

# Cyngor Sir Ceredigion County Council



## Medium Term Financial Strategy 2023/24 – 2026/27

July 2023

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## 1. Executive Summary

- 1.1 The Council's Corporate Strategy 2022-2027 sets out 4 clear Corporate Wellbeing Objectives, with each of these being underpinned by various priorities and expected outcomes. The Medium Term Financial Strategy (MTFS) aims to provide resources and a financial framework to ensure that these outcomes can be achieved as far as possible, as well as ensuring a balanced budget is set on an annual basis and that Members are aware of the associated financial challenges and risks.
- 1.2 Post COVID, with the Council being in a financially resilient position with a strong balance sheet, several key priorities are now already being met in 2023/24. Recent examples including the new Ysgol Dyffryn Aeron scheme proceeding with construction starting on site, the approval of a new Community Housing Scheme to help support local residents purchase their own property in Ceredigion, the opening of the first Wellbeing Centre in Lampeter, the Aberaeron Coastal Defence Scheme being on the verge of approval to be able to let the construction contract and work progressing on site on a new Children's in county facility in the middle of the county.
- 1.3 Ceredigion has a track record of setting and achieving a balanced budget as well as achieving a clean bill of health from Audit Wales. The latest 2021/22 accounts have been audited and an unqualified audit opinion was issued. In addition, no issues were reported in the 2021/22 specific Grants Audit work and all grants were fully certified.
- 1.4 Ceredigion's 2023/24 Net Budget was £180.1m - 72% funded by WG and 28% by Council Taxpayers. The resulting Band D Council Tax (including Police and Town & Community Council precepts) was £1,908 - being marginally above the Welsh average of £1,879.
- 1.5 The Medium term financial challenge (based on assumed 3.1% WG increases and 5.0% Council Tax increases - as a central case, albeit possibly conservative) can be summarised as:

	<b>2023/24 Actual £m</b>	<b>2024/25 Indicative £m</b>	<b>2025/26 Indicative £m</b>	<b>2026/27 Indicative £m</b>
<b>Budget Pressures</b>	<b>23.1</b>	<b>15.1</b>	<b>11.1</b>	<b>10.2</b>
Assumed Council Tax Income	-4.7	-2.6	-2.7	-2.8
Assumed WG AEF Settlement Funding	-9.6	-4.0	-4.1	-4.3
<b>Budget Gap</b>	<b>8.8</b>	<b>8.5</b>	<b>4.3</b>	<b>3.1</b>
<b>Savings Identified:</b>				
Doing Things Differently	-3.0	-2.1	-1.9	-
2023/24 - Savings plan agreed	-5.8	-	-	-
<b>Total Savings Identified</b>	<b>-8.8</b>	<b>-2.1</b>	<b>-1.9</b>	<b>-</b>
<b>Budget Shortfall Remaining</b>	<b>-</b>	<b>6.4</b>	<b>2.4</b>	<b>3.1</b>

- Cost pressures starting to recede over the medium term, but still potentially £15.1m for 24/25, before starting to come down closer to £10m in future years.
- An indicative Budget Gap of £8.5m for 24/25 and in total £15.9m over the coming 3 year period (based on WG increases of 3.1% & Council Tax increases of 5.0%).
- 'Doing Things Differently: A Corporate Approach' programme delivering a further £4m, on top of the £3m factored into the 2023/24 Budget.

- A current indicative Budget Shortfall of £6.4m for 2024/25 and in total £11.9m over the coming 3 year period.

1.6 For 2024/25 (assuming Cost pressures are unchanged at £15.1m), if an upside view is taken (but being careful not to assume too much optimism bias) then:

- If a **5%** WG Settlement and a **5%** Council Tax increase were assumed **the resulting Budget Shortfall would reduce to £4.0m.**
- If a **6%** WG Settlement and a **6%** Council Tax increase were assumed **the resulting Budget Shortfall would reduce to £2.2m.**

These figures are after needing to deliver the Year 2 assumption of £2.1m from the Doing Things Differently: A Corporate Approach programme for 2024/25.

1.7 In order to address the remaining Budget Shortfall, proposed approaches to be explored will include:

- Continued delivery and incorporation of new approaches into the 'Doing things Differently: A Corporate Approach' programme.
- Continued rationalisation of Assets including Buildings and Fleet as the Council cannot afford to maintain the status quo and needs to prioritise is limited resources. Rationalisation could range from outright sale to repurposing for alternative means (e.g. Income generation) to co-location of a wider range of Council Services and/or collaboration with other Public Services.
- Continued targeting of Treasury Management Savings.
- Identification of any remaining lower priority Services / Budget headings including scope for savings from reductions in 3<sup>rd</sup> Party expenditure.
- Consideration of a review and a new approach to Council Tax Premiums, given the change in WG legislation and the continued challenges that Long Term Empty Properties and 2<sup>nd</sup> Homes present in Ceredigion.
- Exploration of whether other local Ceredigion based organisations (e.g. 3<sup>rd</sup> Sector and/or Town & Community Councils) could be willing to provide certain non-statutory services.
- Utilising WG Capitalisation Directions where feasible.
- As a last resort if all other options have been exhausted – Consideration of targeted Budget cuts, which would mean a reduction in Council services being delivered rather than continuing to try to deliver the same but with less resources.

1.8 There are a number of key sensitivities and variables that affect the Budget including (but not limited to) WG Settlement funding levels, Council Tax increase limitations, Demographics, nationally set staff Pay awards as well as general inflation and interest rates. A 1% variance in the various factors is shown in Section 8.

1.9 There is also the spectre and uncertainty of Welsh Government's Council Tax Reform due to come in from April 2025 and the dynamic of a UK General Election due before January 2025.

## **2 Introduction**

### **2.1 Purpose**

The purpose of the Medium Term Financial Strategy (MTFS) is to forecast the future potential financial position and in doing so provide a financial governance framework to operate within, by setting out the key issues that need to be understood and considered in order to prepare for the challenge of setting a balanced budget over the medium term.

The MTFS should not be seen as a formal detailed budget or a tablet of stone, it instead provides an overarching approach that the Council will need to adopt in order to achieve its priorities including taking account of the external legislative, economic environment and indicative projected spending pressures and funding over the period.

### **2.2 Objective of the Strategy**

The Council's financial objective is a careful and responsible use of resources and a balanced budget, and to ensure that the financial resilience of the Council is maintained. 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 2022-2027 and anticipating pressures facing the Authority.
- 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.
- Allowing decision makers to consider affordability when allocating resources to deliver priorities.

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 Local Government is likely to be limited, despite this being an area of priority for WG.

### 3 Budget Priorities

#### 3.1 Corporate Strategy 2022-2027

The Council's Corporate Strategy 2022-2027 sets out 4 Council's Corporate Well-being Objectives which are designed to improve and enhance the social, economic, environmental and cultural well-being of the citizens of Ceredigion. The four **Well-Being Strategic Objectives** which the MTFs needs to support the delivery of are:



These overarching objectives are where the Council will direct its resources to re-invigorate the local economy and provide a prosperous, healthy, safe and affordable environment in which the citizens and communities of Ceredigion can thrive. Each Corporate Wellbeing Objective has its own earmarked reserve, so that where possible key priorities have funding identified for them. In total as at 31/03/23, there is £19.8m earmarked in the 4 reserves.

The Corporate Wellbeing Objectives have been identified through extensive analysis of evidence and engagement with residents of the county, including the ambitions of the current Political administration, wider Member engagement, the Ceredigion Assessment of Local Well-being and a public consultation on the Corporate Strategy during September/October 2022.

The Wellbeing Objectives have been identified through the lens of the Well-being of Future Generations (Wales) Act 2015. This involved identifying how the Council could maximise its contribution to the national well-being goals and also ensure that the Council uses the sustainable development principle to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

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. The following sections outline the risks to the delivery of these Corporate Well-Being Objectives whilst also setting out how the Council's resources will be utilised to manage and mitigate these risks over the short to medium term.

#### **Our Vision**

***Ceredigion County Council delivers value for money, sustainable bilingual public services, that support a strong economy and healthy environment, while promoting well-being in our people and our communities***



Specific priorities are set out by the Corporate Strategy 2022-2027:

### BOOSTING THE ECONOMY, SUPPORTING BUSINESSES AND ENABLING EMPLOYMENT

- Progress the £110m Mid Wales Growth Deal
- Support local businesses in the recovery from COVID-19
- Support new and growing businesses in the County
- Create new job opportunities for skilled young people
- Promote equal opportunities in employment
- Achieve sustainable economic growth
- Pursue the Local Development Plan
- Prioritise locally sourced produce and supply chains
- Improve 4G Broadband
- Equitable funding within the Arfor programme
- Improve digital, transport and energy connectivity
- Tackle poverty in Ceredigion
- Support working parents in Ceredigion
- Enhance the provision of skills and learning opportunities for people aged 16+
- Further develop apprenticeships in the County

### PROVIDING THE BEST START IN LIFE AND ENABLING LEARNING AT ALL AGES

- Deliver schools investment across the County, including the net carbon zero 3-storey extension at Cardigan Secondary School
- Deliver the Welsh in Education Strategic Plan (WESP) 2022 to 2032
- Ensure that pupils are confident communicators in both Welsh and English by the end of Key Stage 2 (year 6)
- Support the Ceredigion Youth Council as a forum for children and young people
- Developing Children and Young People's skills, knowledge and confidence to be physically active
- Develop Leadership skills within our Children and Young People at the earliest opportunity
- Support the provision of Free School Meals for primary school pupils
- Support the provision of funded childcare for all two-year-olds
- Work with partners to deliver the Maternity and Early Years Strategy for West Wales
- Support the development of Theatr Felinfach's facilities
- Ensure that all learners' identified Additional Learning Needs are supported appropriately to become independent and fulfilled individuals
- Provide support for schools to successfully implement the new curriculum for Wales
- Develop a Culture Strategy and Equity Strategy to support school and community wellbeing

### CREATING CARING AND HEALTHY COMMUNITIES

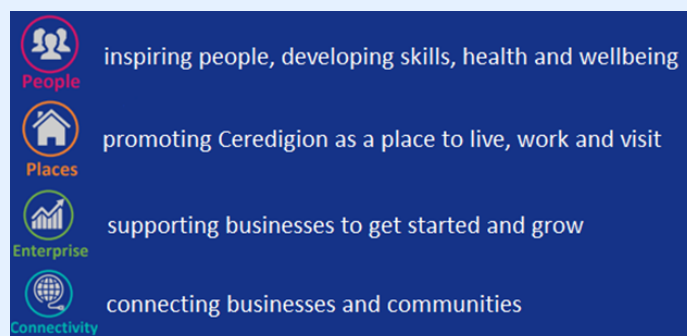
- Provide for the care needs of our population
- Deliver the Through Age Well-being Programme
- Promote the Welsh Language in Ceredigion
- Launch Well-being Centres across the County
- Pursue initiatives to train and recruit childcare and social care staff
- Progress Cylch Caron extra care facility at Tregaron
- Welcome and support the resettlement of refugees
- Develop carers' breaks/ respite and support the aspiration of creation of a National Care Service for Wales
- Support community mental health facilities
- Encourage and enable people to get physically active so they can benefit from positive health and wellbeing
- Develop an improvement plan for the strategic provision of facilities to increase physical activity levels in the county
- Enhance the role of Community Connectors to support the development of resilient communities\*
- Further develop participation events to ensure communities have a voice
- Develop and increase the number of focussed and universal extra-curricular and holiday activity programmes
- Develop and increase the number of support groups and programmes

### CREATING SUSTAINABLE, GREENER AND WELL-CONNECTED COMMUNITIES

- Prioritising the reduction of carbon emissions and pursue our goal of becoming a Net Carbon Zero Council by 2030
- Build on Ceredigion's excellent performance in waste management and recycling
- Transition towards an Ultra Low Emission Vehicle corporate fleet
- Work with local Housing Associations to increase our stock of social housing
- We will continue to address the issues of second homes, holiday homes ownership or the conversion of residential properties to holiday let by seeking the support of the Welsh Government to bring forward legislation under the Planning Act and Taxation Service
- Enable more young people to build their lifetime home
- Encourage the retention of Welsh-language place names
- We have recognised the seriousness of the issue associated with phosphate levels along the Teifi Valley within the Corporate Risk Register. Every effort will be made through the Nutrient Management Board to find early solutions to the problem
- Find solutions to flooding in the Teifi Valley
- Pursue funding for coastal defences at Aberaeron and Aberystwyth and develop proposals for the next phase of the Borth coastal defence scheme and for the frontage at Llangrannog
- Halt and reverse the decline in biodiversity including in our marine environment
- Support increased provision for walking and cycling
- Advocate strongly for a rail link between Aberystwyth and Carmarthen

### 3.2 The Economy

The Council's 'Boosting Ceredigion's Economy – A Strategy for Action 2020-35' strategy outlines four priority areas where our actions will be targeted to make a difference which will also support the National Wellbeing Goals:



This Strategy aligns closely to the emerging priorities developing from our partnership with Powys County 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 2022 when the Final Deal Agreement was signed by the WG, UK Government and Ceredigion and Powys Councils, based on the development and submission of the Portfolio Business Case. Both governments agreed to provide £55m totalling £110m over a period of up to 15 years. The updated Strategic Portfolio Business Case was formally submitted in March 2023 to the WG and the UK Government and release of the first tranche of Growth Deal funding is now expected during 2023/24 via a formal Grant Award.

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 is the lead authority for the UK Shared Prosperity Fund (UKSPF) in the Mid Wales Region. The indicative funding for Ceredigion is £12.4m for the years 2022/23 to 2024/25. £2.9m is funding for capital projects with £9.5m for revenue projects. The UKSPF is part of a suite of funding from the UK Government as part of its Levelling Up Policy. Whilst it succeeds European Funding, it is not a strict replacement for any particular fund. The UKSPF has been designed to build pride in place and empower local communities.

The Council has been successful in applying for £10.9m of Levelling Up funding for Aberystwyth - the funding needs to be spent by March 2025. This will help transform 'The Old College' in Aberystwyth, revitalise the promenade and create a 'Living harbour'. Boosting Ceredigion's Economy will also require investment from the Council and the earmarked reserve available to support this now stands at £8m as at 31/03/23.

### 3.3 Education

Continuing to modernise education establishments, for example, using Band B of 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. The total Band B funding from WG is anticipated to total in excess of £16m. The Council was awarded in 2022 funding of £5.7m towards a Language Immersion Centre which will be based at Ysgol Cymraeg and new classroom buildings at the school.



The Council's PFI contract on Penweddig School expires in December 2030. Early stage project planning has commenced, including attending the first WG Expiry Health Check review. Further resources will need to be allocated to this project during the next 7 years.

### **3.4 Through Age Wellbeing (TAW)**

The Council now operates a Through Age Wellbeing model (TAW) for the delivery of what would traditionally be considered Social Care services. The traditional delineation of Adults and Children's services therefore no longer exists.

Implementation and delivery of the Through Age Wellbeing Programme (TAW) continues as the transformation of services progresses well with 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 Through Age Wellbeing Programme of change. The Strategy covers the 2021 to 2027 period and was agreed by Cabinet in October 2021 which set out how the Council will:

- Put in place a new Through Age 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
- 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. Revenue investment has already been made into the TAW Staffing Structure over 2 financial years and capital investment is being made into key areas such as In county Children's facilities, the establishment of Wellbeing Centres, Local Authority Care Homes and piloting for Technology-enabled Care.

Social Care however continues to see increased demands on services driving significant cost pressures across the TAW model. These are particularly prevalent in areas such as Looked after Children (in county), Children's Out of County Placements, Older Persons placements and Learning Disability placements. The Council is also seeing an increased complexity of cases across these services adding a further dynamic to the increased demand.

### **3.5 Net Zero Carbon Status by 2030**

The Council has had a longstanding recognition of the importance of climate change and its long-term impact on communities and on the environment. It has an ongoing commitment to reduce its carbon footprint, which will benefit both the Authority and the wider community through reduced carbon emissions and also energy cost savings.

As part of this commitment the Council is currently developing a three-phase roadmap to move towards the goal of achieving net zero carbon emissions status by 2030. This is a key priority for the Council and is consistent with WG's stated goal of decarbonisation of the Welsh public sector by 2030 and Full Council's formal motion.

As the roadmap develops, specific schemes with the right supporting business cases will have high priority within the capital programme funding envelope and significant grant funding will be sought from WG. This is already being seen in the form of ULEV funding, but this is not enough and further external funding will be needed e.g. to support the transition of the Vehicle Fleet. Invest to Save opportunities will be explored wherever possible and £1m of capital

funding has been earmarked across 2023/24 and 2024/25 to deliver Energy Efficiency type schemes.

### **3.6 Highways & Infrastructure**

It is anticipated that circa £30m will be spent on the coastal defence scheme at Aberaeron and this scheme is expected to achieve FBC and funding approval from WG and contract letting during the summer of 2023. The scheme will be financed in the main by WG at 85% via the Local Government Borrowing Initiative (LGBI) with a match funding requirement from the Council of 15%. The Council's matched funding requirement of up to £4.5m has been identified in an Earmarked Reserve.

Whilst the Aberystwyth defence scheme is currently at the Outline Business Case stage meaning the funding requirement for this scheme is yet to be established.

The Waste Service has faced operational challenges during last Winter, but new approaches have already been trialled to overcome some of these (e.g. bringing forward Bank Holiday collections) and recycling performance remains strong. A new Waste Management Strategy will be forthcoming which will be an opportunity to review various aspects of the service and prioritise where best to allocate resources.

The Highways Asset Management Plan will always show a backlog of works. In recent years there has been significant funding for Highways refurbishment/resurfacing, however with a change in WG policy approach in relation to Road schemes less funding is coming through which is to the detriment of a rural county. Investment will need to continue if the condition of Ceredigion's roads is to remain above the target set for B roads and close to the targets set for A and C roads. Funding bids will continue to be put in for Active travel related schemes which are being supported by WG, although Ceredigion's rurality is not being fully considered during the approvals process. The Public Bus network remains challenging to maintain and WG funding is required to do this.

### **3.7 Digital Strategy**

The Council is currently developing a new Digital Strategy that will outline the high-level strategic direction and plans for its Information and Communications Technology (ICT) and digital delivery to customers. As at 31<sup>st</sup> March 2023 there is currently £1m set aside in an 'ICT & Digital Investment' earmarked reserve to help support the delivery of this strategy.

### **3.8 Recruitment**

Ceredigion is no different to many other public and private sector organisations, in that parts of the workforce have chosen to retire and/or move on and a higher than normal level of vacant posts is being seen across many Services, not just the Porth services in TAW. It's a key Budget priority to overcome this Recruitment challenge including reducing the use of Agency staff through employing a variety of different and innovative approaches. Ceredigion is an ambitious Council and has an attractive set of employment Terms and Conditions and is a fantastic location to live and work. It's quite clear now though that this is a medium term challenge and many of the solutions will take several years to bear fruit.

### **3.9 Housing**

A range of measures are used by the Housing service to maximise the availability of Housing in the county. This now includes a newly launched Community Housing Scheme (approved in June 2023) using the existing Council Tax Premium monies as well as the Council being

part of the National Empty Homes Scheme. Further measures are needed to assist with the Long Term Empty properties and 2<sup>nd</sup> Homes challenge.

## 4 External Economic, Financial & Legislative context

### 4.1 Economic Environment

The Council’s medium term financial forecast is set within the context of the national economy, WG & UK Government 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, Brexit, the cost of living crisis, restricted material supply chains, the war in Ukraine and at a time when significant austerity measures have been in place for the previous decade.

Both the Treasury and external forecasters are expecting a bumpy ride for economic growth due to the factors already described and this provides a challenging background for the Council’s budget. Demand led services such as Through Age Wellbeing, Education and the Homeless service are seeing increased pressures as a result of the ongoing Cost of Living crisis.

### 4.2 Inflation

The Bank of England’s Monetary Policy Committee (MPC) Report for June 2023 contains the following commentary and projections for inflation:

*“Twelve-month CPI inflation fell from 10.1% in March to 8.7% in April and remained at that rate in May. This is 0.3% higher than expected in the May Report. Services CPI inflation rose to 7.4% in May, 0.5% stronger than expected at the time of the May Report, while core goods price inflation has also been much stronger than projected. In general, news in the latter component is less likely to imply persistent inflationary pressures.*

*CPI inflation is expected to fall significantly further during the course of the year, in the main reflecting developments in energy prices. Services CPI inflation is projected to remain broadly unchanged in the near term. Core goods CPI inflation is expected to decline later this year, supported by developments in cost and price indicators earlier in the supply chain. In particular, annual producer output price inflation has fallen very sharply in recent months. Food price inflation is projected to fall further in coming months....*

*... The MPC recognises that the second-round effects in domestic price and wage developments generated by external cost shocks are likely to take longer to unwind than they did to emerge. There has been significant upside news in recent data that indicates more persistence in the inflation process, against the background of a tight labour market and continued resilience in demand.”*

**Table 1: Bank of England MPC Annual CPI Forecast**

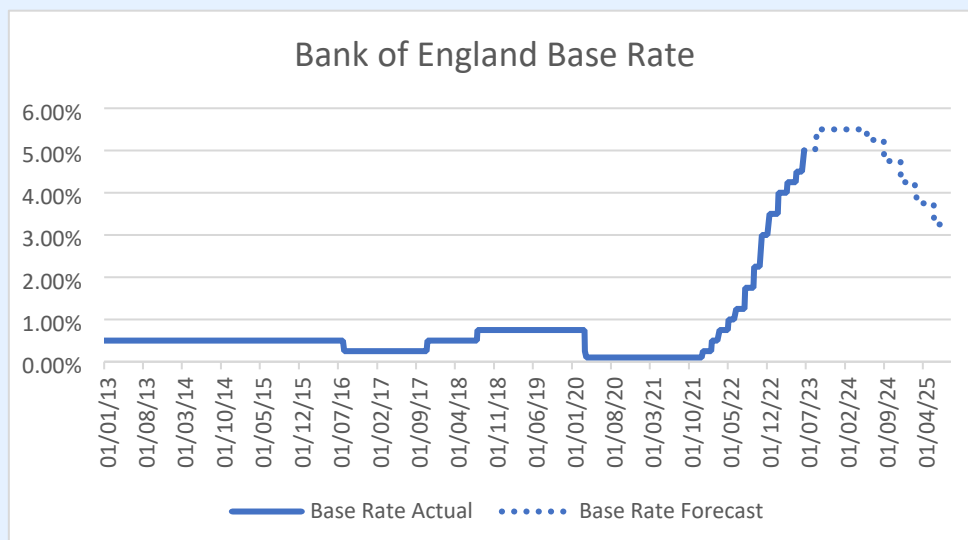
	June 2023 Actual	June 2024 Forecast	June 2025 Forecast	June 2026 Forecast
Annual CPI Inflation Forecast	7.9%	3.4%	1.1%	1.2%

The persistent high levels of inflation seen within the economy erodes the Council’s spending power, even more so when funding settlements from WG do not meet the inflation experienced. This is most prominently felt through higher levels of pay awards for staff as the

Unions lobby for higher wages to help staff meet the increased cost of living, significantly higher energy costs and contract price inflation as anniversary dates for larger contracts that specify annual uplifts in line with CPI/RPI etc. Significant price inflation is also being seen in contract tender quotes received as contractors pass on their own increased costs.

### 4.3 Interest Rates

In response to persistent high levels of inflation the Bank of England has increased the interest base rate consecutively at each of its last thirteen Monetary Policy Committee (MPC) meetings. As at June 2023 the base rate stands at 5%, up from its historically low rate of 0.1% as recently as December 2021. The Council’s Treasury advisors forecast that the base rate will peak at 5.5% and will gradually recede back to 3.25% by June 2025. Interest rate forecasts are reported to Council regularly via the Treasury Management Reports.



### 4.4 Real Living Wage for Care Workers

WG have introduced a national policy that Social Care workers in Wales will be paid at least the Real Living Wage (RLW). The RLW is independently calculated by the Resolution Foundation and overseen by the Living Wage Commission and currently stands at £10.90 per hour. It applies to registered workers in Care homes and Domiciliary care and also includes Personal assistants who provide care and support which is funded through a Direct Payment. Annual Fee uplift considerations for Social Care Providers will need to take account of any RLW changes, provided that sufficient WG funding is received.

Although WG announced recurrent annual funding of around £70m to deliver this commitment, there is a significant risk that the funding received (via RSG) will not be maintained at a sufficient level as further RLW wage increases are seen in future years.

### 4.5 The Well-being of Future Generations (Wales) Act 2015

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, 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.

**The Five Ways of Working are detailed overleaf;**



**Thinking for the long-term**

Avoid short-termism and consider how decisions will impact on the well-being of future generations as well as current generations.



**Prevention**

Act early – tackle the root cause of problems before they arise or get worse. This will bring about better outcomes for individuals, public bodies and society as a whole.



**Integration**

Ensure that the full range of consequences of an action are considered so that an activity in one area of work can be shaped to compliment, rather than undermine the activities in others.



**Collaboration**

Work with others, both from within or outside your team or organisation, so that as many objectives as possible can be met with the resources and expertise available.



**Involvement**

Understand the benefits of involving as wide a range of people as possible in helping shape the decisions and services that will affect their lives.

## 5 National & Local Factors

### 5.1 UK Government General Election

The next UK general election is to be held no later than 28<sup>th</sup> January 2025, although it was reported in the Telegraph newspaper during April 2023 that autumn 2024 was the preferred date of the Prime Minister for the election to be held, therefore October 2024 is a potential timeline.

The outcome of the election could significantly change the funding available to WG (for better or worse) through the Barnett formula, depending on the spending priorities of the new administration after the election.

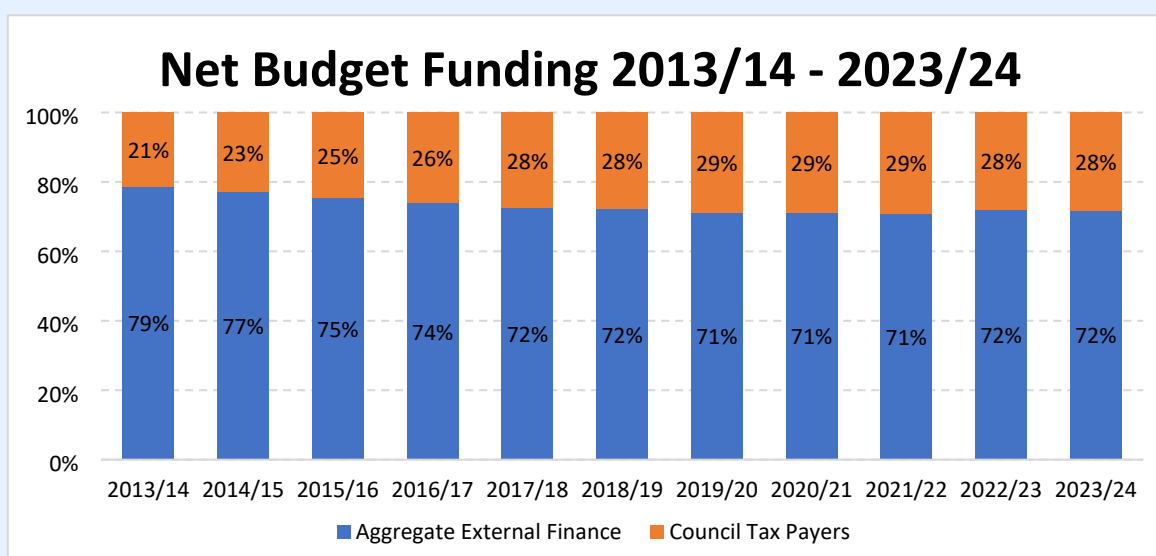
### 5.2 Funding

The Council has a number of key funding streams as described in sections 5.2.1 to 5.2.4 below:

#### 5.2.1 WG

Standard Spending Assessments (SSAs) is the mechanism used by 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 through 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.

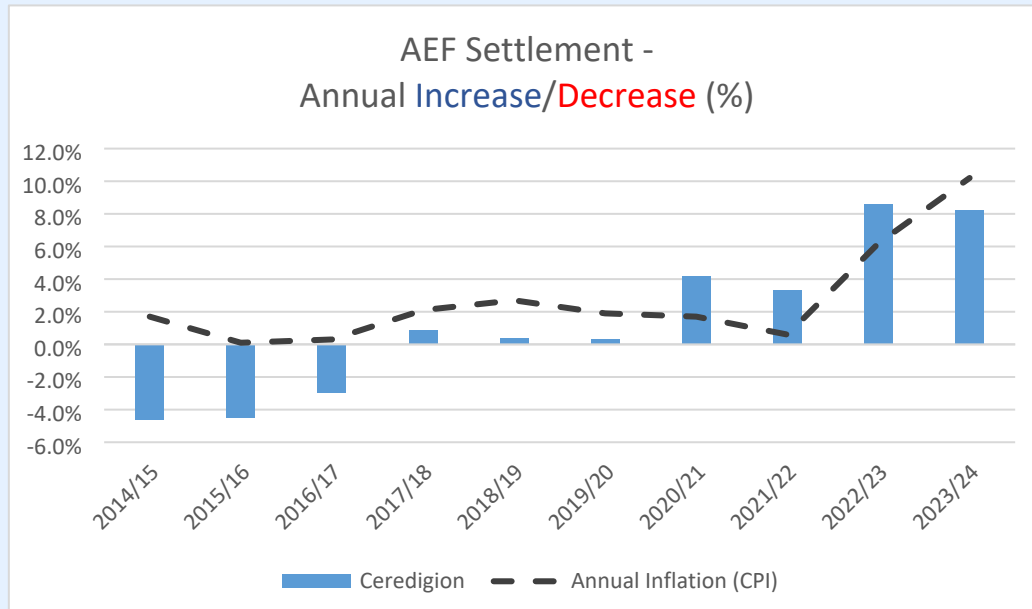
Approximately 72% of the net budget is funded by the WG via a combination of Revenue Support Grant (RSG) and re-distribution of National Non-Domestic Rates (NNDR) which is collectively referred to as Aggregate External Finance (AEF). Local Authorities are able to apply for additional specific funding through the WG's grant programme. A further circa £44m of specific service grant funding, is typically received each year to deliver and support many of the Council's revenue services and capital schemes/projects.





The AEF settlement for 2023/24 has increased by 8.1% which resulted in a budget shortfall of £12m to be found from a combination of Budget Savings and Council Tax increases.

The graph below illustrates the Councils AEF settlement for the previous 10 years and shows that Ceredigion's settlement has been below inflation (CPI) for majority of that period.



### 5.2.2 Council Tax

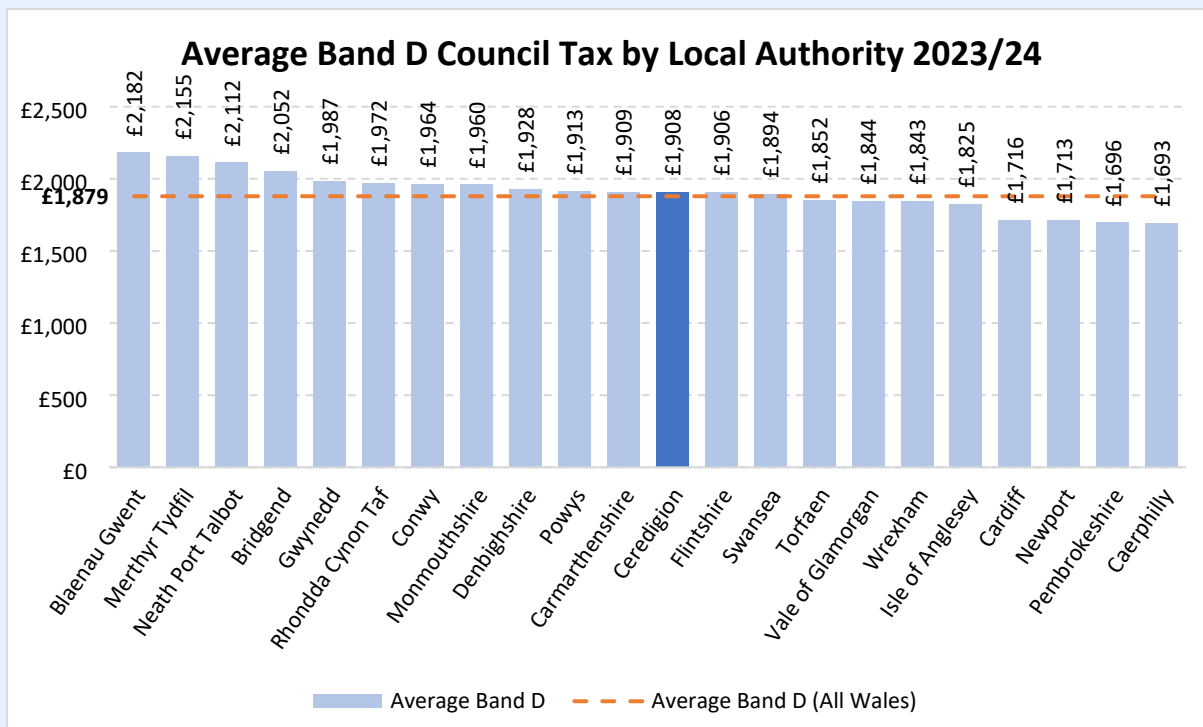
Comparative data on Welsh Authorities' Council Tax levels is available on the Statistics for Wales website using the following links:-

<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.

For 2023/24 the annual Council Tax bill for a Band D property in Ceredigion as a result of a 7.3% uplift is £1,908, which also includes community council and the police authority precept. The average Council Tax for Band D property for Wales is £1,879.

The chart overleaf shows the average Band D for all Councils in Wales.



The Council currently charges a Council Tax premium of 25% on Long Term Empty Properties and Second Homes. Funds raised from this premium at this 25% level are currently ringfenced to fund a Community Housing scheme, which was approved in June 2023 to assist local residents purchase homes in the County by providing interest free shared equity loans. The decision to ringfence the funding from both 25% Premiums for the Community Housing Scheme was revised by Full Council during 2022. It is timely for Members to consider reviewing the position on Council Tax Premiums, following WG introducing further legislation increasing the maximum %age up to 300%.

### 5.2.3 Fees and Charges

A significant amount of income (£32m) is received annually through Fees and Charges which is used to assist funding services. These fees are reviewed annually in the context of the Council's financial position and with reference to the Council's Income Management and Service Cost Recovery Policy. It should be noted some of the fees are set on a statutory basis by other bodies, so the Council has no control on the level on these fees.

### 5.2.4 Discretionary Visitor Levy

The Discretionary Visitor Levy is a commitment from WG's as part of their Programme for Government. As at May 2023 WG have confirmed that plans are progressing and that the plan remains to introduce the legislation within the current government term (2021-2026).

The visitor levy would be a self-assessed levy on overnight stays in commercially let visitor accommodation. The decision whether to charge the visitor levy within a local authority area will remain a matter for the local authority once the enabling legislation has passed. The Council will seek to establish its position as to whether or not to charge the levy, once further details are available. WG have indicated that the Welsh Revenue Authority will collect and administer the levy on behalf of local authorities so the administrative burden upon the Council is expected to be minimal.

### 5.2.4 Council Tax Reform

Welsh Government are committed to reforming both Council Tax and Non Domestic Rates within their current term. Proposals may lead to more progressive bands reflecting the latest data, regular revaluations and a review of all discounts and reductions. Whilst WG have stated this is not about raising more revenue, there is a risk that individual Council's will lose out and for example Ceredigion has a higher average Banding of its properties than several South Wales authorities. The current timeline for Council Tax reform is April 2025, this timeline may though be ambitious given this is a complex and technical area of work.

### 5.3 Cost Pressures

The Council is facing increased costs to maintain the same levels of service, in addition to cost pressures arising from additional demands that are demographic driven and statutory in nature and therefore unavoidable. The following are considered the indicative high-level pressures facing the Council in the short to medium term together with detail around assumptions used in financial planning.

**Table 2: Estimated Cost Pressures Over Medium Term**

	<i>Note</i>	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
APT&C Pay Award	1	7.7	4.5	3.1	2.3
Teachers Pay Award including Soulbury	2	1.8	2.0	1.8	1.5
National Insurance		(0.7)	-	-	-
Council Tax Reduction Scheme		0.5	0.3	0.4	0.4
Capital Financing		0.2	0.2	0.2	0.2
Fire Levy	3	0.5	0.2	0.1	0.1
Energy	4	1.8	0.3	-	-
Through Age Wellbeing related	5	8.3	5.8	4.0	4.2
Education related		0.8	0.1	0.2	0.2
Highways & Environmental related	6	1.1	1.0	1.0	1.0
Other		0.4	0.5	0.3	0.3
<b>Total</b>		<b>22.4</b>	<b>15.1</b>	<b>11.1</b>	<b>10.2</b>

#### **Note 1 - APT&C Pay Award (each April)**

*Assumptions around pay awards are particularly uncertain in a high inflation environment. Taking into account the prevailing economic conditions and with reference to the National Living Wage and Real Living Wage the following assumptions have been used.*

<b>2023/24</b>	+ £1,925 all Scale Points
<b>2024/25</b>	+ £1,600 all Scale Points
<b>2025/26</b>	+ 3.5% all Scale Points
<b>2026/27</b>	+ 2.5% all Scale Points

## **Note 2 - Teachers Pay Award (each September) / Teachers Pension**

*Predicting future pay awards is difficult. Taking into account the prevailing economic conditions the following assumptions have been used for Teachers Pay.*

<b>2023/24</b>	<b>+ 5% all Scale Points</b>
<b>2024/25</b>	<b>+ 4% all Scale Points</b>
<b>2025/26</b>	<b>+ 3.5% all Scale Points</b>
<b>2026/27</b>	<b>+ 2.5% all Scale Points</b>

*Employers' Teachers' Pension contribution rates are highly likely to increase significantly in either April 2024 or September 2024. It is currently expected that any increase will be fully funded by UK Government and in turn WG, although there is a risk that there will be a shortfall. This was the case last time the Teachers' Pension rate increased.*

*It is assumed Soulbury officers will receive a pay award in line with the APT&C pay award.*

## **Note 3 Fire Levy**

*Annual increases are expected. Assumptions used are in line with forecast annual CPI inflation with a floor of 2% where inflation is forecast lower than 2%. There is a risk the 2024/25 levy is still at an elevated level.*

## **Note 4 Energy**

*Due to the fact the Council purchases its energy in advance it is expected that electricity prices will still be elevated for 2024/25. Thereafter it is expected that both electricity and gas prices will remain at that level or fall.*

## **Note 5 Through Age Wellbeing**

*Social Care continues to be an area where there are significant budget pressures. Over the medium term this will most significantly be seen in Commissioned Services, driven in a large part by the implementation of the Real Living Wage for all care workers (see section 4.4). Additional pressures include the onboarding of Hafan y Waun residential home, increases to the Welsh Homecare Association rate for Domiciliary Care and the retendering of Supported Living contracts.*

## **Note 6 Highways & Environmental Services**

*There are a number of WG waste management initiatives over the medium term, such as the Extended Producer Responsibility proposal and the Deposit Return scheme, these may incur budget pressures for the Council if not fully funded. There are a number of waste management and school transport contracts due for renewal which may also lead to increased costs.*

## **Note 7 Other**

*Other cost pressures include items such as ICT infrastructure and software inflation costs and corporate insurance budget pressures due to inflation linked premiums and expected increases to the value of insured sums (property).*

## 5.4 Demographics and Other Trends

Many services provided by the Council are demand led that are driven by wider demographic changes and trends. These can be difficult to predict and their effect on the budgets difficult to quantify over the longer term. The main demographic challenges and trends are noted below.

### Demographics

The 2021 Census estimated Ceredigion's population to be 71,500 on the 21<sup>st</sup> March 2021. According to the Mid-Year-Estimates (MYEs), Ceredigion's population three months later was slightly smaller (70,700), which is approximately 800 residents less/-1.1% than in March. The population change for the period between Census Day 2021 and Mid-Year 2021 can be attributed to the unique pandemic circumstances and seasonal migration flows (e.g., many students may have returned to their home address by the end of June).

Ceredigion's population has a high proportion of students, and this brings challenges when estimating the population at a given time. The Census estimated that there were 6,500 students in the County in 2021. It is likely that the number of students within Ceredigion is much higher than the Census figure, as Covid-19 restrictions were still in place which had an impact on where students were living at the time of Census.

Wales' population is projected to increase by 2.2% up to 2042, rising from 3.18 million in 2022 to 3.25 million in 2042. Over this twenty year period the percentage of over-65s in Wales is set to increase from around 22% to 26% of the population, and the proportion aged 75 and over is projected to increase by 44%. 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 15 and under 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 71,150 in 2022 to 68,800 in 2042. The number of children in Ceredigion are projected to decline by about 13%, a reduction of 1,400 by 2042. This decline can be attributed to the expected stalling of fertility rates in Ceredigion, which is a trend also seen nationally.

Additionally, the working age population of Ceredigion is set to decrease by 10% up to 2042, reducing from 41,300 to 37,000. This reduction can be attributed to the outward migration of people to different parts of the UK. This includes a high proportion of students in Ceredigion aged 21-24 who tend to leave the area after graduation to seek employment and education opportunities elsewhere.

On the other hand, growth is expected in the over-65s in Ceredigion, the proportion is set to increase from around 27% to 33% of the population, an additional 3,400 people over the twenty-year period. In addition to a longer life expectancy, the increase in the 65+ age group is attributed to the ageing of the significant baby boom cohort of the 1950s and 1960s, who in 2030 be at least aged 65 and older.

The trend of declining population in the County will have a negative impact on the Council's AEF funding from WG as this is a key factor in the Standard Spending Assessments (SSA) formula as described in section 5.2.1. An ageing population also inevitably and ultimately will place additional demands on Social Care services creating additional cost pressures, no matter how successful early intervention measures are.

Various schemes and activities are underway to help reverse this declining population trend, such as, the Community Housing Scheme (aimed at providing affordable housing opportunities for younger people and first time buyers), Ceredigion County Council's Economic Strategy (which aims to promote the range of rewarding career pathways and to set Ceredigion on the map as a great place to start and grow a business and increase average wages), Growing Mid Wales and the Mid Wales Regional Skills Partnership (working to drive investment in skills according to the local need) and the Childcare offer (which will financially support families with children between the ages of 3 and 4 in Ceredigion).

### **Employment / Unemployment**

The economic activity rate and the employment rate in Ceredigion have both seen significant increases since the end of 2019. The Economic activity rate at June 2022 was 75.2% (much higher than the 67.0% in December 2019) and equates to an extra 3,700 people in the workforce. Similarly, the employment rate in the county reached 73.0% by June 2022 (increasing from 65.1% in December 2019).

These are both positive signs, and the drivers for the increases are likely to be a combination of factors. These include the need for households to increase their financial resilience due to the pandemic and currently the cost of living crisis, but also the current labour shortage being experienced across Wales and the wider UK. For example, as at March 2022 the number of vacancies in the UK surpassed the number unemployed for the first time.

Self-employment has traditionally been not only an important part of the local workforce, but also a significant one performing roles in sectors like construction and agriculture. At the start of the pandemic in March 2020, self-employed accounted for 19.0% of the workforce, which was the highest across Wales. However, over the next 2½ years the proportion who were self-employed decreased noticeably to 13.7% by June 2022, a reduction of 2,400 people. At the same time there was a corresponding increase in the number of employees, suggesting that the pandemic has resulted in some seeking 'safer' employment as employees. There was also an increase in the number of self-employed workers reclassifying their labour market status to "employee" during April to September 2020 at the same time as the Furlough Scheme.

The Council continues to take a proactive approach to monitoring and supporting the growth of the local economy. In its Corporate Strategy for 2022-27, one of the four Corporate Well-being Objectives is "Boosting the economy, supporting businesses and enabling employment".

The unemployment rate in Ceredigion for the twelve months ending June 2022 was 3.0%. 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.

Council Tax collection rates and the Council Tax Reduction Scheme (CTRS) are directly affected by employment trends effecting resident's ability to pay Council Tax bills.

### **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 Annual Survey of Hours and Earnings 2021 shows that average annual earnings continue to be 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 was £23,576, lower than the £23,996 across Wales.

The trend is similar with household incomes. The median household income in 2021 in Ceredigion was £31,162 compared to £31,348 across Wales and £36,440 throughout the UK. Over a third of Ceredigion's households (39%) have a household income of £25,000 or less, and over a quarter (29%) have an income of £20,000 or less.

### **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 2033, 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 2039. The proportion of Ceredigion's population aged 75 and over is estimated at 11.8% in 2021, and this is estimated to grow to 15.2% by 2031 and to 18.0% by 2041, representing a 47% increase in this age group.

The proportion of the Ceredigion population aged 85 and over is estimated at 3.3% in 2021, and this is expected to grow to 4.7% by 2031 and 6.0% by 2041, representing a 76% increase in the number in this age group.

Ceredigion's Old Age Dependency Ratio is projected to see a rise from 415 dependants per 1,000 in 2021 to 529 dependants per 1,000 in 2041. (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.

### **Education**

In the 2023 Pupil Level Annual School Census (PLASC) there were 4,631 pupils in Ceredigion of primary school age in years Reception to Year 6, with 3,624 pupils of secondary school age (Years 7-11) and a further 712 in Year 12 and 13. The Census (PLASC) takes place in January each year. The small size of some 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 also 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 difficult to quantify, although it is reasonable to assume that both factors are likely to reduce 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.

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.

Following changes to legislation the Council introduced a School Reorganisation Handbook which was adopted by Cabinet on the 15<sup>th</sup> June 2021, this document provides a summary of the procedures that need to be followed when undertaking a school review. On 02/05/23, the Cabinet approved the Principles for Ensuring Sustainable Education Infrastructure policy, which will form the basis for any decision on future school re-organisation proposals.

Ceredigion's Welsh in Education Strategic Plan (WESP) was adopted in February 2022. The 10-year strategy (2022–2032) seeks to reinforce and strengthen the Welsh language provision and meet the targets set by the WG for a million Welsh speakers Wales-wide by 2050. One over-riding aim is to ensure that pupils in Ceredigion are confident communicators in both Welsh and English by the end of Year 6 when they progress from primary to secondary education.

### **Highways Network**

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 two years, although the condition for A and C roads remains above the target. A roads in poor condition decreased from 3.2% in 2021/22 to 3.1% in 2022/23, but remain above the target of 3%, B roads in poor condition remain at 2.0% in 2022/23 having also been at that level in 2021/22 which is within the target of 6%, and C roads decreased from 14.7% to 13.2% which is still above the target of 12%.

### **Cyber Crime**

Cyber Crime continues to be a real risk for Public Bodies and poses potential financial risks attached to being affected by a Cyber Attack.

### **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 £295m in 2021, a 58.7% increase on the previous year. This significant increase is due to the reopening of tourism related businesses following the COVID-19 pandemic which resulted in national lockdown and closure of the tourism industry across Wales during 2020. During 2021 the economic impact and visitor numbers to Ceredigion had not yet returned to pre-pandemic levels, however, it should be noted that the latest figures for 2021 include travel and business opening restrictions well into the summer of that year. The tourism industry supports 4,121 jobs county-wide, which is 1,700 lower than prior to the pandemic in 2019. As at July 2023 data for 2022 has not yet been published, it is therefore not yet known whether the industry has fully recovered to pre-pandemic levels.

The tourism industry will continue to be a key aspect of the Council's key objective of 'Boosting the Economy' as laid out the Corporate Strategy.

## 6 **The Budget Gap & Medium-Term Financial Forecast for 2023/24 to 2025/26**

WG's Local Government Settlement for 2023/24 has provided indicative Wales-level core revenue funding allocations for 2024/25 of £5.7 billion – equating to an uplift of £170 million (3.1%), no indication has been provided for 2025/26. Recent settlements have seen the Council receive very close to the all-Wales average, so the 3.1% has been used for planning purposes for 2024/25, and without any other indicator the same figure has been assumed for 2025/26 and 2026/27.

Table 3 below uses a Council Tax increase of 5% for modelling and planning purposes. The actual WG settlement will differ to the projection and could be better or worse, likewise Council Tax increases will vary and ultimately are a formal consideration for Full Council as part of each year's Budget Setting process.

The table below sets out estimated income and expenditure projections and therefore the estimated Budget Gap over the next three years. Detailed cost pressures have already been shown in section 5.3 above.

**Table 3 – Budget Gap Projections**

	Actual Budget		Indicative		Indicative		Indicative	
	2023/24		2024/25		2025/26		2026/27	
	Increase	£m	Increase	£m	Increase	£m	Increase	£m
Council Tax	7.3%	50.9	5.0%	53.5	5.0%	56.1	5.0%	58.9
WG Funding (AEF)	8.2%	129.2	3.1%	133.2	3.1%	137.3	3.1%	141.6
<b>Total Income</b>		<b>180.1</b>		<b>186.7</b>		<b>193.5</b>		<b>200.5</b>
Budget Pressures		23.1		15.1		11.1		10.2
<b>Expected Expenditure</b>		<b>188.9</b>		<b>195.2</b>		<b>197.8</b>		<b>203.6</b>
<b>Budget Gap</b>		<b>8.8</b>		<b>8.5</b>		<b>4.3</b>		<b>3.1</b>

**Based on these projections, the Council would be required to close a Budget Gap of at least £15.9m by March 2027. This is on top of the savings already achieved between April 2012 and March 2023 of £52m and then a further £8.8m required in the 2023/24 Budget process - meaning over £60m of savings will have been found since 2012.**

The Council has a number of measures and plans in place to manage the expected Budget gap, these are detailed in Section 7.

Declining population figures in Ceredigion as described in 5.4 above have the potential to further negatively affect the Council's AEF Budget Settlement.

The potential range of Budget Gaps in the medium term as a consequence of the uncertainty around the annual AEF Budget Settlements is illustrated in the tables below showing the impact for different levels of Council Tax and WG funding.

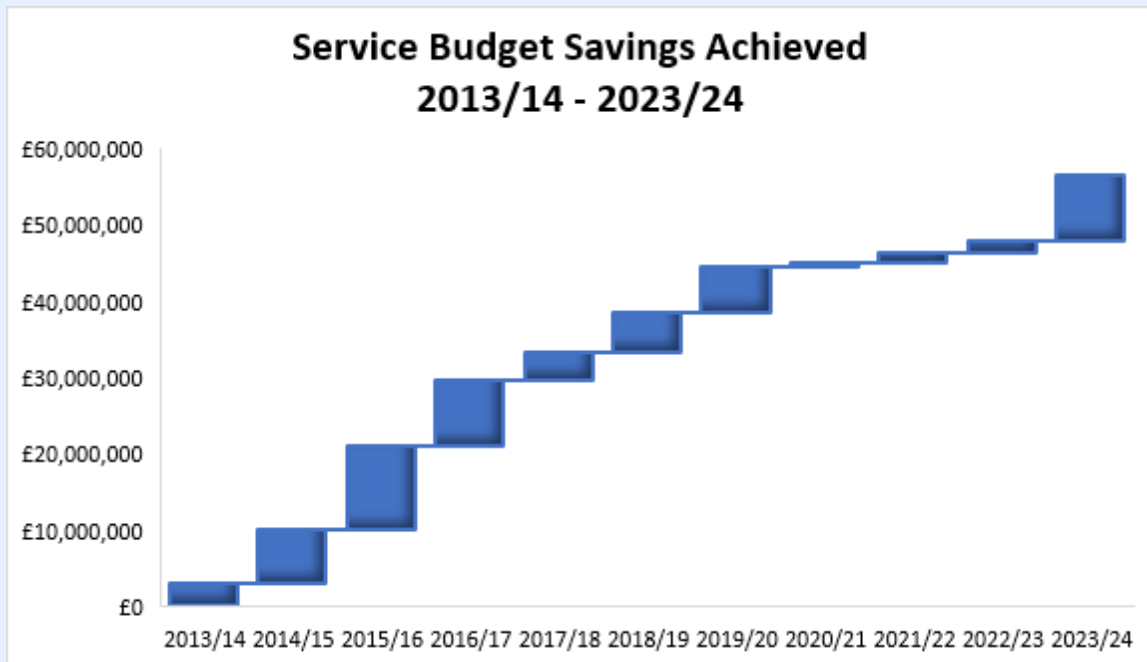
**Table 4: Budget Funding Gap Scenario Analysis - 2024/25 (£15.1m Cost Pressures)**

		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%	£13.0m	£12.5m	£11.9m	£11.4m	£10.9m	£10.4m	£9.9m	£9.4m
	1.0%	£11.7m	£11.2m	£10.7m	£10.1m	£9.6m	£9.1m	£8.6m	£8.1m
	2.0%	£10.4m	£9.9m	£9.4m	£8.8m	£8.3m	£7.8m	£7.3m	£6.8m
	3.0%	£9.1m	£8.6m	£8.1m	£7.6m	£7.0m	£6.5m	£6.0m	£5.5m
	4.0%	£7.8m	£7.3m	£6.8m	£6.3m	£5.8m	£5.2m	£4.7m	£4.2m
	5.0%	£6.5m	£6.0m	£5.5m	£5.0m	£4.5m	£4.0m	£3.4m	£2.9m
	6.0%	£5.2m	£4.7m	£4.2m	£3.7m	£3.2m	£2.7m	£2.2m	£1.6m
	7.0%	£3.9m	£3.4m	£2.9m	£2.4m	£1.9m	£1.4m	£0.9m	£0.4m

**Table 5: Budget Funding Gap Scenario Analysis - 2025/26 (£11.1m Cost Pressures)**

		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%	£9.3m	£8.7m	£8.2m	£7.7m	£7.1m	£6.6m	£6.1m	£5.5m
	1.0%	£7.9m	£7.4m	£6.9m	£6.3m	£5.8m	£5.3m	£4.7m	£4.2m
	2.0%	£6.6m	£6.1m	£5.5m	£5.0m	£4.5m	£3.9m	£3.4m	£2.9m
	3.0%	£5.3m	£4.7m	£4.2m	£3.7m	£3.1m	£2.6m	£2.1m	£1.5m
	4.0%	£3.9m	£3.4m	£2.9m	£2.3m	£1.8m	£1.3m	£0.7m	£0.2m
	5.0%	£2.6m	£2.1m	£1.5m	£1.0m	£0.5m	-£0.1m	-£0.6m	-£1.1m
	6.0%	£1.3m	£0.7m	£0.2m	-£0.3m	-£0.9m	-£1.4m	-£1.9m	-£2.5m
	7.0%	-£0.1m	-£0.6m	-£1.1m	-£1.7m	-£2.2m	-£2.7m	-£3.3m	-£3.8m

The unfavourable Medium-Term Financial forecast modelled is set against the backdrop of over a decade of austerity which has resulted in a considerable period of real term decreases in funding. Cumulative savings of over £60m achieved during this period to achieve balanced budgets is illustrated in the chart below.



## **7 Budget Strategy**

### **7.1 Managing Resources Effectively**

The Council's Financial Management approach includes;

- Compliance with formal 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.
- Ensuring that value for money is achieved in the delivery of services.

Overarching principals that provide the framework for the effective use of the Council's resources include:

- Requests to carry forward revenue underspend are considered at year-end and are generally only supported where they meet Corporate Wellbeing Objectives.
- Reserves will be maintained in accordance with the Council's approved policy. Any windfall income received will be treated corporately.
- Reserves will be held for specified purposes only and reviewed on a regular basis.
- Grant funding for revenue and capital will be maximised by Services wherever possible and within the constraints of the grant terms & conditions.
- Where grant bids are required, these need to be linked to the Council's Wellbeing Objectives.
- Exit strategies need to be considered for grant bids and relevant grant funding.
- Resources are targeted to achieve the greatest positive impact e.g. utilising ICT to support lean processes and improved workflow.
- Pursue efficiency to make best use of the Council's assets, i.e. funds, land, buildings, fleet, staff and information technology. For example, further rationalisation of assets to reduce revenue costs, generate income streams or co-locate Council / Public Services.
- Consideration given to the longer term to plan for sustainable services and budgets and maintaining appropriate service standards for core front-line services.

### **7.2 Partnership Working, External Funding and Collaboration**

The Council works proactively and collaboratively with a variety of 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.

As part of the Boosting Ceredigion's Economy strategy the Council will work with various partners including:

• WG	• Skills and training providers
• UK Government	• Business representative bodies
• Growing Mid Wales Partnership	• Private and public funders
• Further and Higher Education establishments	• Third sector organisations



The Council works in partnership with the WG on many significant revenue and capital projects such as the Aberaeron and Aberystwyth Coastal Defence schemes.

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 should continue. This means that the Council will be able to decide how best to spend the funding as part of its own Corporate strategy as opposed to being part of a national one. WG are committed to reduce the administrative burden of grants and have instigated a programme of work to review this. How many grants end up unhypothecated through RSG rather than individual specific WG grant awards remains to be seen.

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 and Corporate 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. As any Joint Committees become more established, this is likely to mean partner contributions will need to form part of the base budget.

Ceredigion is a partner with Powys County Council (and the Brecon Beacons National Park for Strategic Planning only) and has formed the Mid Wales Corporate Joint Committee (MWCJC). The MWCJC is responsible for producing a Strategic Development Plan for the region and a Regional Transport Plan. In addition, the CJC is responsible for Economic Well Being.

### 7.3 Managing the Budget Gap

Based on the funding assumptions described in section 6 above and the cost pressures detailed in section 5.3, the financial modelling indicates the Council will have a Budget gap of £15.9m over the 3-year period 2024/25 – 2026/27.

Year 2 and 3 potential opportunities totalling c£4m have already been identified through the 'Doing Things Differently: A Corporate Approach' programme. This is on top of the £3m identified and assumed in the 2023/24 Budget Setting process. **This would then leave a Budget Shortfall of £6.4m in 2024/25 and in total £11.9m over the next 3 years.**

**Table 6: Estimated Medium-Term Budget Gap**

	2023/24 Actual £m	2024/25 Indicative £m	2025/26 Indicative £m	2026/27 Indicative £m
<b>Estimated Budget Gap</b>	<b>8.8</b>	<b>8.5</b>	<b>4.3</b>	<b>3.1</b>
<b><u>Savings Identified:</u></b>				
Doing Things Differently: A Corporate Approach	3.0	2.1	1.9	-
2023/24 - Savings plan	5.8	-	-	-
<b>Total Savings Identified</b>	<b>8.8</b>	<b>2.1</b>	<b>1.9</b>	<b>-</b>
<b>Budget Shortfall Remaining</b>	<b>-</b>	<b>6.4</b>	<b>2.4</b>	<b>3.1</b>

Detailed plans for 'Doing Things Differently: A Corporate Approach' and the 2023/24 Savings plan can be seen in Appendix 1 and 2 respectively.

After factoring in the 'Doing Things Differently: A Corporate Approach' assumptions for 2024/25 and 2025/26, the resulting range of Budget Shortfalls is illustrated in the tables overleaf, showing the impact for different levels of Council Tax and WG funding.

**Table 7: Budget Funding Gap Scenario Analysis - 2024/25 (£14.7m Cost Pressures)**

		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%	£13.0m	£12.5m	£11.9m	£11.4m	£10.9m	£10.4m	£9.9m	£9.4m
	1.0%	£11.7m	£11.2m	£10.7m	£10.1m	£9.6m	£9.1m	£8.6m	£8.1m
	2.0%	£10.4m	£9.9m	£9.4m	£8.8m	£8.3m	£7.8m	£7.3m	£6.8m
	3.0%	£9.1m	£8.6m	£8.1m	£7.6m	£7.0m	£6.5m	£6.0m	£5.5m
	4.0%	£7.8m	£7.3m	£6.8m	£6.3m	£5.8m	£5.2m	£4.7m	£4.2m
	5.0%	£6.5m	£6.0m	£5.5m	£5.0m	£4.5m	£4.0m	£3.4m	£2.9m
	6.0%	£5.2m	£4.7m	£4.2m	£3.7m	£3.2m	£2.7m	£2.2m	£1.6m
	7.0%	£3.9m	£3.4m	£2.9m	£2.4m	£1.9m	£1.4m	£0.9m	£0.4m

**Table 8: Budget Funding Gap Scenario Analysis - 2025/26 (£10.8m Cost Pressures)**

		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%	£9.3m	£8.7m	£8.2m	£7.7m	£7.1m	£6.6m	£6.1m	£5.5m
	1.0%	£7.9m	£7.4m	£6.9m	£6.3m	£5.8m	£5.3m	£4.7m	£4.2m
	2.0%	£6.6m	£6.1m	£5.5m	£5.0m	£4.5m	£3.9m	£3.4m	£2.9m
	3.0%	£5.3m	£4.7m	£4.2m	£3.7m	£3.1m	£2.6m	£2.1m	£1.5m
	4.0%	£3.9m	£3.4m	£2.9m	£2.3m	£1.8m	£1.3m	£0.7m	£0.2m
	5.0%	£2.6m	£2.1m	£1.5m	£1.0m	£0.5m	-£0.1m	-£0.6m	-£1.1m
	6.0%	£1.3m	£0.7m	£0.2m	-£0.3m	-£0.9m	-£1.4m	-£1.9m	-£2.5m
	7.0%	-£0.1m	-£0.6m	-£1.1m	-£1.7m	-£2.2m	-£2.7m	-£3.3m	-£3.8m

### 7.3.1 Key Elements to Managing Budget Gap

Whilst 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, the main objectives of the annual budget setting continue to be:

- Ensure that a balanced budget is set each year and that value for money services are delivered.
- 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, whilst at the same time maintaining core Service operations.

The key elements of the Budget Strategy that will help contribute to a balanced budget are:

- Taking a Team Ceredigion approach to the budget challenge at Leadership Group, through looking at savings and income opportunities corporately and cross-cutting so that key transformational change continues to be achieved and delivered.
- Planning generally to provide flat budget allocations to Services, unless corporate recognition is made for Cost Pressures. Services therefore need to meet any unfunded increased costs from further service efficiency, income and cost recovery, and change within the service area as a whole. In some cases this will mean needing to 'cut the cloth' accordingly and prioritising activity and focus.
- To target reductions in Supplies & Services and 3<sup>rd</sup> Party Payments wherever possible including any areas where Services or Budget Headings are deemed a lower priority.
- Council Tax increases will take into account the need to ensure that there is sufficient funding to protect key services and core operations.
- 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 and procurement savings) will continue to be sought as a natural part of improved service delivery. Investment will continue to be considered to facilitate and pump prime initiatives, provided that business cases stack up.
- Savings will continue to be sought from Service delivery, where possible but generally in a targeted way not via salami slicing. 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.
- Any savings achieved in advance of the annual budget requirement will be applied to earmarked reserves, in particular to support the Corporate Wellbeing Objectives or to pump prime other initiatives, as well as then applying the ongoing savings to the base budget in an appropriate later year of need.
- Where specific grant funding is transferred into RSG then these resources will be allocated directly to the relevant service's budget, providing there is a clear correlation to ongoing service delivery.
- Where specific grant funding comes to an end (either naturally or otherwise), the normal expectation is that the associated service activity will need to be reviewed and ceased even if that creates a redundancy position(s).
- Certain items will be recognised as Corporate Items requiring annual allocations in the budget model. This includes the Council Tax Support Scheme, funding of the Capital Programme, any ringfencing regarding Council Tax Premiums, External Audit Fees,

Democratic costs (Members Allowances) and the Mid & West Wales Fire Authority Levy.

- Doing Things Differently – A Corporate Approach. The Council has adopted an approach which includes reviewing the existing assets and resources to generate additional income and reduce costs to meet budget pressures. The overarching aim is to broadly maintain the same standards of service delivery as far as possible within the resources available.
- The Cost & Inflationary pressures earmarked reserve will be used to provide temporary mitigation where necessary whilst inflation remains at elevated levels.
- The Contingency & Budget Management earmarked reserve will be used to assist in managing emerging in year Budget pressures where they appear outside of the normal Budget process.
- As a last resort if all other options have been exhausted – Consideration of targeted Budget cuts, which would mean a reduction in Council services being delivered rather than continuing to try to deliver the same but with less resources.

The following are key strategic Capital budget setting aims:

- Asset Management Planning along with the Carbon Management Programme will inform the setting and prioritisation of the Multi-year Capital programme and necessary expenditure on existing, and new, Council assets.
- Identification of expenditure that can attract external grant funding, providing the ongoing revenue impact is sustainable.
- Invest to save schemes demonstrating a return on investment and/or a reasonable payback period 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 funding set aside in earmarked reserves will support the Capital programme, in particular the Corporate Capital reserve as well the 4 Corporate Wellbeing Objectives reserve e.g. for 21<sup>st</sup> Century Schools and Coast Protection Schemes.
- 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 Wellbeing Objectives.
- Develop a funding strategy to support planned future major projects as the need arises.

#### **7.4 Earmarked Reserves and Balances**

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 shown overleaf:

**Table 9: Reserves & Balances Projections**

	<b>31.03.23 Actual</b>	<b>31.03.24 Planned</b>	<b>31.03.25 Planned</b>	<b>31.03.26 Planned</b>
General Balances - Amount	£6.7m	£6.7m	£6.7m	£6.7m
General Balances - Percentage	3.7%	3.5%	3.4%	3.3%
Earmarked Reserves (Inc. Schools)	£48.8m	£41.3m	£34.8m	£34.2m

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

There is a risk with an increasing Net Budget total, that the %age becomes diluted over time. Therefore there may come a point where an additional contribution would need to be budgeted / made at year end in order to not fall below 3%.

The Council has 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 taxpayer annually £800k which equates to a saving in Council Tax charges of nearly 2% annually.

## 8 Risk Assessment & Sensitivity

The assumptions set out in the MTFs are based on information available at the time. There is significant risk that these will change, particularly in the view of recent uncertain and volatile times – we are still in an elevated inflationary environment, interest rates are much higher than at any time since 2008 and staff pay awards at levels previously unheard of.

The table below summarises the estimated impact of a 1% change (+/-) of some of the key factors affecting the Council. In current times, it is quite possible to be more than 1% out on any of these variables as forecasting with any degree of certainty is challenging.

**Table 10: Sensitivity Analysis**

Assumption		Effects of 1% variation to assumed rates (+/-) £'000
Income	Welsh Government AEF Settlement	1,290
	Council Tax (Gross of Council Tax Reduction Scheme)	500
	Council Tax (Net of Council Tax Reduction Scheme)	430
	Interest Rates (Investment Income)	500
	External Grants	440
	Fees & Charges (noting that not all are set by the Council)	320
Expenditure	Pay Award – General	850
	Pay Award – Teachers	450
	Employers National Insurance	440
	Local Government Pension Scheme Contribution Rate	690
	Teacher's Pension Contribution Rate	300
	Social Care Provider Contracts	450

### Risk register

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

- 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.

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 iterative process of considering future options to identify future savings.



### Appendix 1: Doing Things Differently: A Corporate Approach

Ref	Workstream	Description	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
1	Treasury Management	Investment Income Returns	1,000	-	-	-
2	Digital solutions	Dom Care Digital solutions	-	Tbc	Tbc	-
3	Assets	Operational Office Buildings	150	150	-	-
		Operational Commercial Buildings	-	50	-	-
		Other Corporate Estate Buildings	50	100	150	-
		Use of Space & Wider Income Maximisation	-	100	200	-
		Review of other Operational Asset premises	50	Tbc	Tbc	-
4	Energy	Energy Schemes Investment	125	250	250	-
5	Placement Facilities	Development of in county provision for Children	-	500	475	-
6	Cost of Living	Fostering opportunities	50	100	150	-
7	Transport	Review of all Learner related Transport	400	300	-	-
8	Primary Schools	Strategic review of Primary schools	100	200	400	-
9	Post 16 learning	Strategic review of Post 16 learning provision	-	-	tbc	-
10	Car Parking	Generate additional income from Car parking facilities	360	100	-	-
11	Fees & Charges	Review of all Fees & Charges	250	250	250	-
12	Third Party Spend	Review of opportunities for Spend reductions	-	tbc	tbc	-
13	Revenue v Capital	Maximise use of Capital Programme	500	-	-	-
<b>TOTAL - Doing Things Differently Savings</b>			<b>3,035</b>	<b>2,100</b>	<b>1,875</b>	<b>-</b>

### Appendix 2: 2023/24 Savings Plans (in addition to Doing things Differently: A Corporate Approach)

Description	2023/24 £'000
Limit the increase to be applied to Delegated Schools to 5.8%	2,065
Delete Contribution to Boosting the Economy reserve	2,440
Delete Corporate COVID base budget	500
Reduction in Dyfed Pension Fund Employers Contribution rate (from 15.8% to 14.6%)	782
<b>TOTAL</b>	<b>5,787</b>