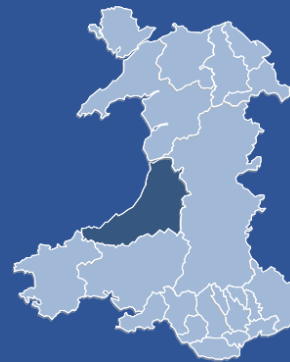




Cyngor Sir
CEREDIGION
County Council



MEDIUM TERM FINANCIAL STRATEGY 2026/27 - 2030/31



September 2025

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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 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 **Several key priorities from the Corporate Strategy have been achieved**, including:

- ✓ Ysgol Dyffryn Aeron.
- ✓ Community Housing Scheme to help support local residents purchase their own property in Ceredigion.
- ✓ The first Wellbeing Centre (in Lampeter).
- ✓ Aberaeron Coastal Defence Scheme.
- ✓ 2 new Children's in county facilities.
- ✓ Penmorfa Centre for Independent Living in Aberaeron.
- ✓ Moving the residents from the Tregerddan Care Home into Hafan y Waun.
- ✓ Optimising Building utilisation including collaborative working with HDUHB.
- ✓ Attracting major national and international Events to Ceredigion.
- ✓ Introduction of Electric Vehicles for Parking Services.

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:

- An unqualified audit opinion was issued on the 23/24 accounts.
- An underspend of £310k was achieved for the 24/25 financial year (being 0.16% of the Budget).
- Several positive comments were made by Audit Wales in their review of the Council's Financial Sustainability, whilst acknowledging that a comprehensive approach needed to extend into the medium to long term.

1.4 Ceredigion's 2025/26 Net Budget was set at £209.2m - 69% funded by WG and 31% by Council Taxpayers. This resulted in a 9.3% Council Tax increase for the Council component. The increase included several component parts:

- 4.3% being the core increase
- 0.6% for the Mid & West Wales Fire Authority levy
- 2.9% to cover a shortfall in Employers National Insurance related funding
- 1.5% for investment in the Waste Collection & Planning Enforcement Services.

The Band D Council Tax (including Police and Town & Community Council precepts) in Ceredigion was £2,296 - being slightly above the Welsh average of £2,170.

1.5 The Medium Term financial challenge can be summarised as:

Indicative	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Budget Cost Pressures	10.1	9.6	9.4	9.1	9.0
Council Tax Income	-4.8	-5.2	-5.7	-6.0	-6.1
WG AEF Settlement	-2.9	-2.4	-2.4	-2.4	-2.5
Budget Gap	2.4	2.0	1.3	0.6	0.4

This is based on assumed WG increases of 2.0% in 26/27 and 1.6% thereafter, plus a core 7.5% Council Tax underlying increase. **These scenarios would lead to a headline Budget Gap over the next 5 years of £6.7m.**

- 1.6 After factoring in an annual Budget Reductions target (in recognition of the Council's continuous improvement journey, alongside known factors and/or decisions already made), **then the overall Budget shortfall reduces to £3.5m over the next 5 years.**

Indicative	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Budget Gap	2.4	2.0	1.3	0.6	0.4
Budget Reductions	-1.0	-0.8	-0.5	-0.5	-0.4
Budget Shortfall	1.4	1.2	0.8	0.1	-

There is a clear correlation between annual Pay awards, annual WG funding settlements and the size of the Budget Shortfall. **The closer that Pay awards align to WG funding settlements, the lower and more manageable Budget Shortfalls become.** Hence why the MTFs is showing a reducing Budget Shortfall over time, as greater alignment is expected.

- 1.7 The 25/26 Budget saw a WG funding increase of 3.8%, yet it still resulted in a 9.3% Council Tax increase due to cost pressures running at a Ceredigion inflation rate of 6.5%. Given how heavily geared and reliant the Council is on WG funding (69% of the net budget), a scenario of WG core funding only increasing by 1.6% to 2.0% over the medium term (a real terms cut) will continue to lead to a greater burden falling on the local taxpayer. **In the long term, the funding ratio is likely to head closer to a 60% (WG funding) and 40% (Council Tax) split due to an insufficient level of funding being provided to Ceredigion.**
- 1.8 Modelling higher levels of Council Tax, for illustrative purposes, would reduce the indicative Budget Shortfall for each year. **In all scenarios, the resulting Council Tax level would be less than 10% (on the basis that all other assumptions hold true).**

Council Tax Band D Increase		Resulting Indicative Budget Shortfall				
%	Per month	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
7.5%	£11.79	1.4	1.2	0.8	0.1	-
8.0%	£12.58	1.1	0.8	0.4	-0.5	-1.0
8.5%	£13.36	0.7	0.4	-	-1.0	-1.6
9.0%	£14.15	0.4	-	-0.5	-1.5	-2.2
9.5%	£14.94	0.1	-0.3	-0.9	-2.0	-2.8
10.0%	£15.72	-0.2	-0.7	-1.4	-2.6	-3.4

* Monthly figure relates to 2026/27.

- 1.9 The County Council element of the average Band D Council Tax bill in Ceredigion is £1,887. The table below shows, for illustrative purposes, the average increase to Council Tax bills from a wider range of Council Tax increases:

Band D impact	Council Tax Increase Scenario			
	5%	7.5%	10%	12.5%
Annual	£94	£141	£189	£236
Monthly	£8	£12	£16	£20
Weekly	£2	£3	£4	£5

1.10 **In summary:**

- Inflation and in turn Cost pressures have receded from the £22.2m peak (13.4%) seen in the 23/24 Budget, but Pay awards are still expected to be higher than both general inflation and WG funding settlements in the near term.
- The indicative Budget shortfall for 26/27 is £1.4m (based on a 2.0% WG funding assumption, 7.5% Council Tax modelling and c£1.0m of Budget Reductions).
- For 26/27, using the scenario and assumptions outlined, eliminating the Budget Shortfall would be possible using Council Tax modelling of less than 10%.
- The indicative Budget shortfall over the 5 year period of the MTFS is £3.5m (based on 7.5% Council Tax modelling).
- Every 1.0% increase in WG core funding is worth c£1.5m.
- Every 1.0% increase in Council Tax generates just under £0.6m.
- Every additional 1.0% Payaward across all employed staff costs c£1.5m.

This latest iteration of the MTFS goes further into the future - now covering a 5 year period. It should ensure that Ceredigion County Council continues to be financially sustainable and does not create a wholly unrealistic or unachievable Budget Shortfall, however in doing so there is an increase in the underlying Council Tax assumptions. **The alternative is that there is a significant reduction in the provision of a range of front-line Council Services and functions, requiring associated political decisions.**

1.11 **There are a number of external political factors that could still influence the short term** including the WG's 2026/27 draft Budget, the UK Chancellor's Autumn Budget, Senedd elections in May 2026 and Local Government local elections in May 2027.

1.12 As part of the Council's drive to ensure continuous improvement and ensure value for money, the Council's overarching financial principles to assist the Budget over the MTFS period will include:

- Operational / Efficiencies budget reductions wherever possible.
- Pursuing Treasury Management and Capital Financing opportunities for savings.
- Use of Council Tax Premiums within the parameters agreed by Full Council.
- Building rationalisation and/or Building usage optimisation.
- Service delivery by the 3rd Sector (including Town & Community Councils) where appropriate.
- Energy Efficiency measures & Fleet rationalisation (accommodating Net Zero where economically viable).
- Team Ceredigion approach to continue to pursue Innovation across all Services
- Maintaining a financially viable Education infrastructure.
- Maximising of Income Generation opportunities.
- Investment in the delivery of the Digital Strategy.
- Ensuring there is sufficient base budget funding to protect core Service operations.
- Not targeting Budget cuts from Services, unless there is political direction to significantly reduce or cease Services or functions (as the ability to deliver the same standard service with less resources is becoming impossible).

1.13 **The MTFS currently does not include detailed financial modelling in relation to the Council's strategic ambitions for vocational training in and around the Lampeter University campus.** The Council and UWTSd have significant ambitions which will require a large amount of capital investment from multiple external funding sources and alongside this revenue modelling will be required. At this point in time the planned developments are still largely conceptual, however financial modelling will be a key factor as time progresses.

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, to ensure that the financial resilience of the Council is maintained and that the Council is financially sustainable. 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 5 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.

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 31/03/25, there is £12.1m 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. **With Local Government local elections in May 2027, a new Corporate Strategy for the period from 2027 onwards will be a matter for any new administration, which could impact on the MTFS.**

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

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

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 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 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, which is updated annually. Both Governments agreed to provide £55m each totalling £110m over a 15 year period from 2023/24 to 2037/38. To date £15.9m of funding has been released to the Council for Years 1 & 2 of the Growth Deal.

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 Growth Deal has now formally entered the Delivery Phase with £6.9m of funding awarded across 5 Projects / Programmes drawing in a further £6.9m of match funding including private sector investment. Work is progressing on the Food Manufacturing Innovation Centre at Horeb to further develop the Business Case.

The Council is the lead authority for the UK Shared Prosperity Fund (UKSPF) in the Mid Wales Region covering both the original 3 year period from 2022/23 to 2024/25 and the 2025/26 transitional year. In total c£56m will have been administered during this period. The successor for UKSPF from 2026/27 onwards, is still to be confirmed. The Chancellor's Spring 2025 Statement confirmed that UKSPF funding would continue at the same level as 25/26 in the form of a Local Growth Fund for the 3 year period from 26/27 to 28/29, however the practical details are still unknown, including how this will operate in Wales. The Council is also successfully administering £10.8m of Levelling Up funding for Aberystwyth, which concludes in March 2026. This has helped transform 'The Old College' in Aberystwyth and will revitalise the Aberystwyth Promenade.

The Council has attracted national and international Events to Ceredigion in the form of Rali Ceredigion (now an FIA European Rally stage) and the 2025 British Cycling Championships. These form part of a wider Ceredigion Events Programme, with an approved investment of up to £1.5m in a range of events over the period 2025/26 to 2027/28. Events have a direct impact on the local economy with estimated economic benefits of c£4.7m from Rali Ceredigion and significant national and international media exposure. Research indicates that typically a 6:1 ratio of Economic return against public sector investment is seen for major sporting events. The Aberaeron Coastal Defence project also includes a Visitor attraction element in the form of the North Breakwater, which extends into the sea and allows pedestrians to walk out on a concrete walkway.

A significant and recurring investment (£346k) was made into the Planning Enforcement Service as part of the Council's 25/26 Budget. This additional capacity will enable a new team of 9 FTEs (including a dedicated Legal resource) to take a targeted approach and strengthen the Council's approach in this area.

Boosting Ceredigion's Economy is underpinned by a specific earmarked reserve available to support investment where required, which stands at £7.5m as at 31/03/25. A further £500k has been earmarked separately for Growing Mid Wales.

3.3 Education

The Council's latest capital investment, which concluded the 21st Century Schools Programme, was the new area School in the Aeron Valley which opened in January 2025 - Ysgol Dyffryn Aeron. A 2 stage Design & Build contract has now been let, in August 2025, for a new extension and refurbishment for Ysgol Cymraeg in Aberystwyth.

Future tranches of capital investment will be unlocked through a Strategic Outline Programme (SOP) under WG's Sustainable Communities for Learning programme. The Council's SOP was submitted to WG in May 2024 setting out the Council's prioritised projects over the next 9 years as part of a rolling programme of in 3 phases: Years 1 to 3, Years 4 to 6 and Years 7 to 9 years. Approval in principle has been received from WG to progress as follows:

Years 1-3	Project 1: Canolfan Enfys & Pili Pala – Llwyn yr Eos Primary School Project 2: Ceredigion PRU
Years 4-6	Project 3: Post 16 Provision Project 4: Aberaeron Primary School Project 5: Rhydypennau Primary School Project 6: Penparc Primary School Project 7: St Padarn's School (new Catholic school)

At this stage, business cases are progressing and £2.554m for the Council's 25% matched funding for the projects in Years 1 to 3 has been set aside. Funding has not yet been earmarked for Years 4 onwards.

As a result of recent developments in Lampeter, the Council (working in partnership with UWTSD) have significant ambitions for vocational training using the Lampeter University Campus including the purchase of a Farm and associated land bordering the upper part of the site. The ambitions will require significant capital investment to be levered in from multiple external funding sources and alongside this detailed revenue modelling will be required. The planned developments are currently still largely conceptual, however detailed financial modelling will be a key factor as time progresses and will be included once they are sufficiently advanced.

The Council's PFI contract on Penweddig School expires in December 2030. Early-stage project planning is underway, including a WG Expiry Health Check review and the establishment of various workstream groups to manage the transfer and integration of assets and school service provision into the Council. Further resources will need to be allocated to this project during the next five years.

Ceredigion Schools continue to face financial challenges, with 3 Schools (out of 41 Schools in total) ending the 24/25 financial year in a deficit (the total deficit position in Ceredigion being £22k - an average of £7k per School). This compares favourably though against a national backdrop of an average of 27% of Schools in Wales being in a deficit with an average deficit value of £182k and a total Schools' deficit position across Wales of £72m, with Ceredigion having the lowest average deficit value in Wales. All 3 of those Schools have set a balanced in year Budget for 25/26. Despite the challenges, Ceredigion has no Schools in any statutory Follow-up Categories.

The current Education infrastructure is unlikely to be financially viable into the medium to long term due to long term trends of falling pupil numbers, particularly within the Primary School sector. All Schools are required to set a balanced budget annually. This is proving to be more difficult year on year, due to the constant increase in costs. It is clear that the Post-16 grant funding from Welsh Government is not sufficient to maintain Post-16 provision in its current form in Ceredigion, as expenditure is significantly higher than the value of the grant.

Ceredigion County Council commissioned a Review of Post-16 provision in Ceredigion in 2023 to analyse current options and identify sustainable future models. The Cabinet subsequently approved a feasibility study to further investigate Option 2 (maintaining the current six sites with a strategic board) and Option 4 (establishing a Centre of Excellence on one or more sites), with a focus on learner-centric principles:

- [A Review of the Post-16 Provision in Ceredigion](#)
- [Report- Feasibility Study Review of Post-16 Education Provision.pdf](#)

The Cabinet agreed to approve the commencing of Option 2, in order to ensure suitable arrangements for joint planning of the Post-16 curriculum. They also approved for further work to be undertaken into Option 4 in order to give more detailed consideration to establishing a Centre of Excellence (on one or more suitable sites).

On 02/05/23 Cabinet approved the 'Principles for Ensuring Sustainable Education Infrastructure'. However whilst it was recognised that a small number of Primary Schools did not meet one or more of the core criteria, any further considerations will now be largely dependent on the revised School Organisation Code which will be issued by WG. The MTFS therefore makes no specific assumptions in this regard.

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 in Ceredigion.

Implementation and delivery of the Through Age Wellbeing Programme (TAW) continues following the creation of Porth Cymorth Cynnar, Porth Gofal and Porth Cynnal. 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 Pyrrh structure. Revenue investment was 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.

The TAW operating model achieved an underspend (£169k) in the 24/25 financial year for the first time since the model's inception, which is a unique financial position compared with most other Local Authorities in Wales.

The Peer Review Panel Performance Assessment concluded that there are positive examples where the Council has demonstrated innovation and good practice to optimise the use of its resources including the Council's Welbeing Centre in Lampeter, the asset management strategy employed in relation to the Hafan y Waun Residential Care Home and the development of the Penmorfa Centre for Independent Living. Reports from Care Inspectorate Wales (CIW) are generally complimentary of the high standards in Ceredigion and the TAW model has been cited by regulators as being innovative in its approach, as well as setting benchmarks across Wales in relation to the development of through age services along with the focus on early help and prevention.

A key investment in Technology-enabled care is the new Penmorfa Centre for Independent Living which promotes independence and community support which should transform the way individuals find solutions and access information to help themselves. The vision is to empower individuals to live independently at home for longer. The Centre provides the opportunity to see a range of solutions related to Care, Technology, Mobility, and Independent Living. In addition to this the range of offerings for Telecare continues to increase, with a drive to move across to digital solutions (e.g. One or more Assistive TEC sensors in a person's home alongside a digital telecare alarm) and a catalogue of TEC solutions continuing to evolve, including partnering with external companies to run local trials of potential solutions.

The Council took ownership of Hafan y Waun Residential Care Home during late 2023 and continues to invest in the Home. This has included transferring residential care services from Tregerddan Residential Care Home, working collaboratively with HDUHB who are occupying a wing of the building for their 'Y Bwa' ward and renewing various building components parts including installing a Solar PV array.

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 Children Looked after (in county), Children's Out of County Placements, Older Persons placements and Learning Disability placements as well as a challenging recruitment position with a continuing (albeit now slowly declining) requirement to use agency staff in both residential care homes and professional Social Worker roles. The Council is also seeing an increased complexity of cases across these services adding a further dynamic to the increased demand.

The Real Living Wage is an important cost driver in relation to externally Commissioned Services and providers that operate in the various Social Care sectors e.g. Domiciliary Care, Supported Living and Older Persons' Care Homes. WG are maintaining a policy that all Social Care Staff should be paid at least the level of the Real Living Wage, and therefore annual Fee uplift considerations for Providers need to reflect this.

As a forward-looking local authority, Ceredigion is committed to cultivating and expanding opportunities. Central to the Council's strategy is a strong emphasis on investing in 'grow our own' pathways, particularly through apprenticeships / trainees in vital sectors such as Social work and Care & Support services. These initiatives are designed not only to address immediate workforce needs, but also to nurture long-term career development for local residents and reduce agency usage.

Complementing these efforts, the Council is poised to unlock further opportunities for professional advancement in Social Care through collaborative / learning programmes at the Lampeter Campus. By linking education, practical training, and employment, Ceredigion aims to create a robust pipeline for nurturing talent and ensuring the sustainability and quality of social care provision across the region.

Regional Integration Funds (RIF) are being withdrawn from April 2027 including a potential phasing period prior to this. Consideration will need to be given to the status of various programmes as the future regional funding landscape becomes clearer.

3.5 Net Zero Carbon Status by 2030

The Council has 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 has been 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.

There have been a number of positive developments in the area:

- Ysgol Dyffryn Aeron achieved a BREEAM Outstanding rating (an assessment of the environmental performance of the building), achieving the highest score to date for an Education building in the UK.
- WG's ULEV funding for EV Charging infrastructure.
- WG Energy Service gap funding for fleet decarbonisation resulting in the introduction of Electric Vehicles for Parking Services.
- WG's Low Carbon Heat Grant.
- Council Capital funding targeted at Energy Efficiency measures including Solar PV arrays being installed at various Council Properties.

These schemes should result in significant emission reductions and revenue savings across various operational buildings, but also ensure that they operate more efficiently.

The Council continues to review and develop the net-zero roadmap, specific schemes will be highlighted and prioritised based on their supporting business case and available funding including sourcing external grant funding where and when opportunities arise. It is though not possible to achieve Net Zero by 2030 within the current resources available.

3.6 Highways & Infrastructure

The Aberaeron Coastal Defence scheme should conclude its construction phase during late September 2025. The original Budget for the scheme was financed by WG at 85% via a form of Local Government Borrowing Initiative (LGBI) with a match funding requirement from the Council of 15%. The Council's original matched funding requirement of c£4.7m has been identified in an Earmarked Reserve, however any overspend on the Scheme will come at a cost to the Council (unless WG agree to provide additional funding).

The Aberystwyth Coastal Defence scheme has now passed the Outline Business Case stage, with funding for £722k being awarded during 25/26 to progress the detailed design to move to Full Business Case submission (FBC). If the FBC is subsequently approved, the Council will need to provide 15% matched funding for the Construction phase, this has not been earmarked as yet.

As part of the 25/26 Budget, Members approved a recurring £481k investment in the Waste Collection Service, following a period of operational challenges. This was a combination of an investment in staff, fleet and the outsourcing of 3 routes to the private sector. The Council's recycling performance remains very strong and data will be monitored following the introduction of the 3 black bag limit in late June 2025, so that volume trends across all Waste streams can be reported and reviewed in due course.

The Highways Asset Management Plan will always show a backlog of works. 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. For 25/26 and 26/27 WG are providing much needed investment into Highways across Wales through a new round of funding through a Highways Local Government Borrowing Initiative. Ceredigion will benefit by £4.6m in total across both years and is already actively delivering schemes on the ground using this funding.

Historically regional transport funding has not favoured rural geographically dispersed counties. However WG are considering a revised approach to regional transport funding with early indications being that Mid Wales will gain a larger share of the funding. WG are also looking to use Corporate Joint Committees (CJCs) as the vehicle for the distribution for these funds, however the Council's current view is that a Lead Authority Host model (similar to the approach adopted for UKSPF funds) is the most efficient and effective approach for this sort of funding, rather than creating an additional layer of bureaucracy and administration through the Mid Wales CJC.

3.7 Digital Strategy

The Council has developed and approved a new Digital Strategy effective from 2024 through to 2030. The Strategy focuses on delivering sustainable, long-term digital development across all services. It will encourage digital leadership and enable the Council to continue to provide excellent services to the people of Ceredigion.

As at 31st March 2025 there is currently £1.2m set aside in an 'ICT & Digital Investment' earmarked reserve to help support the delivery of this strategy. One of the first key priorities to be delivered as a digital investment is a new fit for purpose Social Care Case management system to replace the existing WCCIS system where the IT architecture is now at end of life. The new supplier (OLM) has been appointed with their Eclipse product. This is now a live system implementation project.

3.8 Recruitment & Retention

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 Pyrrh 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.

To support this priority, a range of proactive measures to strengthen recruitment and retention have been introduced. These include newly defined organisational values and behaviours, supported by an aligned employer brand and marketing strategy. We now deliver regular online information sessions to showcase career opportunities and promote the Council as an employer of choice. These sessions also provide advice and support to applicants, helping them maximise their chances of success.

We continue to invest in a 'grow our own' approach, with the recent introduction of a new graduate scheme complementing our existing apprenticeships and trainee programmes. We are also further developing our partnership working with Aberystwyth University and University of Wales Trinity Saint David University to strengthen talent pipelines.

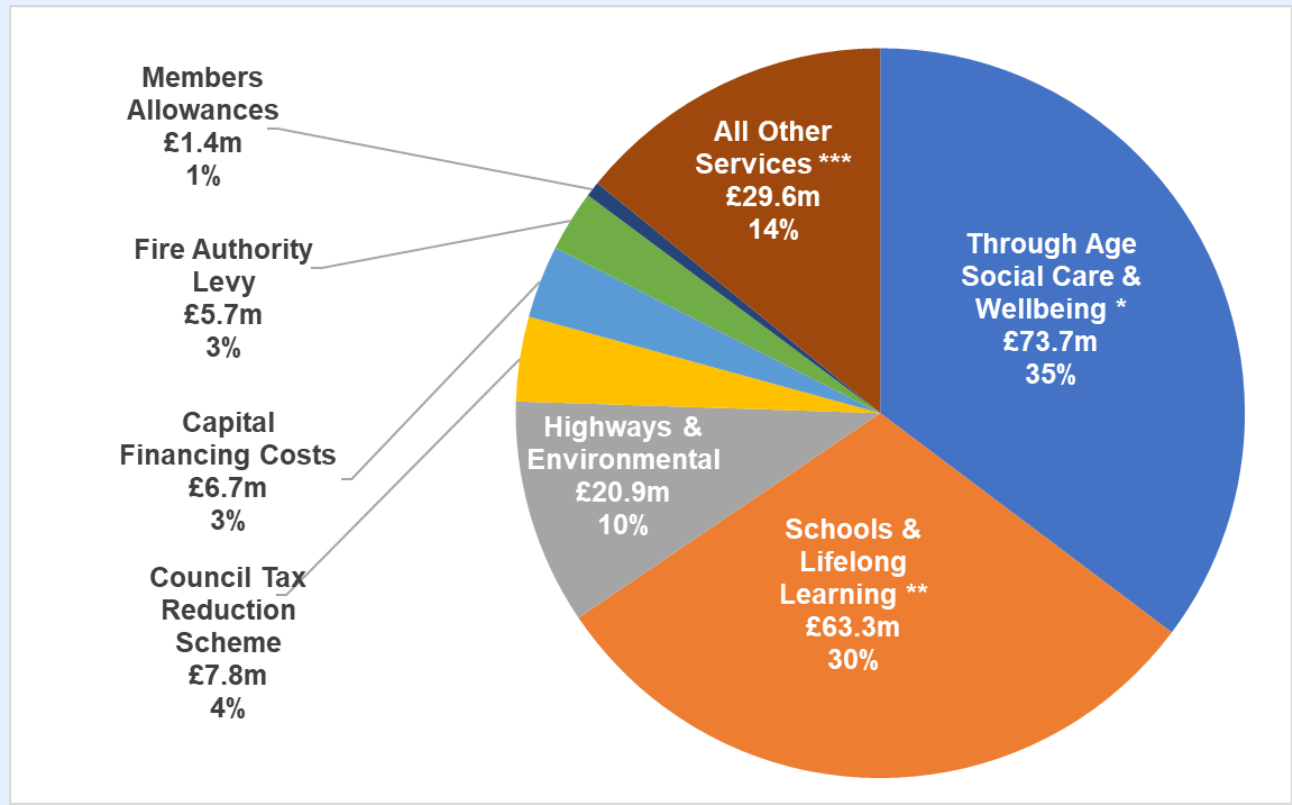
We have streamlined the Job Application process to improve the candidate experience and launched a new employee benefits scheme offering discounts, wellbeing support, and lifestyle perks. Alongside this, we have recently adopted a range of refreshed and new policies designed to ensure the employee experience is the best it can be. In addition, we have introduced a new People Survey which has been instrumental in capturing workforce experiences, identifying retention challenges, and highlighting best practice to inform future improvements.

3.9 'Big 3' Services

Whilst acknowledging the priorities laid out in this section it is difficult to get away from the fact that 3 main frontline and large statutory service areas represent circa 75% of the Council's annual revenue budget, namely Through Age Social Care & Wellbeing, Schools & Lifelong Learning and Highways & Environmental Services.

The chart below shows a breakdown of the 2025/26 Controllable Budget by Service:

2025/26 Controllable Budget by Service



After providing for other (largely) fixed costs (i.e. Members Allowances, Fire Authority Levy, Capital Financing Costs and the Council Tax Reduction Scheme), this only leaves 14% (£29.6m) for all other Council Services.

4. External Economic, Financial & Legislative context

4.1 Economic Environment

The Council's financial forecasts are 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 continued challenging period for the national economy, the cost of living crisis, the war in Ukraine and geopolitical developments in the Middle East. This is all at a time when significant austerity measures have been in place for the previous decade and more since the 2008 financial crisis and the effects of the COVID19 pandemic are still being felt.

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 public sector and therefore the Council's budget as national economic growth (measured through GDP) is very weak.

4.2 Inflation

The Bank of England's Monetary Policy Committee's (MPC) Report for August 2025 contains the following commentary and projections for inflation:

"Twelve-month CPI inflation increased to 3.5% in 2025 Q2, owing to developments in energy, food and administered prices. Pay growth remains elevated, but has declined further recently, and is still expected to slow significantly over the rest of the year. Services consumer price inflation has been broadly flat over recent months..."

...CPI inflation is forecast to increase slightly further to peak at 4.0% in September. Inflation is expected to fall back thereafter towards the 2% target, although the Committee remains alert to the risk that this temporary increase in inflation could put additional upward pressure on the wage and price-setting process. Overall, the MPC judges that the upside risks around medium-term inflationary pressures have moved slightly higher since May [2025]."

Table 1: Bank of England MPC Annual CPI Forecast

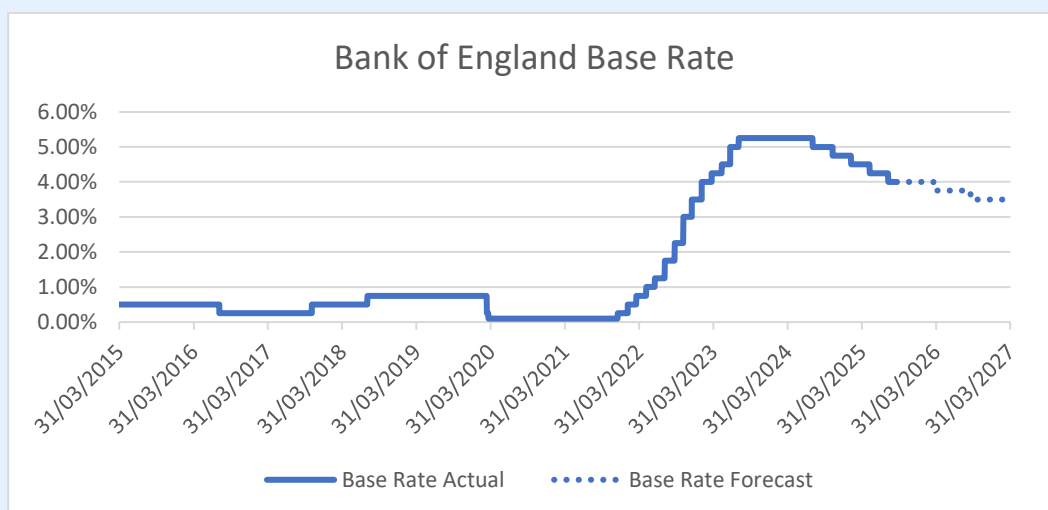
	August 2025 Actual	Q3 2025 Forecast	Q3 2026 Forecast	Q3 2027 Forecast	Q3 2028 Forecast
Annual CPI Inflation Forecast	3.8%	3.8%	2.7%	2.0%	2.0%

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, higher energy costs and contract price inflation as anniversary dates for larger contracts that specify annual uplifts in line with CPI/RPI etc.

4.3 Interest Rates

In response to persistent high levels of inflation the Bank of England has increased the interest base rate significantly during 2022 and 2023 to 5.25% in August 2023, up from its historically low rate of 0.1% as at December 2021. From its peak in August 2023 there has been incremental reductions down to the current rate of 4.00% in August 2025. The Council's Treasury advisors forecast that the base rate will gradually recede back to 3.50% by September 2026 where it will remain for the remainder of their forecast period (until June 2027).

Interest rate forecasts are reported to Council regularly via quarterly Treasury Management Reports.



As interest rates fall it will have an impact on Investment Income earned on cash balances, although the Council will continue to manage its treasury management activities holistically to limit the financial impact on Treasury related budgets as far as possible.

4.4 Real Living Wage for Care Workers

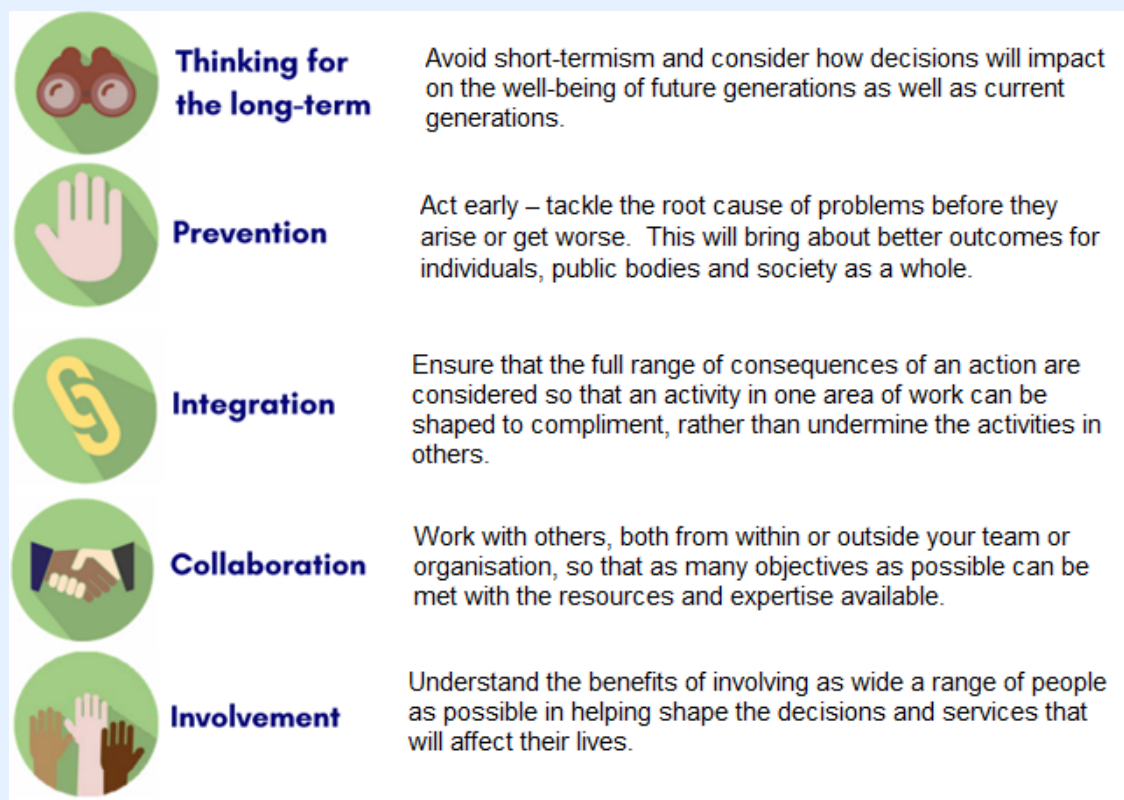
WG are maintaining a national policy that Social Care workers in Wales will be paid at least the Real Living Wage (RLW). The RLW is independently calculated by the Resolution Foundation and overseen by the Living Wage Commission and currently stands at £12.60 per hour (being a 5% increase from the previous year) and 39p higher than the current National Living Wage of £12.21. 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 originally announced recurrent annual funding of around £70m to deliver this commitment, there is an ongoing risk that the funding received (via RSG) will not be maintained at a sufficient level as 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:



4.6 External Regulators

The Council is subject to inspection by numerous external regulators including Care Inspectorate Wales (CIW), Estyn and Audit Wales. During the last 18 months or so, there have been a significant number of external inspections of the Council by either external regulators or other independent means. These have largely been very positive and complimentary about the Council's performance. This has included:

The Peer Review Panel Performance Assessment concluded:

'There is strong evidence that the Council discharges its functions effectively', that 'considering the current high service demands and very challenging financial pressures, Ceredigion County Council is a well-run local authority' and that 'the Council has established and is developing areas of innovation including Well Being Centres, ICT, and hybrid working'.

Estyn concluded that:

'Ceredigion has ensured stable, high-quality educational provision for learners over an extended period. This is mainly due to robust leadership; clear and purposeful strategies and ambitions; and close co-operation among the authority's officers, elected members, schools and other partners'.

Audit Wales have commented that:

'The Council has a strong track record of delivering planned savings and addressing its budget pressures' and 'The Council uses its reserves in a planned and strategic way' and 'The Council has taken decisions to support its financial sustainability over the short to medium term.'

5. National & Local Factors

5.1 Political Environment

There are a number of external political factors that are likely to have an influence on the Council's financial position and and/or its future decision-making including:

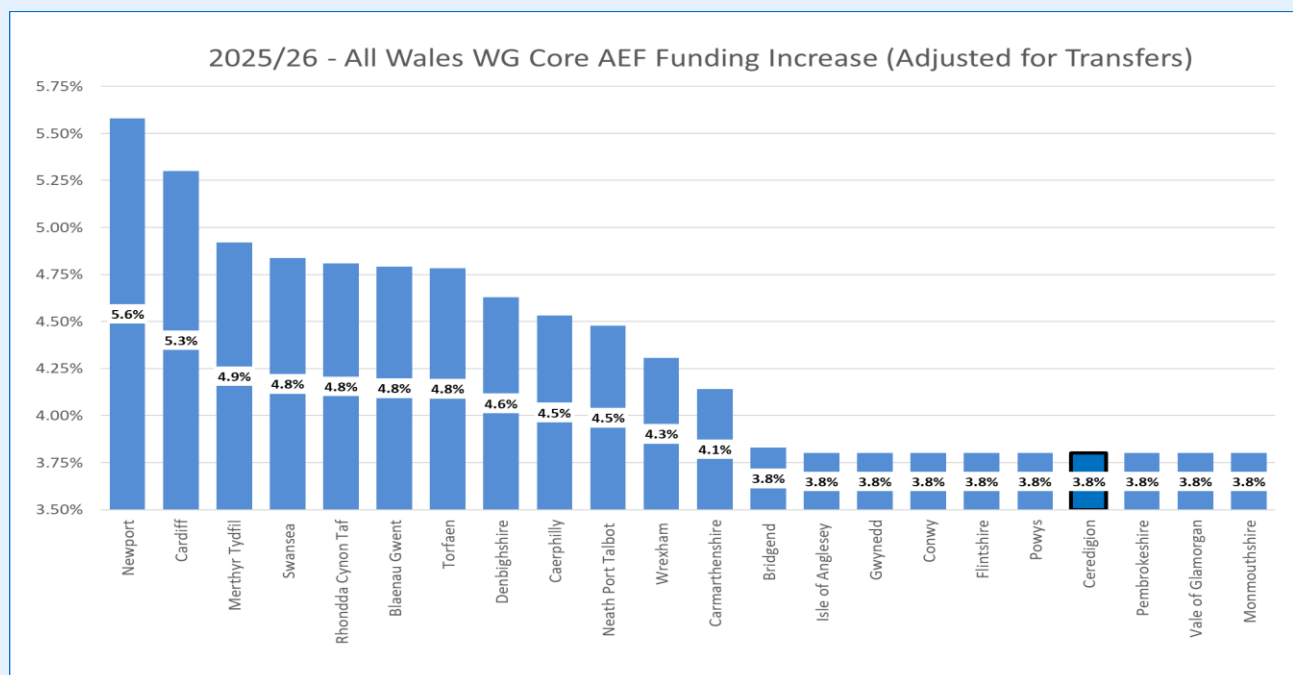
- WG's 2026/27 draft Budget
- UK Chancellor's Autumn 2025 Budget
- Senedd elections in May 2026
- Local Government elections in May 2027

5.2 Welsh Government Funding

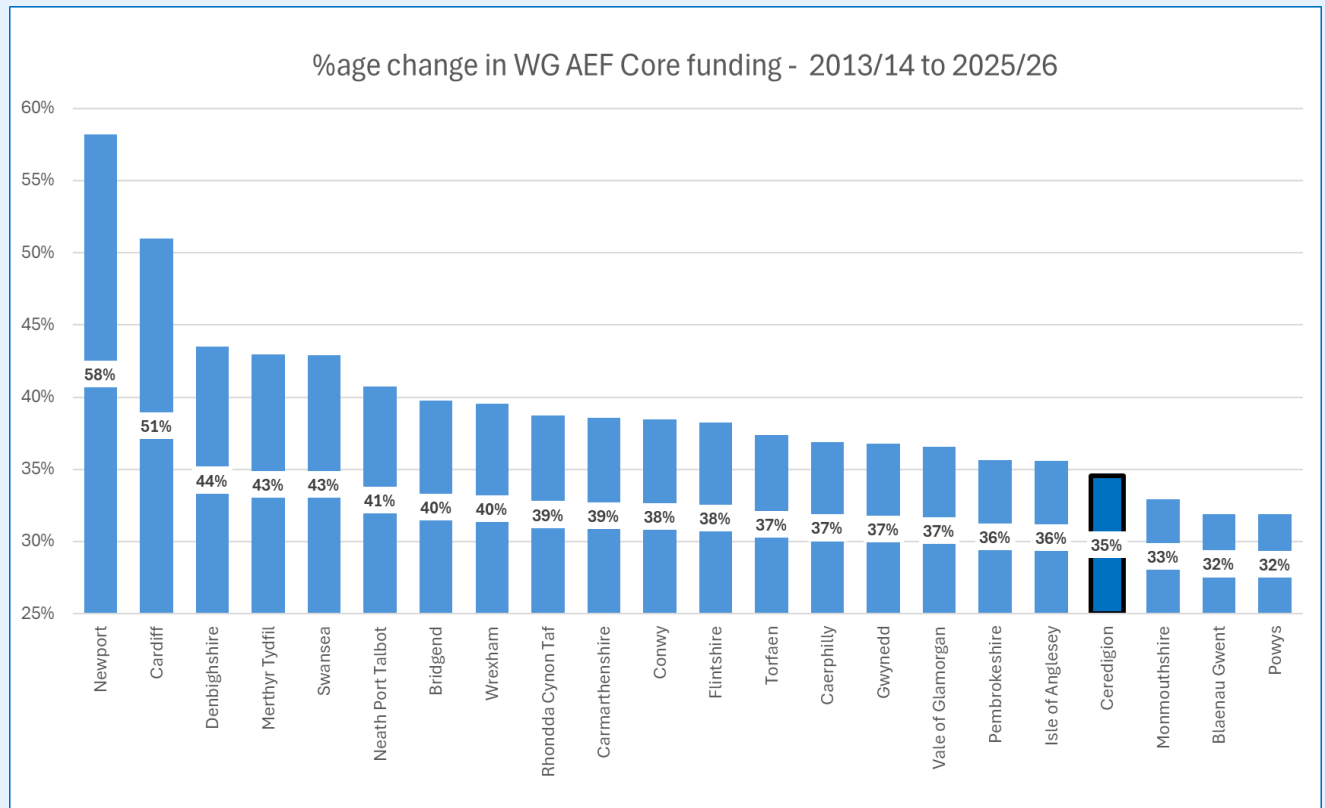
Standard Spending Assessments (SSAs) is the mechanism used by WG for the distribution of resources to local authorities based on a calculation of what each Local Authority needs to spend to deliver a standard level of services at a common rate of council tax. The SSA formulae are kept under review through 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 69% of the net budget is funded by 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 WG's grant streams. A further circa £45m 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.

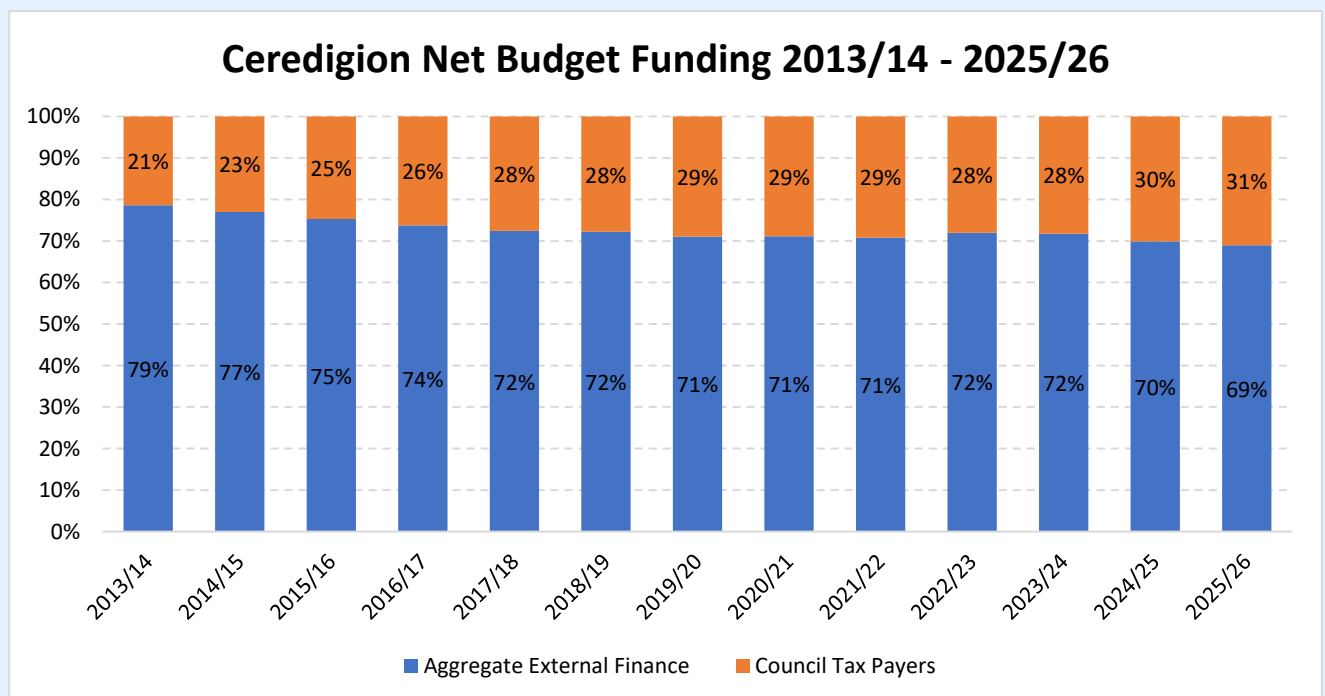
The formula for distributing funding to Local Authorities through the AEF has in recent years tended provide more favourable settlements to more urban authorities in the south-east of the country with Newport, Cardiff and Swansea receiving a 2025/26 increase in AEF of 5.6%, 5.3% and 4.8% respectively. Whereas more rural counties such as Ceredigion, Conwy and Gwynedd all received settlements of 3.8% which was the funding floor rate provided by WG in the 2025/26 settlement. In total 9 authorities received the 3.8% funding floor settlement:



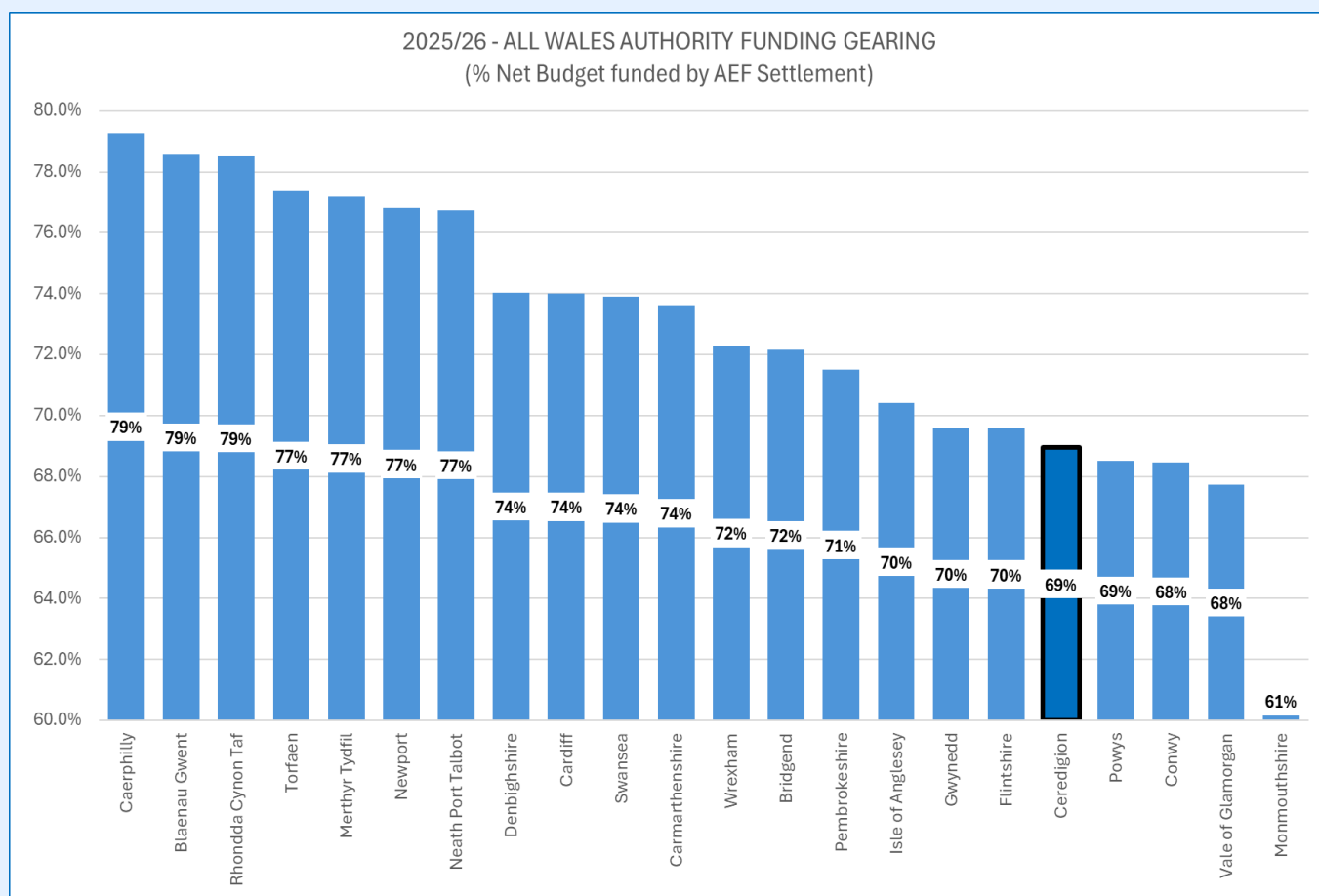
Looking at WG's Local Government Finance Settlements over a longer period shows a similar position, with the following chart illustrating the level of increases seen by each Local Authority in Wales over the last 12 years, the same period over which the Council has made £70m of cumulative savings.



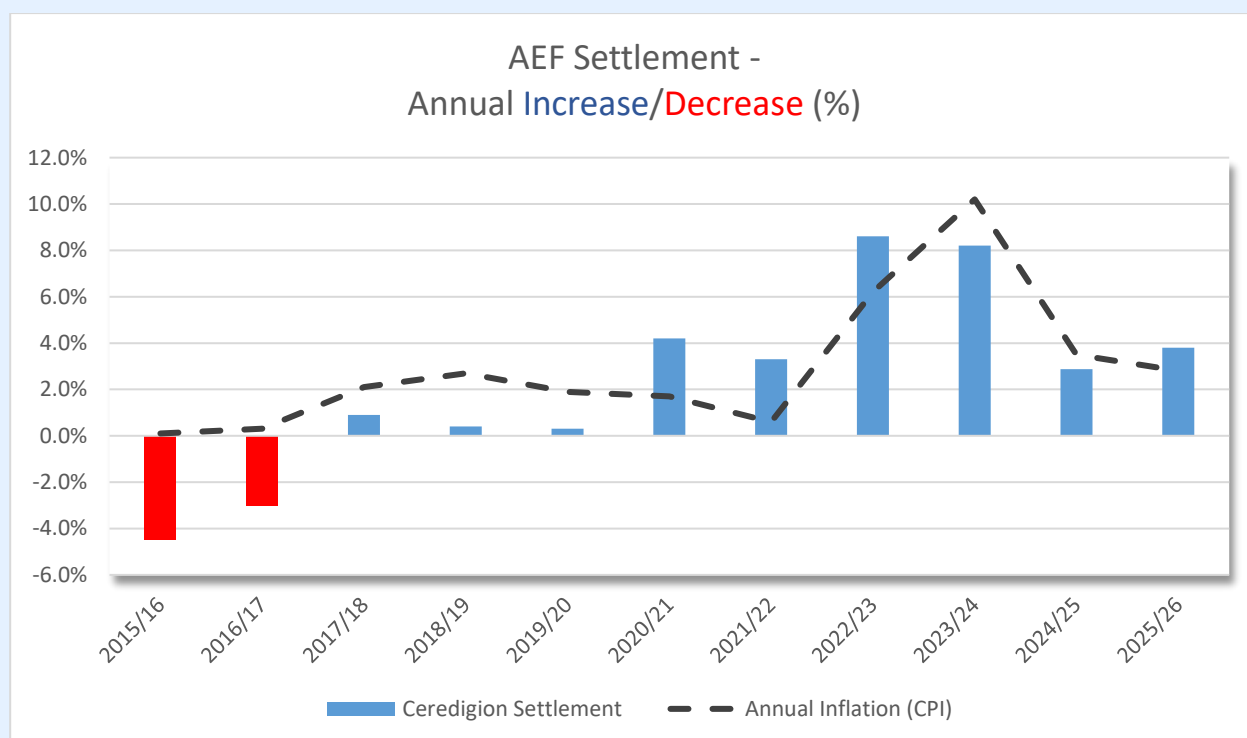
Historically Ceredigion's funding (also known as gearing) ratio has gone from just under 80:20 in 2013/14 to just under 70:30 in 25/26. It is highly likely that this trend will continue and head towards 60:40 within the next decade.



Every Council's gearing ratio is different, the national position using 25/26 Budget data shows:



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 the majority of that period.



5.3 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/lefelaure-dreth-gyngor>

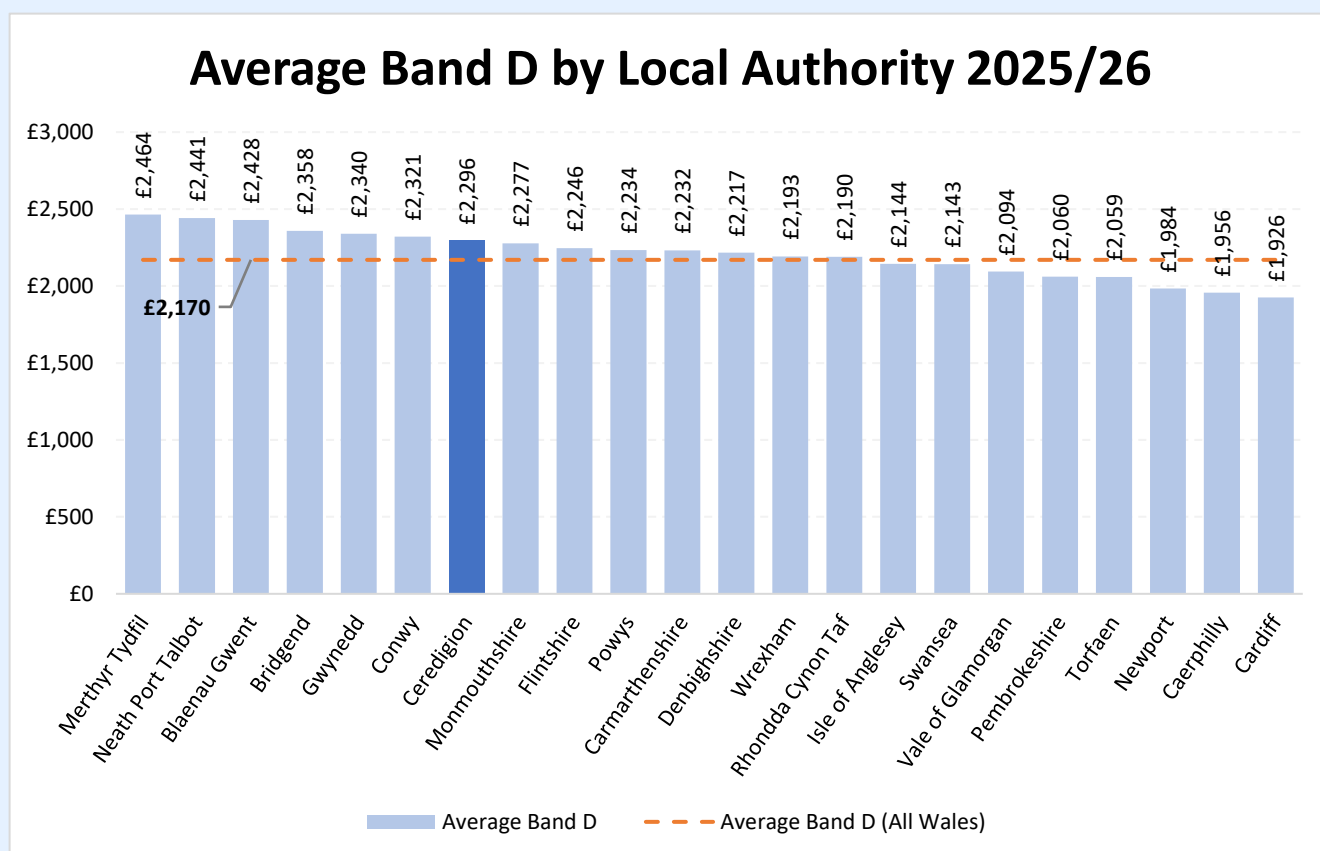
Band D has historically been used as the standard for comparing council tax levels between and across local authorities. This measure is not affected by the varying distribution of properties in bands that can be found across authorities.

For 2025/26 the annual Council Tax bill for a Band D property in Ceredigion as a result of a 9.3% uplift is £2,296, which also includes the Town & Community Council and Police Authority precepts. The County Council element of the average Band D Council Tax bill in Ceredigion is £1,887. The below table illustrates the average increase to a Band D Council Tax bill for a range of Council Tax increase scenarios:

Table 2: Annual / Monthly / Weekly cost for various Council Tax Increase Scenarios

	Council Tax Increase Scenario				
	1%	5%	7.5%	10%	12.5%
Annual	£18.87	£94.35	£141.53	£188.70	£235.88
Monthly	£1.57	£7.86	£11.79	£15.73	£19.66
Weekly	£0.36	£1.81	£2.72	£3.63	£4.54

The average Council Tax for Band D property for Wales, including all elements, is £2,170. The chart below shows the average Band D for all Councils in Wales.



Although Band D is the metric used for national comparisons, each Council will have a different property base. In Ceredigion the largest grouping of properties falls into Band E and 67% fall into Bands C, D & E:

Table 3: Number of Ceredigion Dwellings by Council Tax Band

Band	Number of Dwellings in Ceredigion (As at 31/10/24)	Proportion
A	1,612	5%
B	4,635	14%
C	7,303	21%
D	7,180	21%
E	8,586	25%
F	3,601	11%
G	933	3%
H	100	0%
I	20	0%
TOTAL	33,970	100%

Apart from Ceredigion, no other authority in Wales has its highest number of properties in a banding above D. For example - in Merthyr Tydfil 75% of properties fall into either Band A or Band B, in Blaenau Gwent 82% of properties fall into either Band A or Band B

Table 4: Banding with the largest number of properties for each Local Authority in Wales

Local Authority	Largest Band	
Blaenau Gwent	58%	A
Bridgend	23%	B
Caerphilly	33%	B
Cardiff	23%	D
Carmarthenshire	27%	B
Ceredigion	25%	E
Conwy	27%	C
Denbighshire	32%	C
Flintshire	29%	C
Gwynedd	25%	B
Isle of Anglesey	21%	D
Merthyr Tydfil	51%	A
Monmouthshire	21%	D
Neath Port Talbot	41%	B
Newport	26%	C
Pembrokeshire	23%	C
Powys	20%	C
Rhondda Cynon Taf	42%	A
Swansea	25%	B
Torfaen	30%	B
Vale of Glamorgan	23%	C
Wrexham	28%	C
Average	22%	C

Historical Council Tax increases, alongside WG AEF funding increases have been:

Table 5: Historic Council Tax Increases

Year	Council Tax (Ceredigion element)	Ceredigion Inflation Rate	WG AEF Increase
2020/21	4.0%	5.8%	5.4%
2021/22	3.5%	4.3%	1.9%
2022/23	2.5%	8.0%	8.9%
2023/24	7.3%	13.4%	8.1%
2024/25	11.1%	10.3%	2.9%
2025/26	9.3%	6.8%	3.8%

5.4 Council Tax Premiums (Long Term Empty Properties and Second Homes.)

Addressing the issue of second homes, holiday home ownership and the conversion of residential properties to holiday lets is a key priority within the Council's approved 2022-2027 Corporate Strategy. This together with increasing the supply and range of options for affordable housing in Ceredigion form a key part of the Corporate Wellbeing Objective - 'Creating Sustainable, Green and Well-connected Communities'.

In support of this objective Full Council agreed in December 2023 that changes will be made to the as then existing 25% Council Tax premium on Long Term Empty Properties and Second Homes. The following tables below summarise these changes.

Table 6: Council Tax Premium - Second Homes

Effective Date	Premium
1 st April 2024	100%
1 st April 2025 thereafter	150%

Table 7: Council Tax Premium – Long Term Empty Properties (effective 1st April 2024)

Duration Empty*	Premium
Up to and including 5 years	100%
5 years up to and including 10 years.	150%
Over 10 Years	200%

* All time periods including the initial continuous period of 12 months for a dwelling to become defined as a 'Long Term Empty Property' by virtue of it being unoccupied and substantially unfurnished.

Within the 2024/25 Budget, Members agreed that from 01/04/24:

- 25% of all monies raised from the Council Tax Premiums on Second Homes and Long-Term Empty Properties (net of Council Tax refunds / costs) should be ringfenced and used to support the Community Housing Scheme, subject at all times that the total level of funding held in the Community Housing Scheme shall not exceed £2.0m and that any funding beyond this level in any given year shall be used to support the general budget position.
- 75% of all monies raised from the Council Tax Premiums on Second Homes and Long-Term Empty Properties (net of Council Tax refunds / costs) shall be retained and used to support the general budget position, in order to reduce the Council Tax burden on Ceredigion residents.

The balance in the Community Housing Scheme reserve was £2.194m as at 31/03/25. The Community Housing Scheme is a Council operated scheme that assists local residents purchase homes in the County by providing interest free shared equity loans – further details can be found at: [Community Housing Scheme - Shared - Ceredigion County Council](#) / [Y Cynllun Tai Cymunedol - Cyngor Sir Ceredigion](#).

5.5 Fees and Charges

A significant amount of income (£36m) 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.

5.6 Discretionary Visitor Levy

On 8th July 2025, the Senedd approved the Visitor Accommodation (Register and Levy) Etc. (Wales) Bill which will allow local authorities in Wales to introduce and overnight visitor levy to raise funds to support local tourism. WG expect the levy could raise up to £33 million a year across Wales. An early indicative estimate is that it could raise between £1.5m & £2m in Ceredigion.

Any monies raised through the levy would be ringfenced but would enable proceeds to be invested in tourism infrastructure such as toilets, footpaths, beaches and visitor centres. It is at the discretion of each Council whether to introduce this Levy and the legislation states that a Council must consult with local communities before doing so and in addition formally give a 12 month notice period prior to introducing the Levy. Where a visitor levy is introduced, the levy rate is a per person per night charge on overnight accommodation, set nationally at:

- £0.75 per person per night for those staying at campsites (pitches) and hostels, excluding people under 18
- £1.30 per person per night for those staying in all other visitor accommodation types (all ages)

Registration of all visitor accommodation providers in Wales will commence in 2026. The earliest a local authority could introduce a levy is from April 2027, provided that a formal decision to proceed is made before April 2026, following a period of Public Consultation (which includes certain mandatory consultees as set out in Section 47(6) of the Bill).

To date the Council has not determined a formal position on whether or not to consider charging the levy. The Welsh Revenue Authority would collect and administer the levy nationally on behalf of Local authorities, so the administrative burden would be minimal.

5.7 Council Tax / Non-Domestic Rates Reform

Welsh Government are committed to reforming both Council Tax and Non Domestic Rates. Whilst WG have stated this is not about raising more revenue, there is a risk that individual Council's will lose out because for example Ceredigion has a higher average Banding of its properties than several South Wales authorities.

In July 2024 the Senedd passed the Local Government Finance (Wales) Act 2024. This act lays the foundation for the proposed reforms. Key reforms include;

Council Tax

- establish a five yearly cycle of property revaluations from April 2028 onwards and allow Welsh Ministers to amend future revaluation years should circumstances require.
- provide more flexibility to redesign tax bands and labelling of tax bands if required, to fit future possible redesigns of the system.
- ensure the continuation of the national Council Tax Reduction Scheme, providing essential financial help to low-income households.

Non-Domestic Rates

- increase how often the values of all non-domestic properties are updated, to once every three years.
- provide more flexibility to make changes to reliefs and exemption.
- close known tax avoidance arrangements and increase the ability to tackle future avoidance in a more responsive way.

At present, although there are individual WG consultations coming forwards on very specific matters, the wider Reform of Council Tax will not be considered further until after the Senedd elections in May 2026.

5.8 Cost Pressures

The Council faces annual increases in its operating costs just to maintain similar levels of service provision, in addition to cost pressures arising from additional demands that are demographic driven and statutory in nature and therefore unavoidable.

Inflation peaked for the Council in 23/24, when a Ceredigion inflation rate of 13.4% was impacting on the Council's budget, with a continued fall in Ceredigion inflation now expected down towards c£9m to £10m. This is subject to Pay awards continuing to come down from elevated levels and getting closer to a more typical CPI inflationary level.

Table 8: Historical Cost Pressures

	<i>Council Net Budget £m</i>	<i>April RPI Inflation</i>	<i>Budget Cost Pressures £m</i>	<i>Ceredigion Inflation Rate</i>
2020/21	£151.2m	1.5%	£8.3m	5.8%
2021/22	£154.7m	2.9%	£6.5m	4.3%
2022/23	£165.8m	11.1%	£12.3m	8.0%
2023/24	£180.1m	11.4%	£22.2m	13.4%
2024/25	£193.6m	3.3%	£18.6m	10.3%
2025/26	£209.2m	4.5%	£13.1m	6.8%

The following are an indicative estimate of the high-level pressures facing the Council over the duration, together with detail around assumptions used in financial planning.

Table 9: Estimated Cost Pressures

	<i>Note</i>	<i>2026/27 £m</i>	<i>2027/28 £m</i>	<i>2028/29 £m</i>	<i>2029/30 £m</i>	<i>2030/31 £m</i>
APT&C Pay Award *	1	2.9	2.7	2.8	2.6	2.3
Teachers Pay Award (including Soulbury)	2	1.5	1.2	1.2	1.2	1.1
Council Tax Reduction Scheme	8	0.6	0.6	0.7	0.7	0.8
Capital Financing		0.2	0.2	0.2	0.2	0.2
Fire Levy	3	0.2	0.2	0.2	0.3	0.3
Through Age Wellbeing related	4,5	3.7	3.7	3.3	3.3	3.4
Education related		0.4	0.3	0.3	0.3	0.3
Highways & Environmental related	6	0.3	0.5	0.5	0.4	0.4
Other	7	0.3	0.2	0.3	0.2	0.3
Total		10.1	9.6	9.4	9.1	9.0

Notes to accompany Table 9

Note 1: NJC Pay Award (each April)

Assumptions around pay awards are particularly uncertain due to inflation remaining elevated and a recent pattern of decisions not being made before the start of financial years. 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:

2026/27	+ 2.75% all Scale Points
2027/28	+ 2.50% all Scale Points
2028/29	+ 2.50% all Scale Points
2029/30	+ 2.25% all Scale Points
2030/31	+ 2.00% all Scale Points

The National Joint Council for Local Government Services determine any annual NJC Payaward nationally across England & Wales which includes formal consultation with public sector unions. The Council implements the outcome of that national agreement for its NJC staff.

At this stage, no financial allowance has been made for any impact stemming from the Pay Modelling exercise across the full NJC grading structure which was supported by Full Council on 17/07/25.

Note 2: Teachers Pay Award (each September) / Teachers Pension

Predicting future pay awards is difficult and therefore carries a large degree of uncertainty. Taking into account the prevailing economic conditions the following assumptions have been used for Teachers Pay:

2026/27	+ 2.75% all Scale Points
2027/28	+ 2.50% all Scale Points
2028/29	+ 2.50% all Scale Points
2029/30	+ 2.25% all Scale Points
2030/31	+ 2.00% all Scale Points

It is assumed Soulbury officers will receive a pay award in line with the APT&C pay award. Teachers Pay awards are set by Welsh Government as a national pay award across the whole of Wales. The Council implements the outcome of that national agreement for its Teachers. It is also assumed that if WG set Teachers Pay above normal levels of inflation and/or above NJC levels of Payaward, that additional specific would be funded to assist the Delegated School Budget.

Note 3: Fire Levy

Annual increases are expected. A 4% annual increased has been assumed which is in line with recent experience and CPI inflation expectations.

Note 4: Through Age Wellbeing

Social Care will be an area where there are recurring budget pressures due to an ageing population and the acceleration in the complexity of cases since the COVID pandemic. In particular externally Commissioned Services will require annual uplifts in order to ensure those Services remain sustainable, as the 3rd Sector and Private Providers remain a key part of service provision in Ceredigion. These annual uplifts will be driven in a large part by the annual change in the Real Living Wage for Social care workers. Cost pressures are expected to continue in areas such as Older persons residential placements, Unaccompanied asylum seeking children placements, Independent fostering agency costs (IFAs), Mental health residential placements and Learning disability placements and support.

Note 5: Demand & Demographic Changes

Section 6 of the MTFS outlines the broad Demographic changes being faced in the County. Estimating the future cost implications of such changes is difficult but the MTFS has allowed for an annual cost pressure within the Through Age Wellbeing services where these pressures are most acutely seen. High level demand projections have been modelled using historic trends data and forecast demographic changes for Looked After Children, Out of County Placements, Residential Care and Domiciliary Care.

Note 6: Highways & Environmental Services

There are a number of Waste management initiatives coming forwards over the short to medium term, such as Extended Producer Responsibility and the Deposit Return scheme, at this stage it is not clear to what extent these will impact on the budget in either a positive or negative way. There are a number of waste management and school transport contracts due for renewal which may also lead to increased costs alongside annual inflationary provisions in existing contracts in these areas.

Note 7: Other

Other cost pressures include costs such as ICT infrastructure and software inflation costs and Members Allowances.

Note 8: Council Tax Reduction Scheme

This Scheme provides protection for those on very low incomes and / or claim Benefits and provides for claimants to receive a reduction of up to 100% of their Council Tax liability in certain circumstances. It is a means tested benefit, so the amount a person will get will depend on their income, capital and circumstances. This means that even if someone is working, they may still qualify for some help. However, having capital of £16,000 or more (excluding the value of the main home) would mean someone is ineligible for support. The Council's website has an Entitlement Calculator which anyone can use to see if they may potentially qualify for support:

<https://www.ceredigion.gov.uk/resident/benefits/>
<https://www.ceredigion.gov.uk/preswylwr/budd-daliadau/>

There is a very direct correlation between an increase in Council Tax and the increase in the annual Budget required for the Council Tax Reduction Scheme.

6. 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.

6.1 Demographics

Wales' population is projected to increase by 10.3% up to 2047, rising from 3.13 million in 2022 to 3.46 million in 2047, according to the 2022-based national population projections. Over this 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 60%. It is anticipated that life expectancy will continue to increase, though at a slower rate than the previous decade. Conversely over this period, the number of children 15 and under is projected to decrease from approximately 18% to 14% of the population.

At the time of writing, the 2022-based household projections for Wales are not yet published. Therefore, the most recent available household projections are 2018-based. These earlier projections, which align with the 2018-based population projections suggest that the number of households in Wales is projected to grow faster than the overall population, leading to smaller household sizes and the need for a greater number of homes. It should be noted that these projections are based on demographic trends before the 2021 Census and may not fully reflect recent changes.

The 2024 Mid-Year population estimates show Ceredigion's population to be 72,599, slightly higher than the 2023 estimate (72,488) and the 2021 Census (71,468).

Ceredigion is one of four counties whose population is expected to decrease over the next twenty years, from 71,610 in 2022 to 68,745 in 2043. The number of children in Ceredigion are projected to decline by about 8%, a reduction of 800 by 2043. 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 13% up to 2043, reducing from 42,700 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 26% to 33% of the population, an additional 3,650 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 will be at least aged 65 and older.

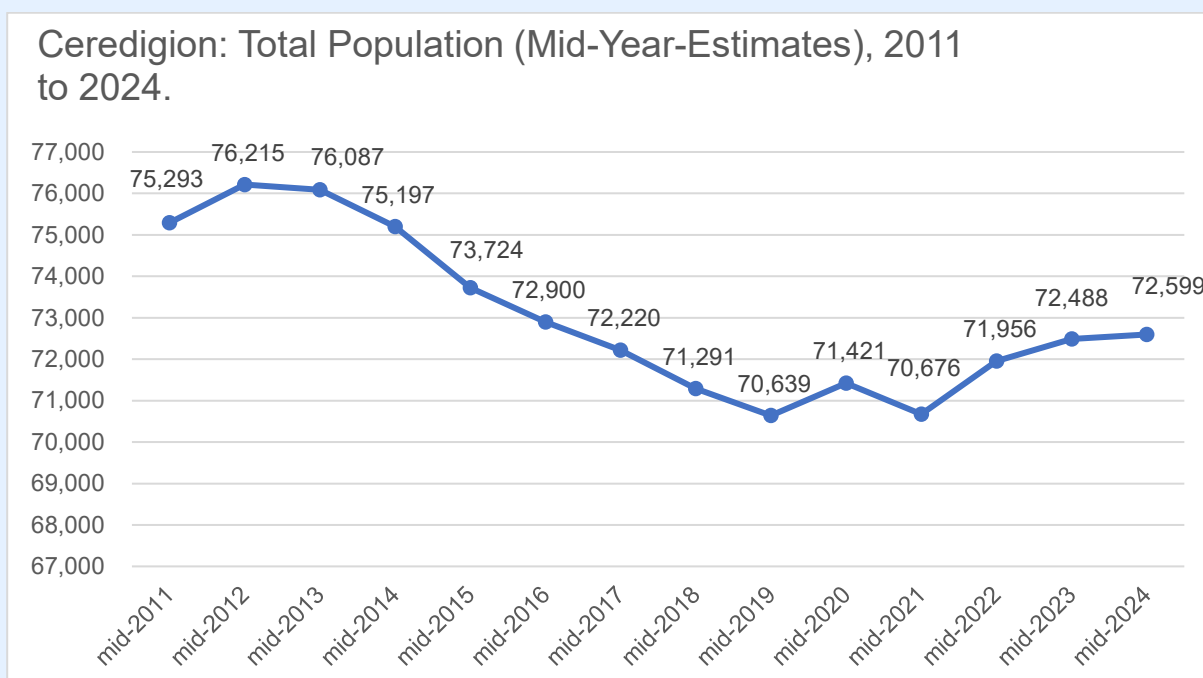
The trend of declining population in the County will have a negative impact on the Council's AEF funding from WG as this is a key factor in the Standard Spending Assessments (SSA) formula as described in section 5.2.1. An ageing population also inevitably and ultimately will place additional demands 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).

Despite the projected decline in Ceredigion's population, there are some early signs that these trends may not be as severe as anticipated and may even be reversing. This includes the 2022 Mid-Year population estimates (71,956) being higher than the projection for 2022 (71,151) and the higher than expected increase in internal net migration between 2021 and 2022 (+1,212), which was the second highest nationally.

Subsequently the 2023 Mid-Year population estimates show a continued increase to Ceredigion's population as 72,488, and the latest 2024 Mid-Year-Estimates places the population at 72,599. While the change between 2023 and 2024 was relatively modest (+111), the overall increase since 2022 is more substantial, with an increase of 1,488 people (2.0%). The main driver of change is the increase in net internal migration within the UK (+1,815), followed by an increase in net international migration (+1,247). Natural change (which is births minus deaths), continued to show a decrease (-1,127), yet the overall population grew.

Furthermore, the 2022-based national population projections for Wales (published January 2025) estimate a higher growth than the 2018-based projections. Population growth is expected to increase at a much higher rate between 2022 and 2032 (5.9%) compared to the previous decade to 2022 (2.0%). This change is driven largely by international migration. Natural change is projected to remain negative over the same period.



Source: ONS (2025)

Further work is being done by ONS to develop a new form of Population statistics called 'Admin Based Population estimates'. Ceredigion is part of a group that is testing this new way of estimating population. However there are challenges with the new modelling, particularly around capturing the more transient Student population, which is very pertinent to Ceredigion given the importance of Aberystwyth University and Lampeter University.

6.2 Employment / Unemployment

The economic activity rate and the employment rate in Ceredigion both saw significant increases during the COVID-19 pandemic, followed by a decline. However, since early 2024, both rates have increased, peaking in December 2024, before dropping slightly, though still remaining close to pandemic-era highs. For example, in December 2024, the economic activity rate was 79.4%, significantly higher than the 67.0% in December 2019. This equated to an additional 6,000 people in the workforce and resulted, pushing Ceredigion's rate above both the Wales and Great Britain averages at that time. By March 2025, the rate had decreased slightly to 77.3%, which is now below the average for Great Britain, but above the Welsh national average. Similarly, the employment rate increased from 65.1% in December 2019 to 77.3% by December 2024, before falling slightly to 74.6% by March 2025.

The reasons for the increase during the pandemic were likely to be a combination of households needing to increase their financial resilience, the subsequent cost of living crisis and the labour shortage across Wales and the wider UK. The recent increase in economic activity and employment rates in Ceredigion, returning to pandemic-era levels by late 2024, are more complex and difficult to understand. For example, it may be attributed to continuation of cost of living pressures (e.g., inflation and rising household costs have kept participation high), post-pandemic behavioural shifts (e.g., reshaped attitudes towards work and financial resilience) or sectoral recovery (e.g., in sectors such as construction, logistics and healthcare).

In terms of the gender composition of the local labour market, female participation surged during the pandemic, however, the balance is now returning to pre-pandemic levels, though more women remain employed than before 2020. Between January 2019 and December 2019, 66.9% of men and 63.1% of women were in employment, showing a gender gap of 3.8% in favour of men. During the pandemic, between January and December 2022, this gap reversed slightly, with women's employment rising to 73.7% compared to 72.7% for men, reflecting increased female participation likely driven by financial pressures and growth in female dominated roles. Most recently, between April 2024 to March 2025, the gender gap has returned to pre-pandemic levels, with male employment at 76.2% and female employment at 72.6%. Although the gender gap is similar to pre-pandemic levels, female employment remains significantly higher, which suggests a lasting shift in workforce dynamics, despite the rebalancing.

Self-employment has traditionally not only been an important part of the local workforce, but also a significant one performing roles in sectors like construction and agriculture. Self-employment reached a peak of 19.0% at the start of the pandemic in March 2020, but decreased significantly over recent years to 13.1% or a loss of 2,100 by March 2025. However, Ceredigion continues to have a significantly higher self-employed workforce, being just under double the Wales average (7.8%). The reasons for the decrease is a combination of factors, such as, the self-employed reclassifying themselves as employees, temporarily mothballing operations, reassessing career options and some moving to perceived safer employment as employees.

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 March 2025 was 2.9% and continues to be lower than across Wales as a whole (3.5%). The unemployment rate has decreased since the previous year (year ending March 2024), when it stood at 3.5%.

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

6.3 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 2024 shows that average annual earnings in Ceredigion are similar to the Welsh average. The average (median) annual earnings for those who live in Ceredigion are £29,615, which is virtually identical to the £29,614 across Wales.

The trend is similar with household incomes; however, the national average is slightly above the county average. The median household income in 2024 in Ceredigion was £36,594 compared to £36,914 across Wales and £42,470 throughout the UK. Around one third of Ceredigion's households (32%) have a household income of £25,000 or less, and just under a quarter (22%) have an income of £20,000 or less.

During the COVID-19 pandemic (2021-2022) the gap between the average earnings in Ceredigion by both place of residence and place work narrowed significantly. However, the latest results for 2024 show that the gap is widening again as the local economy returns to pre-pandemic levels. This issue remains a key challenge as set out in Ceredigion's 15-year Economic Strategy.

6.4 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 12.9% in 2024, and this is estimated to grow to 15.9% by 2034 and to 18.5% by 2043, which would equate to a 356% increase.

The proportion of the Ceredigion population aged 85 and over is estimated at 3.2% in 2024, and this is expected to grow to 4.4% by 2034 and 6.2% by 2043, representing an 83% increase in the number in this age group.

Ceredigion's Old Age Dependency Ratio is projected to see a rise from 441 dependants per 1,000 in 2024 to 483 dependants per 1,000 in 2034. (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 by 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. For example, the projected number of people who are aged 65+ who will need help with daily living activities is projected to increase from 5,304 in 2024 to 5,658 by 2029 (6.7%) and to 6,132 by 2037 (15.6%).

6.5 Education

The Pupil Level Annual School Census (PLASC) undertaken each January is the dataset used to measure pupil numbers at an individual school level throughout Wales and this dataset is also used in the annual WG Local Government Finance Settlement. Ceredigion has consistently shown a decline in pupil numbers and forward-looking forecasts (including using birth rate data) unfortunately don't show any signs of this trend reversing at a macro level.

The table below shows the actual position since 2023 and the latest medium-term forecasts:

Table 10: Actual and Forecast Pupil Numbers

	Actual			Forecast		
	Jan 2023 (22/23)	Jan 2024 (23/24)	Jan 2025 (24/25)	Jan 2026 (25/26)	Jan 2027 (26/27)	Jan 2028 (27/28)
Primary Schools	4,568	4,476	4,309	4,241	4,062	3,904
Secondary Schools	4,289	4,265	4,220	4,254	4,237	4,260
Subtotal	8,857	8,741	8,529	8,495	8,299	8,164
ALN Units	109	104	114	122	115	107
Total	8,966	8,845	8,643	8,617	8,414	8,271

This shows that there is an overall 15% reduction (664 less pupils) forecast in Primary School pupil numbers in Ceredigion between January 2023 and January 2028, whereas the Secondary School position is relatively consistent with only a small 1% reduction. This even further reinforces that a financially viable School Infrastructure needs be maintained, with the challenge particularly focussed on the Primary Sector.

In Ceredigion, approx. 72% of learners are taught Welsh as a first language and approx. 10% of learners are recorded as having Additional Learning Needs. 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 Revenue Support Grant (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.

6.6 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 increased slightly in more recent years. A roads in poor condition increased to 4.0% in 2025/26, at the target of 4%. B roads in poor condition increased to 3.1% and within the target of 6%, and 12.3% of C roads were in poor condition, which is above the target of 12%.

Road traffic in Ceredigion increased steadily prior to the COVID-19 pandemic, reaching 507.2 million vehicle miles in 2019. This decreased significantly during the pandemic as nationwide lockdowns were in place. Although the volume of traffic on Ceredigion's road network has increased since then it remains lower than pre-pandemic levels at 469.1 million vehicle miles in 2023.

6.7 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. As a result, a new Cyber Resilience risk was added to the Council's Corporate Risk Register in January 2024.

6.8 Tourism and Visitor Economy in Ceredigion

Like most coastal areas, the tourism industry plays a significant role in Ceredigion's economy. The total economic impact of the tourism industry in Ceredigion was estimated to be £528m in 2024, a 18.4% increase on the previous year. Since reopening and subsequent recovery of tourism related businesses following the COVID-19 pandemic in 2020, Ceredigion had seen significant increases in the economic impact of tourism (+139.8% between 2020 and 2022). While the sharp increases seen during the pandemic have now begun to level off, the economic impact of tourism continues to grow, albeit at a slower place.

The total visitor numbers to the County have decreased slightly to 2.87m (-3.3%) in 2024 from 2.973m in 2023. It is concerning to see a decline in visitors, but there are a number of factors that could relate to this e.g. the cost-of-living crisis preventing people from being able to afford holidays. The weather in 2025 which has involved several heatwaves has anecdotally seen a positive level of visitors to Ceredigion across the summer, only time will tell if this translates into an increase in the official statistics.

As at 2024, it is estimated that the tourism industry supports 5,535 jobs county-wide.

7. Medium-Term Financial Forecast and Budget Strategy

WG's Local Government Settlement for 2025/26 provided Wales-level core revenue funding allocations of £6.1 billion – equating to an uplift of £262 million (4.5%) from 2024/25. Ceredigion's share of this settlement amounted to £144.2m – equating to an uplift of £5.3m (3.8%) - ranking joint 14th out of 22 in terms of percentage increase across all Wales' Local Authorities. The 3.8% settlement is the result of a funding floor being applied in the Final Local Government Settlement as opposed to the 3.6% originally proposed in the Provisional Settlement where there was no funding floor. No indication has been provided for settlements beyond the current year.

In the absence of any firm indication from WG and in light of an uncertain economic environment, together with recent statements from WG and UK Government that they are facing significant budget pressures and difficult decisions, it is assumed that annual WG settlements will increase by 2% in 2026/27 and then by 1.6% annually for the remaining term of the MTFS. These assumptions would still **represent a real-terms reduction** given expected levels of inflation.

The table below sets out estimated income and expenditure projections and therefore the estimated Budget Gap over the MTFS period. More detailed cost pressures commentary has been provided in section 5.8.

Table 11: Indicative Budget Projections

	Note	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
WG Funding (AEF)	1	147.1	149.5	151.9	154.2	156.8
Council Tax	2	69.8	75.0	80.7	86.7	92.8
Total Income		216.9	224.5	232.6	240.9	249.5
Assumed Budget c/f		209.2	216.9	224.5	232.5	241.0
Budget Pressures		10.1	9.6	9.4	9.0	9.0
Expected Expenditure		219.3	226.5	233.9	241.5	250.0
Budget Gap		2.4	2.0	1.3	0.6	0.4
Budget Reductions		(1.0)	(0.8)	(0.5)	(0.5)	(0.4)
Budget Shortfall		1.4	1.2	0.8	0.1	-

Note 1: Annual WG settlements will increase by 2% in 2026/27 and then by 1.6% annually thereafter.

Note 2: Council Tax increases of 7.5% modelled for planning purposes, apart from 2030/31 where a 7.0% assumption has been used. Council Tax increases are a formal consideration for Full Council as part of each year's Budget Setting process.

These scenarios would lead to a headline Budget Gap over the next 5 years of £6.7m, but this is prior to any assumptions around Budget Reductions, additional Income Generation, Savings etc. After factoring in an annual Budget Reductions target (in recognition of the Council's continuous improvement journey, alongside known factors and/or decisions already made), then the overall Budget Shortfall reduces to £3.5m over the next 5 years.

A wider exemplification of a range of Budget Shortfalls is illustrated in the following tables, which showing the impact for different levels of Council Tax and WG funding levels.

Table 12: Budget Shortfall Scenario Analysis - 2026/27 (£10.1m Cost Pressures)

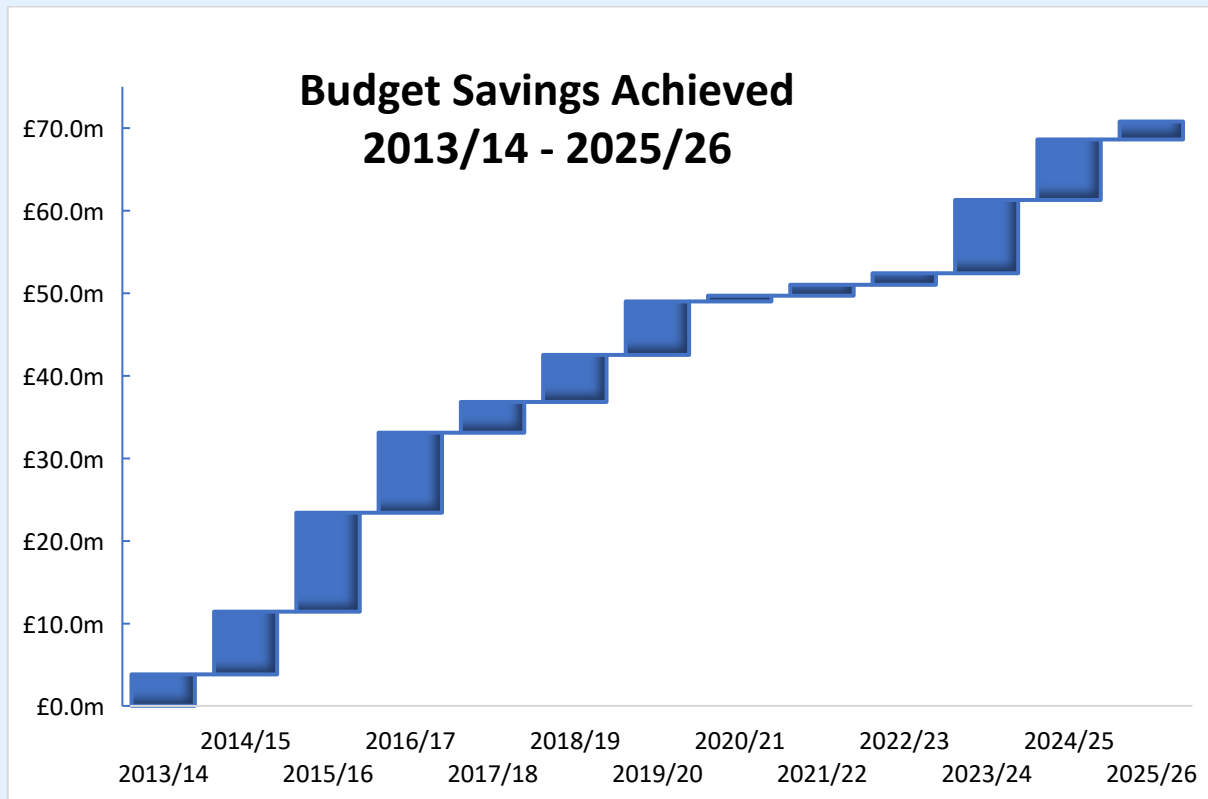
		Council Tax Increase							
		0.0%	2.0%	4.0%	6.0%	7.5%	8.0%	10.0%	12.0%
Aggregate External Finance Settlement (AEF)	0.0%	£9.1m	£7.8m	£6.5m	£5.2m	£4.3m	£4.0m	£2.7m	£1.4m
	1.0%	£7.7m	£6.4m	£5.1m	£3.8m	£2.8m	£2.5m	£1.2m	-£0.1m
	1.6%	£6.8m	£5.5m	£4.2m	£2.9m	£2.0m	£1.6m	£0.3m	-£1.0m
	2.0%	£6.3m	£5.0m	£3.7m	£2.4m	£1.4m	£1.1m	-£0.2m	-£1.5m
	3.0%	£4.8m	£3.5m	£2.2m	£0.9m	-£0.1m	-£0.4m	-£1.7m	-£3.0m
	4.0%	£3.4m	£2.1m	£0.8m	-£0.5m	-£1.5m	-£1.8m	-£3.1m	-£4.4m
	5.0%	£1.9m	£0.6m	-£0.7m	-£2.0m	-£2.9m	-£3.3m	-£4.6m	-£5.9m

Table 13: Budget Shortfall Scenario Analysis - 2027/28 (£9.6m Cost Pressures)

		Council Tax Increase							
		0.0%	2.0%	4.0%	6.0%	7.5%	8.0%	10.0%	12.0%
Aggregate External Finance Settlement (AEF)	0.0%	£8.8m	£7.4m	£6.0m	£4.6m	£3.6m	£3.2m	£1.8m	£0.4m
	1.0%	£7.3m	£6.0m	£4.6m	£3.2m	£2.1m	£1.8m	£0.4m	-£1.0m
	1.6%	£6.5m	£5.1m	£3.7m	£2.3m	£1.2m	£0.9m	-£0.5m	-£1.9m
	2.0%	£5.9m	£4.5m	£3.1m	£1.7m	£0.6m	£0.3m	-£1.1m	-£2.5m
	3.0%	£4.4m	£3.0m	£1.6m	£0.2m	-£0.8m	-£1.2m	-£2.6m	-£4.0m
	4.0%	£2.9m	£1.5m	£0.1m	-£1.3m	-£2.3m	-£2.7m	-£4.0m	-£5.4m
	5.0%	£1.5m	£0.1m	-£1.3m	-£2.7m	-£3.8m	-£4.1m	-£5.5m	-£6.9m

For 26/27, using the scenarios and assumptions outlined, eliminating the Budget Shortfall would be possible using Council Tax modelling of less than 10%.

The Medium-Term Financial modelling is set against the backdrop of well over a decade of austerity which has resulted in a considerable period of real term decreases in funding. Cumulative savings of over £70m have been achieved during this period to ensure a balanced budget, as illustrated in the chart below.



The cumulative impact of how much spending power this has taken out of the Ceredigion economy is highly significant as each year of budget savings is recurring from that year onwards. The year on year cumulative effect of this level of savings is worth in the region of £0.5bn.

In conclusion, this latest iteration of the MTFs goes further into the future - now covering a 5 year period. It should ensure that Ceredigion County Council continues to be financially sustainable and does not create a wholly unrealistic or unachievable Budget Shortfall, however in doing so there is an increase in the underlying Council Tax assumptions. The alternative is that there is a significant reduction in Council Service provision, requiring associated political decisions.

8. Budget Principles

8.1 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.
- A collective Team Ceredigion approach lead by the Chief Executive, the Section 151 Officer and the wider Leadership Group.

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, 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.

The action taken to recover the 23/24 in year projected overspend of £1.5m is an example of how Leadership Group implemented a proactive financial management approach in August 2023, having received input and advice from the Section 151 officer. This included measures ranging from using certain earmarked reserves, asking various services to make in year savings and putting financial controls in place on expenditure and recruitment (recognising that core statutory, contractual and existing obligations need to be met). As a result of the proactive financial management approach the final outturn position for 23/24 was an overspend of just £10k on the budget of £180m. This highlights how adept budget-holders were in a very challenging financial landscape.

Building on this, the 2024/25 Budget required 70 Budget Reductions to be made totalling £5.8m. As a result of the Team Ceredigion approach to rise to the challenge, the final outturn position for 24/25 was an underspend of £310k on the budget of £194m (a 0.16% variance). Within this position 65 items totalling £5.1m (88% of the savings) were either fully completed or were fully on track.

8.2 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 WG are being encouraged to continue this approach. This would mean 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 un-hypothecated through RSG rather than individual specific WG grant awards remains to be seen as it has been minimal to date.

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 Council's base budget. The Growing Mid Wales (GMW) Joint Committee is managing the Mid Wales Growth deal and is part of Ceredigion County Council.

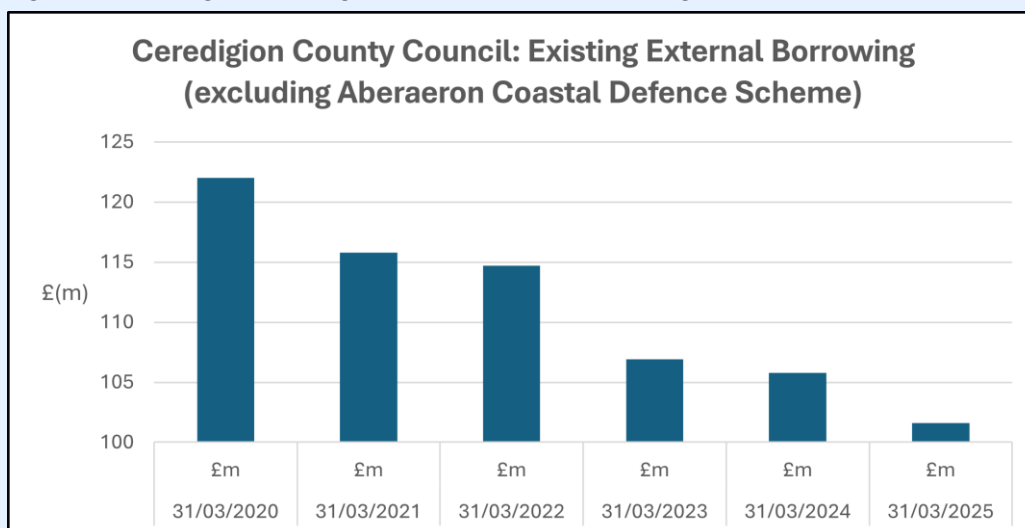
Ceredigion is a partner with Powys County Council (and the Brecon Beacons National Park for Strategic Planning only) for the Mid Wales Corporate Joint Committee (MWCJC) which is a standalone and separate legal entity. The MWCJC is responsible for producing a Strategic Development Plan for the region and a Regional Transport Plan. In addition, the CJC is responsible for Economic Well Being, but this function is delegated to the GMW Joint Committee.

8.3 Revenue Budget Principles

The key elements of the Budget Strategy that will help contribute towards 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 innovation 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 3rd Party Payments wherever possible including any areas where Services or Budget Headings are deemed a lower priority.
- Income will be maximised through application of the Income Management and Cost Recovery Policy.

- Operational / Efficiencies budget reductions wherever possible e.g. Efficiency savings (including invest to save schemes and procurement savings) will continue to be sought as a natural part of the Council's continuous improvement.
- Continuing to pursue Treasury Management and Capital Financing opportunities for savings. For example - the Council's core external borrowing (excluding the fully funded borrowing for Aberaeron Coastal Defence scheme) has reduced significantly since 2020 from £122.0m to £101.6m – a £20.4m / 16.7% reduction over the period. This has enabled the Council to achieve significant savings in recent years, with £1.6m of Treasury Management savings featuring in the last 3 Council Budgets.



- Use of Council Tax Premiums within the parameters agreed by Full Council.
- Investment in the delivery of the Digital Strategy.
- Service delivery by the 3rd Sector (including Town & Community Councils) where appropriate.
- Investment will continue to be considered to facilitate and pump prime initiatives, provided that business cases stack up.
- 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).
- Ensuring Procurement provide Best Value through compliance with new Procurement Reform legislation and maximising local Procurement opportunities where possible including reducing / removing barriers for Small and Medium sized enterprises as far as possible to ensure as much of the Ceredigion '£' stays within Ceredigion.
- 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, Historical / Legacy Pension costs, Democratic costs (Members Allowances) and the Mid & West Wales Fire Authority Levy.
- Earmarked Reserves shall only be used for one-off non-recurring purposes.
- The Cost & Inflationary pressures earmarked reserve exists to provide temporary mitigation where necessary if / where 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.
- The Budget will be set so that no demand is made from General Fund Balances to support the base budget.
- Ensuring there is sufficient base budget funding to protect core Service operations.
- Not targeting Budget cuts from Services, unless there is political direction to significantly reduce or cease Services or functions (as the ability to deliver the same standard service with less resources is becoming impossible).

8.4 Capital Budget Principles

The following are key strategic Capital budget setting aims:

- A Capital prioritisation approach will be taken to allocating capital resources using a long term 10 year pipeline horizon as much as possible. Asset Management Planning will inform the setting and prioritisation of the Multi-year Capital programme including essential expenditure on existing Council assets.
- Identification of expenditure that can attract external grant funding, providing the ongoing revenue impact is sustainable and there is alignment to Corporate Wellbeing Objectives.
- 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. E.g. Consideration would be given to use Prudential borrowing when revenue savings are identified which can be used to fund the capital financing costs or where the ongoing revenue cost of borrowing is fully covered by WG (e.g. Aberaeron Coastal Defence Scheme, Highways Local Government Borrowing Initiative).
- 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 reserves e.g. for future Education projects 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.
- Building rationalisation and/or Building usage optimisation.
- Energy Efficiency measures & Fleet rationalisation (accommodating Net Zero where economically viable).
- Maintaining a financially viable Education infrastructure.

8.5 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 budget setting and the final accounts. A summary of the reserves position is shown overleaf:

Table 14: Reserves & Balances

	As at 31/03/25 Actual
General Balances - Amount	£7.0m
<i>General Balances - Percentage</i>	3.4%
Earmarked Reserves (Including Delegated Schools Balances)	£41.0m
Delegated School Balances	£3.8m

The Council's policy 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 General Balances %age becomes diluted over time, however the 24/25 Underspend of £310k has assisted with this in the short term. However 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%. Earmarked Reserves will only be used for their specific purpose and will not be used to balance the budget.

The Council expects to maintain a level of £15m - £20m of 'internal borrowing' over the term of the strategy by utilising funds held in earmarked reserves which reduces the need to borrow. It is estimated this approach saves the taxpayer annually £0.75m - £1m which equates to a saving in Council Tax of approximately 1.5% annually.

9. Risk Assessment & Sensitivity Analysis

The assumptions set out in the MTFS are based on information available at the time. There is always a risk that these could change. Therefore the table below considers Sensitivity Analysis to show the estimated impact of a 1% change (+/-) of the key factors affecting the Council.

Table 15: Sensitivity Analysis

Assumption		Effects of 1% variation to assumed rates (+/-) £'000
Income	Welsh Government AEF Settlement	1,450
	Council Tax (Gross of Council Tax Reduction Scheme)	650
	Council Tax (Net of Council Tax Reduction Scheme)	580
	Interest Rates (Investment Income)	360
	External Grants	450
	Fees & Charges (noting that not all are set by the Council)	360
Expenditure	Pay Award – General	1,050
	Pay Award – Teachers	480
	Employers National Insurance	940
	Local Government Pension Scheme Contribution Rate	810
	Teacher's Pension Contribution Rate	300
	Social Care Provider Contracts	400

For completeness, the key assumptions used across the MTFS period are summarised below:

Table 16: Summary of Key Assumptions

Modelling Assumptions	2026/27	2027/28	2028/29	2029/30	2030/31
Budget Cost Pressures	£10.1m	£9.6m	£9.4m	£9.1m	£9.0m
Social Care Provider Uplifts	4.5%	4.0%	3.0%	3.0%	2.5%
WG AEF Settlement	2.0%	1.6%	1.6%	1.6%	1.6%
Council Tax	7.5%	7.5%	7.5%	7.5%	7.0%
NJC Payaward	2.75%	2.5%	2.5%	2.25%	2.0%
Teachers Payaward	2.75%	2.5%	2.5%	2.25%	2.0%
Real Living Wage	5.0%	4.5%	3.0%	3.0%	2.5%
CPI Inflation	2.7%	2.0%	2.0%	2.0%	2.0%
Bank of England Base Rate	3.6%	3.5%	3.25%	3.0%	3.0%

Cost Pressures

There will always be further risks around potential cost pressures i.e. Matters that are either uncertain to materialise or extremely difficult to estimate, they therefore pose an additional financial risk to budget gap estimations within the strategy. Examples would include:

- **Employer Pension Contribution Rates** E.g. Changes to Superannuation Contributions Adjusted for Past Experience (SCAPE) rates regarding Teacher Pension contributions and the Firefighters pension contributions via the Council's Mid Wales Fire & Rescue Levy contribution.
- **Waste Service: Extended Producer Responsibility Scheme** - DEFRA are collaborating with UK Government and WG to manage the reduction of harder to recycle packaging costs. Details around the scheme operation are not clear at present.
- **Grant Funding** – The Council has a number of service areas where frontline activity is grant funded. There is always the risk that grant funding is not guaranteed in the future. There may be future cases where grant funding is withdrawn in service areas where the Council is unable to reduce the service provision.

Corporate Risk register

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

The reduction of core and external funding will lead to the reduction in service provision in some areas unless this is replaced by either Budget Reductions and/ or Council Tax considerations.

Failure to adapt, plan for and implement Budget Reductions and/or consider alternative / innovative models of service provision in line with the principles outlined in the Medium Term Financial Plan will have a detrimental affect on future service delivery and the financial responsibilities of the Council.

The potential consequences of this risk are:

- a) Risk of failing to meet statutory budget setting deadlines.
- b) 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.
- c) Risk that annual budget setting frustrates longer term planning as the focus becomes fire-fighting and short term survival not long term sustainability.
- d) Risk that Council Tax increases need to be sustained at a higher level due to a lack of core WG funding, but in order to protect and maintain a minimum level of Services
- e) Risk that Members aren't willing to make difficult / unpopular decisions even if the underlying logic / business cases are sound.

The risk currently sits at the highest score possible of 25.

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