

CEREDIGION COUNTY COUNCIL

Report to: Cabinet

Date of meeting: 1 February 2022

Title: Report of the CLO – Finance and Procurement upon the draft Budget for 2022/23 and the three year capital programme.

Purpose of the report: To consider the draft budget for 2022/23, including the three year capital programme and to make a recommendation to Council on the Council Tax level. This report will support the work of the Budget Overview and Scrutiny Committees.

For: Decision

Cabinet Portfolio: Cllr. Ellen ap Gwynn, Leader of the Council, and all Cabinet Members

1. OVERALL POSITION STATEMENT

Whilst the increased settlement is positive for ensuring that services to residents continue, an estimated funding gap of £3m means cuts to services and or cost reductions and or increased income is necessary. This is due to the exceptional extra cost pressures being experienced across all of Wales and these are unprecedented. Many other Councils have fared better with this settlement as they did for the current year, Ceredigion residents currently still pay below the average across Wales Band D Council Tax. The financial resilience of the Council is key to ensuring that service users continue to receive the best possible services in the medium term and not just during the next year.

- **Inflation and Taxes for the Council – at least 8.8%**, which is now higher than at any time than in recent years, the new National Insurance Tax together with the Real Living Wage is a significant extra burden on top of inflation increases.
- **Performance** - Ceredigion continues to deliver high quality services that meet external regulator satisfaction.
- **Savings** - The Council is required to save at least £15m by March 2025 on top of the savings achieved between April 2012 and March 2022 of £50m. This will be £57.4m total savings achieved between April 2012 and March 2023.
- **Care and Support** - costs continue to increase dramatically. Life expectancy is good in Ceredigion – the average life expectancy for males is 79.3 years and 84.1 years for females. These are both above the national average of 78.5 years for males and 82.3 years for females. Council Tax support Claimants have increased significantly and must be funded.

- **Wages** –Implementation of the Real Living Wage for Registered Social Care Workers in Ceredigion (minimum of £9.90 from 1st April 2022 and a total estimated increase of £1.9m). This is part of WG’s pan Wales policy announced in their draft Budget.
- **Lower than average Council Tax** - Ceredigion continues to have a lower Band D Council Tax than the all Wales average.
- **Future Prospects** - The minister’s letter also sets out indicative budgets for the following two years:

The indicative Wales-level core revenue funding allocations for 2023-24 and 2024-25 are £5.3 billion and £5.4 billion respectively – equating to an uplift in the first year of £177 million (3.5%) and, in the second year, of £128 million (2.4%).

This is a clear indication that the following two years of budget setting will be difficult ones for the Council, particularly as Ceredigion is usually provided with a low amount as compared with the overall Welsh average settlement. Our estimate based on the past position is to expect around 1.75% uplift for 2023-24 and just 1.2% for 2024-25.

2. PROVISIONAL REVENUE AND CAPITAL SETTLEMENT FOR 2022/23

The provisional settlement was published on the 22nd December 2021. Full details of the settlement can be found on Welsh Governments (WG) website as follows:-

<https://llyw.cymru/setliad-refeniw-chyfalaf-llywodraeth-leol-dros-dro-2022-i-2023>

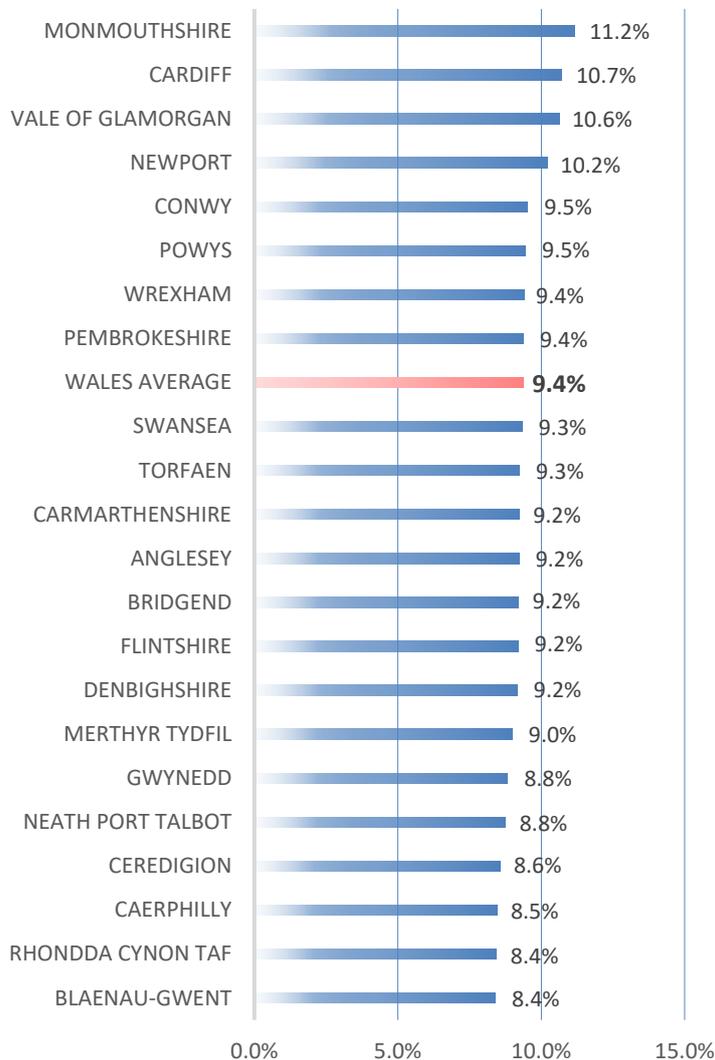
<https://gov.wales/local-government-revenue-and-capital-settlement-provisional-2022-2023>

The Council Tax base setting report was approved by Cabinet on the 7th December 2021 and details were returned to WG to feed into the settlement calculations.

The total revenue settlement, known as the Aggregate External Finance (AEF) allocated to Ceredigion for 2022/23 is £119.419m as compared with 2021/22 £110.006m (adjusted for transfers) being an increase of 8.6%. Wales as a whole has seen an average increase of 9.4%.

Changes to AEF 2022-23 by local authority

Source: WG Provisional LGF Settlement 2022-23



The increase is on top of grant /funding transfers made into the settlement being:

- £13.3m for Waste Disposal Gate Fees (Ceredigion element - £237k)
- £0.285m for the Coastal Risk Management Programme (No Ceredigion element)
- £5m for the Social Care Workforce Grant (Ceredigion element - £114k)

Ceredigion has £1,678 (21/22 £1,534) of funding per capita, compared to the Wales average of £1,611 (21/22 £1,471) and the year on year change ranks 8th out of all the Unitary Authorities. Average band D council tax set for Ceredigion in 2021-22 was £1,725, which was consistently below the Welsh average of £1,731. These figures include the Police and Town & Community Council precepts.

Ceredigion's Settlement reflects a range of less financially favourable re-distributional movements seen in population and Secondary School pupil number indicators. Standard Spending Assessments (SSA) are notional calculations of what each Council needs to spend to provide a standard level of service. The SSA for 2022/23 is £166.372m which is a 7.2% increase (2021/22 £155.153m). The most significant service increase being Personal Social Services at 12.2%.

3. BUDGET REQUIREMENT

The Budget model has been drafted to include the adjustments with regard to the provisional settlement. Any adjustments required that arise in the final settlement will require consideration and appropriate incorporation into the budget.

The detailed assessment work carried out to identify the unavoidable cost pressures faced by Services has been finalised and this has identified a net total amount of £13.1m, which is summarised in Appendix 1. This amount is almost double the previous years and is £3.8m more than the increased sum available in the settlement and this would equate to the need to increase Council Tax by close to 8%, however some savings are available to the budget setting process.

The Rising costs of Care alone come to £7m, including:-

- UK £9.90 Real Living Wage and 1.25% Employers National Insurance – impacts on most if not all Care related Commissioned Services (results in provisional inflation factors of 8.87% for Domiciliary Care / Supported Living, 9.13% for Residential Care and 11.15% for Direct Payments).
- Residential Homes – Fees setting review currently in progress.
- Direct Payments.
- Looked after Children.
- Domiciliary Care.

Provision for pay inflation is also a significant factor estimated at £3.4m, and as things stand there is no formal agreement yet on the main 2021/22 pay award.

After taking into account the potential funding available, a balanced budget is able to be achieved, this includes savings achieved in advance from the Minimum Revenue Provision (MRP) change and a savings target is required of £0.5m at this stage.

The Fire Authority Levy is subject to formal confirmation and is anticipated to result in a £104k cost pressure, which will require top slice funding.

A corporate approach has been taken to dealing with the COVID19 net costs and losses, as opposed to each service have to bear the brunt of the issue and this amount is planned to be met from Earmarked Reserves. This approach has ensured that financial management of the 2021/22 budgets and business as usual activity has remained strong. Total hardship costs and lost income are currently forecast at a gross total of just under £7m with as much as possible being recovered and reclaimed through WG grants/funding.

Additional COVID19 costs and some lost income will continue to be seen into the 2022/23 year and beyond and therefore a corporate budget of £750k is required in the Leadership Group budget, as well as utilising the earmarked contingency including COVID19 Reserve estimated as £1.25m. No grant claims are due next year as the Hardship Fund will close and the Settlement now includes for that requirement. WG have also committed to continue to supply free PPE for Health and Social Care for as long as it is required and to continue to provide funding for Test, Trace & Protect.

An extra 4.75% of Council Tax raises a gross £2.1m, which equates to a net £1.8m after allowing for the additional budget requirement placed on the Council Tax Reduction scheme. The Council's Income and cost recovery policy means that services are continuing to recover their inflationary costs relevant to chargeable services from service users, although the current issue in the near term is ensuring the recovery of Income streams to pre COVID19 levels. The impact for different levels of Council Tax is shown in the table below:

<u>Increase in Council Tax %</u>	<u>Resultant Band D Council Tax £</u>	<u>Total Increase Annual £</u>	<u>Total Increase Monthly £</u>
0.0%	£1,412.59		
3.0%	£1,454.97	£42.38	£3.53
3.5%	£1,447.90	£49.44	£4.12
4.0%	£1,469.09	£56.50	£4.71
4.5%	£1,476.16	£63.57	£5.30
4.75%	£1,479.69	£67.10	£5.59
5.0%	£1,483.22	£70.63	£5.89
5.25%	£1,486.75	£74.16	£6.18
6.0%	£1,497.35	£84.76	£7.06

The following summary sets out the main changes to the proposed budget and its available resources:

Budget Summary and Main Changes			
Based on a 4.75% Council Tax Increase			
		<u>£'000</u>	<u>£'000</u>
2022/23 Available Resources			
Aggregate External Finance (RSG + NNDR)	2021/22: £109,658		119,419
Council Tax Income			
Council Tax Base (as per 07/12/21 Cabinet report)		31,655.77	
Council Tax 2021/22		£1,412.59	
Council Tax 2022/23 increasing by	4.75%	£1,479.69	46,841
Council Tax 2nd Homes Premium Base (as per 07/12/21 Cabinet report)		407.31	
Council Tax 2021/22		£1,412.59	
Council Tax 2022/23 increasing by	4.75%	£1,479.69	603
Total Available Resources for Budget Requirement			166,862

As this draft budget proposal is on the basis of the Provisional settlement, it is to subject to any adjustments that may need to be made once the Final Settlement is known. Therefore any necessary adjustments could be made in accordance with the following:

1. the value of any specific grants transferred into RSG will be passported through to the relevant Service's budget;
2. any other specific changes to be directly targeted to the affected Service(s), if appropriate; and
3. any other change to the RSG will be dealt with by an adjustment to the Leadership Group corporate revenue budget.

The following summary sets out the proposed main changes to the Budget requirement (based on a 4.75% Council Tax scenario), which is proposed to increase from £154.736m to £166.862m (an increase of £12.126m):

	<u>£`000</u>	<u>£`000</u>	<u>£`000</u>
Total Available Resources for Budget Requirement			166,862
Adjusted Base Budget b/f from previous year		154,736	
<u>Corporate Adjustments and New Responsibilities:</u>			
<u>Specific Allocations</u>			
- M&WWFA Fire Authority Levy	104		
- Members Allowances / Members Chamber Equipment	105		
- Council Tax 2nd Homes Premium	45		
- Council Tax Support Scheme and Capital Programme Financing	490		
	744		
<u>Transfers in:</u>			
- Food and Residual Waste Treatment Gate Fee Support Grant	237		
- Social Care Workforce & Sustainability Grant	114		
	351		
Total		1,095	
<u>Increased 'Business as Usual' Cost pressures on Services</u>			
- Employees - Payaward and additional NI levy	4,504		
- Employees - Non Payaward related	1,107		
- Supplies & Services (including 3rd Party / Transfer Payments)	6,545		
- Loss of income / grant funding	23		
- Less Funding Assumptions	(500)		
<u>COVID19</u>			
- COVID19 Corporate Provision	2,000		
- Less Funding Assumption - Use of Earmarked Reserves	(1,250)		
	12,429		
<u>Cost Reductions / Saving Proposals</u>			
- Savings Required	(498)		
- Corporate Saving - MRP change	(900)		
	(1,398)		
Controllable and Net Budget Estimate			166,862
Shortfall (-) / Balance			-

A 5.0% Council Tax would be a Band D of £1,483.22 total Council Tax of £46.952m and less savings / increased expenditure of £96k. Total Budget £166.958m.

A 5.25% Council Tax would be a Band D of £1,486.75 total Council Tax of £47.064m and less savings / increased expenditure of £192k. Total Budget £167.054m.

The overall budget position translates into proposed allocations to Services as summarised below (which are subject to the final Full Council decisions on the Budget and Council Tax levels). This shows the Original budget for the current year, adjusted for other agreed transfers between services and the corporate adjustments through to the proposed Budget Totals. Further detail is also shown in Appendix 2.

Budget Totals Movements by Service (based on 4.75% Council Tax scenario)

	2021/22 Approved Original Controllable Budget £'000	2021/22 Updated Controllable Budget (as at Q3) £'000	2022/23 Draft Controllable Budget Totals £'000	<i>2022/23 Draft Budget Totals compared with 2021/22 Updated Budget %</i>
Customer Contact	5,735	5,779	6,155	+6.5%
Democratic Services	4,096	4,120	4,391	+6.6%
Economy & Regeneration	3,489	3,471	3,688	+6.3%
Finance & Procurement	21,311	20,188	19,197	-4.9%
Highways & Environmental Services	17,062	17,587	18,241	+3.7%
Legal & Governance	1,538	1,535	1,569	+2.2%
People & Organisation	2,093	2,093	2,165	+3.4%
Policy, Performance & Public Protection	2,098	2,146	2,355	+9.7%
Porth Cymorth Cynnar	3,467	3,829	4,401	+14.9%
Porth Cynnal	23,763	23,633	28,648	+21.2%
Porth Gofal	11,369	11,656	13,617	+16.8%
Schools & Culture	49,841	48,721	50,965	+4.6%
Leadership Group	4,284	5,388	6,731	+24.9%
Levies, C/Tax Premium & Reserves	4,590	4,590	4,739	+3.2%
TOTAL	154,736	154,736	166,862	+7.8%

4. BUDGET FRAMEWORK AND FINANCIAL CHALLENGE

The provision of Council services is funded through a combination of WG government grant, Council Tax and Fees and charges. Income for fees and charges is netted against expenditure.

As mentioned in previous budget reports, the Council's financial projections indicate that service expenditure will continue to rise with expected funding falling over the medium term. The funding ratio between central WG funding and local Council Tax funding has changed over the years from close to 80:20 back in 2013 to provisionally now being at 72:28 for 2022/23.

As outlined in the Medium Term Financial Strategy a key aspect of the budget strategy is to smooth out the significant budget fluctuations as much as possible in order to ensure that the budgets impact on service delivery is more sustainable and to prevent cuts to services either at the wrong time or for the wrong amount.

The Strategy also agreed the principle of applying transformation savings achieved in advance of the annual budget requirement to be usefully applied to earmarked reserves via the Leadership Group budget, in particular to support the Council Strategic Priorities with one off capital funding requirements as well as applying the savings to the base budget in the appropriate later year of need.

It is envisaged that future years' budget settlements will remain challenging and therefore as COVID19 pressures recede and organisational capacity allows, it will be essential that Transformation savings together with continuous improvement / efficiencies continue to be progressed and delivered.

The most significant Capital items that require continued / new investment through continuing to use the principles of the Medium Term Financial Strategy include the 21st Century Schools programme, the imminent Coastal Defence Schemes (potentially requiring c£3.5m towards estimated £23m scheme costs) and schemes associated with the Corporate Priority of Boosting the Economy.

The latter will include the recently approved Growing Mid Wales Growth deal, which will require match funding and financial commitment to go alongside monies secured from WG and HM Treasury over the next 15 years. Supporting the local economy is even more important in a post Covid19 world and potentially means more financial investment is needed.

Therefore it would be appropriate and it remains important to be able to deliver cost reductions in order to balance the annual budgets, as opposed to cutting the amounts available for investment in priority schemes given the scale of the capital investment likely to be needed in the medium term.

5. BUDGET RISKS

The usual Budget Risks paper, updated for relevant changes, is attached (Appendix 3). It identifies, in no particular order, the main risks for the budget together with appropriate comments and controls applied to minimise the risk.

6. CAPITAL PROGRAMME

Capital funding has reduced significantly across Wales from £177.8m to £150m. Ceredigion's allocation is £4.891m (this year's was £5.785m) being a decrease of £894k. The allocation is split between General Capital Grant £1.995m (£2.896m 21/22) and Unhypothecated Supported Borrowing £2.896m (£2.889m 21/22). The indication is for capital to increase for 2023/24 albeit not quite back to current year levels. There is though going to be additional funding available for the Climate Change agenda with WG's Budget showing an additional £20m for 'Local Government Decarbonisation' in both 2023/24 and 2024/25.

An updated Capital programme is attached (Appendix 5) together with the Capital Strategy (Appendix 6).

The Overall Capital Programme proposed for 2021/22 is £22.661m and 2022/23 is £40.282m. The 2023/24 and 2024/2025 programmes are yet to include grants which are not known at this stage. There will also be additional grants to add into the 2022/23 programme later on in the year as it only includes grants that run over more than one year.

The latest programme for 2021/22 is a proposed reduction, due mainly to slippage, of £4.331m, from twenty four schemes of which four account for over £2.3m being £900k against schools additional capital works, £687k Penglais School Learning Support Unit, £380k against the Economic Stimulus Fund and £300k from the 21st Century Schools Programme (Band B). In addition £508k has been added to the programme in relation to Levelling Up Projects.

The 2022/23 Council funded elements of the programme are generally recurring schemes and the significant grant funded schemes are the Band B 21st Century Schools Programme and the Coast Defence Schemes funded by WG.

Work with regard to the Coastal Defence Schemes at Aberaeron and Aberystwyth are Progressing. It is estimated that the schemes will cost £23m mainly funded by WG with the Council currently expecting to fund 15% or £3.45m. The funding from the Council will come from the Promoting Environmental & Community Resilience Reserve. The £23m spend has been profiled over the following financial years 2022/23, 2023/24 and 2024/25.

The Growing Mid Wales programme will have specific schemes to add into the three year capital programme once they have been further developed.

The Council has been successful in receiving levelling up grant approval for £10.8m from the UK Government that involves the delivery of schemes across 2021/22 through to 2024/25 years.

The balance of capital receipts from the Mill Street Development in Aberystwyth is £1.7m after allowing for the acquisition of the Arriva site for Economic Development.

The Capital Programme and Capital Strategy is therefore now presented for approval and recommendation to Council, as part of the Council's budget process.

7. FINANCIAL RESILIENCE AND RESERVES

The Councils financial resilience remains strong and robust for a number of reasons that all underpin good financial management. Audit Wales review and challenge the Councils approach to planning for the future and the sustainability of the Finances. Early intervention has been taken in recent years to tackle budget gaps head on with a diligent approach to dealing with them and decisions have been taken to maintain service levels in the County to meet the increasing demands brought about by so many external factors.

Maintaining the current financial resilience of the Council will not be easy in the medium term, however it must be recognised that we should be able to be confident that we can continue doing our very best to achieve the right result in the circumstances.

The reserves held by the Council already assist greatly with keeping Council Tax levels down. The Council had maintained a level of circa £20m of internal borrowing by utilising funds held in earmarked reserves which has reduced the need to borrow. It is estimated this approach has saved the tax payer annually £800k which equates to a saving in Council Tax charges of nearly 2% annually. Without sufficient reserves the estimated cost of untangling internal borrowing and taking on prudential borrowing to fund necessary capital schemes supporting the local economy cannot be emphasised enough.

The budget has always been set so that no demand is made from General Fund Balances to support the base budget other than for funding exceptional and agreed priority one off items.

Audit Wales referenced in their latest Financial Sustainability Assessment that:-

‘Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years’.

The Council's approved target is for General Balances to be maintained at between 3% and 5% of net expenditure. As at 31st March 2021 they were 4.0% (£6.1m) and the forecasted balance remains flat in amount which is understandably slightly lower in percentage due to the increased base budget.

	31.3.21	31.3.22	31.3.23
	Actual	Planned	Planned
General Balances - Amount	£6.1m	£6.1m	£6.1m
General Balances - Percentage	4.0%	3.9%	3.6%

8. MEDIUM TERM FINANCIAL STRATEGY

An updated version is enclosed as Appendix 4 for consideration, there are no significant or fundamental changes, it includes updated data sets as well as the financial position for the medium term.

9. CONCLUSIONS

This budget report deals with the provisional settlement announcement and also a recommendation to Council on the level of Council Tax for 2022/23. Council is due to consider the final budget on the 3rd March 2022 following a scrutiny of the budget papers and draft proposals.

The final settlement following scrutiny of the WG expenditure plans by Senedd Cymru, will be published by WG on 1 March 2022. Any changes to the position may not be known until after then and will need adjusting into the budget proposal.

The delivery of the proposed budget is achievable. The Leader, Cabinet Members, members of the Leadership Group and Corporate Lead Officers, together with their staff, have worked hard to meet the challenges placed on them to produce this draft budget, although as usual further work is still ongoing.

The main transformation savings achieved recently have been travel savings and the MRP review which are allocated within the proposed budget. However, it is envisaged that future years' budget settlements will remain challenging and therefore as COVID19 pressures recede and organisational capacity allows, it will be essential that Transformation savings together with continuous improvement / efficiencies are progressed and delivered.

The final settlement is not due until the beginning of March and any changes to the position are unlikely to be known until then and if any changes arise, they will need adjusting into the budget proposal.

Taking all the matters contained in this report into account I am able to confirm that the proposed budget has been prepared in a robust manner and is subject to the in-year delivery of savings targets or budget realignment. I am also able to confirm that the current Capital plans and Strategy are prudent and affordable and that the overall risk on this aspect also considered low.

Given the ongoing COVID19 circumstances the importance of sound financial management has never been greater and therefore it will remain paramount that continued vigilance is maintained over the financial position and that, if required, any in year action is taken as and if appropriate. The Council's financial resilience and track record of sound financial management has been recognised by the regulators.

10. COUNCIL TAX

A Council Tax recommendation to Council will be made following the Budget Scrutiny process and the Cabinet meeting to be held on the 22nd February.

Wellbeing of Future Generations: Has an Integrated Impact Assessment been completed? If not, please state why: This report does not refer to a service change, it supports the maintaining of services. The Overview and Scrutiny Committees will consider the Long term, Integration, Involvement and Prevention issues arising from the detailed budget proposals.

- Recommendations:**
- a) Approve three options for the draft base budget total at this stage of the budget process being £166,862, £166,958 and £167,054.
 - b) Consider recommending to the budget Overview and Scrutiny meetings three preferred options for the level of Council Tax to be proposed for 2022/23 being; 4.75%, 5.0% or 5.25% and to note that the draft Budget proposal is based on a working model of £1,479.69 for Band D properties for County Council purposes, representing an increase of 4.75%. A 5.0% increase allows for further expenditure / less savings of £96k and a 5.25% increase allows for further expenditure / less savings of £192k.
 - c) When the final settlement is issued the value of any further specific grants transferred into RSG will be passported through to the relevant Service's budget;
 - d) When the final settlement is issued any other specific changes to be directly targeted to the affected Service(s), if appropriate; and
 - e) Any other change to the RSG will be dealt with by an adjustment to the Leadership Group corporate revenue budget.
 - f) Approve the updated Medium Term Financial Strategy set out in Appendix 4 and recommend to Council for approval.
 - g) Approve the Capital Programme as set out in Appendix 5 and recommend to Council for approval.
 - h) Approve the Capital Strategy as set out in Appendix 6 and recommend to Council for approval.
 - i) Seek the views on this report of the Budget Overview and Scrutiny Committees.

**Reasons for decision:
Overview and Scrutiny:**

To enable budget preparation for 2022/23.

The Budget Proposals will be considered by the Coordinating Overview and Scrutiny Committee and by the Overview and Scrutiny Committees.

Corporate Priorities:

Medium Term Financial Strategy.

Financial implications:

Part of the budget setting process.

Statutory Powers:

Local Government Finance Act 1972.

Background Papers:

Provisional Revenue and Capital Settlement and other Welsh Government announcements.

Appendices:

- Appendix 1 - Net Cost Pressures by Service**
- Appendix 2 - Budget Totals Movement by Service**
- Appendix 3 - Budget Risks**
- Appendix 4 - Medium Term Financial Strategy**
- Appendix 5 - Capital Programme**
- Appendix 6 - Capital Strategy**

**CLO - Finance and
Procurement:** **Stephen Johnson**

**Reporting
Officers:** **Stephen Johnson / Justin Davies / Duncan Hall**

Date: **25 January 2022**

2022/23 Budget: Estimated Cost Pressures by Service

	Employee Costs (2021/22 Pay Award Pending) £'000	Employee Costs (2022/23 Pay Award Provision) £'000	1.25% Employers National Insurance Increase £'000	Utilities / Energy Inflation £'000	Provision for Externally Commissioned Services Inflation (including Real Living Wage & Empers NI) £'000	Pump Priming Through Age & Wellbeing new Operating Model Structure (Yr 1 of 2) £'000	Employee Costs (Other) £'000	Transfer / Third Party Payments £'000	Supplies & Services (Care related) £'000	Supplies & Services (Other) £'000	Loss of Income/ Grant funding £'000	COVID19 Budget Provision £'000	GROSS TOTAL £'000	Funding Assumptions (Reserves / Grants) £'000	NET TOTAL £'000
Customer Contact	19	110	30			-	-		111				270		270
Democratic Services	16	106	27			-	70			35			254		254
Economy & Regeneration	(1)	125	36	69		-	-						229		229
Finance & Procurement	12	90	25			-	-	290		200			617		617
Highways & Environmental Services	(12)	199	51	19		-	-			180			437		437
Legal & Governance Services	5	24	7			-	-						36		36
People & Organisation	11	50	15			-	-						76		76
Policy, Performance & Public Protection	35	105	30			-	-				23		193		193
Porth Cymorth Cynnar	29	141	37	19		360	-						586		586
Porth Cynnal	20	136	36		2,153	196	-	950	1,540				5,031	(250)	4,781
Porth Gofal	(4)	245	60	37	420	301			629				1,688		1,688
Schools & Culture	285	1,195	361	155		-	250			263			2,509	(250)	2,259
Leadership Group	3	842	3			-	-				2,000		2,848	(1,250)	1,598
Levies, Council Tax Premium & Reserves								104		45			149		149
TOTAL	418	3,368	718	299	2,573	857	320	1,344	2,169	834	23	2,000	14,923	(1,750)	13,173

SUMMARY

Common Cost Pressures affecting all / most Services	4,803														4,803
Common Cost Pressures affecting all Pyrths					3,430										3,430
Individual Service Specific Cost Pressures									3,446						3,446
Proposed Corporate Topsliced allocations							70	394		280					744
COVID19 Budget Provision												750			750
TOTAL															13,173

Budget Movements - 2021/22 Budget to Draft 2022/23 Budget

	2021/22 Approved Original Controllable Budget £'000	Budget Virements as part of £2.1m Corporate Savings £'000	Q1 Post Budget Setting Budget Transfers (See Note 1) £'000	Other In-Year Budget Transfers / Movements / Virements £'000	2021/22 Updated Controllable Budget (as at Q3) £'000	Minimum Revenue Provision change (Full Council 17/06/21) Part 1 of 2 £'000	Part year Cost of running Mid County Childrens Safe Accom modation £'000	Other Budget Transfers / Movements / Virements £'000	2021/22 Controllable Base Budget Requirement £'000	Add Grants Transferred into RSG Settlement to passport to Services £'000	Funding allocated for 2022/23 Net Cost Pressures £'000	Minimum Revenue Provision change (Full Council 17/06/21) Part 2 of 2 £'000	Savings Required for 2022/23 £'000	2022/23 Draft Controllable Budget Totals £'000
Customer Contact	5,735			44	5,779			106	5,885		270			6,155
Democratic Services	4,096			24	4,120			17	4,137		254			4,391
Economy & Regeneration	3,489			(18)	3,471			(12)	3,459		229			3,688
Finance & Procurement	21,311	(1,174)		51	20,188	(700)		(8)	19,480		617	(900)		19,197
Highways & Environmental Services	17,062		525	-	17,587			(20)	17,567	237	437			18,241
Legal & Governance	1,538			(3)	1,535			(2)	1,533		36			1,569
People & Organisation	2,093			-	2,093			(4)	2,089		76			2,165
Policy, Performance & Public Protection	2,098			48	2,146			16	2,162		193			2,355
Porth Cymorth Cynnar	3,467		580	(218)	3,829			(14)	3,815		586			4,401
Porth Cynnal	23,763		(290)	160	23,633			120	23,753	114	4,781			28,648
Porth Gofal	11,369		290	(3)	11,656		300	(27)	11,929		1,688			13,617
Schools & Culture	49,841		(1,105)	(15)	48,721			(15)	48,706		2,259			50,965
Leadership Group	4,284	1,174		(70)	5,388	700	(300)	(157)	5,631		1,598		(498)	6,731
Levies, Council Tax Premium & Reserves	4,590			-	4,590			-	4,590		149			4,739
Total Controllable Budget	154,736	-	-	-	154,736	-	-	-	154,736	351	13,173	(900)	(498)	166,862

Note 1: Q1 Post Budget Setting Budget Transfers

School Transport related	525
Pupil Referral Unit	580
Direct Payments Employee Budget	290

Budget Risks

The following are the identified main risks for the budget together with the appropriate comments, and controls applied to minimise the risk:

1. Changes to the level of Aggregate External Finance (AEF)

The sum of the Revenue Support Grant and redistributed Non-Domestic Rates now provides about 72% of the funding for the General Fund's net revenue expenditure. Changes to the grant distribution can have a major impact on the Council's finances. The Council is able to make representations to Government both directly and through the Welsh Local Government Association to attempt to influence the changes which are made.

With current economic outlook and indicative All Wales level allocations for the next 2 years after 2022/23, there is a significant risk that there will be below inflation increases in AEF allocations i.e. reductions in real terms for the forthcoming years. The Council needs to bear this in mind when considering its spending priorities and improvements to services, with a view to needing to mitigate the future budgetary impact.

In addition there is always an element of financial risk around the delivery of savings plans that will be regularly monitored. The higher the level of Savings targets, the higher the risk apart from where they have been achieved in advance.

2. General Unforeseen changes in expenditure and/or income in the year

One reason that the Council maintains reserves is to give some protection against unforeseen changes. A regular monthly system of budget monitoring is operated with formal quarterly reports to Members together with exception reporting between those periods.

The Council insures against known major risks such as fire damage, employers and public liability.

3. Changes in specific grant income

The Council receives large sums each year in specific grants. There is a potential risk if changes in Government rules, or an inadvertent failure to comply with grant conditions, might result in a significant loss of grant income. The Council's external auditors regularly review the way the Council administers grants, and procedural improvements are put in place where necessary to ensure that there is no loss of grant income.

There is also a potential risk if specific WG revenue grants cease but there's an expectation that the services funded via such grants need to be maintained at the same, or lower, level. Wherever possible, exit strategies should be in place to deal with the consequences when grant funding comes to an end.

There is a change on the horizon regarding WG regional ICF and Transformation Social Care Funding which is transitioning to a new regional funding stream in 2022/23. This will require active management and brings an increased level of risk.

4. Fraud (including Cyber Security)

Major fraud might cause significant financial loss to the Council as well as weakening public confidence. The Council maintains a system of financial regulations and standing orders to control this risk alongside business continuity and civil contingency planning arrangements. There is an active Officer Working Group focussed on Cyber Security related matters and associated business resilience. The Council's Internal Audit section, as part of its remit, will investigate potential Fraud risks, advise on best practice, and ensure that adequate internal control systems are in place and that they are being adhered to.

5. Insolvency of Counterparties

The Council might suffer losses in the event of the insolvency of major partners or commercial suppliers. This is a particular risk in relation to investment transactions. The Council has adopted Treasury Management policies to spread and minimize risks in this area. Commercial partners and contractors working for the Council are subject to financial and other assessments, and the size of contracts awarded may be limited after taking into account the outcome of the assessments.

6. Pension Fund

The Council contributes to the Dyfed Local Government Pension Fund. The fund is administered by Carmarthenshire County Council. The pension scheme for employees, including Council Members, (but excluding teachers) is a defined benefit scheme which means the risk in relation to investment returns and demographic changes falls entirely on the employer. The Council can arrange for the recovery of any deficits to be spread over a period of years to minimise the immediate budgetary impact.

7. Interest Rates

The Council has significant long term debts and investments. Changes in interest rates can have a significant effect on interest income, and on the cost of new loans required to support new capital expenditure.

The Council monitors interest rates and their effect as part of the budget monitoring process. In the current economic climate there is a substantial loss of investment income due to the very low interest rates which has been mitigated as far as possible by making more use of internal borrowing, i.e. keeping external debt borrowing down by utilising cash held on account (e.g. representing earmarked reserves).

8. Inflation

a) Pay

Employee costs are the largest element of the budget. A large increase in pay rates will adversely affect the Council's budget. For the majority of staff pay is negotiated nationally either at a UK level (APT&C) or at WG level (Teachers) and the Council can influence but not control the pay settlement. Through the implementation of the single status agreement and the operation of a systematic evaluation of grading the Council aims to maintain a fair but affordable pay structure.

b) Non Pay

We are now entering an era of higher than average inflation and levels not seen since before 2008. The Bank of England has a remit to keep inflation on track at c2%, however CPI inflation has now risen to just over 5% and is still forecast to rise higher than this. This has the potential to affect both existing ongoing contracts with Suppliers and also their pricing of new contracts (both revenue and capital) and is therefore a Budget risk that hasn't been seen to the same extent in the last decade.

9. Brexit

Having formally left the European Union on 31/12/2020, the medium to long term implications and consequences of the Brexit agreement are still not necessarily fully understood and apparent. The Council has a Brexit / EU Transition group in place chaired at CLO level, which meets regularly and contains representatives from all Services across the Council. The group's role is to provide a formal, structured approach to managing risks posed to the Authority due to the UK leaving the EU. Services will continue to monitor the impact and whether any additional costs or loss of funding need to be mitigated.

10. COVID19

2020/21 saw an unprecedented year of challenges for the Council both financially and operationally due to the COVID19 pandemic. This has continued unabated into 2021/22. There has been considerable additional funding from WG both for specific initiatives via grants and in general terms through the WG Hardship fund.

WG have made a clear statement that from 01/04/2022 the Hardship Fund will cease to exist and that funding has been made available in the Local Government Settlement, with the main exceptions of TTP (Test, Trace & Protect) and also PPE provision (where WG will continue to provide free PPE to Health & Social Care for as long as is required). The Council will continue to manage the ongoing financial impact of COVID19 on a corporate basis, where the impact is significant, using a combination of base budget provision through the 2022/23 Budget Setting Process and an Earmarked Reserve.

11. Phosphates

This an emerging issue following Natural Resource Wales publishing evidence of phosphate levels for the River Teifi riverine Special Area of Conservation (SAC) and the issuance of interim Planning position statement / guidance in May 2021. The effect of this covers 45% of land in Ceredigion and this is going to create significant issues in bringing forward Developments in the areas affected. In narrow terms this has the potential to affect areas such as Planning Fee and Building Control Income, but in a wider sense has the potential for far reaching Housing and Economic development implications.

MEDIUM TERM FINANCIAL STRATEGY

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MEDIUM TERM FINANCIAL STRATEGY

1 Introduction

- 1.1 The purpose of this Financial Strategy is to provide a financial governance framework to operate within by setting out the issues that are considered and taken into account for financial planning for the medium term.

By bringing together financial assumptions; standards of service delivery; demographic needs; and workforce planning issues into this document it is expected that the Council will be better able to consider overall management of its resources to meet its objectives.

Paragraph 6.6 sets out the key elements of the budget strategy that will contribute to a balanced budget. A transformation savings plan has been prepared and is being implemented, although Covid-19 has impacted on the timescales envisaged.

1.2 Objective of the Strategy

The Council's financial objective is for the careful and responsible use of resources and to ensure that the financial resilience of the Council is maintained and strengthened. The overall objective of this strategy is:

“to provide a framework and overall direction and parameters in order for the Council to structure and manage its finances to ensure that financial resources are used in a responsible and careful manner”.

This strategy achieves this by:

- Outlining principles for developing and setting the annual budget.
 - Integrating and acknowledging external forces into the budget process.
 - Integrating financial and business planning, reflecting priorities of the Corporate Strategy 2017-2022, anticipating pressures facing the Authority and ensuring improvement of services.
 - Identifying the main links with other processes, core considerations and financial themes to be considered.
 - Indicating projected levels of income, expenditure and capital investment over a rolling three year period.
 - Providing a single document to communicate the financial context, aims and objectives to stakeholders.
- 1.3 Understanding the overall financial context is important in order to deliver a robust and balanced budget during the next few years as it is recognised that funding for the Public Sector will be limited. The financial forecast includes a three year budget forecast.

2 Budget Priorities

2.1 The “Strategic Plan” provides the broad programme and timetable for developing and implementing the Councils plan for the future delivery of services in the face of on-going financial constraints. This plan is regularly monitored by the cross party transformation group. There are a number of work streams included in the plan which assist and support the delivery of the savings plan.

- The transformation work stream assists the Council to identify change to key core functions that will assist future sustainability of service deliverability.
- The major reviews work stream informs the consideration of new models for service delivery.
- The budget savings plan is regularly monitored which helps ensure that balanced budgets are delivered.

The Corporate Strategy 2017-2022 identifies and explains how the Council intends delivering its Four main Strategic Priorities.

The core purpose of the Council’s Corporate Strategy is to illustrate how the authority will support and promote sustainability and the wellbeing of the citizens of Ceredigion, through its long term Vision and Strategic Objectives.

Vision:

“Ceredigion Council delivers value for money sustainable bilingual public services that support a strong economy and healthy environment while promoting wellbeing in our people and our communities”

Strategic Objectives:

The four Strategic Priorities for Ceredigion are:

- *Boosting the Economy;*
- *Investing in People’s Future;*
- *Enabling Individual and Family Resilience;*
- *Promoting Environmental and Community Resilience.*

The above priorities will be used to direct resources with the number one priority being *Boosting the Economy*.

2.2 The Council’s aim will be to continue to direct resources to priority areas that can deliver improvements for the local community. A number of key well-being and improvement objectives are identified each year and the adequacy of resources to enable delivery of these objectives need to be taken into account during the budget process.

2.3 The Council’s expenditure can be linked to supporting its Corporate Strategy and its well-being and improvement objectives. The budget setting is a financial representation of the Council’s Policies. The Council, through its budget setting process, requires a review and endorsement of the draft budget proposals by the relevant scrutiny committees and strategically by the overview and scrutiny coordinating committee.

Workshops are held throughout the year between Members and officers of the Leadership Group during which consideration is given to financial planning for both the short and medium-term; budgetary issues / pressures for the current and future years; service priorities and allocation of resources. The annual business planning process is the mechanism whereby plans are put in place to deliver business objectives that are fully resourced and aligned to the Council's objectives.

- 2.4 The Council will strive to meet the financial and budgetary challenges by considering service priorities, and looking at different and innovative ways of providing services in a more cost effective manner in the future.

In order to achieve this, a comprehensive service redesign transformation programme has been in place for some years and plans implemented and currently being implemented and any new opportunities arising will be developed.

This will include:

- Implementing back office efficiencies;
- Develop alternative delivery methods whilst sustaining services;
- A clear understanding of which services will be supported and protected;
- Rationalising all non-priority functions and services;
- Continuing with the schools and social care modernisation programme;
- Embracing and maximising shared services opportunities through collaboration;
- Ensure value for money with all commissioning and contractual work;
- Re-balance the budget in light of demographic pressures;
- Maximising income through application of the Income Management and Cost Recovery Policy.

- 2.5 Some of the key priority areas that the Council will focus on are:

Boosting the Economy - the approach is outlined in 'Boosting Ceredigion's Economy – A Strategy for Action 2020-35'. This outlines four priority areas where our actions will be targeted to make a difference which will also support the National Wellbeing Goals:

- People – inspiring people, developing skills, health and wellbeing
- Place – promoting Ceredigion as a place to live, work and visit
- Enterprise – supporting businesses to get started and grow
- Connectivity – connecting businesses and communities

This Strategy aligns closely to the emerging priorities developing from our partnership with Powys Council and wider partners as part of Growing Mid Wales – and will help inform the emerging Regional Economic Framework to support its delivery locally.

The Mid-Wales Growth Deal, developed from the Vision for Growing Mid Wales, reached a significant milestone in January 2022 as the Final Deal

Agreement were signed by the Welsh Government, UK Government and Ceredigion and Powys Councils, based on the development and submission of the Portfolio Business Case. Both governments agreed to provide £55m and the UK Government has confirmed flat capital funding over a 10 year period covering the Growing Mid Wales region as a whole. The Welsh Government has not confirmed its intentions, although the original position was funding over a 15 year period.

The Portfolio Business Case currently has a set of programmes and projects which cover a range of investment proposals across a number of themes – digital, tourism, agriculture food & drink, research & innovation and supporting enterprise.

The Council has been successful in applying for £10.9m of Levelling Up funding for Aberystwyth from the UK Government during 2021. The money will help to transform ‘The Old College’ in Aberystwyth, revitalise the promenade and create a ‘living harbour’.

Boosting Ceredigion’s Economy will require substantial investment from the Council with a return expected from that investment. The earmarked fund available stands at £6m (Reserve and Cap Receipts) at 31/3/21, the target by 31/3/23 is £10m.

Education – modernising education establishments, for example, using 21st Century Schools programme funding to build an area school for the Aeron Valley as well as improvements to Cardigan Secondary School, Cardigan Primary School and Canolfan y Mor at Aberaeron Secondary School.

Coastal Defence Schemes – it is anticipated that circa £23m will be spent on the coastal defence schemes at Aberaeron and Aberystwyth. £19.5m of the funding will be financed by Welsh Government with the remaining £3.5m being funded by earmarked reserves.

COVID19 - The financial impact arising from the COVID19 pandemic for the future years is unknown although being budgeted for in 2022/23. Further information is included in paragraph 6.8. It is not expected that the Hardship relief scheme will operate after the 31st March 2022.

3 Financial Challenge

- 3.1 There are many challenging years ahead in local government with public finances continuing to be extremely tight and this has a direct impact on the Council’s budgets. These are therefore difficult times from a budgetary and service delivery perspective, particularly as the consequences of the Covid-19 pandemic on public finances become apparent. However, from this challenge opportunities should also arise by seizing the agenda and considering how services can be delivered differently and better, and ensuring greater value for money for the taxpayer.
- 3.2 For 2022/23 the Council’s net revenue budget requirement is £167m, and the original Capital Programme for 2022/23 is £28.5m. Together they

provide the resources to meet the delivery of the business plans of the Council. The budget savings plan is regularly monitored and ensures that balanced budgets are delivered. The Revenue Support Grant for 2022/23 has increased by 8.6%, which is the fourth lowest in Wales, as a result service savings targets of £0.5m are required with an additional corporate savings target of £0.9m allocated against the Leadership Group.

- 3.3 Approximately 72% of the net budget is funded by the Welsh Government via a combination of Revenue Support Grant (RSG) and re-distribution of National Non-Domestic Rates (NNDR) which is collectively referred to as Aggregate External Finance (AEF). Local Authorities are able to apply for additional specific funding through the Welsh Government's grant programme. A further circa £40m of specific service grant funding, excluding Covid19 related, is typically received to deliver and support many of the Council's revenue services and capital schemes/projects.
- 3.4 Within the Council's budget there are various income sources and expenditure items. The budget position is therefore sensitive to many changing circumstances or events. On the income side the amount of AEF received is critical to the budget position but there are also other income issues that impact on the budget, for example, supply and demand for the services that are charged for, and the number and value of specific grants that fund service provision. On the expenditure side changes to general inflation, specific higher level of commodity prices, interest rate changes and pay inflation will all have a significant impact on the financial forecasts.
- 3.5 The Council's expenditure will tend to increase each year for pay and price inflation and this requires funding by either increasing income from any combination of Council Tax, fees and charges, or by reducing expenditure.

It has been and continues to be anticipated that the funding allocated to the Council under the AEF in the short to medium term will be insufficient to meet inflation and demand led cost pressures; and will most likely result in real terms decreases for a few years beyond that. This will lead to insufficient funding to cater for cost increases, service pressures due to increased demand, etc. and this therefore leaves a potential funding gap that needs to be planned for. The budget for 2022/23 is less than the amount available to spend in 2009.

- 3.6 The key elements of the existing and future medium term financial strategy are detailed in Section 8.
- 3.7 The Chancellor's Autumn Statement and Spending review can be found on the following link;

<https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>

- 3.8 Care and Support costs continue to increase dramatically. Life expectancy is good in Ceredigion – the average life expectancy can be

seen in section 12.6. Council Tax support claimants have increased significantly and must be funded. The rising costs of care is £7m, including:-

- UK £9.90 Real Living Wage and 1.25% Employers NI – impact on most if not all Care related Commissioned Services (results in provisional inflation factors of 8.87% for Dom Care/Supported Living, 9.13% for Residential Care and 11.15% for Direct Payments).
- Residential Homes – Fees setting review.
- Direct Payments.
- Looked after Children.
- Domiciliary Care.

4 Managing Resources Effectively

4.1 Financial Management includes:-

- Compliance with financial regulations to ensure that budgets are managed effectively in-year;
- Financial management roles and responsibilities are transparent and embedded across the Council's services.
- Financial literacy is actively promoted throughout the organisation.
- Effective financial controls are in place and cover all areas of financial management, risk management and asset control;
- Ensure that value for money is achieved in the delivery of services.

4.2 Requests to carry forward revenue underspend are considered and generally not approved, as they cannot be currently afforded.

4.3 Balances will be maintained in accordance with the Council's approved policy. Any windfall income received will be added to balances.

4.4 Reserves will be held for specified purposes only and reviewed on a regular basis.

4.5 Use of grant funding:

- The use of general grant funding for both revenue and capital will be maximised.
- Where grant bids are required, these need to be linked to the Council's objectives.
- Exit strategies need to be considered for grant bids and relevant grant funding.

5 External Economic, Financial and Legislative Context

5.1 The Council's medium term financial forecast is set within the context of national economy, public expenditure plans and national legislation and regulations. It is being formulated within a context of a challenging period for the national economy as it emerges from the heights of the Covid-19 pandemic and a time when significant austerity measures have been in place for the previous decade.

- 5.2 Despite formally leaving the European Union on 31st December 2020 the implications and ramifications from the last minute agreement reached in December 2020 are still to be fully understood and will only become clearer in the fullness of time.

The Council has a Brexit / EU Transition group in place chaired at CLO level, which meets regularly and contains representatives from all Services across the Council. The group's role is to provide a formal, structured approach to managing risks posed to the Authority and to co-ordinate the Authorities' preparedness across all services - reporting on risk and mitigation. Services will continue to monitor the impact and whether any additional costs or loss of funding will be mitigated.

- 5.3 Both the Treasury and external forecasters are expecting a bumpy ride as economic growth is strived for by the Government and this provides a challenging background for the Council's budget. Demand led services such as Social Services and the Homeless service are likely to see increased pressures as a result of the current Welfare Reform changes. The number of claimants of Council Tax Support Scheme had reduced from the peak levels experienced in 2012/13, however, since the Pandemic numbers have increased significantly and are unlikely to return to the lower level for some years to come.

- 5.4 At the beginning of the Covid-19 pandemic The Bank of England initially reduced the interest base rate from 0.75% to 0.25% on the 11th March 2020 and subsequently to 0.1% on the 19th March 2020, its' lowest ever level. In December 2021 the rate was raised to 0.25%. The Council's Treasury advisors forecast that rates will increase to 0.5% in June 2022, then to 0.75% in quarter 2 of 2023. Interest rates are reported to Council regularly via the Treasury Management Reports.

- 5.5 The Council receives approximately 72% of its net revenue budget from the Welsh Government hence reliance is placed on the economy as a whole and the UK Government's ability to raise taxes to fund Public Services. The economic downturn places increased pressures on the Council's own finances and also on the wider community. The medium term financial forecast will therefore need to remain flexible to respond to any opportunities or threats that this external environment will present. How the UK economy grows in the years ahead will impact on the availability of grant funding. The increased income raised from Council Tax, although significant, represents a smaller part of meeting increased costs.

- 5.6 The population projections indicate that nationally, and for Ceredigion, people will live longer which will have an impact on all services and particularly from the age category of 65 and above. Data on all services will continue to be returned to the Welsh Government in order to assist with the calculations that underpin the distribution of the Revenue Support Grant.

- 5.7 Standard Spending Assessments (SSAs) is the mechanism used by Welsh Government (WG) for the distribution of resources to local authorities based on a calculation of what each Local Authority needs to

spend to deliver a standard level of services at a common rate of council tax. The SSA formulae are kept under review by the joint Assembly / WLGA / Local Authority working group, called the Distribution Sub Group. The SSA allocation uses around fifty formulae reflecting demographic, physical, economic, and social characteristics. It also reflects the relative costs of providing comparable services between authorities. Consequently, the formulae take account of factors such as population, numbers of children and older adults, road lengths, rurality and sparsity. The Green Book is a statistical companion to the Local Government Finance Report. It provides background information for the calculation of Standard Spending Assessments for the annual local government revenue settlement.

The latest population forecasts indicate a reduction for Ceredigion which has had an adverse effect on the amount of funding allocated via RSG for 2022/23.

- 5.8 The Well-being of Future Generations (Wales) Act 2015 is in place to make public bodies think more about the long term, work better with people and communities and each other, look to prevent problems and take a more joined up approach. The well-being duty under the Act means that we must apply the Sustainable Development Principle five ways of working to all that we do and align our work to the seven National Well-being Goals. All services are required to apply the Act thus ensuring that the transformation and efficiency savings plans comply with the well-being duty.

6 Budget Strategy

- 6.1 The main objectives of the annual budget setting are:
- To ensure that a balanced budget is set each year and that value for money services are delivered.
 - To look to the longer term to help plan sustainable services and budgets and help ensure that the Council's financial resources are sufficient to support delivery of Council priorities.
- 6.2 The Council's underlying budget position is that inflationary and other growth in demand for its services is likely to rise and exceed forecasted income.
- 6.3 The characteristics of the Strategy are that it is Robust, Dynamic and Compliant.

Robust - It is effectively integrated with the rest of the Council's policy-making and planning activities and fully complements the financial management arrangements of the Council. The financial strategy is both a document and a process.

Dynamic - It is a living document and a process that evolves and develops in response to new financial opportunities (and threats) and new policy directions.

Compliant - The strategy is based upon fundamental principles that govern the management of the Council's finances. The Council ensures that financial management systems are adequate and effective, and that there is a sound system of internal control, and meets the requirements of the Council's published Annual Governance Statement (AGS). The Council adheres to legal and professional advice and guidance, including the Best Value Accounting Code of Practice and the Statement of Recommended Practice, both published by the Chartered Institute of Public Finance and Accountancy.

6.4 The budget strategy reflects the Council's external and internal factors, it requires that consideration be given to:

- Targeting resources to achieve the greatest positive impact e.g. utilising Information Communication and Technology to support lean processes and improved workflow.
- Looking to the longer term to plan for sustainable services and budgets and the maintenance and improvement of front line services by saving up to meet known expenditure commitments.
- Pursuing efficiency to make best use of the Council's assets, i.e. funds, land, buildings, staff and information technology. For example, further rationalisation of buildings could reduce revenue costs and generate capital receipts.
- Supporting working with partners to secure value for money and best outcomes for the benefit of local communities, and ensuring the delivery of bilingual services.

6.5 The financial strategy is therefore to continue to manage the forecasted gap between likely resources and budget requirement in order to deliver a balanced budget position whilst meeting the Council's objectives. This outcome can be achieved by focusing mainly on identifying savings in advance of the budget being set in order that they can be realised in time for the start of the relevant financial year.

6.6 The key elements of the budget strategy that will contribute to a balanced budget are:

- Planning to provide flat budget allocations to services which therefore need to meet their increased costs from service efficiency, income and cost recovery, and change within the service area as a whole. The overall reduced levels of funding to be met from corporate transformational change, service reviews and third party expenditure reduction.
- Council Tax increases will take into account the need to ensure that there is sufficient funding to protect key services.
- The budget will generally be set so that no demand is made from General Fund Balances to support the base budget other than for funding exceptional and agreed priority one off items.
- Income will be maximised through application of the Income Management and Cost Recovery Policy.
- Efficiency savings (including invest to save schemes, shared services, procurement savings) will continue to be sought as a natural part of

improved service delivery.

- Savings achieved in advance of the annual budget requirement will be usefully applied to earmarked reserves in particular to support the Council Strategic Priorities with one off capital funding requirements as well as applying the savings to the base budget in the appropriate later year of need.

6.7 The following are key strategic capital budget setting aims:

- Asset Management Planning along with the Carbon Management Programme will inform the setting of the capital programme and necessary expenditure on existing, and new, Council assets.
- Identification of expenditure that can attract grant funding.
- Invest to save schemes are regarded as high priority as they provide a positive contribution to the medium term budget position.
- The capital programme budget will normally be set so that no demand is made of prudential borrowing other than to fund specific capital projects. Consideration will also be given to use prudential borrowing when revenue savings are identified which can be used to fund the capital financing costs.
- Use of the corporate capital reserves will support the capital programme, in particular the 21st Century Schools Programme (referenced is paragraph 2.5 above), schemes that boost the local economy and protect the coast.
- Capital receipts are regarded as a positive contribution to the overall capital programme and will be allocated in accordance with the balance available at the start of the year. Appropriate responses to major disposals will take place as and when they arise.
- Expenditure and investment on any assets are to make a positive contribution to, and support, corporate and service objectives.
- Develop a funding strategy to support planned future major projects.

6.8 Covid-19

2020/21 and 2021/22 has seen unprecedented challenges for the Council both financially and operationally due to the COVID19 pandemic. The financial impact is being dealt with as a corporate Council wide issue with the pressures to date being claimed from the WG Hardship grant and this includes increased expenditure and decreases in Fees & Charges income across Services as well as reduced Council Tax collection rates.

It is anticipated that the Finances of the Council will continue to be affected by Covid 19 during 2022/23 and beyond.

7 Partnership Working, External Funding and Collaboration

7.1 The Council works with partners to secure best outcomes for the benefit of its citizens and is investigating opportunities for joint work with other agencies / local authorities. The financial strategy takes a realistic but prudent approach to possible partnership funding that is not yet certain or confirmed. Specific partner funding or grant income is generally not assumed in the forward forecasts unless its allocation has been confirmed.

- 7.2 To Boost the Economy the Council will work with various partners including:
- Welsh Government
 - UK Government
 - Growing Mid Wales Partnership
 - Further and Higher Education establishments
 - Skills and training providers
 - Business representative bodies
 - Private and public funders
 - Third sector organisations
- 7.3 The Council has significant grant funding for delivering its gross revenue budget. There have been transfers of specific grants into the revenue support grant and this current trend may well continue. This means that the services will be able to decide how best to spend the funding as part of a local strategy as opposed to being part of a national one.
- 7.4 The Council works in partnership with the Welsh Government on many revenue and capital projects.
- 7.5 Budgets must clearly reflect the substance of any collaborative working that the Council is party to. The gross expenditure principle of budgeting requires that budgets show separately the expenditure and income of all transactions. Where joint committees exist these need to agree a budget for the joint committees' work early enough for the Council's share to be reflected in the budget. WG are introducing Corporate Joint Committees (CJC) throughout Wales commencing in 2022/23. Ceredigion is partnered with Powys County Council (and the Brecon Beacons National Park for Strategic Planning only) and will form the Mid Wales CJC. Auditors may review the reasons for entering into collaborative arrangements and make assessments about service improvements or cash savings realised under their value for money assessments.

8 The Medium Term Financial Forecast for 2022/23 to 2024/25

- 8.1 Details of the medium term financial forecast for are not known in advance and are estimated. Estimated funding gaps in recent years have varied although reasonable estimates have resulted.

The Welsh Government's Provisional Local Government Settlement for 2022-23 has given indicative Wales-level core revenue funding allocations for 2023-24 and 2024-25 of £5.3 billion and £5.4 billion respectively – equating to an uplift in the first year of £177 million (3.5%) and, in the second year, of £128 million (2.4%). Take into account the formula for the Council's share of this uplift it is estimated the share will be an effective uplift for the Council of 1.75% and 1.2% respectively. Council Tax increases of various amounts together with various settlement predictions are included in paragraph 8.2.3 below.

Table 1 below uses a 4% amount for planning purposes. The actual Welsh Government settlement will differ to the projection and could be worse or less, likewise Council Tax increases will vary.

The tables below set out the income and expenditure projections and therefore the estimated savings requirement over the next three years based on the following funding projections.

Table 1 – Funding Projections - Indication

	Indicative		
	2022/23	2023/24	2024/25
Council Tax	4.75%	4.0%	4.0%
WG Funding	8.6%	1.8%	1.2%

Table 2 – Revenue Budget – Income

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Council Tax	45	47	49	51
WG Funding	110	119	122	123
Total Income	155	167	171	174

Table 3 – Revenue Budget Shortfall

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Planned Expenditure	158	168	178	181
Expected Income	155	167	171	174
Savings Requirement	3	1	7	7

Based on these assumptions, the Council is required to save at least £15m by March 2025 on top of the savings achieved between April 2012 and March 2022 of £50m. This will be £51m total savings achieved between April 2012 and March 2023.

8.2 The main assumptions included in the forecast are explained below:

8.2.1 **Inflation** – The forecast provides for general pay inflation and changes due to living wage. Contractual supplies and services and other budget pressures have been assumed.

See 12.14 for the Bank of England's inflation projections. There are expected significant short term inflation pressures with CPI predicted to rise to 6% during 2022. This will have significant pressures on the Council's budget.

8.2.2 **AEF Rates** – At the beginning of the Covid-19 pandemic The Bank of England initially reduced the interest base rate from 0.75% to 0.25% on the 11th March 2020 and subsequently to 0.1% on the 19th March 2020, it's lowest ever level. In December 2021 the rate was raised to 0.25%. The Council's Treasury advisors forecast that rates may increase to 0.5% in June 2022, then to 0.75% in quarter 2 of 2023. A 1% rise in interest rates could mean up to an extra £200k of income in a full year but against

this must be set the cost of any new loans, with higher interest rates, falling within the period.

8.2.3 Aggregate External Finance – the three year budget forecast includes estimated sums for the AEF Budget Settlement for the next three years. Declining population figures in Ceredigion as described in 12.1 below have and will continue to negatively affect the Council's AEF Budget Settlement.

The potential range of Budget shortfall in the medium term as a consequence of the uncertainty around the annual AEF Budget Settlements is illustrated in the tables below.

A 1% change in Aggregate External Finance equates to approximately £1.1m and a 1% increase in Council Tax raises an extra £450k, net of the increased CTSS cost that's £385k.

2023/24: Budget Funding Gap Scenario Analysis – ie potential savings required

		<u>Council Tax Increase</u>							
		<u>0.0%</u>	<u>1.0%</u>	<u>2.0%</u>	<u>3.0%</u>	<u>4.0%</u>	<u>5.0%</u>	<u>6.0%</u>	<u>7.0%</u>
<u>Aggregate External Finance Settlement</u> <u>(AEF)</u>	<u>0.0%</u>	£10.8m	£10.3m	£9.9m	£9.4m	£8.9m	£8.4m	£8.0m	£7.5m
	<u>1.0%</u>	£9.6m	£9.1m	£8.7m	£8.2m	£7.7m	£7.2m	£6.8m	£6.3m
	<u>2.0%</u>	£8.4m	£7.9m	£7.5m	£7.0m	£6.5m	£6.0m	£5.6m	£5.1m
	<u>3.0%</u>	£7.2m	£6.7m	£6.3m	£5.8m	£5.3m	£4.8m	£4.4m	£3.9m
	<u>4.0%</u>	£6.0m	£5.5m	£5.1m	£4.6m	£4.1m	£3.7m	£3.2m	£2.7m
	<u>5.0%</u>	£4.8m	£4.4m	£3.9m	£3.4m	£2.9m	£2.5m	£2.0m	£1.5m

2024/25: Budget Funding Gap Scenario Analysis – ie potential savings required

		Council Tax Increase							
		0.0%	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%
Aggregate External Finance Settlement (AEF)	0.0%	£10.2m	£9.7m	£9.2m	£8.7m	£8.2m	£7.7m	£7.2m	£6.7m
	1.0%	£9.0m	£8.5m	£8.0m	£7.5m	£7.0m	£6.5m	£6.0m	£5.5m
	2.0%	£7.8m	£7.3m	£6.8m	£6.3m	£5.8m	£5.3m	£4.8m	£4.3m
	3.0%	£6.6m	£6.1m	£5.6m	£5.1m	£4.6m	£4.1m	£3.6m	£3.1m
	4.0%	£5.3m	£4.8m	£4.4m	£3.9m	£3.4m	£2.9m	£2.4m	£1.9m
	5.0%	£4.1m	£3.6m	£3.1m	£2.6m	£2.2m	£1.7m	£1.2m	£0.7m

8.2.4 **Income** – each year a cost recovery review will take place including updating of fees and charges and any identified increases either over and above inflation, or in respect of new charges, will inform the annual budget model setting and assist services meet their inflation and other cost pressures.

8.2.5 **Savings** – each year savings will continue to be sought from service delivery. Various services will be reviewed to determine whether savings can be achieved. It is acknowledged that further savings need to be identified, in order to meet the forecasted funding deficit, during the term of this Strategy.

In undertaking reviews relating to the future delivery of services the Council will engage with the public and arrange for consultation to take place with staff, unions, stakeholders and the public as appropriate.

8.2.6 **Transfer of Grants** – the general principle is that where specific grant funding is transferred into RSG then these resources will be allocated directly to the relevant service`s budget.

8.2.7 **Additional Funding for Council Priorities** – Cabinet will continue to direct financial resources to priority areas that can deliver real and sustained improvements. Corporate items recognised as requiring annual allocations in the budget model, include the Council Tax Support Scheme increase linked to the increase in Council Tax, Funding of the Capital Programme, the Council Tax Premium, Out of County Placements, Democratic costs and the increase in the Mid and West Wales Fire Authority Levy. For 2021/22 the Mid and West Wales Fire Authority Levy reduced because of a significant reduction in the projected population figures for the County, although usually the Council`s share of the Levy is expected to increase year on year.

9 Earmarked Reserves and Balances

- 9.1 A statement of the Council's Earmarked Reserves and General Balances is updated at least twice each year and presented to Members during the budget setting and the final accounts preparation. A summary of the reserves position is below:

	31.3.21	31.3.22	31.3.23
	Actual	Planned	Planned
General Balances - Amount	£6.1m	£6.1m	£6.1m
General Balances - Percentage	4.0%	3.9%	3.6%
Earmarked Reserves (Inc. Schools)	£38.5m	£43m	£38m

The Council's approved target is for General Balances to be maintained at between 3% and 5% of net expenditure.

WG have issued guidance for local elected members of scrutiny of Local Authority holding and utilising of reserves and details can be found on Welsh Governments website as follows:

<https://llyw.cymru/sites/default/files/publications/2019-06/cronfeydd-wrth-gefn-yr-awdurdodau-lleol-canllawiau-i-aelodau-etholedig-a-phrif-swyddogion-cyllid.pdf>

<https://gov.wales/sites/default/files/publications/2019-06/local-authority-reserves-guidance-for-elected-members-and-chief-finance-officers.pdf>

The Council had maintained a level of circa £20m of internal borrowing by utilising funds held in earmarked reserves which has reduced the need to borrow. It is estimated this approach has saved the tax payer annually £800k which equates to a saving in Council Tax charges of nearly 2% annually.

10 Risk Assessment & Sensitivity

- 10.1 The indicative budget scenarios are considered on a regular basis. For planning purposes some guidelines include:-
- A 1% change in Aggregate External Finance equates to approximately £1.1m.
 - A 1% increase in pay equates to approximately £1.0m.
 - The amount of core balances held as cash deposits varies and this together with the interest rate (which also varies) impacts significantly on the level of interest income received. A 1% increase in interest rates, depending on the amount of core balances on deposit, generates between £100k and £200k additional income.
 - Negative interest rates will lead to a cost being incurred on core balances held on deposit.
 - A 1% increase in Council Tax raises an extra £450k, net of the increased CTSS cost is £385k.

10.2 Included in the Council's Corporate Risk Register, which is scrutinised by the Governance and Audit Committee, is the following risk description:

- The reduction of core and external funding will lead to the reduction in service provision in some areas. Failure to adapt, implement identified savings and consider alternative models of service provision in line with the Medium Term Financial Plan will affect future service delivery and the financial responsibilities of the Council.

The potential consequences of this risk are:

- Risk of failing to meet statutory budget setting deadlines.
- Risk of service delivery impacted due to decreasing resources, short lead in times to service changes or failure to effectively prioritise spend in line with corporate priorities.
- Risk that savings plans identified are not achieved as planned.
- Risk that annual budget setting frustrates longer term planning.
- Risk that increased demand in service areas where there are statutory obligations to meet needs e.g. Adult Social Care, exceeds budget allocation.

The Council continues to monitor and review its Medium Term Financial Strategy. The Council monitors the budgets set, the savings planned and has been going through an extensive process of considering future options to identify future savings.

11 Council Tax – comparative data on Welsh Authorities' Council Tax levels is available on the Statistics for Wales website using the following links:-

<https://gov.wales/council-tax-levels>

<https://llyw.cymru/lefelaur-dreth-gyngor>

Band D has historically been used as the standard for comparing council tax levels between and across local authorities. This measure is not affected by the varying distribution of properties in bands that can be found across authorities.

Average Band D council tax for Wales for 2021/22 is £1,731, which includes £1,403 for county councils; £290 for police authorities and £39 for community councils. The Council Tax range is from £1,504 in Pembrokeshire to £2,078 in Blaenau Gwent, compared with Ceredigion's Council Tax of £1,725.

The average County Council element (i.e. excluding Police and community councils) is £1,403 for Wales and is £1,413 for Ceredigion; with a range from £1,190 in Pembrokeshire to £1,768 in Blaenau Gwent.

12 Demographics and Other Trends

12.1 Demographics

Wales' population is projected to increase by 3.5% up to 2038, rising from 3.1 million to 3.2 million. Over this period the percentage of over-65s in Wales is set to increase from around 21% to 26% of the population, and the proportion aged 75 and over is projected to increase 51%. It is anticipated that during the next twenty years life expectancy will continue to increase but at a slower pace.

Conversely, over this period, the number of children under 16 is projected to decrease from approximately 18% to 16% of the population. The number of households in Wales is also projected to grow faster than the overall population, leading to smaller household sizes and the need for a greater number of homes.

Ceredigion is one of four counties whose population is expected to decrease over this period from 72,695 in 2019 to 69,338 in 2038. The number of children in Ceredigion are projected to decline by about 15%, a reduction of 1,500 by 2038. This decline can be attributed to the expected stalling of fertility rates in Ceredigion, a trend also seen nationally.

The working age population of Ceredigion is 43,000 as at 2019, which is 60% of the total population of the county and compares with Wales' 61%. It is predicted that the working age population in Ceredigion will decrease by about 14% over the next twenty years. This reduction can be attributed to the internal out-migration of people to different parts of the UK. This includes the high proportion of students in Ceredigion aged 21-24, who tend to leave the area after graduation to pursue employment and education opportunities elsewhere.

However, growth is expected in the number of over 65s, the proportion is set to increase from around 25% to 32% of the population, an additional 4,300 people over the twenty year period. In addition to a longer life expectancy, the growth in the 65+ age group is prompted by the ageing of the significant birth cohort of the 1950s and 1960s baby boomer generation, who in 2028 will be aged 64 to 82.

It is important to note that these projections do not attempt to predict how changing economic and social circumstances may impact demographic behaviour, thus, the potential impact of Brexit and the COVID-19 pandemic on Ceredigion's population change is not accounted for here. Anecdotal evidence in the wake of the pandemic highlighted a trend of people seeking to move away from urban areas to "safer" rural areas. This potential counter-urbanisation may impact the population of Ceredigion through internal migration, however, the long-term trend and its effects on local population change is unknown.

12.2 Deprivation

According to the Welsh Index of Multiple Deprivation (2019), access to services and housing are the areas of most concern. Whilst the Index should be used with caution due to the way in which it can mask rural

deprivation, it does provide an insight into relative deprivation across Wales.

The access to services domain measures travel time to a range of services, both physical access and digital access. Half of Ceredigion's areas fall into the most deprived 10% in Wales in this domain. Meanwhile, the housing domain identifies inadequate housing, in terms of physical living conditions, and availability. In this domain, over a quarter of areas in Ceredigion fall into the most deprived 10% of areas in Wales, the highest proportion nationally.

Conversely, based on the overall measure and key areas such as income, employment, health and education, Ceredigion is one of the least deprived counties in Wales. Only one area in Ceredigion appears in the most deprived 10% of areas in Wales (Aberteifi/Cardigan Teifi). The disparities in the concentrations of multifaceted deprivation among areas within Ceredigion serves as a reminder of the wide gap in opportunities that can be found within a county and in communities situated in close proximity to one another.

12.3 **Employment**

Ceredigion's economic activity rate has continued to increase in recent months, reaching 76.7% for the year ending March 2021, and moving above Wales as a whole (75.2%). Economic activity rates are traditionally lower in Ceredigion, mainly due to the high proportion of full-time students in the working age population, who account for about 11% of the county's overall population, and influenced by a relatively high proportion of early retirees.

A similar trend is visible in employment rate figures. As at March 2021, the employment rate in Ceredigion was 73.3%, higher than across Wales (72.2%). However, these trends should be treated with considerable caution due to the impacts of the COVID-19 pandemic on many of the economic indicators, and because the impacts tend to only be visible in the figures many months later.

The Council continues to take a proactive approach to monitoring the impact of COVID-19 on its local economy and its communities. It recently confirmed its commitment to its existing set of Well-being Objectives to provide focus on the recovery from the pandemic.

12.4 **Unemployment**

The unemployment rate in Ceredigion for the twelve months ending March 2021 was 3.4%. In recent years unemployment in the county had shown a positive trend - decreasing from a peak of 4.2% at March 2018, to a low of 2.6% at March 2020, just before COVID-19 sent the county, and the nation, into lockdown. At that time, Ceredigion's unemployment rate was noticeably lower than the 3.7% across Wales as a whole.

However, since then, the impact of the pandemic on the workforce is very visible – Ceredigion's unemployment rate has been increasing each quarter, reaching 3.4% by March 2021, and is reflective of the way in

which some of Ceredigion's staple industries have been hit, such as tourism, hospitality, food services and agriculture.

A more immediate measure of the impact can be seen in the claimant count, which is a measure of people claiming Job Seeker's Allowance or Universal Credit or for the purposes of being unemployed. The numbers increased sharply between March and April 2020, rising from 830 to 1,730, which equates to a 110% increase.

Since March 2021, however, there has been a sustained decrease as lockdown restrictions were lifted and many people began to return to work. At that point, the figure had decreased to 1,425, its lowest level since the pandemic began. There is still some concern as to the impact of the end of the Coronavirus Job Retention Scheme (Furlough) Scheme at the end of September 2021. The financial impact and loss of income due to the pandemic are being monitored closely by the Public Services Board Poverty Sub Group, who are implementing the Tackling Hardship Strategy across Ceredigion in the wake of the pandemic. It is clear that the impact on the workforce will continue to be a key focus of the recovery period over the next three to five years.

12.5 Income and Earnings

Earnings refers to money earned from employment, whereas income is total money received, including from earnings, benefits and pensions. Both earnings and incomes in Ceredigion are lower than across Wales and noticeably lower than the UK as a whole. This is a common trend amongst predominantly rural counties.

The latest Annual Survey of Hours and Earnings 2020 shows that average annual earnings are lower in Ceredigion than across Wales, and with the exception of Powys, also lower than the rest of Mid and South West Wales. The average (median) annual earnings for those who live in Ceredigion are £26,282, almost £2,000 less than the £28,273 across Wales.

The trend is similar with household incomes. The median household income in Ceredigion is £28,595 compared to £28,999 across Wales and £33,124 throughout the UK. The majority of Ceredigion's households (52.7%) have a household income of £30,000 or less, and almost a third (32.5%) have an income of £20,000 or less.

12.6 Health

Life expectancy is good in Ceredigion – the average life expectancy for males is 79.3 years and 84.1 years for females. These are both above the national average of 78.5 years for males and 82.3 years for females. Life satisfaction and happiness are equal to the national average in Wales, while general health is above the average. In 2019/20, 73% of residents in Ceredigion reported having 'Good' or 'Very Good' general health, slightly, higher than the national average of 72%.

However, the latest Welsh Index of Multiple Deprivation (2019), shows that within the health domain, 2 out of the 46 areas in Ceredigion appeared in the most deprived 30%, whereas none appeared in this

category in the 2011 index. Additionally, 4 areas in the county appeared in the most deprived 50% of areas in the 2019 WIMD, an increase of 1 since 2011.

12.7 Adult Social Care

Thanks to ground breaking developments in technology and healthcare, the global population of over 60s is growing faster than any other age group. By 2038, one in four of the population of Wales will be over 65.

In Ceredigion, the number of people aged 65 and over is already higher than one in four and is estimated to increase to one in three by 2038. The proportion of Ceredigion's population aged 75 and over is estimated at 11.2% for 2018, and this is estimated to grow to 14.9% by 2028 and to 17.0% by 2038, representing a 45% increase in this age group. The proportion of the Ceredigion population aged 85 and over is estimated at 3.4% for 2018, and this is expected to grow to 4.2% by 2028 and 5.8% by 2038, representing a 61% increase in the number in this age group.

Ceredigion's Old Age Dependency Ratio is projected to see a rise from 419 dependants per 1,000 in 2018 to 517 dependants per 1,000 in 2038. (The ratio is the number of State Pension age people per 1,000 people of working age). Despite the increase in the state pension age to 67 in 2028, the Old Age Dependency Ratio is continuing to increase. This is significant, because the increase in the ageing population is a major challenge for all Local Authorities as it will inevitably lead to a greater demand for council services.

12.8 Education

In April 2021 there were 4,755 pupils in Ceredigion of primary school age in years Reception to Year 6, with 3,510 pupils of secondary school age (years 7-11) and a further 755 in year 12 and 13 pupils in Ceredigion schools. The Pupil Level Annual School Census (PLASC) would usually take place in January each year. However, school closures between December 2020 and March 2021 due to COVID-19 meant that the census date was delayed until April 2021.

The small size of Ceredigion schools means that it is more difficult for them to deal with reductions in revenues than it is for larger schools elsewhere in Wales.

The apportionment of RSG depends on the relative movement in numbers of pupils across the Welsh Authorities. The total amount of funding to be apportioned through the RSG also changes from year to year. The effect of these two factors on the share of the RSG is therefore not quantifiable, although it is reasonable to assume that both factors are likely to drive down Ceredigion's funding.

A number of Ceredigion's schools are sited close to borders with other counties and the number of pupils in those schools can be influenced by local factors affecting the popularity of schools either side of the border.

In April 2021, there were 755 year 12 and 13 pupils in Ceredigion schools. By January 2024 this number is forecast to increase to 776. The Audit Commission has suggested that school sixth forms must have at least 150 pupils in order to be viable and sustainable. By 2024, five out of the six Ceredigion sixth forms are likely to have fewer than 150 pupils.

An analysis of post-16 provision across the County is currently being undertaken to ensure that:

- educational opportunities for 14-19 year olds in the County are expanded
- a rich vocational curriculum is provided, which will be appropriate for all learners to achieve their full potential and which will meet the needs of all stakeholders and the local economy in Ceredigion
- there is equal and fair access to a wide range of efficient learning pathways at different levels with the aim that Ceredigion continues to have the lowest number of NEET school leavers in Wales.

12.9 Transportation

Ceredigion has one of the largest accumulative road lengths in Wales at 2,265km in total. Around 51.5% of roads in Ceredigion are B and C roads (1,167km), which are classed as 'minor roads'.

The percentage of A, B and C roads in Ceredigion in poor condition have decreased slightly over the last three years, although the condition for A and C roads remains above the target. A roads in poor condition decreased from 4.4% in 2017/18 to 3.2% in 2020/21, but remain above the target of 3%, B roads in poor condition decreased slightly from 3.1% to 2.0% and is within the target of 6%, and C roads decreased from 17.5% to 14.7% and above the target of 12%.

The Council's current approved its Highway Asset Management Plan (HAMP) states that the strategy is to improve the condition of the carriageways to the target condition within the next 5 years. This requires an Annual Funding Requirement of £3.6m for Planned Works and £1.3m for Routine and Reactive works.

12.10 Waste

Landfill Tax standard rates introduced from 1996 at an initial £7/tonne rose more significantly from £24/tonne in 2007 to £80/tonne in 2017 and is £96.70/tonne as at April 2021. The lower Landfill Tax rates have remained low and are £3.10/tonne as at April 2021. The Waste (Wales) Measure sets statutory targets for recycling/preparation for re-use/composting of a minimum 58% from 2015/16, increasing to 64% from 2019/20 and 70% from 2024/25.

The WG has the power to impose financial penalties against failing authorities. The percentage of waste recycled, re-used or composted in Ceredigion in 2020/21 was 70.2% and continues to be one of the highest rates in Wales, and well above the statutory target. In the previous year,

2019/20, Ceredigion's recycling rate hit 72%, its highest ever result.

12.11 Crime

Ceredigion has the lowest recorded crime rate in Wales and half the average for Wales. Cyber Crime continues to be a real risk for Public Bodies and whilst some insurance cover is available there are potential financial risks attached to being affected by a Cyber Attack.

12.12 Culture

The percentage of people age 3 and over who spoke Welsh in Ceredigion according to results of the 2011 Census was 47.3% (compared with 53% in 2009) and the third highest amongst Welsh Local Authorities.

The number of visits to public libraries in Ceredigion in 2019/20 was around 4,012 per thousand population, this ranks as 10 out of 22 in Wales.

In 2019/20 66% of Ceredigion adults stated that they attended or participated in arts, culture or heritage activities three or more times a year a decrease of 9% since 2017/18.. This is lower than the national average of 71%.

12.13 The Tourism and Visitor Economy in Ceredigion

Like most coastal areas, the tourism industry plays a significant role in Ceredigion's economy, accounting for 13% of jobs and is the second largest industry in the county behind education. The total economic impact of the tourism industry in Ceredigion was estimated to be £403m in 2019, a 6.2% increase on the previous year and a 50% increase over the last decade. The industry supports 5,854 jobs county-wide, which increased by 4.5% on the previous year.

12.14 Inflation Prospects

The Bank of England's Monetary Policy Report (December 2021) contains the following projections for inflation as follows:

"Twelve-month CPI inflation rose from 3.1% in September to 5.1% in November..."

... Bank staff expect inflation to remain around 5% through the majority of the winter period, and to peak at around 6% in April 2022, with that further increase accounted for predominantly by the lagged impact on utility bills of developments in wholesale gas prices. Indicators of cost and price pressures have remained at historically elevated levels recently, and contacts of the Bank's Agents expect further price increases next year driven in large part by pay and energy costs. CPI inflation is still expected to fall back in the second half of next year."

- Monetary Policy Report December 2021

12.15 The Statistical Directorate of the Welsh Government issues many useful statistics for Wales each year. Information is available at www.statswales.wales.gov.uk where various reports can be found including Council Tax levels. Welsh Government have also issued a future trends report setting out further reading with respect to the matters referred to in this section for Wales as a whole. This can be found at:

<https://llyw.cymru/tueddiadaur-dyfodol-2017>

<http://gov.wales/statistics-and-research/future-trends/?lang=en>

13 Service Delivery, Planning and Developments

13.1 The Council prepares an improvement plan each year following the budget setting. It includes objectives for improvement and all have detailed actions on how the improvements will be made. These have all been resourced within the annual budget either in terms of staffing capacity or allocation of specific budgets.

13.2 The accountability for budgets is devolved supported by finance teams allocated to projects and each service area. The corporate finance function is well placed, through its service oriented provision, to ensure that it engages with service planning activities.

13.3 Improving procurement practices is seen as a must towards eliminating waste. Procurement is well placed to deliver savings in the medium term by capitalising on the savings achievable through greater buying capacity of Local, Regional and National Frameworks.

13.4 The transformation of services has progressed well with the final major change being the integration of Social care and Lifelong learning into 3 Services - Porth Cymorth Cynnar, Porth Gofal and Porth Cynnal who, along with Customer Contact, make up the 4 main areas that fall within the new Through Age & Wellbeing Programme of change. A new Strategy was agreed by Cabinet in October 2021 and this sets out how the Council will:

- Put in place a new Through Age and Wellbeing Model of delivery
- Reduce demand on managed care and support and focus resources on those who most need them
- Support our Workforce to develop a new approach to supporting individuals within Ceredigion
- Focus on Preventative services which help people to remain independent or regain the independence they want and value
- Provide Services within budget
- Work with Partners to provide a more joined up Health, Wellbeing and Social care system

The Council's Budget saw a significant realignment during 2020/21 into the new Pyrth structure. The Strategy covers the 2021 to 2027 period and as the Programme advances, the Medium Term Financial Strategy

will be updated to reflect any material financial investment(s) and the expected financial outcomes.

- 13.5 The Authority consults its citizens on services provided through the citizen's panel and this provides the Council with information as to how to prioritise and deliver some of its services.

13.6 Workforce Planning

A Human Resources Strategy, and a Workforce and Training Plan, has been developed and approved by the Council and this will continue to be refined and updated.

It is inevitable that there will be some job losses as a consequence of the adverse medium term financial position. Staffing linked cost reductions have been achieved in recent years, for example car allowances and mileage rates were reduced, which assisted the Authority in protecting jobs as opposed to seeking to reduce the workforce and the services provided.

There are some financial risks related to the cost of the workforce, for example pension cost pressures are likely to continue due to people living longer, however the new regulations will require higher pension contributions from employees.

The Single Status Agreement was implemented during 2012/13 and all posts have continued to be evaluated.

Services take into account workforce planning issues when preparing their business and operational plans and annual budgets; and when considering requests for voluntary early retirement.

Recruitment will continue to be managed carefully in order to maximise efficiencies, for example continuing the practice of reviewing the need to fill each vacant post as vacancies arise.

14 Service Standards

- 14.1 Service standards are service specific or operational and many need to comply with statutory guidance and regulations. The Council's services are measured via a number of performance indicators, for example, National Strategic Indicators and local indicators. These demonstrate how well services are provided and annual targets are set for the standards to be achieved, which are subject to regular review. These are all funded within the base budget and any changes required with budget implications will be dealt with during the annual budget process.

- 14.2 The annual base budget reflects the usual service standards and targets for improvement. Any changes in those will need to be featured in service developments, or other changes, and will need to be dealt with during the annual revenue budget process, if not specifically in the financial appraisal of the particular development. There will be a need to assess whether there will be any significant changes to service standards as a

consequence of the Medium Term Financial position. Staff reductions could have an impact on service standards and this is dealt with through the current process of refilling a post, i.e. consideration is given to the consequences of not filling a post.

- 14.3 Councillors and employees of the Council are expected to carry out their responsibilities and duties with regard to ensuring that the relevant service standards are maintained at operational level and, where necessary, reported through the appropriate channels of business monitoring and reporting to meetings of Cabinet and Scrutiny.

15 Impact of the MTFs on Equalities and Diversity

- 15.1 As the largest employer in Ceredigion, we have a responsibility of ensuring that our greatest asset – the workforce, adequately represents the diversity of the County. We are committed to ensure fair, equal treatment and opportunity to all employees. As a major employer and provider of services, Ceredigion is committed to promoting equality and recognising and valuing diversity.
- 15.2 Under the Equality Act 2010 we have a duty to report on our equality action plan. An annual report will be developed and submitted to our Cabinet, Council and Scrutiny panels. The report will be published on our Intranet and Internet.
- 15.3 Councillors and employees of the Council are expected to carry out their responsibilities and duties with due regard to equal opportunities and it will therefore be necessary to consider equality issues that may arise from the budget process.
- 15.4 The Council is committed to providing a fully bilingual service and supports and encourages the use of the Welsh Language in its daily activities for the benefit of its staff and the public.

16 FINANCIAL SAVINGS PLAN

- 16.1 The corporate medium terms transformation savings plan is detailed below:-

Ref	Service	Lead Officer	Workstream Name	Estimated Achievable Savings £'000	Indicative Savings / Income £'000	Total Actual Savings Achieved to date £'000 (at October 2021)
1	Economy & Regeneration	Russell	Office / Building Rationalisation	300	-	-
2	Economy & Regeneration	Russell	Arriva Site Demolition	18	-	17
3	Economy & Regeneration	Russell	Investment Strategy (Including Use of Space)	-	500	-
4	Highways & Environmental	Rhodri	Review of Parking in Aberystwyth	-	250	-
5	Highways & Environmental	Rhodri	LED Street Lighting	50	-	-
6	Highways & Environmental	Rhodri	Review of Highways Service	-	175	-
7	Highways & Environmental	Rhodri	Waste Management	-	250	-
8	Highways & Environmental	Rhodri	Review of all Fleet leasing arrangements	100	-	-
9	People & Organisation	Geraint	Maximisation of Remote Technology and Reduction in Travel & Subsistence costs for Employees	200	-	200
10	Democratic Services	Lowri	Maximisation of Remote Technology and Reduction in Travel & Subsistence costs for Members	10	-	10
11	People & Organisation	Geraint	Review of Termination Enhancements and Employee Allowances	10	-	5
12	Schools	Meinir	Review of Catering Operations	70	-	-
13	Schools	Meinir	Cashless payments for Primary and Secondary sector	100	-	75
			SUBTOTAL	858	1,175	307
	Corporate	James	Social Care Transformation	-	Up to £1,350	-
			TOTAL	858	Up to £2,525	307

16.2 Brief Description / Rationale for each Transformation Work Stream.

Ref 1: Office / Building Rationalisation

- Full strategic review of buildings and sites used by services (to include Felinfach and Awel Deg)
- Rationalise / co-locate some to joint service Hwbs
- Move to more flexible / agile / efficient use of office space
- External use of 'business space'

Ref 2: Arriva Site Demolition

Business Rates Revenue saving from Old Bus Depot and Candleworks demolition plus there should be other medium to long term opportunities from the site in excess of the initial £18k

Ref 3: Investment Strategy (Including Use of Space)

- Optimise use of vacant land and buildings
- Expand commercial portfolio to seek increased income (towns / harbours / food industry)
- Consider options in commercial market e.g. retail parks, sites elsewhere
- Rent / lease arrangements for residential use of space above commercial properties
- Develop sites to increase income
- Delivery arm
- Increase income from use of space around County
- More investment in property to lease around towns and other appropriate locations (similar to prom, but other space)
- More involvement in events that could drive income (winter market etc)

Ref 4: Review of Parking in Aberystwyth

Potential for greater income generation

Ref 5: LED Street Lighting

Further phase of capital investment to reduce ongoing electricity and maintenance costs

Ref 6: Review of Highways Service

Planned review to include Highways Maintenance, Internal Workforce and Sub-contractors

Ref 7: Waste Management

Implementation of new operating model

Ref 8: Review of all Fleet leasing arrangements

Includes review of all Vehicle Fleet requirements to inform future capital programme investment requirements (i.e. purchase outright) as and when existing leases expire.

Ref 9: Maximisation of Remote Technology and Reduction in Travel & Subsistence costs for Employees

Review of Travel & Subsistence Policy to ensure its fit for purpose plus Increase awareness and use of remote technologies.

Ref 10: Maximisation of Remote Technology and Reduction in Travel & Subsistence costs for Members

Similar proposed work stream as for Employees but for Members.

Ref 11: Review of Termination Enhancements and Employee Allowances

May include (but not limited to) Redundancy enhancement multiplier, discretionary Teachers enhancement from age 55, Telephone allowances, Professional Subscriptions and Standby / Callout allowances.

Ref 12: Review of Catering Operations

Consider the feasibility of rationalising and consolidating meal preparation in fewer locations as Preparing kitchens plus review and rationalisation of Staff Canteen provision

Ref 13: Cashless payments for Primary and Secondary sector

Eliminate cash payments in schools, and therefore associated reduction in staffing costs. Initial implementation of system is completed.

Social Care Transformation

Implementation of new Porth Ceredigion, Porth Cymorth Cynnar and Porth Cynnal operating model.

16.3 The overall service inflation, cost pressures including demographic changes over the medium term (as per paragraph 6.6 above) have been quantified and Corporate Lead Officers need to plan in advance of each budget year to achieve the required savings. Services need to seek saving opportunities and utilise the income and cost recovery process annually together with other opportunities available to meet the inflation cost pressures. There are also negative cost pressures that arise within a service area due to changes in demographics and or other favourable structural changes and / or changes in circumstances. A summary is shown below:-

	Service Cost Pressure	Service Cost Pressure	Service Cost Pressure	Service Cost Pressure
	21/22	22/23	23/24	24/25
	£'000	£'000	£'000	£'000
Services Identified Cost Pressures				
Democratic Services	70	149	143	147
Finance & Procurement	71	127	118	122
Customer Contact	83	305	144	148
Legal & Governance	17	36	32	32
Policy, Performance & Public Protection	50	193	138	142
People & Organisation	35	76	66	68
Highways & Environmental Services	684	437	764	766
Economy & Regeneration	123	229	165	170
Porth Cynnal	2,511	4,737	2,758	2,732
Porth Gofal	1,139	1,687	1,283	1,279
Porth Cymorth Cynnar	165	631	254	259
Schools & Culture	1,308	2,259	2,200	2,200
Leadership Group	7	1,598	1,800	1,200
Total Service Cost Pressures	6,263	12,464	9,865	9,265
Other Operating Costs				
Fire Levy	(216)	104	120	120
Democratic Costs	6	70	15	15
Council Tax Support Scheme	510	290	250	250
Council Tax 2 Home Premium	0	45	0	0
Out of County Placements	0	0	300	300
Capital Account	0	200	250	250
Total Other Operating Cost Pressures	300	709	935	935
TOTAL COST PRESSURE	6,563	13,173	10,800	10,200
Savings Required				
ADDITIONAL FUNDING ALLOCATION	3,503	11,775	4,000	3,500
SAVINGS REQUIRED	3,060	1,398	6,800	6,700

Service pressures identified include increased costs arising from pay award and non-pay cost inflation, together with pressures arising from loss of income and loss of grant funding.

16.4 The cost pressures identified in 16.3 will be funded by the following three year savings plan. The two scenarios are shown in the table below.

	Savings Required 21/22	Savings Required 22/23	Savings Required 23/24	Savings Required 24/25
	£'000	£'000	£'000	£'000
Services Saving Target				
Democratic Services	31	0	89	100
Finance & Procurement	51	0	73	83
Customer Contact	57	0	89	101
Legal & Governance	15	0	20	22
Policy, Performance & Public Protection	21	0	86	97
People & Organisation	21	0	41	46
Highways & Environmental Services	166	0	474	522
Economy & Regeneration	34	0	102	116
Porth Cynnal	216	0	1,710	1,863
Porth Gofal	104	0	795	873
Porth Cymorth Cynnar	34	0	157	177
Schools & Culture	493	0	1,364	1,500
Total Service Savings	1,243	0	5,000	5,500
Leadership Group	1,817	1,398	1,800	1,200
Total Service Savings Requirement	3,060	1,398	6,800	6,700

Original Approved by Council on 28th February 2013

Revised Approved by Council 29th January 2014

Revised Approved by Council 24th February 2016

Significant updates
Commencing August and
through to October 2017

Corporate Resources Overview and Scrutiny
Committee 6th December 2017

Member Budget Working Group on 6th
December 2017

Amended to reflect 2018/19 settlement
Cabinet and Council in 13th
February 2018

Amended to reflect 2021/22 provisional
settlement
Cabinet 23rd February 2021
and Council in 5th March
2021

Amended to reflect 2022/23 provisional
settlement
Cabinet 1st February 2022
and Council in 3rd March
2022

Proposed 3 Year Capital Programme 2022/23 - 2024/25
Including the updated 2021/22 current year Programme.

2021/22 latest	2022/23 proposed	2023/24 indicative	2024/25 indicative	Funding Stream
TOTAL	TOTAL	TOTAL	TOTAL	
£'000	£'000	£'000	£'000	

Schools

21st Century Schools programme (Phase 1)	37	-	-	-	CCC
21st Century Schools programme (Band B)	3,402	4,972	10,880	-	CCC/Grant
Reducing Infant Class Sizes	7	902	-	-	Grant
Childcare Provision	2,029	787	-	-	Grant
Penglais School - Learning Support Unit	-	687	-	-	CCC
School - additional Capital works	894	2,088	-	-	Grant
Underfloor Heating System - Schools	5	491	150	150	CCC
Urgent Works Schools	100	150	150	150	CCC
Encouraging Curiosity (Ceredigion Museum)	11	-	-	-	CCC/Grant
Total - Schools	6,485	10,077	11,180	300	

Porth Cymorth Cynnar

Community Hub - Lampeter	25	657	-	-	Grant
Flying Start Capital Grant	316	-	-	-	Grant
Cwrt Newydd Youth Service Campus	167	-	-	-	CCC
Leisure Centres upgrade Swimming Pools and sports hall	274	-	-	-	CCC
Total - Porth Cymorth Cynnar	782	657	-	-	

2021/22 latest	2022/23 proposed	2023/24 indicative	2024/25 indicative	Funding Stream
TOTAL	TOTAL	TOTAL	TOTAL	
£'000	£'000	£'000	£'000	

Economic and Regeneration

Canolfan Dulais - TRIP Development Funding	228	-	-	-	Grant
Wildlife Site Cenarth Public Footpath	4	-	-	-	CCC/Grant
Sewage Treatment Works	316	500	-	-	CCC
Urgent Works Other	100	100	100	100	CCC
Buildings - Invest to Save	152	175	175	175	CCC
Non Operational Property – Invest to Save Development	72	-	-	-	CCC
Asset Development Programme	379	-	-	-	Grant
Market Hall Cardigan	164	200	-	-	CCC
Footbridge Replacement Programme	50	50	50	-	CCC
Lampeter Town Centre Green infrastructure Enhancements	209	-	-	-	Grant
Access improvement Grant	103	-	-	-	Grant
Green Recovery Grant	66	-	-	-	Grant
Local Places for nature Capital	115	-	-	-	Grant
Levelling up Projects	508	4,137	4,101	2,106	Grant
Hafan y Waun Housing Development	-	500	500	-	CCC
Total - Economic and Regeneration	2,466	5,662	4,926	2,381	

2021/22 latest	2022/23 proposed	2023/24 indicative	2024/25 indicative	Funding Stream
TOTAL	TOTAL	TOTAL	TOTAL	
£'000	£'000	£'000	£'000	

Highways and Environmental Services

Roads	264	200	200	200	CCC
Bridges	14	350	150	150	CCC
Environmental Services	92	60	60	60	CCC
General	919	700	700	700	CCC
Public Highways Refurbishment	775	-	-	-	Grant
Street Lighting Programme	380	-	-	-	CCC
Restore damage caused by Storm Callum	12	-	-	-	Grant
LTF TrawsCymru Bus Strategic Corridor	842	-	-	-	Grant
Resilient Road Grant - flood Modelling	20	-	-	-	Grant
Ultra Low emissions Vehicle Transformation	420	-	-	-	Grant
EV Charging Infrastructure Grant (WLGA)	-	300	-	-	Grant
ATF Core Funding	325	-	-	-	Grant
ATF Cardigan Town Package - Footway Improvements	206	-	-	-	CCC/Grant
ATF - Aberystwyth Town Footway Improvement Package	192	-	-	-	Grant
ATF - Lampeter University Path Link	148	-	-	-	Grant
Small Scale Works - Flooding and Erosion Risk Management Grant	215	-	-	-	Grant
Road Safety - Un-adopted roads pilot - Bryn Hafod,	100	-	-	-	CCC/Grant
Flood Alleviation Schemes Llandre/Borth Leat	70	-	-	-	Grant
Aberaeron Coastal Protection Detail Design	325	-	-	-	Grant
Aberystwyth Coastal Protection	120	140	-	-	Grant
Llangrannog Coastal protection	37	-	-	-	Grant
Borth & Ynyslas Coastal Protection	32	-	-	-	Grant
Coastal Protection schemes Aberaeron and Aberystwyth	-	13,000	7,000	3,000	CCC/Grant
Additional Replacement Vehicles (Civil Parking)	35	-	-	-	CCC
Absorbent Hygiene Product (AHP) Waste	24	-	-	-	Grant
Fleet Replacement	344	620	350	350	CCC
Waste Transfer Station	-	525	500	-	CCC
Total - Highways and Environmental Services	5,911	15,895	8,960	4,460	

2021/22 latest	2022/23 proposed	2023/24 indicative	2024/25 indicative	Funding Stream
TOTAL	TOTAL	TOTAL	TOTAL	
£'000	£'000	£'000	£'000	

Porth Gofal

Disabled Facilities Grants	1,500	1,400	1,400	1,400	CCC
Home Improvement & Houses into Homes Loan Schemes	172	-	-	-	CCC
Cylch Caron	-	252	-	-	CCC/Grant
Enable Grant for Independent Living	122	146	146	-	Grant
Warm Home Boiler Replacement Grant	15	-	-	-	Grant
Warm Homes Energy Measures Grants	500	323	-	-	Grant
Camu Mlaen - Canolfan Stefan	207	-	-	-	CCC
Urgent Works - Residential Homes	132	100	100	100	CCC
Day Centres - Public Protection and Environmental	20	150	-	-	CCC
Residential Homes upgrade	350	750	400	-	CCC
VAWADAS - Supported Accommodation	343	-	-	-	Grant
ICF Hafan Deg Dementia Project	296	-	-	-	CCC/Grant
Intermediate Care Fund	524	-	-	-	Grant
Intermediate Care Fund - Safe Warm and Secure & Care	159	-	-	-	Grant
Total - Porth Ceredigion	4,340	3,121	2,046	1,500	

	2021/22 latest	2022/23 proposed	2023/24 indicative	2024/25 indicative	Funding Stream
	TOTAL	TOTAL	TOTAL	TOTAL	
	£'000	£'000	£'000	£'000	
<u>Customer Contact</u>					
ICT Hardware	197	100	100	100	CCC
Smart Mobile Phones	133	50	-	-	CCC
Total - Customer Contact	330	150	100	100	
<u>Finance & Procurement</u>					
Community Grant Scheme	180	200	200	200	CCC
Total - Finance & Procurement	180	200	200	200	
<u>Democratic Servies</u>					
Council Chamber Equipment upgrade Phase 2	150	-	-	-	CCC/Grant
Total - Democratic Services	150	-	-	-	
<u>Covid 19</u>					
Covid 19 Field Hospitals	174	-	-	-	Grant
Funding to be allocated	-	-	950	1,400	
TOTAL WORKING PROGRAMME	20,818	35,762	28,362	10,341	

2021/22 latest	2022/23 proposed	2023/24 indicative	2024/25 indicative	Funding Stream
TOTAL	TOTAL	TOTAL	TOTAL	
£'000	£'000	£'000	£'000	

Contingencies	150	170	350	350
Profile re-alignment	109	150	-	-
Capital Receipts Housing profile re-alignment	405	-	-	-
New Approved Grants/Match funding for grant schemes	1,179	4,200	4,200	4,200
Total - Contingencies	1,843	4,520	4,550	4,550
TOTAL OVERALL PROGRAMME	22,661	40,282	32,912	14,891

CYNGOR SIR CEREDIGION COUNTY COUNCIL**CAPITAL STRATEGY**

1. The Council will formulate a Capital Programme over at least a 3 year rolling period with the aim of working towards a longer term Capital financial planning horizon where feasible.
2. All planned Capital expenditure, Capital bids and proposed Capital investment in new or existing assets, whether through grant funding or otherwise, must support the Council's Corporate and Service objectives. Asset Management Planning should help inform the setting of the Capital Programme and essential expenditure on existing Council assets.
3. The Council currently operates a Corporate Project Management Group (which provides projects with appropriate support, advice and direction), a Capital Monitoring Group (which provides the operational management of the in-year Capital expenditure and funding position) and a Development Group (which provides a wider strategic input on Capital development proposals and opportunities). All 3 groups have key roles to play but with each one having their own specific Terms of reference.
4. The Council's Treasury Management Strategy will set out the approach to Treasury related activities for Investments and Borrowing and will take account of and be fully aligned with the Capital Programme proposals and will factor in proposed borrowing levels (both external and internal) consistent with these plans and a prudent approach. The Treasury management Strategy will also include the Council's Minimum Revenue Policy for the provision for repayment of debt over its life.
5. The Capital Programme and Treasury Management Strategy are managed by officers who are professionally qualified accountants who are required to undertake Compulsory Professional Development (CPD).
6. The guiding principles for the Council's current and future Capital planning will include:
 - Pursuing efficiency to make the best use of existing assets which includes land & buildings and information technology. E.g. Rationalisation of redundant and/or under-utilised buildings should reduce revenue costs and also generate potential capital receipts.
 - All major capital projects (grant funded or otherwise) require a funding strategy as part of the business case being developed.
 - The Capital Programme will normally be set so that no Prudential Borrowing is undertaken to fund the core Capital Programme except where funding specific Capital projects. There will need to be a business case to support the use of Prudential Borrowing e.g. Consideration would be given to use Prudential borrowing when revenue savings can be identified which would be used to fund the capital financing costs of the initial capital investment.

- Invest to save schemes that produce revenue savings following an initial capital investment will continue to be regarded as high priority as they can provide a positive contribution to the medium term revenue budget position (e.g. energy efficiency measures). This could also include schemes that are a capital investment to avoid future cost increases.
- Identify, lever in and maximise external grant funding opportunities where possible, although in isolation this may not always be the overriding driver to undertake a capital project.
- Exit strategies should be considered as part of any grant funding bids and successful grant awards.
- Corporate Capital earmarked reserves will be maintained to provide one-off funding to support the Capital Programme. Where revenue savings can be achieved in advance of the annual budget requirement, these may usefully be applied to earmarked reserves to support future Capital priorities. In particular the Council's matched funding contribution for the Band B 21st Century Schools Programme will be mainly supported through funding set aside in the Developing Education earmarked reserve.
- Capital receipts are regarded as a positive contribution to the overall Capital Programme and will be allocated in accordance with the balance available at the start of the year. A list of proposed Asset disposals will be maintained and regularly monitored. Appropriate consideration of major disposals will take place as and when they arise.
- If a Capitalisation Direction is made available by WG it will be utilized if appropriate.
- The Council will continue to hold Investment Properties as part of its Corporate Estate. This is a form of commercial activity as the Council aims to lease these properties out at market rates and therefore make a commercial return. At present the Council's commercial activity represents a low risk as it is not significant relative to the context of the Council's overall budget and financial position. Should any new opportunities become available, then a business case would need to be produced which should include financial and legal due diligence, including ensuring compliance with the revised Prudential Code (December 2021) requirements which prohibit borrowing where obtaining financial returns is the primary aim, and the use of specialist internal/external advice where appropriate, together with the following appropriate governance arrangements.

7. The key priority areas that the Council will focus on in its forthcoming Capital Programme include:

- a) Essential maintenance of Buildings, Bridges and Roads.

- b) Boosting the Economy
 - Working with the private and public sector across the region, through the Growing Mid Wales Partnership, the Growing Mid Wales Growth Deal and Levelling Up Funding to boost the local and regional economy.
 - Implement Ceredigion Economic Strategy
- c) Investing in People's Future
 - Continuing to modernise Schools through the 21st Century Schools programme.
 - Carbon Management – Seek to further reduce carbon emissions and to reduce energy costs / mitigate as far as possible future increases, by enabling energy efficiency measures in both Council assets and also the private and RSL Housing stock.
 - Shared Equity Housing Schemes.
- d) Enabling Individual and Family Resilience
 - Providing funding for mandatory and discretionary Disabled Facilities grants.
 - Review and develop specialist residential accommodation schemes either by the Council or in conjunction with RSL and other partners.
 - Cylch Caron – the Ceredigion Local Service Board project for the delivering of health and social care in the Tregaron area
- e) Environmental and Community Resilience
 - Developing Coast Protection schemes to include Aberystwyth and Aberaeron.
 - Sewage Treatment Works– to conclude the programme of upgrade works and finalise the subsequent transfer and adoption of facilities to Dwr Cymru.
- f) Vehicle Replacement – To review the wider vehicle fleet across all services and how the resulting future requirements are best financed.