

Cyngor Sir Ceredigion County Council



Medium Term Financial Strategy 2024/25 – 2027/28

September 2024

CONTENTS

| | Page |
|--|-------------|
| 1. Executive Summary | 2 |
| 2. Introduction | 5 |
| 2.1 - Purpose | 5 |
| 2.2 - Objective of the Strategy | 5 |
| 3. Budget Priorities | 6 |
| 3.1 - Corporate Strategy 2022-27 | 6 |
| 3.2 - The Economy | 8 |
| 3.3 – Education | 9 |
| 3.4 – Through Age Wellbeing | 9 |
| 3.5 – Net Zero Carbon Status by 2030 | 10 |
| 3.6 – Highways / Infrastructure | 11 |
| 3.7 – Digital Strategy | 12 |
| 3.8 – Recruitment | 12 |
| 3.9 – Housing | 12 |
| 3.10 – ‘Big 3’ Services | 12 |
| 4. External Economic, Financial & Legislative context | 14 |
| 4.1 – Economic Environment | 14 |
| 4.2 - Inflation | 14 |
| 4.3 – Interest Rates | 14 |
| 4.4 – Real Living Wage for Care Workers | 15 |
| 4.5 – The Well-being of Future Generations (Wales) Act 2015 | 15 |
| 5. National & Local Budget Factors | 17 |
| 5.1 – UK Government General Election | 17 |
| 5.2 – Funding | 17 |
| 5.2.1 – Welsh Government | 17 |
| 5.2.2 – Council Tax | 18 |
| 5.2.3 – Fees & Charges | 20 |
| 5.2.4 – Discretionary Visitor Levy | 20 |
| 5.2.5 – Council Tax Reform | 20 |
| 5.3 – Cost Pressures | 21 |
| 5.4 – Demographics and Other Trends | 23 |
| 6. The Budget Gap & Medium-Term Financial Forecast for 2024/25 to 2026/27 | 29 |
| 7. Budget Strategy | 32 |
| 7.1 – Managing Resources Effectively | 32 |
| 7.2 – Partnership Working, External Funding and Collaboration | 32 |
| 7.3. – Managing the Budget Gap | 34 |
| 7.3.1 - Key Elements to Managing Budget Gap | 35 |
| 7.4 – Earmarked Reserves and Balances | 37 |
| 8. Risk Assessment & Sensitivity | 38 |
| Appendices | 40 |

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. As time goes on, with constrained public finances, it is going to get more difficult to achieve the political and strategic ambitions.
- 1.2 Several key priorities from the Corporate Strategy have already been achieved. Examples include Ysgol Dyffryn Aeron due to complete by Xmas 2024, the launch of the new Community Housing Scheme to help support local residents purchase their own property in Ceredigion, the opening of the first Wellbeing Centre in Lampeter, the construction of the Aberaeron Coastal Defence Scheme being well underway and work nearing completion on 2 Children's in county facilities.
- 1.3 Ceredigion has a track record of setting and achieving a balanced budget as well as achieving a clean bill of health from Audit Wales. The 2022/23 accounts have been audited and an unqualified audit opinion was issued and the 2023/24 accounts were submitted in advance of the 30/06/24 deadline. A broadly breakeven position was achieved for the 23/24 accounts, despite considerably challenges that were very proactively managed during the year.
- 1.4 Ceredigion's 2024/25 Net Budget was set at £193.6m - 70% funded by WG and 30% by Council Taxpayers. This resulted in an 11.1% Council Tax increase for the Council component (of which 1.1% was in relation to the Mid & West Wales Fire Authority levy). The Band D Council Tax (including Police and Town & Community Council precepts) in Ceredigion was £2,104 – being slightly above the Welsh average of £2,060.
- 1.5 The Medium term financial challenge (based on assumed 0.5% WG increases and 5.0% Council Tax increases for 25/26 onwards) can be summarised as:

| | 2024/25 Actual £m | 2025/26 Indicative £m | 2026/27 Indicative £m | 2027/28 Indicative £m |
|----------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Budget Pressures | 18.6 | 11.6 | 8.3 | 8.4 |
| Council Tax Income | -7.4 | -2.9 | -3.1 | -3.2 |
| WG AEF Settlement | -3.9 | -0.7 | -0.6 | -0.7 |
| Budget Gap | 7.3 | 8.0 | 4.6 | 4.5 |
| <u>Budget Reductions:</u> | | | | |
| Approved | -7.3 | - | - | - |
| Indicative | - | -2.8 | - | - |
| Total Savings | -7.3 | -2.8 | - | - |
| Budget Shortfall | - | 5.2 | 4.6 | 4.5 |

- 1.6 The 24/25 Budget had a WG funding increase of 2.9%, yet still resulted in an 11.1% Council Tax increase due to cost pressures running at an inflation rate of over 10%. Given how heavily geared and reliant the Council is on WG funding (70% of the net budget), a scenario of WG core funding only increasing by 0.5% will only lead to a greater burden falling on the local taxpayer – therefore the modelled 5% Council Tax increase will not be sufficient to balance the budget.

1.7 Modelling higher levels of Council Tax would reduce the Indicative Budget Shortfall for each year, as follows:

| | Council Tax %age | 2025/26 Indicative £m | 2026/27 Indicative £m | 2027/28 Indicative £m |
|------------------|-------------------------|------------------------------|------------------------------|------------------------------|
| Budget Shortfall | 10.0% | 2.6 | 1.7 | 1.2 |
| Budget Shortfall | 12.0% | 1.6 | 0.2 | -0.3 |
| Budget Shortfall | 14.0% | 0.6 | -0.9 | -1.9 |

The County Council element of the average Band D Council Tax bill in Ceredigion is £1,726. The below table illustrates the average increase to Council Tax bills from a range of Council Tax increases:

| | Council Tax Increase | | | | |
|----------------|-----------------------------|-----------|------------|------------|------------|
| | 1% | 5% | 10% | 12% | 14% |
| Annual | £17.26 | £86.30 | £172.61 | £207.13 | £241.65 |
| Monthly | £1.44 | £7.19 | £14.38 | £17.26 | £20.14 |
| Weekly | £0.33 | £1.66 | £3.32 | £3.98 | £4.65 |

1.8 In summary:

- Inflation and in turn Cost pressures are now starting to recede from the £18.6m peak for 24/25. More detailed work is still to be done on Cost Pressures and Budget Reductions, therefore there could be both upside and downside risks to the figures shown.
- The indicative Budget shortfall for 25/26 is £5.2m (based on 5% Council Tax modelling), £2.6m (based on 10% Council Tax modelling) or £1.6m based on 12% Council Tax.
- The indicative Budget shortfall over the medium term is £14.3m (based on 5% Council Tax modelling) or £5.5m (based on 10% Council Tax modelling).
- Every 1.0% increase in WG core funding is worth c£1.35m.
- Every 1.0% in Council Tax generates c£500k.
- Every additional 1.0% Payaward across all employed staff costs c£1.27m.

1.9 In order to address the Budget Shortfall, proposed approaches include:

- Treasury Management and Capital Financing savings (including utilising WG Capitalisation Directions where / if feasible)
- Operational / Efficiencies savings wherever possible (including reductions in 3rd Party expenditure and continued reduced Travelling costs).
- Use of Council Tax premiums within the parameters set by Full Council
- Building rationalisation and/or Building usage maximisation (ranging from outright sale to repurposing for alternative means (e.g. Income generation) to co-location of a wider range of Council Services and/or collaboration with other Public Services
- Service delivery by the 3rd Sector (including Town & Community Councils)
- Ceasing Service delivery / funding where appropriate
- Energy & Fleet savings / rationalisation
- Continued transformation and innovation in all Services
- Establishing a financially viable Education infrastructure
- Continued focus on Income Generation (including Fees & Charges)
- Investing in the delivery of the Digital Strategy.

- Targeted Budget cuts where there is political direction to reduce or cease Services or functions (as the ability to deliver the same standard service with less resources is becoming impossible).
- Modelling, for political consideration, Council Tax rises higher than 5% in order to ensure that there is sufficient base budget funding to protect key services and core operations.

2 Introduction

2.1 Purpose

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

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

2.2 Objective of the Strategy

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

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

This strategy achieves this by:

- Outlining principles for developing and setting the annual budget.
- Integrating and acknowledging external forces into the budget process.
- Integrating financial and business planning, reflecting priorities of the Corporate Strategy 2022-2027 and anticipating pressures facing the Authority.
- Identifying the main links with other processes, core considerations and financial themes to be considered.
- Indicating projected levels of income, expenditure and capital investment over a rolling three-year period.
- Providing a single document to communicate the financial context, aims and objectives to stakeholders.
- Allowing decision makers to consider affordability when allocating resources to deliver priorities.

Understanding the overall financial context is important in order to deliver a robust and balanced budget during the next few years, as it is recognised that funding for Local Government is likely to be limited.

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 31/03/24, there is £16.8m earmarked in the 4 reserves.

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

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

The core purpose of the Council's Corporate Strategy is to illustrate how the authority will support and promote sustainability and the wellbeing of the citizens of Ceredigion, through its long-term Vision and Strategic Objectives. The following sections outline the risks to the delivery of these Corporate Well-Being Objectives whilst also setting out how the Council's resources will be utilised to manage and mitigate these risks over the short to medium term.

Our Vision

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

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

BOOSTING THE ECONOMY, SUPPORTING BUSINESSES AND ENABLING EMPLOYMENT

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

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

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

CREATING CARING AND HEALTHY COMMUNITIES

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

CREATING SUSTAINABLE, GREENER AND WELL-CONNECTED COMMUNITIES

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

3.2 The Economy

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



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

The Mid-Wales Growth Deal, developed from the Vision for Growing Mid Wales, reached a significant milestone in 2022 when the Final Deal Agreement was signed by the WG, UK Government and Ceredigion and Powys Councils, based on the development and submission of the Portfolio Business Case. Both governments agreed to provide £55m each totalling £110m over 15 years. The Strategic Portfolio Business Case is updated annually – with the latest version 3.0 submitted to WG and UK Government in March 2024. During 2023/24 £4m was released to the Council with a further £11m expected in 24/25.

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 Portfolio is nearing delivery commencement, with the Final Business Case for the Elan Valley project expected towards the end of the 2024 calendar year.

The Council is the lead authority for the £42.4m UK Shared Prosperity Fund (UKSPF) in the Mid Wales Region. The funding allocation for Ceredigion is £12.4m for the years 2022/23 to 2024/25. £2.9m is funding for capital projects with £9.5m for revenue projects. The UKSPF is part of a suite of funding from the UK Government as part of its Levelling Up Policy. Whilst it succeeds European Funding, it is not a strict replacement for any particular fund. The UKSPF has been designed to build pride in place and empower local communities. There has been no indication from UK Government regarding future funding after 2024/25, it is hoped clarity will be received following the general election in July 2024.

The Council has been successful in applying for £10.8m of Levelling Up funding for Aberystwyth - the funding needs to be spent by March 2025. This will help transform 'The Old College' in Aberystwyth and revitalise the Promenade. A scheme revision was granted in May 2024 which extends elements of the scheme up to the end of 2025 calendar year.

Boosting Ceredigion's Economy will also require investment from the Council, the earmarked reserve available to support this now stands at £7.5m as at 31/03/24.

3.3 Education

Continuing to modernise education establishments such as using Band B of 21st Century Schools programme funding to build the area school Ysgol Dyffryn Aeron. The total Band B funding from WG is anticipated to total in excess of £16m. The Council was awarded funding of £5.7m in 2022 towards a Language Immersion Centre based at Ysgol Cymraeg which will add a block of new classrooms adding space for an additional 30 pupils, however Flood related matters pertaining to NRW are still being overcome.

During March 2024 the Council has presented a Strategic Outline Programme to WG, outlining schemes that have been identified and prioritised for delivery over the next nine years as part of a rolling programme of 3, 6 and 9 years. Projects within 1-3 years include developing Additional Learning Needs (ALN) and Pupil Referral Unit (PRU) provision. 4-6 years focuses on developing post-16 education in the county together with the extension/ refurbishment of three primary schools and a new Catholic school for St Padarns in Aberystwyth. Years 7-9 years prioritises a review of school places and ALN provision to develop resilient and sustainable school infrastructure. At present the 1-3 year programme is anticipated to have a total funding requirement of £11m, with a WG contribution of £8.4m (75%) with the Council match funding £2.6m (25%). Costs for the 6 and 9 year programmes are unknown at this stage.

The Council's PFI contract on Penweddig School expires in December 2030. Early-stage project planning has commenced, including attending the first WG Expiry Health Check review 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 six years.

Schools in Ceredigion are facing budget pressures similar to all other Council services, 2.3% of schools in the county (1 out of 43) have a reserves deficit against the backdrop of the Wales average being 21.2%. Ceredigion has the lowest number and percentage of schools with reserves in deficit in Wales. However the current Education infrastructure is not financially viable. Post 16 education in Ceredigion costs over £400k more each year than the WG grant being provided for it and is therefore being indirectly subsidised by core secondary school funding. A Post 16 review is therefore currently underway. On 02/05/23 Cabinet approved the 'Principles for Ensuring Sustainable Education Infrastructure'. There are a small number of Primary Schools that do not meet one or more of the core criteria and therefore the future direction for these schools requires further consideration as they are indirectly being subsidised by all the other Primary Schools.

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 as the transformation of services progresses well with the integration of Social Care and Lifelong Learning into 3 Services - Porth Cymorth Cynnar, Porth Gofal and Porth Cynnal who, along with Customer Contact, make up the 4 main areas that fall within the Through Age Wellbeing Programme of change. The Strategy covers the 2021 to 2027 period and was agreed by Cabinet in October 2021 which set out how the Council will:

- Put in place a new Through Age Wellbeing Model of delivery

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

The Council's Budget saw a significant realignment during 2020/21 into the new Pwrth structure. Revenue investment has already been made into the TAW Staffing Structure over 2 financial years and capital investment is being made into key areas such as In-county Children's facilities, the establishment of the next Wellbeing Centre, Local Authority Care Homes and piloting for Technology-enabled Care.

An example of the Council investing in Technology-enabled care is the new Penmorfa Centre for Independent Living which promotes independence and community support and is set to transform the way individuals find solutions and access information to help themselves. The vision for the Centre 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.

Following the Council's decision to take ownership of Hafan y Waun Residential Care Home during late 2023, there is an opportunity to restructure the residential care provision in the north of the county for the benefit of current residents and the future sustainability of care provision. In light of this there was a public consultation regarding the potential transfer of residential care services from Tregerddan Residential Care Home to Hafan y Waun Care Home and on 02/09/24 Cabinet agreed that the residents would transfer and the merge of staff teams between Cartref Tregerddan with Hafan y Waun Residential Care Home. The Council is also continuing to seek collaboration opportunities with health partners to take advantage of the capacity at Hafan y Waun Residential Care Home and from 22/07/24 Hywel Dda Health Board now occupy a part of the ground floor (on an initial short term basis).

Social Care however continues to see increased demands on services driving significant cost pressures across the TAW model. These are particularly prevalent in areas such as Looked after Children (in county), Children's Out of County Placements, Older Persons placements and Learning Disability placements as well as a challenging recruitment position with a continuing requirement to use of 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.

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 has been a number of developments in the area in the last twelve months. As part of the net-zero roadmap, a 'project tracker' has been developed to help identify, prioritise and manage decarbonisation projects. To date we have some 60 potential projects noted which have been put forward following consultation with all Corporate Lead Officers. These projects vary in scale, cost and impact, but all contribute to our decarbonisation journey. Together they have a total estimated combined cost of £35m and address around 65% of the Council's operational emissions. The majority of these schemes are unfunded at present, but it is envisaged that some progress will be achieved by utilising available external funding streams, such as;

- 21st Century Schools Programme
- WG's ULEV funding (for EV infrastructure, but also gap funding for fleet decarbonisation)
- WG's Heat Decarbonisation Grant

In addition, the Council has begun its Re:Fit energy efficiency retrofit scheme, having appointed a delivery partner in April 2024. This will see a large-scale roll-out of energy efficiency measures across operational buildings. The Council has also tendered for PV installations on a number of Care homes with a project completion target of summer 2024, this approach will then start to be widened to other Council buildings. A trial of electric vehicles in the small van fleet within the Parking Services team has started, with the aim of extending this wider if the initial evaluation demonstrates appropriate benefits. These schemes should result in significant emission reductions and revenue savings across the participating 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.

3.6 Highways & Infrastructure

As at July 2024 the circa £32m coastal defence scheme at Aberaeron is currently in the construction phase, is currently on schedule and is expected to complete early 2025. The scheme is being financed in the main by WG at 85% via the Local Government Borrowing Initiative (LGBI) with a match funding requirement from the Council of 15%. The Council's matched funding requirement of up to £4.5m has been identified in an Earmarked Reserve.

Whilst the Aberystwyth defence scheme is currently at the Outline Business Case stage meaning the funding requirement for this scheme is yet to be established. It is anticipated that the Outline Business Case will be submitted to WG in late 2024 with a view to receiving a decision by spring 2025.

The Waste Service continues to face operational challenges, but new approaches have been implemented to overcome some of these (e.g. bringing forward Bank Holiday collections and providing notifications if routes are delayed or cancelled) and recycling performance remains very strong. Additional in year revenue and capital investment is going into the service during 24/25 to go further in trying to rectify the challenges including an investment in staff, fleet and to trial the outsourcing of 3 routes to the private sector. The full year recurring effect of the investment (c£460k) will be an essential cost pressure for the 25/26 Budget.

The Highways Asset Management Plan will always show a backlog of works. In recent years there has been significant funding for Highways refurbishment/resurfacing, however with a change in WG policy approach in relation to Road schemes less funding is coming through which is to the detriment of a rural county. Investment will need to continue if the condition of Ceredigion's roads is to remain above the target set for B roads and close to the targets set

for A and C roads. Funding bids will continue to be put in for Active travel related schemes which are being supported by WG, although Ceredigion's rurality is not being fully considered during the approvals process. The Public Bus network remains challenging to maintain and significant changes to its delivery and operation through the proposed franchising model are expected in the coming years, and it is anticipated that additional WG funding is required to do this.

During September 2023 WG introduced a new default speed limit of 20mph on roads through residential and built-up areas. This required the Council to change the speed limit at a significant number of locations throughout the county, the cost of which was fully funded by WG. Any ongoing works as a result of vandalism or subsequent adjustments as a result of the WG review of the 20mph restrictions published in May 2024 will also be fully funded by WG.

3.7 Digital Strategy

The Council has developed a new Digital Strategy effective from 2024 through to 2030. The strategy is currently going through a public consultation exercise which is due to end on 9th July 2024. The overall vision of the strategy is to deliver a 'Digitally Confident Ceredigion' and strives to allow the Council to deliver excellent public services for the people, businesses and visitors of the county, and states that the Council will continue to embrace digital technology to support residents, improve services and encourage resilience in our communities. As at 31st March 2024 there is currently £1m 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.

3.8 Recruitment

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

3.9 Housing

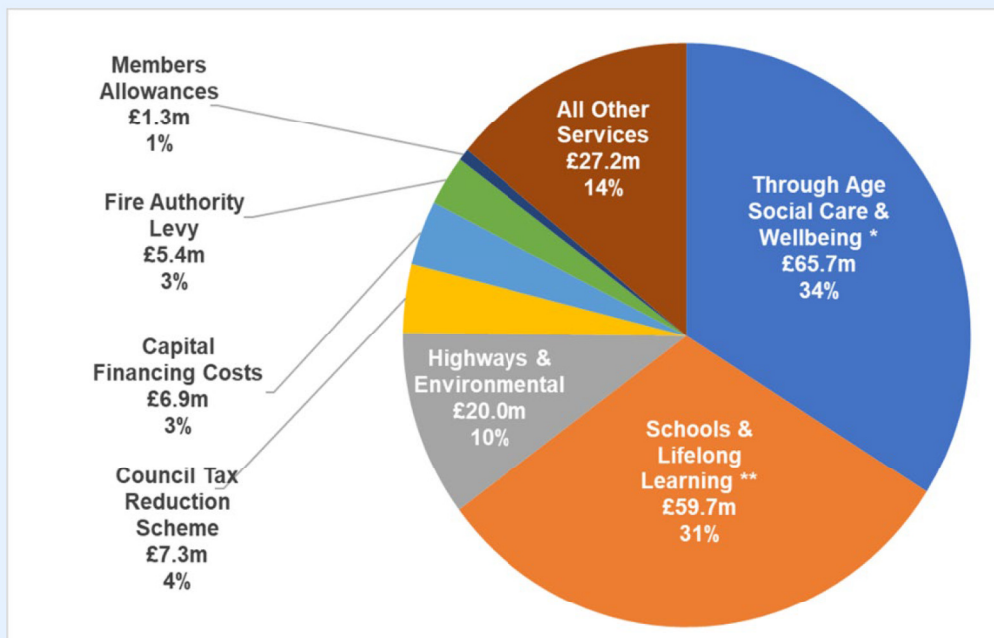
A range of measures are used by the Housing service to maximise the availability of Housing in the county. This now includes a newly launched Community Housing Scheme (approved in June 2023) using the Council Tax Premium monies (capped at £2m) as well as the Council being part of the National Empty Homes Scheme. The Council Tax Premiums for Long Term Empty and 2nd Homes increased on 01/04/24 and on Second Homes will increase further on 01/04/25 as part of an intentional policy change.

3.10 '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 2024/25 Controllable Budget by service.

2024/25 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% (£27.2m) for all other Council Services.

4 External Economic, Financial & Legislative context

4.1 Economic Environment

The Council's medium term financial forecast is set within the context of the national economy, WG & UK Government public expenditure plans and national legislation and regulations. It is being formulated within a context of a challenging period for the national economy as it emerges from the heights of the Covid-19 pandemic, 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 the 2008 financial crisis.

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

4.2 Inflation

The Bank of England's Monetary Policy Committee (MPC) Report for May 2024 contains the following commentary and projections for inflation:

"Twelve-month CPI inflation remains above the MPC's 2% target, but it declined to 3.5% in 2024 Q1, broadly in line with expectations in the February [2024] Report. Inflation is projected to return to close to the target throughout the second quarter of this year, before increasing slightly in Q3 and Q4, to around 2.5%. This pickup is driven by energy price inflation, which is projected to become less negative during Q3 and Q4 compared with Q2...

The Committee expects second-round effects in domestic prices and wages to take longer to unwind than they did to emerge... Conditioned on market interest rates and reflecting a margin of slack in the economy, CPI inflation is projected to be 1.9% in two years' time and 1.6% in three years.

... There continue to be upside risks to the modal CPI inflation projection from geopolitical factors during the first half of the forecast period [2023-2024], but the risks overall are more evenly balanced over the second half [2025-2026]."

Table 1: Bank of England MPC Annual CPI Forecast

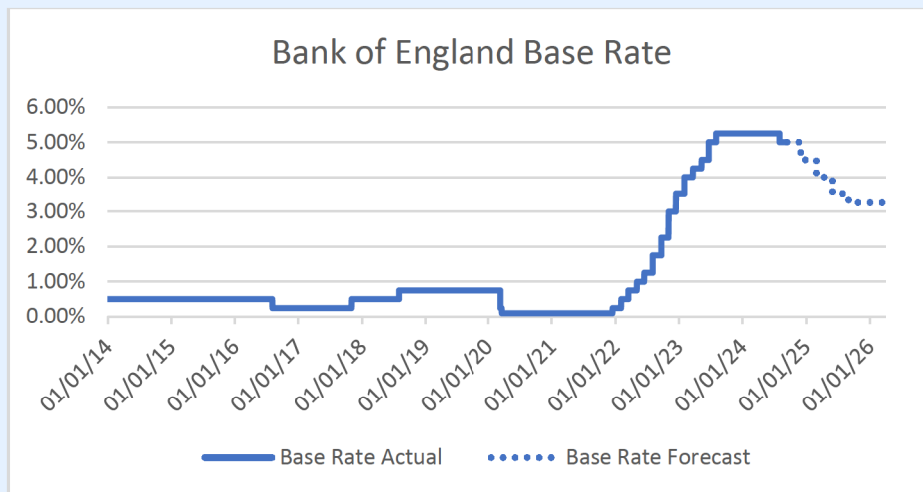
| | May 2024 Actual | June 2024 Forecast | June 2025 Forecast | June 2026 Forecast | June 2027 Forecast |
|-------------------------------|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Annual CPI Inflation Forecast | 3.5% | 2.0% | 2.6% | 1.9% | 1.6% |

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. Significant price inflation is also being seen in contract tender quotes received as contractors pass on their own increased costs.

4.3 Interest Rates

In response to persistent high levels of inflation the Bank of England has increased the interest base rate significantly during 2022 and 2023 to 5.25% in August 2023, up from its historically low rate of 0.1% as at December 2021.

To date there has been one 0.25% cut, down to 5.00%, in August 2024. The Council's Treasury advisors forecast that the base rate will gradually recede back to 3.25% by August 2025. Interest rate forecasts are reported to Council regularly via the Treasury Management Reports.



4.4 Real Living Wage for Care Workers

WG have introduced a national policy that Social Care workers in Wales will be paid at least the Real Living Wage (RLW). The RLW is independently calculated by the Resolution Foundation and overseen by the Living Wage Commission and currently stands at £12.00 per hour (being a 10% increase from the previous year) and 56p higher than the current National Living Wage of £11.44. It applies to registered workers in Care homes and Domiciliary care and also includes Personal assistants who provide care and support which is funded through a Direct Payment. Annual Fee uplift considerations for Social Care Providers will need to take account of any RLW changes, provided that sufficient WG funding is received.

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

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

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

The Five Ways of Working are detailed overleaf;



Thinking for the long-term

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



Prevention

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



Integration

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



Collaboration

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



Involvement

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

5 National & Local Factors

5.1 UK Government General Election

On 4th July 2024 there was a UK general election, with the Labour party being the new incumbent UK UK government.

The outcome of the election could significantly change the funding available to WG (for better or worse) through the Barnett formula, depending on the spending priorities of the new administration. Whilst the same party being in power in both UK and WG government should give rise to benefits, the wider fiscal constraints on the public finances will no doubt provide limitations. This is already being seen through a supposed '£22m black hole' inherited from the outgoing Conservative government and early decisions such as the withdrawal of the Winter Fuel Allowance from pensioners not in receipt of Pensions Credit. Against this backdrop pay-awards for several sectors have been announced.

5.2 Funding

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

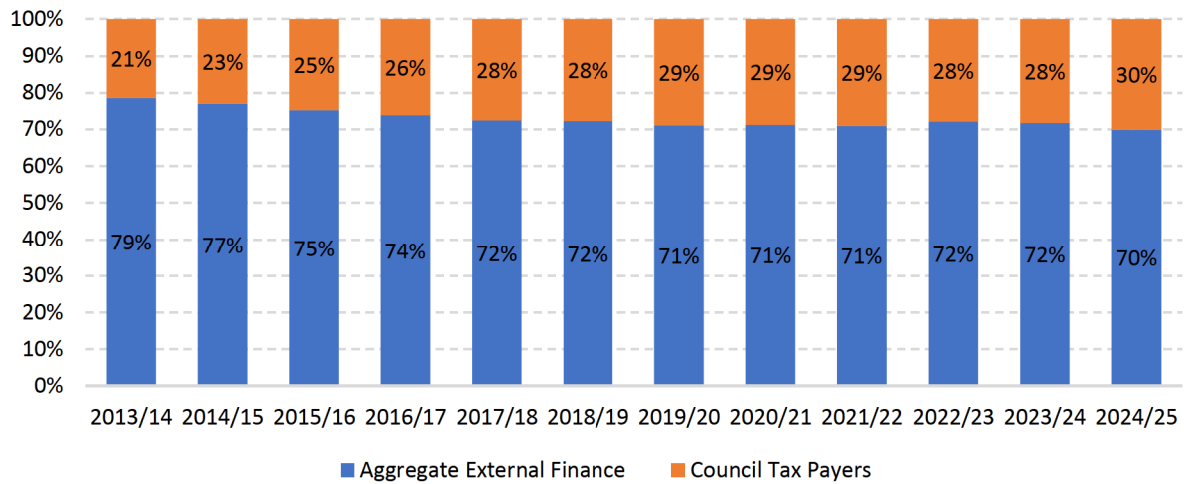
5.2.1 WG

Standard Spending Assessments (SSAs) is the mechanism used by WG for the distribution of resources to local authorities based on a calculation of what each Local Authority needs to spend to deliver a standard level of services at a common rate of council tax. The SSA formulae are kept under review through the Distribution Sub-Group. The SSA allocation uses around fifty formulae reflecting demographic, physical, economic, and social characteristics. It also reflects the relative costs of providing comparable services between authorities. Consequently, the formulae take account of factors such as population, numbers of children and older adults, road lengths, rurality and sparsity. The Green Book is a statistical companion to the Local Government Finance Report. It provides background information for the calculation of Standard Spending Assessments for the annual local government revenue settlement.

Approximately 70% of the net budget is funded by the WG via a combination of Revenue Support Grant (RSG) and re-distribution of National Non-Domestic Rates (NNDR) which is collectively referred to as Aggregate External Finance (AEF). Local Authorities are able to apply for additional specific funding through the WG's grant programme. A further circa £40m 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.

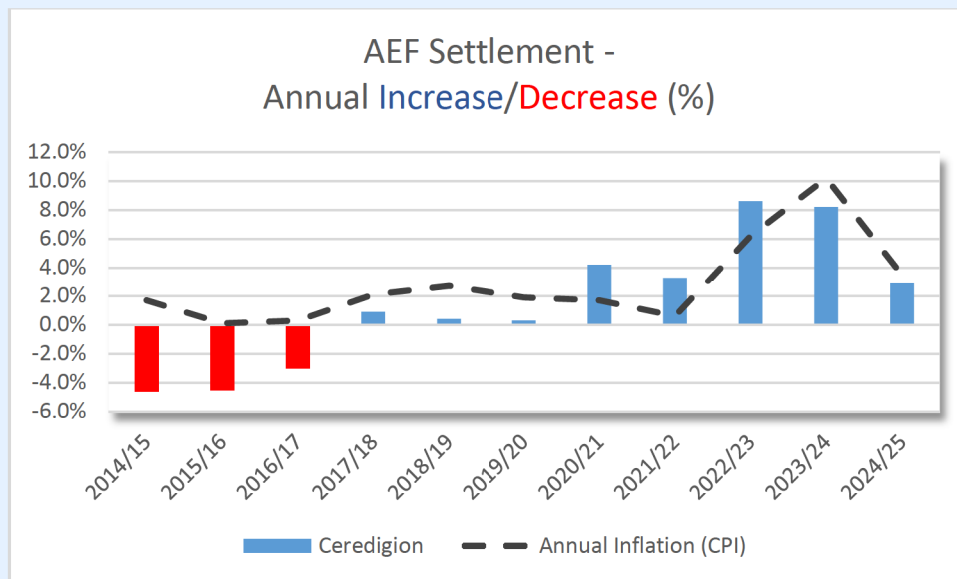
The formula for distributing funding to Local Authorities through the AEF has in recent years tended provide more favourable settlements to more urban authorities in the south of the country with Newport, Cardiff and Swansea receiving a 2024/25 increase in AEF of 5.0%, 4.3% and 4.1% respectively. Whereas more rural counties such as Ceredigion, Conwy and Gwynedd received settlements of 2.9%, 2.3% and 2.3% respectively. Ceredigion's settlement ranked 14th out of the 22 authorities in Wales. No funding floor was put in place for the 24/25 Settlement despite a ministerial commitment to a 3.1% Settlement increase and the clear opportunity to introduce a funding floor for affected authorities when additional funding had become available.

Net Budget Funding 2013/14 - 2024/25



The AEF settlement for 2024/25 has increased by 2.9% which resulted in a budget shortfall of £15m to be found from a combination of Budget Savings and Council Tax increases.

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



5.2.2 Council Tax

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

<https://gov.wales/council-tax-levels> | <https://llyw.cymru/lefelaur-dreth-gyngor>

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

For 2024/25 the annual Council Tax bill for a Band D property in Ceredigion as a result of a 11.1% uplift is £2,104, which also includes the community council and the police authority

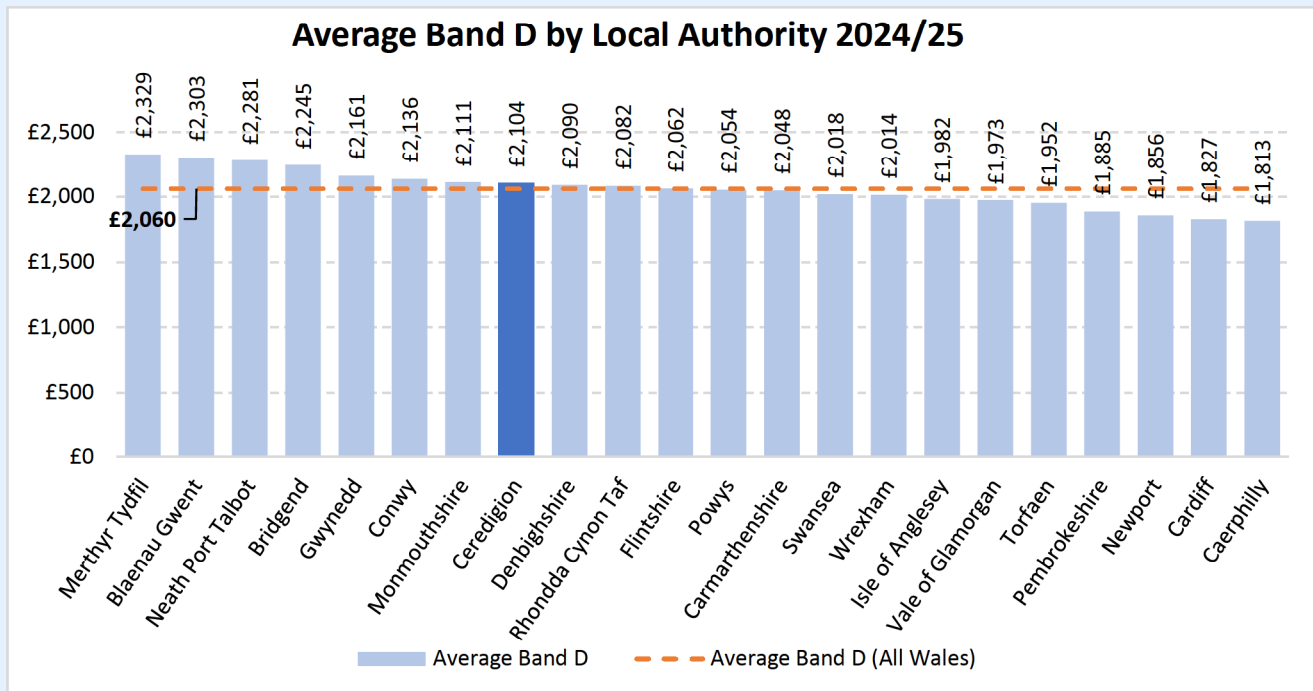
precept. Whilst a Council Tax uplift of 11.1% was agreed to produce a balanced budget for 2024/25 it is acknowledged that cumulative high increases will impact on local Council Tax payers in the same way that high inflation bites over a prolonged period.

The County Council element of the average Band D Council Tax bill in Ceredigion is £1,726. The below table illustrates the average increase to Council Tax bills from a range of Council Tax increases:

| | Council Tax Increase | | | | |
|----------------|----------------------|--------|---------|---------|---------|
| | 1% | 5% | 10% | 12% | 14% |
| Annual | £17.26 | £86.30 | £172.61 | £207.13 | £241.65 |
| Monthly | £1.44 | £7.19 | £14.38 | £17.26 | £20.14 |
| Weekly | £0.33 | £1.66 | £3.32 | £3.98 | £4.65 |

The average Council Tax for Band D property for Wales, including all elements, is £2,060.

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



5.2.2.1 Council Tax Premium – 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 existing Council Tax premium of 25% on Long Term Empty Properties and Second Homes. The two tables below summarise these changes.

Table 2: Council Tax Premium - Second Homes

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

Table 3: 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, funding raised through the premiums will continue to be ringfenced to top up funds held to support the Community Housing Scheme to a maximum of £2m, with the balance held at 31st March 2024 being £2.6m. 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. Premiums raised beyond those required to top up the Community Housing Scheme fund will support the general revenue budget in order to reduce the Council Tax burden on general Council Tax payers.

The increase to 150% on Second Homes from April 2025 should provide an additional benefit to the 25/26 Budget setting process.

5.2.3 Fees and Charges

A significant amount of income (£45m) is received annually through Fees and Charges which is used to assist funding services. These fees are reviewed annually in the context of the Council's financial position and with reference to the Council's Income Management and Service Cost Recovery Policy. It should be noted some of the fees are set on a statutory basis by other bodies, so the Council has no control on the level on these fees.

5.2.4 Discretionary Visitor Levy

The Discretionary Visitor Levy is a commitment from WG as part of their Programme for Government. As at May 2024 WG currently states that plans are progressing and that the plan remains to introduce the legislation within the current government term (2021-2026). Draft legislation is expected to be introduced to the Sennedd for scrutiny in the autumn of 2024.

The visitor levy would be a self-assessed levy on overnight stays in commercially let visitor accommodation. The decision whether to charge the visitor levy within a local authority area will remain a matter for the local authority once the enabling legislation has passed.

The Council will seek to establish its position as to whether or not to charge the levy, once further details are available. WG have indicated that the Welsh Revenue Authority will collect and administer the levy on behalf of local authorities so the administrative burden upon the Council is expected to be minimal.

5.2.4 Council Tax Reform

Welsh Government are committed to reforming both Council Tax and Non Domestic Rates. Proposals may lead to more progressive bands reflecting the latest data, regular revaluations

and a review of all discounts and reductions. Whilst WG have stated this is not about raising more revenue, there is a risk that individual Council's will lose out and for example Ceredigion has a higher average Banding of its properties than several South Wales authorities.

In April 2024 Welsh Government published their Summary of Responses to the Phase 2 consultation on making council tax in Wales fairer. Within this summary they stated that they now plan to introduce reforms to Council Tax from 2028. Detail on actual changes is limited at this stage but they do state that it will include ensuring property revaluations are carried out every five years.

5.3 Cost Pressures

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

Table 4: Estimated Cost Pressures Over Medium Term

| | Note | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|--|------|---------------|---------------|---------------|---------------|
| APT&C Pay Award | 1 | 3.7 | 2.7 | 1.7 | 1.7 |
| Teachers Pay Award including Soulbury | 2 | 2.1 | 1.5 | 1.1 | 0.9 |
| Council Tax Reduction Scheme | | 0.7 | 0.4 | 0.4 | 0.4 |
| Capital Financing | | 0.2 | 0.2 | 0.2 | 0.2 |
| Fire Levy | 3 | 0.5 | 0.3 | 0.2 | 0.2 |
| Through Age Wellbeing related | 4,5 | 8.6 | 5.0 | 3.8 | 3.8 |
| Education related | | 0.3 | 0.2 | 0.2 | 0.2 |
| Highways & Environmental related | 6 | 1.8 | 0.9 | 0.7 | 0.9 |
| Other | 7 | 0.7 | 0.3 | 0.1 | 0.1 |
| Total | | 18.6 | 11.6 | 8.3 | 8.4 |

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

Assumptions around pay awards are particularly uncertain in a high inflation environment and with decisions not being made before the start of financial years which has been seen over recent 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.

| | |
|----------------|---|
| 2024/25 | SCP 2 to 43: + £1,290 SCP 44 and above: + 2.5% |
| 2025/26 | + 3.0% all Scale Points |
| 2026/27 | + 2.0% all Scale Points |
| 2027/28 | + 2.0% all Scale Points |

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.

| | |
|----------------|-------------------------|
| 2024/25 | + 4.0% all Scale Points |
| 2025/26 | + 3.0% all Scale Points |
| 2026/27 | + 2.0% all Scale Points |
| 2027/28 | + 2.0% all Scale Points |

Employers' Teachers' Pension contribution rates rose from 23.68% to 28.68% from April 2024. It is currently expected that any increase will be fully funded by UK Government and in turn WG although there is a risk that there will be a shortfall. This was the case last time the Teachers' Pension rate increased but still remains to be confirmed for April 2024.

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

Note 3 Fire Levy

Annual increases are expected. Assumptions used are in line with forecast annual CPI inflation with a floor of 3% where inflation is forecast lower than 3%.

Note 4 Through Age Wellbeing

Social Care continues to be an area where there are significant budget pressures. Over the medium term this will most significantly be seen in Commissioned Services, driven in a large part by the implementation of the Real Living Wage for all care workers (see section 4.4). Significant cost pressures 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 floating support.

Note 5 Demand & Demographic Changes

Section 5.4 below 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. 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 which results in an estimated total annual cost pressure of approximately £2.4m.

Note 6 Highways & Environmental Services

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

Note 7 Other

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

5.4 Demographics and Other Trends

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

Demographics

Wales' population is projected to increase by 6% up to 2043, rising from 3.13 million in 2022 to 3.33 million in 2043. 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 47%. It is anticipated that during the next twenty years life expectancy will continue to increase but at a slower pace.

Conversely over this period, the number of children 15 and under is projected to decrease from approximately 18% to 14% of the population. The number of households in Wales is also projected to grow faster than the overall population, leading to smaller household sizes and the need for a greater number of homes.

The 2022 Mid-Year population estimates show Ceredigion's population to be 71,610, slightly higher than the 2021 estimate (70,676) 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.

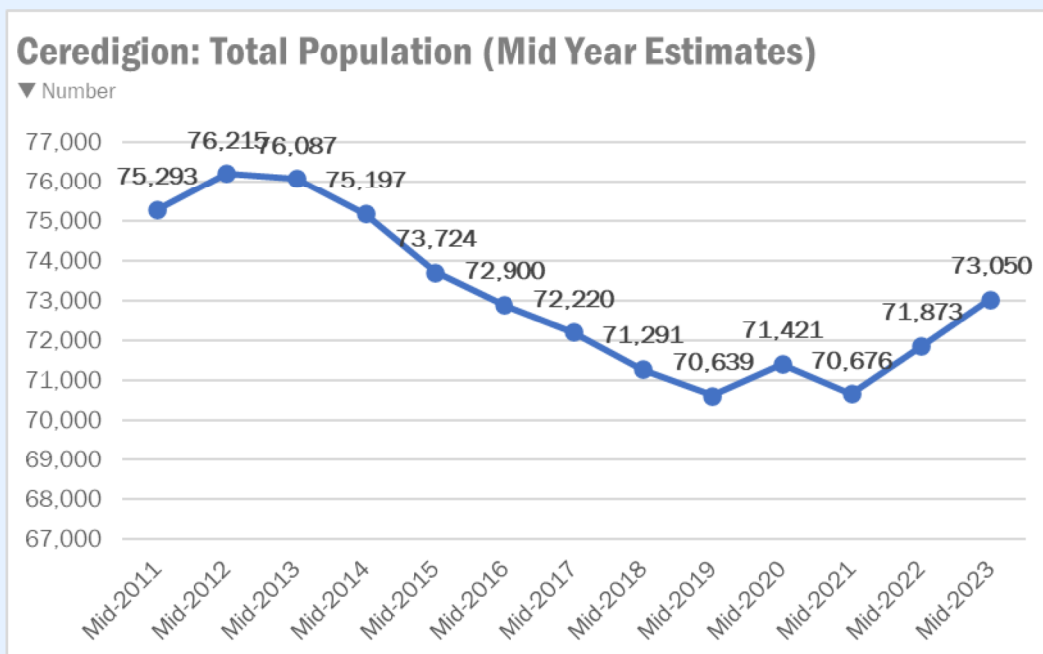
The trend of declining population in the County will have a negative impact on the Council's AEF funding from WG as this is a key factor in the Standard Spending Assessments (SSA) formula as described in section 5.2.1. An ageing population also inevitably and ultimately will place additional demands 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 originally projected. This includes the 2022 Mid-Year population estimates (71,610) being higher than the projection for 2022 (71,151) and the higher than expected increase in internal net migration between 2021 and 2022 (+1,118) which was the second highest nationally.

Subsequently the 2023 Mid-Year population estimates show Ceredigion’s population as 73,050. An increase of 1,177 (1.64%) and the 3rd highest increase nationally. The main driver of change is the increase in net internal migration within the UK (+1,192), followed by an increase in net international migration (+376), while natural change which is births and deaths continued to show a decrease (-394). The 18-22 age group saw the largest increase, accounting for an additional 991 people alone.

Furthermore, the 2021-based interim national population projections for Wales (published January 2024) estimate a higher growth than the 2018-based and 2020-based projections. Population growth is expected to increase at a much higher rate between 2021 and 2031 (5.8%) compared to the previous decade (1.4% between 2011 to 2021). This change is driven largely by international migration.



Employment / Unemployment

The economic activity rate and the employment rate in Ceredigion both saw significant increases during the COVID-19 pandemic and peaked at September 2021. During the last twelve months, since June 2023, both rates have started to decrease, which may be a sign that they are returning to pre-pandemic levels. For example, the economic activity rate at September 2021 was 77.6%, much higher than the 67.0% in December 2019. This equated to an additional 5,000 people in the workforce and resulted in the rate rising above the Wales average. After the nation emerged from the pandemic and the national lockdowns were ended, the rate started to decrease and at December 2023 was 73.2% and fallen below the national average. Similarly, the employment rate increased from 65.1% in December 2019 to 74.6% by September 2021, before falling back to 70.1% by December 2023.

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. Although most metrics appear to be gradually returning to pre-pandemic levels, there are some sustained changes to the local economy and workforce. The first is the significant increase in females in the workforce, which increased by 4,600 between December 2019 and December 2023 and is currently at its highest level on record. This is likely to be a further example of the financial impact of the cost of living crisis. Another example is the significant increase in economic inactivity due to long-term sickness which increased by 2,500 people since December 2019 and is one trend emerging nationally from the pandemic.

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 the next 2½ years to 13.5% or a loss of 2,500 by December 2022. The reasons for this are a combination of the self-employed reclassifying themselves as employees, temporarily mothballing operations, reassessing career options and some moving to perceived safer employment as employees. Since then, the numbers of self-employed have increased slightly but remain at a lower rate of 14.6% (December 2023).

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 December 2023 was 3.5% and continues to be lower than across Wales as a whole (3.7%). In recent years, unemployment in the County has been decreasing although there was some fluctuation due to the pandemic.

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.

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 2023 shows that average annual earnings continue to be lower in Ceredigion than across Wales. The average (median) annual earnings for those who live in Ceredigion are £26,675, lower than the £27,852 across Wales and the £29,669 across the wider UK.

The trend is similar with household incomes. The median household income in 2023 in Ceredigion was £32,783 compared to £33,650 across Wales and £38,984 throughout the UK. Over a third of Ceredigion’s households (37%) have a household income of £25,000 or less, and over a quarter (26%) 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 2023 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.

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 12.4% in 2022, and this is estimated to grow to 15.2% by 2031 and to 18.0% by 2041, which would equate to a 47% increase.

The proportion of the Ceredigion population aged 85 and over is estimated at 3.3% in 2022, and this is expected to grow to 4.7% by 2031 and 6.0% by 2041, representing a 76% increase in the number in this age group.

Ceredigion's Old Age Dependency Ratio is projected to see a rise from 424 dependants per 1,000 in 2022 to 529 dependants per 1,000 in 2041. (The ratio is the number of State Pension age people per 1,000 people of working age).

Despite the increase in the state pension age to 67 in 2028, the Old Age Dependency Ratio is continuing to increase. This is significant, because the increase in the ageing population is a major challenge for all Local Authorities as it will inevitably lead to a greater demand for council services. 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%).

Education

In the 2022/23 Pupil Level Annual School Census (PLASC) there were 4,630 pupils in Ceredigion of primary school age in years Reception to Year 6, with 3,625 pupils of secondary school age (Years 7-11) and a further 715 in Year 12 and 13. The Census (PLASC) takes place in January each year. In Ceredigion, 6,615 (70%) of learners are taught Welsh as a first language and 1,310 (13.8%) 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.

An analysis of post-16 provision across the County was completed in 2023. The aim of the review was to provide an analysis and appraisal of the current post-16 provision in Ceredigion and identify sustainable options for the future, along with their potential advantages and disadvantages.

The intention was to:

- Create a set of agreed principles that were learner-centric.

- Offer a range of accessible and sustainable options whilst ensuring that the voices of the learners, governors, parents, headteachers and Local Authority officers were an integral part of the process.
- Ensure that full consideration had been given to the findings and recommendations of Estyn's national reviews and the background to Welsh Government's current policy, including the Commission for Tertiary Education and Research and the Wellbeing of Future Generations Act.
- Consider rurality and the implications for carbon footprints.

The set of "agreed principles which were learner centric" was created to ensure that the voices of learners, governors, parents and headteachers are an integral part of the report. Gathering the views of a broad group of stakeholders was a key part of the review. Surveys were sent to key groups and a total of 1,306 responses were received. Interviews were also conducted with representatives from educational providers, the local authority and other partners.

In November 2023, the Council's Cabinet considered the current situation and agreed to undertake a feasibility study of two options – firstly to develop the current provision, i.e. post-16 provision would continue on the six existing sites, and secondly for establishing a Centre of Excellence, involving a range of partners, at one or more suitable geographical sites.

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

Highways Network

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

The percentage of A, B and C roads in Ceredigion in poor condition have all remained static during the last year, although the condition for A and B roads remains within the target. A roads in poor condition remained at 3.1% in 2023/24 and within the target of 4%, B roads in poor condition remained at 2.0% and within the target of 4%, and C roads remained at 13.2% 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.

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.

The 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 £446m in 2022, a 51.2% increase on the previous year and a 139.8% increase since 2020. This

significant increase is due to the reopening and subsequent recovery of tourism related businesses following the COVID-19 pandemic which resulted in national lockdowns and closure of the tourism industry across Wales during 2020 and into 2021.

As the recovery continued during 2022, the total visitor numbers to the County also increased, increasing from 1.315m in 2020 at the height of the pandemic to 2.951m in 2022, which exceeded the pre-pandemic level of 2.942m in 2019.

As at 2022, it is estimated that the tourism industry supports 5,636 jobs county-wide, which is approximately 200 lower than prior to the pandemic in 2019.

The tourism industry continues to be a key aspect of the Council's Corporate Well-being Objective of 'Boosting the Economy' as laid out in its Corporate Strategy 2022-27.

6 The Budget Gap & Medium-Term Financial Forecast for 2024/25 to 2026/27

WG's Local Government Settlement for 2024/25 has provided Wales-level core revenue funding allocations of £5.72 billion – equating to an uplift of £184 million (3.3%) from 2023/24. Ceredigion's share of this settlement amounted to £135.2m – equating to an uplift of £3.7m (2.8%) - ranking 14 out of 22 in terms of percentage increase across all Wales' Local Authorities. 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 and recent statements from WG that it is facing significant budget pressures and difficult decisions, it is assumed that annual settlements will increase by 0.5% annually for the term of the MTF5. A 0.5% increase would still be a real-terms reduction given expected levels of inflation. The 0.5% scenario sits within a range of -0.3% and +1.0% that the Wales Fiscal Analysis team (which is a research arm of Cardiff University) have produced.

Table 5 below uses a Council Tax increase of 5% for modelling and planning purposes, however in all likelihood a higher baseline assumption of Council Tax increase of c10% will be needed as part of the overall financial strategy. The actual WG settlement will differ to the projection and could be better or worse, likewise Council Tax increases will vary and ultimately are a formal consideration for Full Council as part of each year's Budget Setting process.

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

Table 5 – Budget Gap Projections

| | Actual Budget | | Indicative | | Indicative | | Indicative | |
|-----------------------------|---------------|--------------|------------|--------------|------------|--------------|------------|--------------|
| | 2024/25 | | 2025/26 | | 2026/27 | | 2027/28 | |
| | Increase | £m | Increase | £m | Increase | £m | Increase | £m |
| Council Tax | 11.1% | 58.3 | 5.0% | 61.2 | 5.0% | 64.3 | 5.0% | 67.5 |
| WG Funding (AEF) | 2.9% | 135.3 | 0.5% | 136.0 | 0.5% | 136.6 | 0.5% | 137.3 |
| Total Income | | 193.6 | | 197.2 | | 200.9 | | 204.8 |
| Budget Pressures | | 18.6 | | 11.6 | | 8.3 | | 8.4 |
| Expected Expenditure | | 200.9 | | 205.2 | | 205.5 | | 209.3 |
| Budget Gap | | 7.3 | | 8.0 | | 4.6 | | 4.5 |

Based on these projections, the Council would be required to close a Budget Gap of at least £17.1m by March 2028. This is on top of the savings already achieved between April 2012 and March 2024 of £60.8m and then a further £7.3m required in the 2024/25 Budget process - meaning over £68m of savings will have been found since 2012.

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

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

Table 6: Budget Funding Gap Scenario Analysis - 2025/26 (£11.6m Cost Pressures)

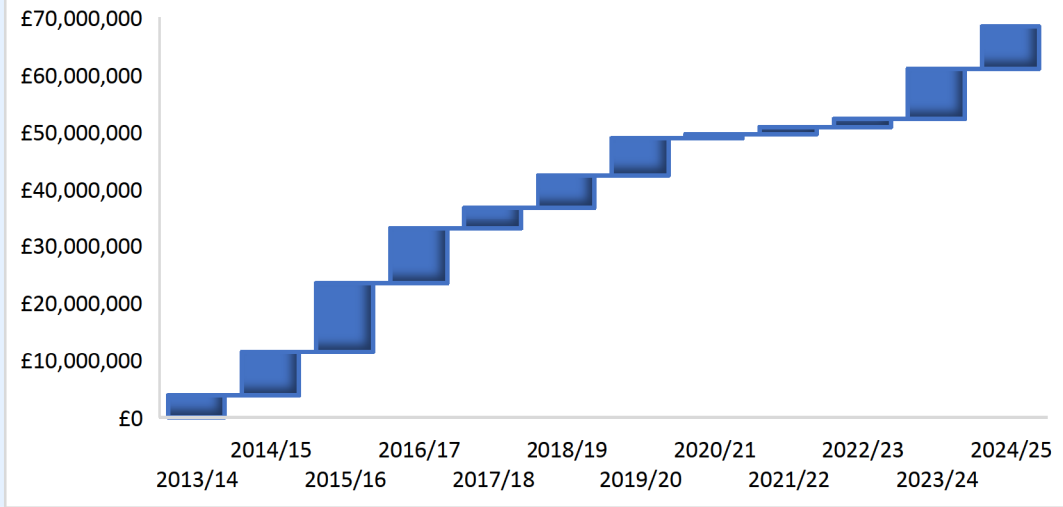
| | | <u>Council Tax Increase</u> | | | | | | | | |
|--|------|-----------------------------|--------|-------|-------|-------|--------|--------|--------|--------|
| | | 0.0% | 2.0% | 4.0% | 6.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% |
| Aggregate External Finance Settlement (AEF) | 0.0% | £11.6m | £10.4m | £9.2m | £8.1m | £6.9m | £5.8m | £4.6m | £3.4m | £2.3m |
| | 1.0% | £10.2m | £9.1m | £7.9m | £6.7m | £5.6m | £4.4m | £3.2m | £2.1m | £0.9m |
| | 2.0% | £8.9m | £7.7m | £6.5m | £5.4m | £4.2m | £3.0m | £1.9m | £0.7m | £-0.5m |
| | 3.0% | £7.5m | £6.4m | £5.2m | £4.0m | £2.9m | £1.7m | £0.5m | £-0.6m | £-1.8m |
| | 4.0% | £6.2m | £5.0m | £3.8m | £2.7m | £1.5m | £0.3m | £-0.8m | £-2.0m | £-3.2m |
| | 5.0% | £4.8m | £3.6m | £2.5m | £1.3m | £0.2m | £-1.0m | £-2.2m | £-3.3m | £-4.5m |

Table 7: Budget Funding Gap Scenario Analysis - 2026/27 (£8.3m Cost Pressures)

| | | <u>Council Tax Increase</u> | | | | | | | | |
|--|------|-----------------------------|-------|--------|--------|--------|--------|--------|--------|--------|
| | | 0.0% | 2.0% | 4.0% | 6.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% |
| Aggregate External Finance Settlement (AEF) | 0.0% | £8.3m | £7.1m | £5.9m | £4.7m | £3.4m | £2.2m | £1.0m | £-0.2m | £-1.5m |
| | 1.0% | £7.0m | £5.7m | £4.5m | £3.3m | £2.1m | £0.8m | £-0.4m | £-1.6m | £-2.8m |
| | 2.0% | £5.6m | £4.4m | £3.2m | £1.9m | £0.7m | £-0.5m | £-1.7m | £-3.0m | £-4.2m |
| | 3.0% | £4.2m | £3.0m | £1.8m | £0.6m | £-0.7m | £-1.9m | £-3.1m | £-4.3m | £-5.5m |
| | 4.0% | £2.9m | £1.7m | £0.4m | £-0.8m | £-2.0m | £-3.2m | £-4.5m | £-5.7m | £-6.9m |
| | 5.0% | £1.5m | £0.3m | £-0.9m | £-2.1m | £-3.4m | £-4.6m | £-5.8m | £-7.0m | £-8.3m |

The unfavourable Medium-Term Financial forecast modelled 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 £68m achieved during this period to achieve balanced budgets is illustrated in the chart below.

Service Budget Savings Achieved 2013/14 - 2024/25



7 Budget Strategy

7.1 Managing Resources Effectively

The Council's Financial Management approach includes;

- Compliance with formal Financial Regulations to ensure that budgets are managed effectively in-year;
- Financial management roles and responsibilities are transparent and embedded across the Council's services.
- Financial literacy is actively promoted throughout the organisation.
- Effective financial controls are in place and cover all areas of financial management, risk management and asset control.
- Ensuring that value for money is achieved in the delivery of services.
- 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 and within the constraints of the grant terms & conditions.
- Where grant bids are required, these need to be linked to the Council's Wellbeing Objectives.
- Exit strategies need to be considered for grant bids and relevant grant funding.
- Resources are targeted to achieve the greatest positive impact e.g. utilising ICT to support lean processes and improved workflow.
- Pursue efficiency to make best use of the Council's assets, i.e. funds, land, buildings, fleet, staff and information technology. For example, further rationalisation of assets to reduce revenue costs, generate income streams or co-locate Council / Public Services.
- Consideration given to the longer term to plan for sustainable services and budgets and maintaining appropriate service standards for core front-line services.

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 need to be in a challenging financial landscape.

7.2 Partnership Working, External Funding and Collaboration

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

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

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

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

The Council has significant grant funding for delivering its gross revenue budget. There have been transfers of specific grants into the revenue support grant and 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 unhypothecated 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 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) and has formed 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 is proposed to be delegated to the GMW Joint Committee during 24/25.

7.3 Managing the Budget Gap

Based on the funding assumptions described in section 6 above and the cost pressures detailed in section 5.3, the financial modelling indicates the Council will have a Budget gap of £17.1m over the 3-year period 2025/26 – 2027/28.

Indicative savings of £2.8m have already been identified for 2025/26. This is on top of the £7.3m identified and assumed in the 2024/25 Budget Setting process. **This would then leave a Budget Shortfall of £5.2m in 2025/26 and in total £14.3m over the next 3 years.**

Table 8: Estimated Medium-Term Budget Gap

| | 2024/25 Actual £m | 2025/26 Indicative £m | 2026/27 Indicative £m | 2027/28 Indicative £m |
|---|-------------------------|-----------------------------|-----------------------------|-----------------------------|
| Estimated Budget Gap | 7.3 | 8.0 | 4.6 | 4.5 |
| Savings Identified: | | | | |
| 2024/25 - Savings plan | 7.3 | - | - | - |
| 2025/26 – Indicative savings identified | - | 2.8 | - | - |
| Total Savings Identified | 7.3 | 2.8 | - | - |
| Budget Shortfall Remaining | - | 5.2 | 4.6 | 4.5 |

A summary of the approved Budget Reductions for 2024/25 and the early indicative Budget Reductions identified for 2025/26 can be seen in Appendices 1 & 2.

After factoring in savings assumptions for 2025/26 and 2026/27, the resulting range of Budget Shortfalls is illustrated in the tables below, showing the impact for different levels of Council Tax and WG funding.

Table 9: Budget Funding Gap Scenario Analysis - 2025/26 (£11.6m Cost Pressures)

| | | Council Tax Increase | | | | | | | | |
|--|-------------|----------------------|-------|--------|--------|--------|--------|--------|--------|--------|
| | | 0.0% | 2.0% | 4.0% | 6.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% |
| Aggregate External Finance Settlement (AEF) | 0.0% | £8.8m | £7.6m | £6.4m | £5.3m | £4.1m | £3.0m | £1.8m | £0.6m | -£0.5m |
| | 1.0% | £7.4m | £6.3m | £5.1m | £3.9m | £2.8m | £1.6m | £0.4m | -£0.7m | -£1.9m |
| | 2.0% | £6.1m | £4.9m | £3.7m | £2.6m | £1.4m | £0.2m | -£0.9m | -£2.1m | -£3.3m |
| | 3.0% | £4.7m | £3.6m | £2.4m | £1.2m | £0.1m | -£1.1m | -£2.3m | -£3.4m | -£4.6m |
| | 4.0% | £3.4m | £2.2m | £1.0m | -£0.1m | -£1.3m | -£2.5m | -£3.6m | -£4.8m | -£6.0m |
| | 5.0% | £2.0m | £0.8m | -£0.3m | -£1.5m | -£2.6m | -£3.8m | -£5.0m | -£6.1m | -£7.3m |

Table 10: Budget Funding Gap Scenario Analysis - 2026/27 (£8.3m Cost Pressures)

| | | Council Tax Increase | | | | | | | | |
|--|------|----------------------|-------|--------|--------|--------|--------|--------|--------|--------|
| | | 0.0% | 2.0% | 4.0% | 6.0% | 8.0% | 10.0% | 12.0% | 14.0% | 16.0% |
| Aggregate External Finance Settlement (AEF) | 0.0% | £8.3m | £7.1m | £5.9m | £4.7m | £3.4m | £2.2m | £1.0m | -£0.2m | -£1.5m |
| | 1.0% | £7.0m | £5.7m | £4.5m | £3.3m | £2.1m | £0.8m | -£0.4m | -£1.6m | -£2.8m |
| | 2.0% | £5.6m | £4.4m | £3.2m | £1.9m | £0.7m | -£0.5m | -£1.7m | -£3.0m | -£4.2m |
| | 3.0% | £4.2m | £3.0m | £1.8m | £0.6m | -£0.7m | -£1.9m | -£3.1m | -£4.3m | -£5.5m |
| | 4.0% | £2.9m | £1.7m | £0.4m | -£0.8m | -£2.0m | -£3.2m | -£4.5m | -£5.7m | -£6.9m |
| | 5.0% | £1.5m | £0.3m | -£0.9m | -£2.1m | -£3.4m | -£4.6m | -£5.8m | -£7.0m | -£8.3m |

7.3.1 Key Elements to Managing Budget Gap

Whilst the Council's underlying budget position is that inflationary and other growth in demand for its services is likely to rise and exceed forecasted income, the main objectives of the annual budget setting continue to be:

- Ensure that a balanced budget is set each year and that value for money services are delivered.
- Look to the longer term to help plan sustainable services and budgets and help ensure that the Council's financial resources are sufficient to support delivery of Council priorities, whilst at the same time maintaining core Service operations.

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

- Taking a Team Ceredigion approach to the budget challenge at Leadership Group, through looking at savings and income opportunities corporately and cross-cutting so that key transformational change continues to be achieved and delivered.
- Planning generally to provide flat budget allocations to Services, unless corporate recognition is made for Cost Pressures. Services therefore need to meet any unfunded increased costs from further service efficiency, income and cost recovery, and change within the service area as a whole. In some cases this will mean needing to 'cut the cloth' accordingly and prioritising activity and focus.
- To target reductions in Supplies & Services and 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.
- Efficiency savings (including invest to save schemes and procurement savings) will continue to be sought as a natural part of improved service delivery. Investment will continue to be considered to facilitate and pump prime initiatives, provided that business cases stack up.
- Savings will continue to be sought from Service delivery, where possible but generally in a targeted way not via salami slicing. In undertaking reviews relating to the future

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

- Any savings achieved in advance of the annual budget requirement will be applied to earmarked reserves, in particular to support the Corporate Wellbeing Objectives or to pump prime other initiatives, as well as then applying the ongoing savings to the base budget in an appropriate later year of need.
- Where specific grant funding is transferred into RSG then these resources will be allocated directly to the relevant service`s budget, providing there is a clear correlation to ongoing service delivery.
- Where specific grant funding comes to an end (either naturally or otherwise), the normal expectation is that the associated service activity will need to be reviewed and ceased even if that creates a redundancy position(s).
- Certain items will be recognised as Corporate Items requiring annual allocations in the budget model. This includes the Council Tax Support Scheme, funding of the Capital Programme, any ringfencing regarding Council Tax Premiums, External Audit Fees, Democratic costs (Members Allowances) and the Mid & West Wales Fire Authority Levy.
- The Cost & Inflationary pressures earmarked reserve will be used to provide temporary mitigation where necessary whilst inflation remains at elevated levels. The Contingency & Budget Management earmarked reserve will be used to assist in managing emerging in year Budget pressures where they appear outside of the normal Budget process.
- The budget will be set so that no demand is made from General Fund Balances to support the base budget, other than in exceptional circumstances. Earmarked Reserves shall only be used for one-off non-recurring purposes.

To achieve the level of saving required, particularly if the public finances are going to be under strain for several years, will mean proposals will need to be far reaching. The transformational themes originally developed under Doing Things Differently – A Corporate Approach’ will therefore continue – namely:

- i) Treasury Management / Capital Financing savings**
- ii) Operational / Efficiencies savings wherever possible**
- iii) Use of Council Tax premiums within the parameters set by Full Council**
- iv) Building rationalisation and/or Building usage maximisation**
- v) Service delivery by the 3rd Sector (including Town & Community Councils)**
- vi) Ceasing Service delivery / funding where appropriate**
- vii) Energy & Fleet savings / rationalisation**
- viii) Continued transformation and innovation in all Services**
- ix) Establishing a financially viable Education infrastructure**
- x) Continued focus on Income Generation (including Fees & Charges)**

In addition Council Tax increase considerations need will take into account the need to ensure that there is sufficient funding to protect key services and core operations. This is highly likely to mean a baseline higher than 5% and closer to or beyond 10%. Targeted unpalatable Budget cuts are likely to be needed which would mean a reduction in Council services being delivered rather than continuing to try to deliver the same but with less resources.

The following are key strategic Capital budget setting aims:

- Asset Management Planning along with the Carbon Management Programme will inform the setting and prioritisation of the Multi-year Capital programme and necessary

expenditure on existing, and new, Council assets.

- Identification of expenditure that can attract external grant funding, providing the ongoing revenue impact is sustainable.
- Invest to save schemes demonstrating a return on investment and/or a reasonable payback period are regarded as high priority as they provide a positive contribution to the medium term budget position.
- The Capital programme budget will normally be set so that no demand is made of prudential borrowing other than to fund specific capital projects. Consideration will also be given to use prudential borrowing when revenue savings are identified which can be used to fund the capital financing costs.
- Use of funding set aside in earmarked reserves will support the Capital programme, in particular the Corporate Capital reserve as well the 4 Corporate Wellbeing Objectives reserve e.g. for 21st Century Schools and Coast Protection Schemes.
- Capital receipts are regarded as a positive contribution to the overall capital programme and will be allocated in accordance with the balance available at the start of the year. Appropriate responses to major disposals will take place as and when they arise.
- Expenditure and investment on any assets are to make a positive contribution to, and support, Corporate Wellbeing Objectives.
- Develop a funding strategy to support planned future major projects as the need arises.

7.4 Earmarked Reserves and Balances

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

Table 11: Reserves & Balances Projections

| | 31.03.24 Actual | 31.03.25 Planned | 31.03.26 Planned | 31.03.27 Planned |
|-----------------------------------|--------------------|---------------------|---------------------|---------------------|
| General Balances - Amount | £6.7m | £6.7m | £6.7m | £6.7m |
| General Balances - Percentage | 3.5% | 3.4% | 3.3% | 3.3% |
| Earmarked Reserves (Inc. Schools) | £44.0m | £35.0m | £30.0m | £28.5m |

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

There is a risk with an increasing Net Budget total, that the %age becomes diluted over time. Therefore, there may come a point where an additional contribution would need to be budgeted / made at year end in order to not fall below 3%. 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 charges of approximately 1.5% annually.

8 Risk Assessment & Sensitivity

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

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

Table 12: Sensitivity Analysis

| Assumption | | Effects of 1% variation to assumed rates (+/-) £'000 |
|-------------|---|--|
| Income | Welsh Government AEF Settlement | 1,350 |
| | Council Tax (Gross of Council Tax Reduction Scheme) | 580 |
| | Council Tax (Net of Council Tax Reduction Scheme) | 500 |
| | Interest Rates (Investment Income) | 400 |
| | External Grants | 340 |
| | Fees & Charges (noting that not all are set by the Council) | 450 |
| Expenditure | Pay Award – General | 820 |
| | Pay Award – Teachers | 450 |
| | Employers National Insurance | 510 |
| | Local Government Pension Scheme Contribution Rate | 700 |
| | Teacher's Pension Contribution Rate | 300 |
| | Social Care Provider Contracts | 400 |

Cost Pressures

There are cost pressures that are not included in section 5.3 Cost Pressures above because they are either uncertain to materialise or extremely difficult to estimate, they therefore pose an additional financial risk to budget gap estimations within the strategy.

- **Superannuation Contributions Adjusted for Past Experience (SCAPE) rate** – changes to the SCAPE rate were announced in the Chancellor's 2023 Autumn Statement. This will have implications for the Council in regard to Teacher Pension contributions and the Firefighters pension contributions via the Council's Mid Wales Fire & Rescue Levy contribution. It was initially indicated that any additional cost to the Council, currently estimated to be c£1.5m, would be fully funded by WG but this position is still to crystallise.
- **Waste Service: Extended Producer Responsibility** - DEFRA are collaborating with UK Government and WG to roll out a scheme to manage the reduction of packaging costs. Details around the scheme are not clear at present but it is expected that the Council will be expected to manage the collection and separation of such packaging. The expectation is that WG will provide some form of funding but there is the risk it is not full cost funded.
- **Waste Service: Sustainable Waste Management Grant** – Changes are expected in how WG distribute the Sustainable Waste Management Grant. It is expected that the grant is redistributed to support lower performing authorities, which will be to the

detriment funding received by Ceredigion County Council as a better performing authority.

- **Special Educational Needs** – A rise in SEN requirements and behavioural counselling needs is being seen in schools although it is difficult to estimate the future cost pressure as a result.
- **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 scrutinised by the Governance and Audit Committee:

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

The potential consequences of this risk are:

- Risk of failing to meet statutory budget setting deadlines.
- Risk of service delivery impacted due to decreasing resources, short lead in times to service changes or failure to effectively prioritise spend in line with corporate priorities.
- Risk that savings plans identified are not achieved as planned.
- Risk that annual budget setting frustrates longer term planning.

The risk sits at the highest score possible of 25 and this is unlikely to change based on the current medium term outlook. The Council continues to monitor and review its Medium Term Financial Strategy. The Council monitors the budgets set, the savings planned and has been going through an extensive iterative process of considering future options to identify future savings.

Appendix 1: Summary of 2024/25 Approved £5.8m Budget Reductions

| Theme | 24/25 Approved Budget Reductions £'000 |
|--|--|
| Treasury Management / Capital Financing Savings | 735 |
| Operational / Efficiency Savings | 1,196 |
| Building Rationalisation and/or Building Usage Maximisation | 195 |
| Service Delivery by the 3rd Sector (including Town & Community Councils) | 241 |
| Ceasing Service Delivery / Funding | 126 |
| Energy & Fleet Savings / Rationalisation | 325 |
| Service Transformation / Innovation | 1,675 |
| Income Generation (including Fees & Charges) | 1,300 |
| TOTAL | 5,793 |

Appendix 2a: Indicative 2025/26 Budget Reductions (as presented in the 2024/25 Budget Papers)

| Service | Area of Service | Narrative | 25/26 Indicative £'000 |
|-----------------------------------|--|---|------------------------|
| Finance & Procurement | NNDR Discretionary Relief | Reduce existing budget headroom and scale back support from 01/04/25 to focus solely on Ceredigion based organisations combined with a maximum award level | 65 |
| Porth Cymorth Cynnar | Support & Prevention | Review of locations used for Youth Clubs, together with looking at a greater use of Volunteers | 10 |
| Porth Cymorth Cynnar | Wellbeing Centres | Greater Commercial Income generation | 50 |
| Porth Cymorth Cynnar | Housing - Homelessness | Reduce number of properties leased in and move to freehold owned properties, combined with a review of Temporary Accommodation Management Fees paid to external Providers | 50 |
| Porth Cymorth Cynnar | Carers & Community | Review use of Penparcau Family Centre building | 4 |
| Schools & Lifelong Learning | Culture - Ceredigion Museum | Seek interest parties to operate Ceredigion Museum on a Charitable / Trust basis | 75 |
| Schools & Lifelong Learning | Felinfach Campus | Cease operating any services from the Felinfach Campus site - with exception of Theatre Felinfach | 94 |
| Schools & Lifelong Learning | Primary Schools infrastructure | Strategic review of Primary schools in order to protect the viability of the core infrastructure that's affordable | 335 |
| Customer Contact, ICT & Digital | Libraries | Retain a presence in each of the 4 current towns but co-locate library provision with other Council Services where-ever possible, combined with reviewing every location's opening hours. | 15 |
| Porth Gofal | LA Residential Care Homes | Review collaborative approaches with Health Board etc to maximise the use of Hafan y Waun, Aberystwyth | 150 |
| Economy & Regeneration | Public Conveniences | Review of Public Toilets - Combination of increased Fees & Charges, possible closure, reduce running costs or transfer to Town & City Councils where appropriate | 50 |
| Economy & Regeneration | Operational Office Buildings | Continue to maximise the range of public facing services in Canolfan Rheidol, Aberystwyth and Penmorfa Aberaeron and seek alternative uses for County Hall, Aberaeron (£150k already assumed in the 23/24 base budget) | 140 |
| Economy & Regeneration | Corporate Estate / Commercial Buildings and Use of Space | Continued maximisation of income opportunities including recovering all costs, following up rent reviews, retain v sell v repurpose considerations | 100 |
| Economy & Regeneration | Energy Schemes | Reduced running costs following capital investment in Energy Schemes - ranging from WG Re:Fit scheme to Solar PVs on key buildings (£125k already assumed in the 23/24 base budget) | 25 |
| Highways & Environmental Services | Parking on the Promenade in Aberystwyth | Introduce Fees & Charges for the Promenade as part of a new Fees & Charges Car Parking charges structure | 100 |
| Highways & Environmental Services | Car Parking - Fees & Charges | New Fees & Charges structure with principles to include charging all year round, Peak / Off peak tiering, Charging beyond 8am to 6pm, Premium locations, simpler charging periods (To be subject to a further Cabinet report) | 125 |
| Highways & Environmental Services | Harbours - Fees & Charges | Continued move to Full Cost Recovery to eliminate any Council Subsidy | 25 |
| TOTAL | | | 1,413 |

Appendix 2b: Additional Indicative 2025/26 Budget Reductions

| Service | Area of Service | Narrative | 25/26 Indicative £'000 |
|--------------|---------------------|---|------------------------|
| Corporate | Second Home Premium | Estimated impact of 150% on Second Home Premium from 01/04/2025 | 1,000 |
| Various | Energy Savings | Anticipated savings from lower Energy Contract prices from October 2024 | 378 |
| TOTAL | | | 1,378 |

Appendix 2 Combined Total

| | |
|--------------|--------------|
| TOTAL | 2,791 |
|--------------|--------------|