allowed the Executive some flexibility surrounding the final proposal. These changes are as follows:-

- The North Wales Fire Authority have reviewed their final budget proposal which has resulted in a reduction of £87k in the levy that the Council must fund.
- Energy prices for the period October 2023 to September 2024 have now been received and this has shown a fall in prices. The level of inflation for 2024/25 has been reviewed and it is assessed that energy budgets can be reduced by £220k.
- The Welsh Government capped the Non Domestic Rate multiplier and this along with the transitional relief scheme has resulted in a reduction of £84k in the budget requirement.
- In determining the budget to fund the cost of the Council Tax Reduction Scheme, there was an anticipation that the number of claimants would increase at the end of the summer 2023 period. The review at the end of quarter 3 of the 2023/24 financial year has identified that the increase in claimants did not occur as expected. This has allowed a reduction of £150k in the budget requirement.
- In the initial budget proposal, £2.88m was included in the budget to meet the cost of additional service demands within Adult Services, where costs were expected to rise higher than inflation and to take account of the Welsh Government's proposed reduction in the Social Care Workforce Grant. The financial position at the end of quarter 3 shows a significant reduction in the forecasted overspend for the service. The majority of the shift is due to one off items including vacant posts and accrued income from previous years which do not impact on the 2024/25 budget but there were some changes which have reduced the budget requirement for 2024/25. The increase in the Social Care Workforce Grant back to the 2023/24 level (see paragraph 5.2 above) and the other changes has reduced the additional funding required by Adult Services by £500k.

5.6. The impact of all these changes are summarised in Table 2 below:-

Table 2
Revised Council Net Revenue Budget

	£m	£m
Initial Proposed Net Revenue Budget 2024/25		184.219
Adjustments		
Fire Service Levy	(0.087)	
Energy Inflation	(0.220)	
Non Domestic Rates Multiplier	(0.084)	
Council Tax Reduction Scheme	(0.150)	
Adult Services Budget Pressures	(0.500)	
Grants Transferring into the Settlement	0.281	
		(0.760)
Revised Net Revenue Budget 2024/25		183.459
Funded by		
Aggregate External Finance - Provisional	126.973	
Additional Aggregate External Finance	0.332	
Grants Transferring into the Settlement	0.281	
		127.586
Council Tax (including 2 nd Home and Empty Home Premium)		52.821
Reserves		4.425
Revised Funding 2024/25		184.832
Excess of Funding over Net Revenue Budget		1.373

5.7. The Executive considered the various options in order to match the revised funding with the net revenue budget:-

- Reduce the rise in Council Tax down to 8.02%, this utilises all of the excess funding over the net revenue budget;
- Reduce the budget saving proposals by £1.373m. This would increase the net revenue budget to £184.832m which matches the level of revised funding;
- Reduce the use of reserves to balance the budget from £4.425m to £3.052m;
- A combination of the 3 options noted above.

5.8. Although the Executive understand the pressure that families are facing due to the cost of living crisis, they also recognise that the level of the rise must not just balance the budget for 2024/25, but they have to consider the impact on the 2025/26 budget. Setting a lower Council Tax does impact on the starting point for 2025/26, and having too low a level of Council Tax will only increase the budget shortfall in 2025/26 and weaken the overall financial position of the Council.

5.9. The majority of the proposed savings are deliverable and the impact on the Council assessed prior to agreeing to the proposals. The savings proposal that has the most impact on service delivery is the capping of the inflationary increase for schools. The financial position of each school varies depending on a number of factors, including the movement in pupil numbers, additional grant funding outside of the core budget and the level of school balances. The current budget setting process has identified that a small number of schools are having great difficulty in setting a balanced budget for 2024/25 and, although reducing the cap would not solve the budget issues for all schools in 2024/25, any reduction would go some way to alleviate the financial difficulties for schools.

5.10. The level of reserves to be used to balance the 2024/25 budget is significant and the highest level proposed for a number of years. Based on current projections, it will not be possible to use reserves again in 2025/26 to contribute to the overall funding. Reducing the contribution in 2024/25 may allow reserves again to be used in 2025/26, but to a lesser extent. This again will reduce the budget shortfall the Council will face in 2025/26 and allow for a more gradual reduction in services rather than having to implement a wide range of service reductions in the year. However, it should be noted, that the use of reserves only delays the need to reduce the Council's overall net revenue budget, and their use are not a permanent solution to the financial position faced by the Council.

5.11. Having considered all of the above factors, the Executive's final proposal amends the initial proposal as follows:-

- The increase in Council Tax is reduced to 9.5%, of which 0.9% relates to the increase in the Fire Authority levy and 8.6% relates to the Council's budget requirement. This increases the Band D Council Tax by £136.44 taking the Band D charge to £1,572.30. This reduces the overall income generated from Council Tax by £667k.
- That the cap on the inflationary increase to schools is reduced from 2.5% to 1.5%. This increases the overall schools budget by £498k compared to budget set in the initial proposal.
- That the savings proposals for Additional Learning Needs (£100k) are not implemented in 2024/25.
- That £50k of the proposed savings in respect of non statutory social care support services is retained in order to fund the transitional costs incurred in re-modelling the service.
- £46k is added to the public conveniences cleaning budget to meet the additional costs following the retendering of the service.
- That the proposal to reduce the opening hours of Leisure Centres is modified to allow for Amlwch Leisure Centre to remain open until 3pm, rather than close at 1pm, as proposed in the initial budget proposals at an additional cost of £12k.

5.12. These adjustments give a final budget proposal as shown in Table 3 below:-

Table 3
Final Budget Proposal 2024/25

	£m	£m
Revised Proposed Net Revenue Budget 2024/25 as per Table 2		183.459
Final Adjustments		
Reduce the Inflationary Cap for Schools to 1.5%		0.498
Adjustment to Savings Proposals		0.150
Additional Funding for Public Convenience Cleaning		0.046
Adjustment to Leisure Centre Opening Hours		0.012
Balance of Funding to General Contingency		(0.001)
Revised Net Revenue Budget 2024/25		184.164
Funded by		
Aggregate External Finance	127.586	
Council Tax (including 2 nd Home and Empty Home Premium)	52.153	
Reserves	4.425	
Revised Funding 2024/25		184.164

6. ROBUSTNESS OF ESTIMATES

- 6.1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves.
- 6.2. Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.
- 6.3. The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there may be an element of risk as to whether plans will be delivered or targets achieved. Different risks to the budget are considered in turn below:-
- **Pay Inflation Risk** – When inflation levels are low and the overall movement in the inflation rate is small, then the inflation risk is low, as has been the case for a number of years. Given that there is no pay offer made for NJC staff for 2024/25 and that the Welsh Government have yet to indicate what the Teacher’s pay award will be from September 2024, there is still considerable uncertainty in respect of pay inflation and, with a pay bill in excess of £100m, a 1% error in the pay inflation assumption could result in a £1m under funding position in 2024/25. This risk is mitigated by the fact that the Council holds an earmarked reserve to fund any inflationary pressures. This would be released to fund any additional pay budget requirement, with the long term budget then being corrected in 2025/26.

- **Price Inflation Risk** - The general measure of inflation (CPI) peaked in December 2022, and begun to fall significantly during 2023, and is forecast to fall to on or around 2% by the mid to late summer. When setting the initial budget, the expectation was that the fall of CPI to 2% would be slower and, therefore, if inflation falls at a slower rate than predicted, then sufficient budget provision has been allowed to cover this risk. However, it is noted that the inflation for some types of expenditure may remain higher than this (food, energy, building materials) and the actual inflation faced by the Council may differ greatly from the CPI figure. To some extent, the Council is protected from this risk because a majority of our larger contracts (school meals, highway maintenance, refuse collection etc.) use inflation indices from September, October or November 2023 to determine the inflation for 2024/25. Given that these figures are known, they have been built into the proposed budget for 2024/25.
- **Interest Rate Risk** - Interest rates affect a single year's revenue budget through the interest earned - i.e., an interest rate rise is beneficial. The Authority's Treasury Management Strategy requires investments to be made on the grounds of security and liquidity of the investment as the first consideration, with investment returns being a lower priority, therefore, the budget is not reliant on high investment returns. Interest rates have remained high, with the Council achieving over 5% returns on investments. In setting the budget, an estimate of the interest receivable has been factored into the budget, but there is a risk that the budget will not be achieved if interest rates begin to fall quickly, or if the funds available to be invested are lower than forecast. The majority of the interest paid by the Council relates to fixed rate loans which will not change should the interest rate rise. Therefore, the interest rate risk is considered low and, as in previous years, this is a compensating risk for inflation risk, because if one increases, the other is likely to increase also.
- **Grants Risk** - These are risks attached to the large number of specific grants from Welsh Government (WG), or other bodies, which provide in excess of £25m additional funding. The final settlement indicates that the majority of the grants received from WG will remain at the 2023/24 level or will be reduced on an all Wales basis. What is not clear for all grants is the specific grant funding for Anglesey. Initial indications are that the grant funding to schools will be 8% to 10% lower than in 2023/24. Whilst the immediate response is to say that when the grant ceases, so must the associated expenditure, there is a risk that this may not always be possible. It may not be possible when contract terms mean the expenditure cannot be cut as quickly as the income, or it involves unfunded severance costs. It may not be possible if the activity funded turns out to be so important to the delivery of the Council's own priorities that the Council decided it must continue the expenditure. Efforts to mitigate this risk are to ensure we have the best information available on each grant, but significant changes during the year cannot be entirely ruled out.
- **Income Risks** – The budget is based on securing an overall 5% increase in fees, and a number of services have assumed rises up to 5%. If the elasticity of demand for Council Services is such that volume falls, and income targets are not achieved, that may cause overspending on net budgets. The cost of living crisis may have an impact on the income generated from services such as leisure, car parking, planning and building regulations, where users may choose to reduce their expenditure on these non-essential services. This will require close monitoring of the net budget position and, if necessary, cutting back on spending to match reduced income.

- **Demand Risk** – A number of services can experience a change in the demand for its services. Some can be predicted and taken into account when setting the budget, e.g., changes in pupil numbers. Others are more difficult to predict and a small increase in numbers can have a significant impact on costs. The budget allows for providing the service at current levels, with increases in demand covered by the Council's general balances or, in some cases, earmarked reserves. Allowance has been made in the 2024/25 budget for the current level of service demand for social care and homelessness prevention, although there is a risk of the increase in demand continuing in 2024/25 above what has been allowed for in the budget. This would result in an overspend in those services affected, which would have to be funded from the Council's general reserves and balances.
- **Optimism Risk** – In previous years, probably the greatest risk in current circumstances is that the Authority, Members and Officers have been over-optimistic in the savings that will be achieved, or that demand for services, particularly social care, will not increase significantly. For 2024/25, the budget does include over £2.3m of savings that have to be delivered, which includes a savings target of £1m from staff reductions which will be found as posts become vacant. Failure to achieve the savings target will result in an overspend at the end of the 2024/25 financial year, which would be funded from Council reserves.
- **Over-caution Risk** – This is the opposite of optimum risk: the danger that our budgets have been drawn up with too much caution and, so, are more than is required, and this would result in the Council Tax being set at a level that is higher than required, which is something that Members are keen to avoid. The Section 151 Officer is satisfied with the budget setting process and that the budget set is a fair assessment of the resources required by each service, based on the relevant factors as they stand at the moment.
- **Council Tax Premium** – In setting the taxbase, it is accepted that the number of empty properties and second homes can change during the year and, as such, only 80% of eligible properties are included in the taxbase. This protects the Council's budget should there be a significant drop in numbers. However, it should be noted that the number of empty properties used in the taxbase calculation rose from 417 properties in October 2022 to 431 properties in October 2023, and the number of second homes fell from 2,724 to 2,443. Many factors influence the number of second homes, but the increase in the second home premium from 50% to 75% in April 2023 may be a contributory factor and, as a result, the change in the level of the second home premium from 75% to 100% presents a significant risk in 2024/25. The increase may encourage second home owners to sell or let their property, i.e. one of the intended purposes of increasing the premium, however, it may encourage a greater amount of non payment or avoidance by transferring to business rates or by other avoidance means. To mitigate the risk, additional staff will be employed to identify tax avoidance and minimise the amount of the premium lost as a result. As the Executive has committed to using all of the additional premium to address the issues caused by high numbers of second homes on Anglesey, any significant reduction in income would result in a reduction in the funding available for these initiatives in future years.

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

The cost of living crisis may also impact on the Council's collection rate, as more households struggle financially with rising costs. This may result in a financial loss in 2024/25, or future years, when uncollectable debts are eventually written off.

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

7. GENERAL AND SPECIFIC RESERVES

- 7.1. The proposed budget incorporates a number of assumptions in terms of likely levels of income and expenditure in future years. There are, therefore, inevitably a number of financial risks inherent in the proposed budget, which are set out in paragraph 5 above.
- 7.2. In terms of any contingencies and reserves, the Section 151 Officer needs to review these in their totality, in conjunction with the base budget itself and the financial risks which face the Authority. In addition, the review should incorporate a medium term view, where needed, and should take into account key developments that may impact on the need and use of one off resources.
- 7.3. A robust view is being taken on managing budget risks and protecting the financial health of the Council at this time. This is particularly the case when one off funds need to be adequately protected to fund future strategic / transformational changes, as opposed to funding significant overspends on the base budget itself.
- 7.4. Account has been taken of the need to keep the immediate reductions in spending, and the resulting impact on services, to a minimum, but this must be balanced against the need to ensure the medium and long term financial stability of the Council, and for savings to be implemented over the coming years in a phased and structured way. In addition, there is always some risk of unforeseen items of expenditure or overspending because of a more general pressure on a service budget, and reserves must also be adequate to absorb these pressures.
- 7.5. As at 31 March 2023, the Council's general reserves stood at £14.039m, which is equivalent to 8.04% of the Council's net revenue budget for 2023/24, 11.29% if the delegated schools' budget is excluded. During the year, £3.78m was allocated as funding for the 2023/24 budget and, after taking into account the financial position for 2023/24 and allowing for earmarked reserves of £2.825m transferring back to general balances, it is forecast that the balance will stand at £15.219m. After allowing for the use of £4.425m as funding for the 2024/25 revenue budget, the revised balance would fall to £10.79m, or 5.88% of the 2024/25 net revenue budget.
- 7.6. The transfer of earmarked reserves back to general balances, and the use of these reserves during the year, has reduced the balance from £19.637m at the beginning of 2023/24 down to a forecasted level of £14.038m at the end of the financial year.
- 7.7. School balances began the 2023/24 financial year at £6.751m but are forecast to fall to £3.799m by the end of 2023/24. It is expected that schools will use the majority of these balances in order to fund the 2024/25 budget.
- 7.8. The level of general balances is a matter for the Council to decide, based on the recommendation of the Council's Section 151 Officer but, as a general rule, 5% of the net revenue budget is considered to be an acceptable level. It is a matter for debate whether the net revenue budget should exclude the delegated schools budget, as schools hold their own balances to meet unexpected costs. Based on the current financial situation, there is a high degree of confidence that the level of general balances will exceed 5% of the net revenue budget at the beginning of the 2024/25 financial year.
- 7.9. Having taken into consideration the level of the Council's general balances, school balances, earmarked reserves and contingency budgets, the Section 151 Officer is content that the Council's financial position is sufficiently robust to withstand any difficulties that may arise during 2024/25 if the proposed revenue budget is insufficient to meet the actual costs incurred by the Council during 2024/25.

8. COUNCIL TAX

- 8.1. The Council's Band D Council Tax charge for 2023/24 was £1,435.86, which was 18th from the 22 Authorities in Wales, and is lower than the Welsh Average of £1,541. More importantly for Anglesey is the comparison to the 5 other North Wales authorities. This is shown in Table 4 below:-

Table 4
Comparison of Council Tax Band Charges for North Wales Authorities

Authority	Band D Charge 2023/24 £	Amount Above / Below Anglesey £	Percentage Above / Below Anglesey %
Anglesey	1,435		
Gwynedd	1,603	+ 168	11.65
Conwy	1,580	+ 145	10.10
Denbighshire	1,535	+ 100	6.96
Flintshire	1,522	+ 87	6.02
Wrexham	1,454	+ 19	1.32

- 8.2. The Council Tax budget for 2024/25 (prior to an increase in the Council Tax but after adjusting for the change in the Council Tax Base and premium) is £47.63m. Therefore, each 1% increase generates an additional £476k.
- 8.3. After taking into account the anticipated final settlement figure of £127.305m, the revised budget requirement of £183.551m (see Appendix 2) and the use of £4.093m of reserves, it would require £52.153m in Council Tax funding. To fund the revised budget requirement, the increase in the level of Council Tax would be 9.50%, taking the Band D charge to £1,572.30, an increase of £136.44, or £2.62 per week.

9. EQUALITIES IMPACT ASSESSMENT

- 9.1. In delivering its services, the Council has to be mindful of its duties under the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Well Being of Future Generations (Wales) Act 2015 to assess the impact of key financial decisions on protected groups, and have due regard to the result of such assessments.
- 9.2. The proposed budget will not impact on any of the protected groups set out in the Regulations and, as a result, no Equality Impact Assessments are considered necessary.

10. UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

- 10.1. As stated in paragraph 1, the economic situation has changed considerably since the Council approved the Medium Term Financial Plan (MTFP) in September 2023.
- 10.2. The main area of uncertainty for the MTFP moving forward is inflation and its impact on future pay awards, whilst the cost of living crisis and its impact on the demand for Council services is also a major factor.

10.3. The updated MTFP for 2025/26 and 2026/27 is shown in Table 5 below:-

Table 5
Summary Medium Term Financial Plan 2025/26 & 2026/27

	2025/26 £'m	2026/27 £'m
Net Revenue Budget B/F	184.164	183.619
Budget Pressures and Inflation	6.820	5.500
Revised Standstill Budget	190.984	189.119
Aggregate External Finance (AEF) (assuming 1.0% rise in 2025/26 and 2.0% rise in 2026/27)	(128.862)	(131.439)
Council Tax (assuming 5% rise in 2025/26 & 4% rise in 2026/27)	(54.757)	(56.947)
Total Funding	(183.619)	188.386
Additional Funding Requirement / Savings Required	7.365	0.733
Main Assumptions		
Pay Awards – Non Teaching	2.0%	2.0%
Pay Awards - Teaching	2.4%	2.0%
General Inflation	1.7%	2.0%

10.4. The MTFP estimate above is based on a number of assumptions which may change as we move towards 2025/26, but the plan indicates that there will be a need to make significant reductions in the net revenue expenditure budget in 2025/26 in the region of £7m. This again could be partly offset by the further use of reserves but again this only postpones the need to make budget reductions until 2026/27.

10.5. The capital funding situation also has an impact on the revenue budget moving forward, with the current level of funding being insufficient to maintain the Council's buildings and roads to their current standard and to invest in new vehicles and I.T. hardware. This lack of funding will increase repair and maintenance costs of all the Council's assets as their useful lives are extended. Investment and asset rationalisation will have to be considered in order to ensure that services can be maintained, whilst minimising the additional costs that will fall on the revenue budget moving forward.

10.6. The situation does improve in 2026/27 with the expectation that inflation will have fallen back to the Bank of England's target of 2% and that the funding increase from Welsh Government will match inflation. The unknown variable will be demand for social care and homelessness services, which can place a significant pressure on budgets should they increase. Any significant increase in demand will impact on the forecasted figures shown in table 5.

10.7. An updated MTFP will be presented to the Executive in September 2025.

11. CONCLUSIONS

11.1. It is important that the budget set is achievable and reflects the demands faced by services currently, although it is noted that the continuation of the cost of living crisis would have a significant impact on the Council's budget. The financial position faced by the Council is not unique to Anglesey but it is a situation that all 22 Welsh Councils are facing along with the vast majority of English Councils.

- 11.2.** The local government settlement is in line with the forecast and is insufficient to meet the rising costs as a result of high inflation, pay awards and increased demand for services. As anticipated the only way open to the Council to set a balanced budget, whilst maintaining services and catering for increased demand is to make budget reductions, combined with an increase in Council Tax and the controlled use of reserves.
- 11.3.** The Council's general financial position is still fairly strong, although the level of balances and earmarked reserves have diminished during 2023/24 and, although the use of reserves to balance the 2024/25 budget is a fairly safe strategy, it is not a strategy that can be used long term. There is a potential to use reserves to a lesser extent to balance the 2025/26 budget but this position can change during 2024/25.
- 11.4.** The position in 2025/26 appears to be more difficult with only a limited increase in Welsh Government funding expecting which will be lower than the level of inflation, pay awards etc. The Council will be unable to rely on reserves to provide funding to the same level and therefore it will require reductions in services and / or an above inflation increase to enable the Council to set a balanced budget in 2025/26.
- 11.5.** Therefore, in the professional opinion of the Section 151 Officer, the proposed revenue budget for 2024/25 achieves the following objectives:-
- Ensures that the financial resources allocated to each service is sufficient to meet the current budget pressures and fulfil the demand for the statutory functions which the services must provide.
 - Uses a combination of budget reductions, reserves and a rise in Council Tax to set a balanced budget.
 - Sets a level of Council Tax which is comparable with the Welsh Government's assessment of where Anglesey's Council Tax should be, and is in line with the Council Tax set by other Welsh authorities of a similar size and type.

12. RECOMMENDATIONS

- 12.1.** The Executive is recommended to approve the final budget proposal, as set out in Paragraph 4, to the full Council meeting on 7 March 2024.

FINAL BUDGET PROPOSAL 2024/25 BY SERVICE

	Final Proposed Budget 2024/25 £'m
Education and Culture	67.919
Adult Services	39.212
Children's Services	14.437
Housing Services	1.661
Highways, Waste and Property	20.357
Regulation and Economic Development	6.137
Corporate Transformation	7.626
Resources	4.021
Council Business	2.128
Corporate Management	0.802
Total Service Budgets	164.300
Corporate and Democratic Costs	2.143
Recharges to HRA	(0.800)
Support for Local Housing Help to Buy Schemes	0.000
Levies	4.931
Capital Financing	5.753
Benefits Granted	0.109
Discretionary Rate Relief	0.105
Council Tax Reduction Scheme	7.283
Unallocated Staffing Savings	(1.000)
Total Allocated Budgets	182.824
General & Other Contingencies	1.340
Total Budget 2024/25	184.164
Funded By	
Revenue Support Grant	102.245
Non Domestic Rates	25.341
Council Tax (Including Council Tax Premium)	52.153
Council Reserves	4.425
Total Funding	184.164
Difference Budget to Funding	0.000



Council Budget 2024 / 2025

Summary of consultation responses

12 February 2024

1. Introduction

The consultation opened on 24 January 2024 until 8 February 2024. The consultation was published on the Council website and promoted via our social media channels. Paper copies of the survey was also shared amongst Anglesey's public buildings.

Purpose of the consultation was to gather feedback from Anglesey residents on the proposed budget for 2024/25.

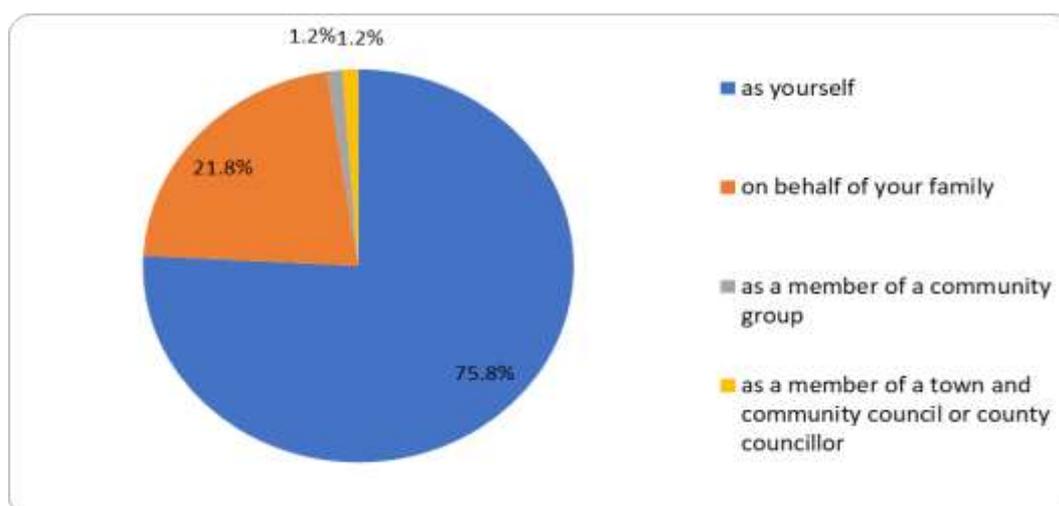
We received a total of 864 fully completed responses, including;

- 734 completed an online survey
- 120 completed a paper copy of the survey
- 10 responses via email
- We received a further eight written responses by letter.

This report is a summary of the consultation survey results and the main themes identified from feedback. The results are based on the 854 fully completed surveys. A summary of the responses from the 10 e-mails and 8 letters is included in section 3 below.

2. Summary of Results

2.1.1. Question 1 asked - We would like to hear from everyone about the communities in which they live. Please tell us if you are filling out this questionnaire:



2.1.2. Question 3 asked - Which services are most important to you?

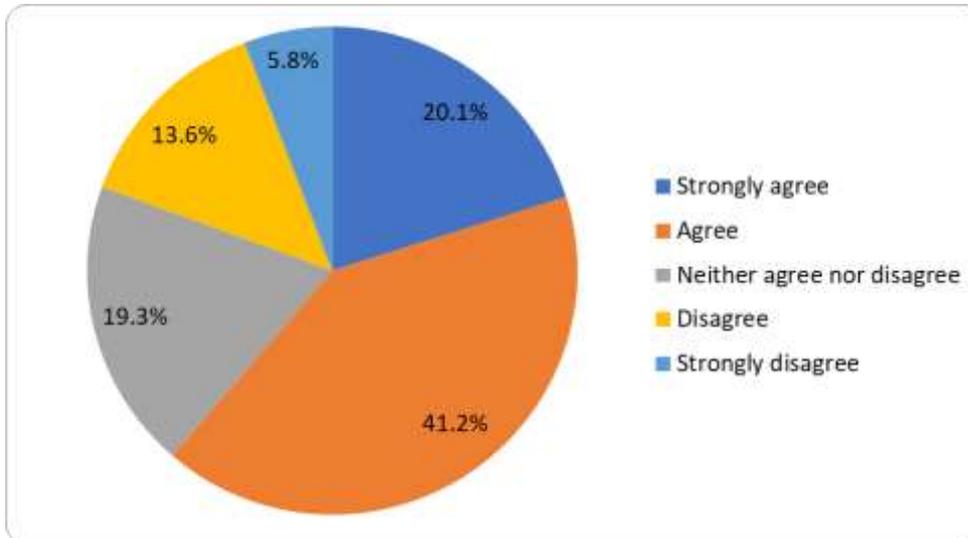
Results showed that the top five priorities are (respondents were asked to select 5):

Answer Choice	Response Percent	Response Total
Education and schools: £61.2m	77%	651
Supporting vulnerable children, families, adults and older people: £47.3m	68%	572
Waste collection, disposal and recycling: £10.3m	66%	555
Roads and infrastructure: £7.9m	56%	474
Leisure centres: £1.2m	42%	352

- 2.1.3. **Question 4 asked - The council's budget strategy aims to safeguard services for the most vulnerable people in our community ensure the financial viability of the council recover the cost of services through fees and charges where it can continue to invest, where possible, to modernise and transform the way the council provides its services**

Do you agree with these aims?

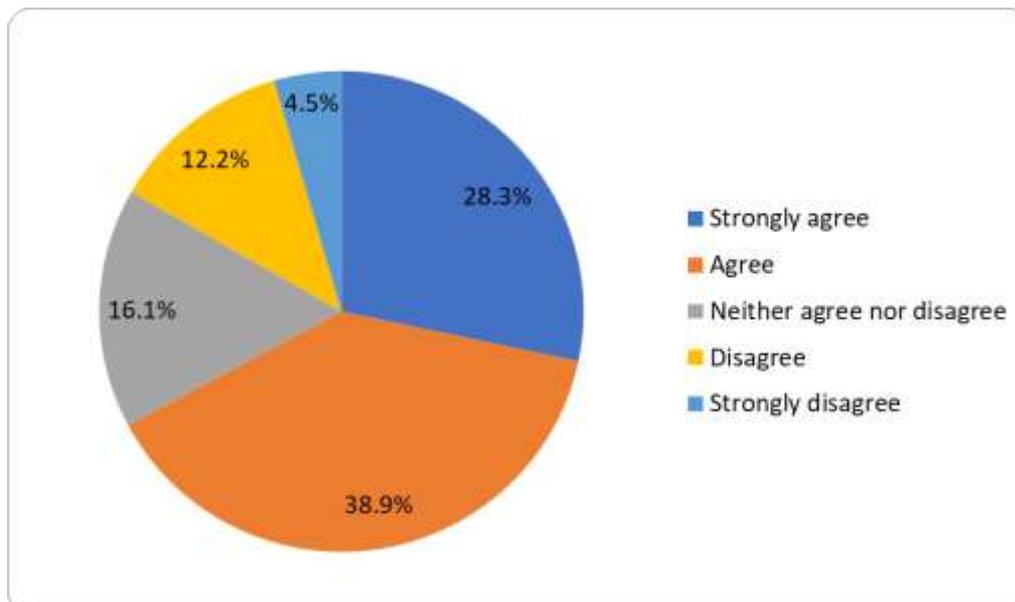
61% of respondents either strongly agreed or agreed.



- 2.1.4. **Question 5 asked - The budget proposals for 2024 to 2025 allow for significant continued investment in social care budgets in order to continue to provide services to the most vulnerable people in our communities?**

Do you agree with this proposal?

67% of respondents either strongly agreed or agreed.



- 2.1.5. **Question 6 asked - The budget proposals allow for a general increase of 5% in discretionary fees and charges. These are fees and charges for services that we provide, such as: leisure centres, school meals personal watercraft launching fees, pest control charges, admission to museums, waste collection services (including green garden waste).**

Would you be willing to pay more to protect services from budget reductions?

Yes 49.3% No 50.7%

- 2.1.6. **Question 7 asked – For which services would you pay more? (Please choose as many services as you want).**

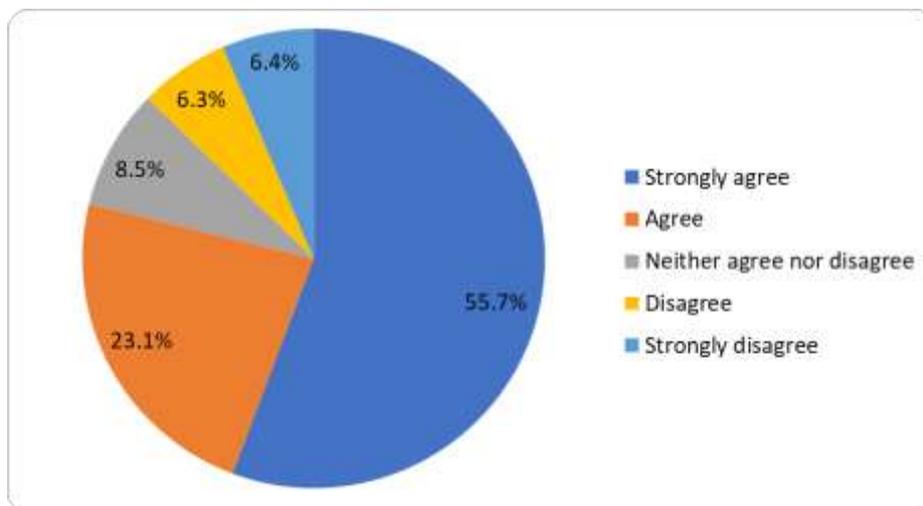
Answer Choice	Response Percent	Response Total
Leisure centres	54.6%	358
Personal watercraft launching fees	48.8%	320
Admission to museum	41.2%	270
Pest control charges	39.8%	261
Waste collection services (including green garden waste)	37.0%	243
School meals	35.8%	235

This question also had a free text section, asking respondents which other services for which they would pay more for. 164 provided further suggestions, these can be broken down into the following seven categories (also highlighted in the word cloud below):

- None (55) – respondents commented that they “already pay enough council tax”
- Car parking and highways (26) – respondents suggested increase parking fees and parking enforcements, as well as improvements to highway services
- Education (18) – respondents suggested paying more for education provision, including meals, school clubs and school trips
- Libraries and Culture (10) – respondents willing to pay to visit Oriel Môn and pay late fees on books
- Social Services (9) – respondents willing to pay more for social service related services, including blue badges, adaptations and care fees
- Planning and Environment (9) – respondents willing to pay more for planning fees, including building control, and any services linked with improving the environment.
- Leisure Activities (4) – respondents willing to pay more for leisure centre embership and maritime

- 2.1.7. **Question 8 asked – Do you agree with the proposal to use the additional funding generated from the Council Tax premium on second homes and empty homes to support the funding of services in 2024 to 2025?**

79% Strongly agreed or agreed



2.1.8. Question 9 asked - Do you agree or disagree with our major savings proposals?

Answer Choice	Agree	Disagree
Increase the Môm Actif package monthly fee by £1: Potential saving £62,000	673	153
Increase car parking fees for coastal car parks and for town centre car parks for fees for more than 4 hours but freeze the charge for 1 and 2 hour parking in town centres: Potential saving £100,000	644	190
Where possible, reduce the overall staffing costs by reviewing staffing structures and responsibilities when posts become vacant : Potential saving £1,000,000	632	197
Rationalise administrative support for the Youth Service: Potential saving £50,000	531	274
Remodel the provision of adult day care to a more community based model: Potential saving £102,000	529	281
Reduce opening times of the 4 leisure centres to reflect the current usage of the centres: Potential saving £39,500	458	366
Reduce road safety budget: Potential saving £10,000	409	399
Reduce the budget to support pupils with additional learning needs by 5%: Potential saving £87,000	181	641
Reduce the budget for the repair and maintenance of Council owned residential care homes: Potential saving £70,000	226	596
Cap the cash increase to schools to 2.5% below the inflationary pressure: Potential saving £1,246,000	289	528
Reduce out of hours non statutory care support services: Potential saving £96,500	289	525
Reduce the budget to integrate pupils into mainstream education: Potential saving £100,000	303	513

2.1.9. **Question 10 asked – Do you agree with the proposed level of rise in Council Tax of 9.78% (plus 1.12% to cover fire levy)?**

A rise of 9.78% would increase council funding by £5.2 million.

No	28.8%
Yes	71.2%

2.1.10. **Question 11 asked – By how much should Council Tax rise? (A rise of 9.78% would increase council funding by £5.2 million)**

Answer Choice	Response %	Response Total
No rise - this would leave a funding shortfall of £5.2m	35.6%	212
Rise between 3% and 5% - this would leave a funding shortfall of between £2.7m and £3.7m	30.4%	181
Rise between 0% and 3% - this would leave a funding shortfall of between £3.7m and £5.2m	22.5%	134
Rise between 5% and 7.5% - this would leave a funding shortfall of between £1.6m and £2.7m	10.1%	60
Rise between 7.5% and 10% - this would leave a funding shortfall of between £0.4m and £1.6m	1.5%	9

2.1.11. **Question 12 asked – How would you make up the funding shortfall noted in the previous question?**

Answer Choice	Response %	Response Total
Option 5: No cut in service budgets. All funded in the use of council reserves	30.9%	180
Option 3: Fund 50% with a cut to service budgets. Fund 50% by using council reserves	27.7%	161
Option 4: Some cut to service budgets. Fund majority with the use of council reserves	25.4%	148
Option 2: Majority cut to the service budgets. Some use of council reserves	12.0%	70
Option 1: All funded by a cut in service budgets. No use of council reserves	4.0%	23

2.1.12. Question 13 asked - Which service budgets would you be willing to see reduced? (Please choose as many services as you want).

Answer Choice	Response Percent	Response Total
Archives and museums	63.9%	493
Tourism and Maritime	63.2%	488
Libraries	49.9%	385
Public protection, planning, licensing and environmental health	40.7%	314
Environment and countryside management	33.4%	258
Economic development	32.3%	249
Leisure centres	31.2%	241
Housing advice and welfare support	29.5%	228
Homelessness prevention	23.7%	183
Youth Services	21.9%	169
Roads and infrastructure	18.9%	146
Waste collection, disposal and recycling	15.7%	121
Fire services	13.1%	101
Education and schools	12.6%	97
Supporting vulnerable children, families, adults and older people	8.7%	67

3 Written Responses

Six letters specifically related to education were received representing a total of 13 primary schools and school leaders (1 letter on behalf of head teachers within a catchment area / 2 letters from a school governor / 2 letters from school head teachers / 1 letter from a trade union).

All were very concerned about the funding available to undertake the provision before the proposed 2.5% reduction and are now extremely worried. Some of the main points from the letters include:

- Re-looking at the current funding formula for schools on the island
- Suggestion for secondary schools to take a 60%/ 40% split with primary schools on the school budget reduction
- Schools are having to stop provision of swimming lessons, library, culture visits, music lessons and sports activities
- Many schools are having to increase classroom sizes above the recommended 30 pupils
- Some schools are seeing numbers decrease significantly and are concerned for the schools future
- The current budget does not reflect the school requirement as it is and schools are concerned that they won't be able to meet the curriculum requirements
- Many schools can't afford paper, books and school resources

- Many headteachers and staff are working extra hours on their good will and there are real concerns for staff welfare
- There isn't enough budget to employ classroom assistants / one-to-one assistants
- The Additional Learning Needs (ALN) budget received from the Council do not meet the costs for one-to-one assistants
- The 2.5% cut in budget doesn't take into account the increase in teachers salary already taken from schools - Only 24% of trade union represented members stated that they could afford the 2023/24 pay award from existing budgets and would have to make cuts
- There is a real concern for health and safety of some sites
- Many are unsure of some of the partnership agreements and if they are getting value for money for the provision
- Allow schools to set a licensed deficit and urge those who have not to rethink position
- Schools simply do not have the resources they need at the moment, further cuts will be devastating to schools and their learners, with implications for the wider communities for generations to come

The final two letters received represented a Town & Community Council and their main comments are noted below:

- Dissatisfaction with the proposed council tax increase as initial reports from 2023 budget was that an increase in the region of 6% was expected
- The road network needs further investment due to many road closures throughout the year
- There has been many consultations held by the council over the year but nothing to say what happened as a result of the consultations
- Concerns about the future existence of the tourism department

Further comments relating to other potential savings were also provided in the open-ended responses to question 7 (2.1.6 above) alongside 10 email responses. Some of the suggestions are listed below:

- Reduce the number of councillors
- Undertake a staff restructure
- Work with other councils / amalgamate with other councils
- Change building suppliers
- Reduce the number of green bin collections during winter
- Close the half empty schools
- Ensure staff are working and efficient
- Introduce Parking Permits to densely populated areas
- Introduce a holiday tax
- Work with more voluntary organisations