

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Thursday, 17 July 2025</b>
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Report Title:	Financial Strategy 2026/27 to 2030/31
Purpose of Report:	To set the strategy for development of the Council's 2025/26 Budget and 2026/27 to 2030/31 Medium Term Financial Plan.
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	Senior Leadership Team
Policy Framework:	This is a matter for Executive decision by Cabinet. The budget in March 2026 will be a Full Council decision.
<p><b>Executive Summary:</b></p> <ul style="list-style-type: none"> <li>The report restates the Medium Term Financial Plan's assumptions approved by Council in March 2025 and sets out new and emerging financial issues and sets out the Financial Strategy and process for approving the 2026/27 Budget and MTFP at Full Council in March 2026.</li> <li>The new Corporate Plan, Vale 2030, was developed in 2024/25 and approved at Full Council in March 2025 for the five-year period to 2030.</li> <li>The Financial Strategy will focus on ensuring that the Council's resources will be targeted to delivering the Council's objectives and at these challenging times ensuring services for the most vulnerable are maintained.</li> <li>There is a significant funding gap in 2026/27 and across the medium term. There has been a Spending Review from the UK Government with a follow up underway from the Welsh Government. Whilst welcomed it does demonstrate the ongoing financial challenges that lie ahead; Government funding not meeting all of the Council's needs putting upwards pressure on Council Tax and the continued delivery of efficiencies and savings.</li> <li>The gap for 2026/27 is currently forecast at £13.156M. There are forecast cost pressures of £18.054M but likely funding of only an additional £5.648M coming through from Welsh Government grant, Council Tax and planned use of Council reserves and the reversal of prior year savings of £0.750M.</li> </ul>	

- The key cost driver continues to be inflation with £14.942M of pressure coming through on pay awards, NI underfunding by UK Government, care and transport. On top of this are the continued demographic pressures coming through with a growing number of pupils with Additional Learning Needs and an aging population.
- There was a single year settlement announced in March 2025 and no direct indication of the level of settlements at that time for future years. The chancellor's June Spending Review was welcomed in providing a three year Settlement for the UK but this now needs to be followed up by Welsh Government's own spending review across the same period. For planning purposes there is a working assumption of 1% per annum growth from 2026/27 onwards based on the Welsh Government's Fiscal Review from late 2023.
- Welsh Government is working on its Spending Review which is expected to report back in early autumn with the Welsh Government Provisional Grant Settlement anticipated in October 2025.
- Council Tax is assumed to increase by 3.9% but this is purely for planning purposes at this stage and will be subject to a policy decision later in the process.
- Resources Scrutiny Committee is being requested to review the Financial Strategy and funding and cost assumptions and for their comments to be fed back to Cabinet.
- Officers will be reviewing the cost pressures and existing savings commitments across the summer to inform the Council's planning and to feed in the Welsh Government Spending Review.
- Services will be bringing Reshaping transformation proposals forward in September 2025 against an agreed framework as described in this report along with an expectation that these will need to be supplemented by tactical savings. These will be subject to internal challenge across September and October 2025.
- In a significant change to previous years there will be active public participation on these proposals earlier in the process. With a Budget for Consultation scheduled to be published in November this allows for an extended period of consultation and will enable more assurance on the delivery of the efficiencies and savings.
- A balanced budget for approval will be presented to Full Council in March 2026.

## **Recommendations**

1. Cabinet is recommended to note the challenging financial position faced by the Council with a funding gap of £13.156M in 2026/27 and £40.340M across the medium term.
2. Cabinet is recommended to lobby Welsh Government for an appropriate settlement in the face of the continued inflationary pressures on schools and social care provision and authorise Council Officers to do the same through appropriate networks.
3. Cabinet is recommended to note the accelerated budget setting timetable.
4. Cabinet is recommended to request officers to review the cost pressures and savings commitments across the summer.
5. Cabinet is recommended to request officers develop proposals against the redefined transformation programme, the Reshaping Programme, to complement the Financial Strategy and contribute to the medium term financial sustainability of the Council.
6. Cabinet is recommended to refer this report to the Council's Resources Scrutiny Committee to review the Financial Strategy and assumptions made on costs and funding in the Medium Term Financial Plan refresh and for any recommendations to be referred back to Cabinet for consideration.
7. Cabinet is recommended to note that a further report on the Council's budget be presented to Cabinet in due course as outlined in this report.

## **Reasons for Recommendations**

1. There continue to be significant financial pressures impacting on the 2026/27 Budget and Medium Term Financial Plan 2026/27 to 2030/31 and it is essential to inform Cabinet of the magnitude of the challenge and for work to commence as early as possible on establishing a balanced budget and sustainable financial position in the medium term.
2. The challenges cannot be overstated at this time and many of the cost pressures cannot be mitigated. A significantly better settlement than is currently forecast would be essential if there are not to be reductions in service provision.
3. Early decision making will enable extended consultation and improve deliverability of savings and reshaping proposals.
4. There are a number of strategies to balancing the budget other than attracting more funding and delivering savings. Costs need to be managed too.
5. To enable the medium-term financial sustainability of the Council to be strengthened by a new iteration of the Reshaping Programme.
6. The Council is open to clear and transparent financial reporting and an appropriate level of challenge to the management of its finances. A key element of the challenge process is through the Council's scrutiny function.

7. Given the financial challenges, clear and regular reporting is essential.

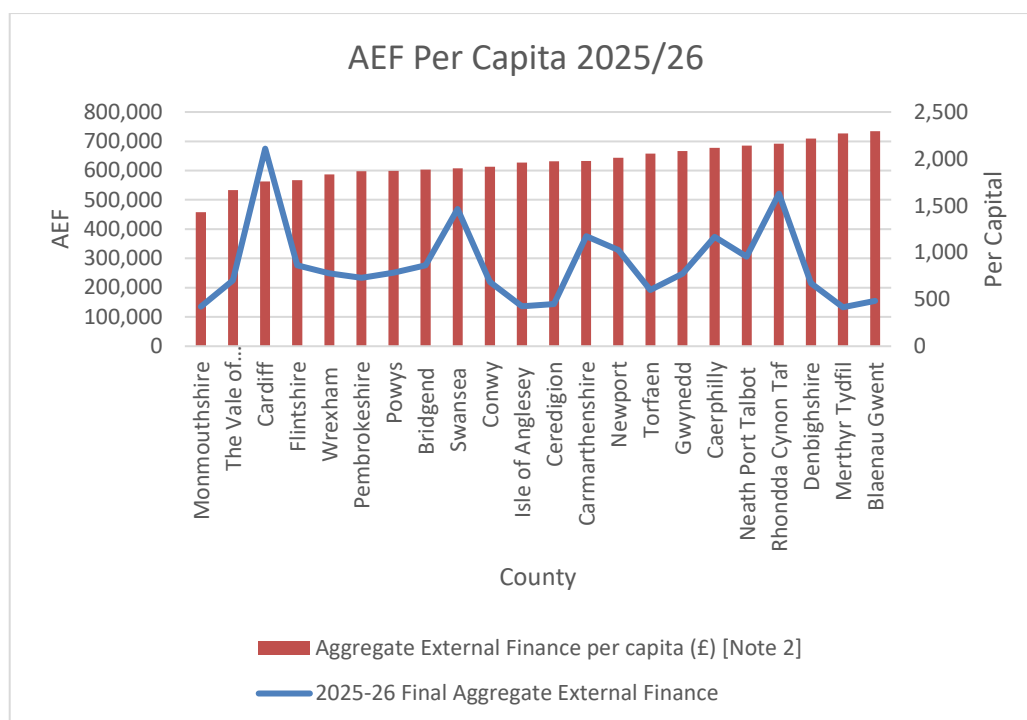
## **1. Background**

### **1.1 2026/27 Budget Setting**

- 1.2** The Council approved its 2025/26 with the and Council Tax charge at its meeting on 10th March, 2025. In keeping with budget setting over the past two years in particular it was very challenging with the final Settlement from Welsh Government being only being 3.8% after the implementation of a funding floor. The Council has a £8.771M savings programme to deliver at the same time as managing a significant level of pressures which again could not be accommodated. There was also a real challenge in setting Council Tax with an increase of 5.9% during the continued economic pressures, it was nevertheless below the level consulted on due to the funding floor and also below the average increase across Wales but unavoidable as the Council sought to protect schools and social care with Welsh Government grant only increasing by 3.8%.
- 1.3** Of concern is the continued short term nature of settlements at a time when it is more important than ever to be able to plan for the medium term. There was only a single year settlement from Welsh government with no clear indication of future funding levels but a real prospect of multiple year settlements to coming following a spring Spending Review by the UK's Chancellor of the Exchequer.
- 1.4** The £8.771M savings programme is the largest in recent history and is a cause for concern not only due to its size but also the recent track record on such programmes where there has not been 100% success. Despite the protection directed to key services there has been slow progress by schools in arresting the use of their reserves and moving to an in year position of balance and forecasting Children's Social Care demand is less than straightforward given the upsurge and volatility experienced in 2024/25.

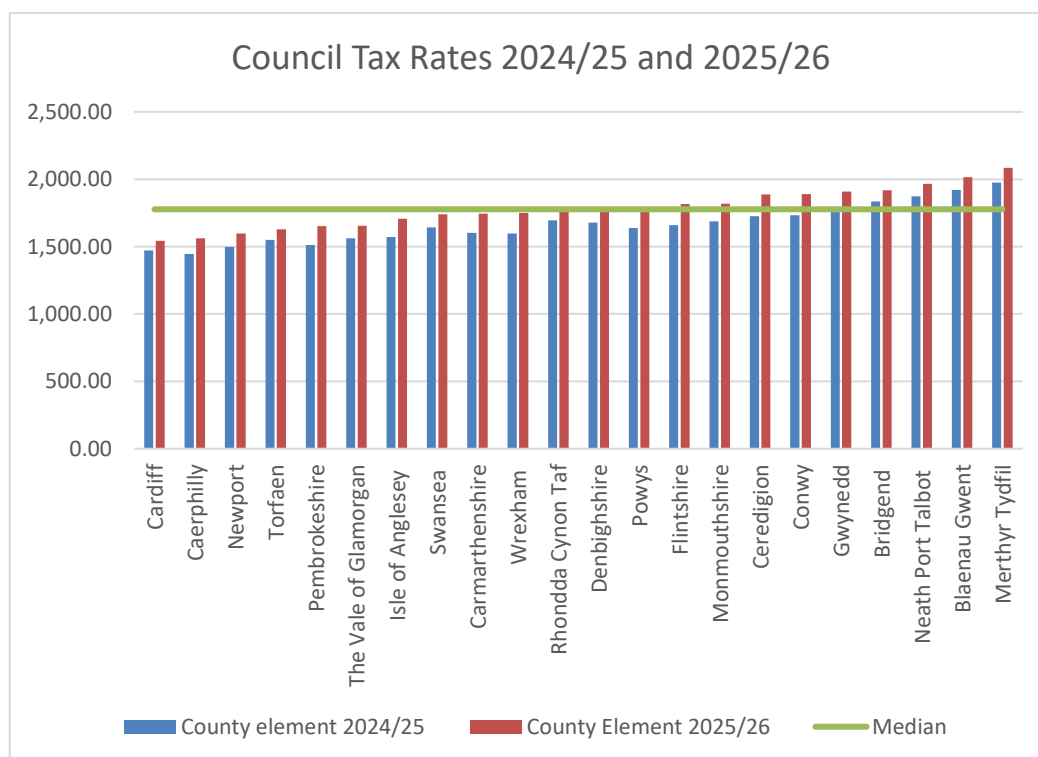
### **1.5 Financial Overview**

- 1.6** The Vale of Glamorgan is a relatively low spending Council with low levels of Welsh Government Grant and Council Tax.
- 1.7** The Vale of Glamorgan had the second lowest level of grant from Welsh Government of the 22 Welsh counties. The low level of funding exists in place against all of the service blocks feeding into the overall grant and the Council has had to spend above these notional levels to ensure an appropriate level of resource is available to deliver services, especially in the schools sector.
- 1.8** Chart 1 – Aggregate External Finance Per Capita



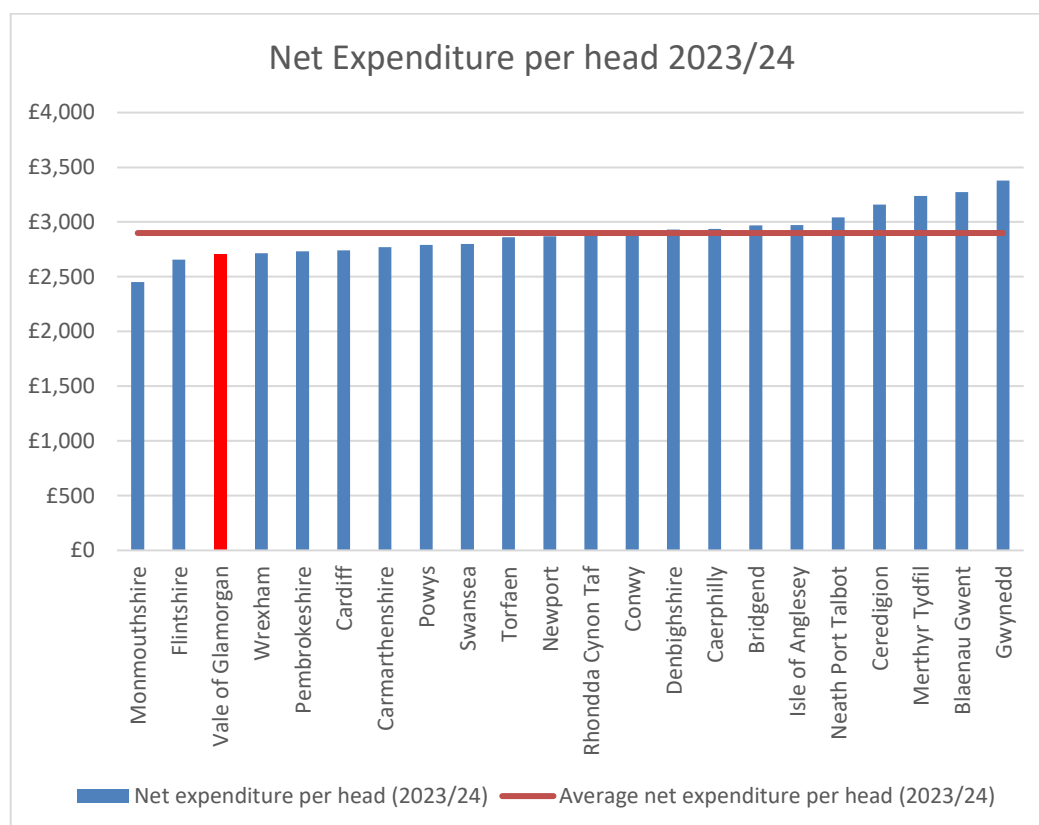
**1.9** The Vale of Glamorgan continues to be one of the lower taxing Welsh counties and for 2025/26 remains the sixth lowest of the 22 Welsh counties. Whilst the ranking is unchanged there is an increased gap to the 7th Council Isle of Anglesey where the Council Tax increase was 8.50%, a level similar to a number of North and West Wales Authorities. The Council is now 7.36% below the median for Welsh counties.

Chart 2 – Council Tax Rates



**1.10** For 2023/24 the Vale of Glamorgan had the third lowest spend of the 22 Welsh counties. Spend was £2,507 per head of the population, the highest was £3,109, the lowest £2,445 and the average £2,742. The position was also very similar at a service level with spend typically at the lowest quartile level other than housing and Education Services where spend was closer to median. 2024/25 data will not be available until later in the year, early autumn.

**1.11** Chart 3 – Net Expenditure per head of Population



**1.12** The Council has undertaken detailed benchmarking as part of its budget setting for 2025/26 continuing with work commenced when setting the budget for the 2024/25. As well as there being a low spend at an overall level this applies to all most all of the Council's service where they are typically bottom quartile for spend. 2024/25 data will not be available until later in the year, early autumn.

**1.13** Table 1 – Service Comparators 2023/24

Service	Unit	Wales Max	Wales Min	Vale	Wales Context
		£	£	£	
Adult Social Care	18 +	977.30	502.88	682.80	Low
Central	Head	179.27	25.05	41.48	Very Low
Children's and Families	0-17	2,422.39	1,240.46	1,322.68	Very Low

Cultural and Related	Head	119.31	42.34	54.53	Very Low
Education	0-18	6,715.54	4,800.85	5,824.22	High
Environmental and Regulatory	Head	231.58	113.88	135.17	Very Low
Highways and Transport	Head	165.03	66.13	66.13	Very Low
Housing	Head	399.21	229.20	278.67	Average
Planning	Head	289.07	4.24	37.50	Average
Total		<b>3,378.68</b>	<b>2,451.82</b>	<b>2,709.21</b>	Very Low

**1.14** The Council delivers a very wide range of services (as set out below along with the net spend and proportion of the overall Council spend). The two largest spend areas Schools and Social Care accounted for 71% of the Council's spend in 2025/26, up from 70% the previous year and modelling of the current budget proposals below indicates that this proportion will grow still further in 2026/27 and across the medium term. There is little flexibility in much of the Council's spend with, for example, the Council Tax Reduction Scheme of £12.335M being a national scheme (albeit far from fully funded, nationally) and the Fire Levy of £8.761M being a levy set by South Wales Fire and Rescue Service.

**1.15** Table 2 – Net Expenditure 2025/26

Service	Description	Net Spend 2025/26	% of Base Budget
		£000	%
Schools	Delegated spend for primary, secondary and Special schools including Additional Learning Needs Provision	128,213	39
Social Care	Support services for vulnerable Adults and Children and Young People in our Community.	106,594	32
Corporate Services and Policy	HR and Payroll; Finance including Council Tax, Rates and Benefits; Legal and Democratic Services; and also ICT and Office Accommodation costs total £5M.	16,212	5
Learning and Skills	Central support for schools, libraries, arts and cultural provision.	14,674	4
Council Tax Reduction Scheme	Statutory scheme supporting those on the lowest incomes.	12,335	4

Fire Levy	Payment of the levy to South Wales Fire & Rescue Service	8,761	2.5
Waste and Recycling	The cost of Waste and Recycling Services	8,341	2.5
Borrowing Costs	Capital financing costs and investment income	8,122	2
School Transport	Transporting Children and Young People to Mainstream and Special sector schools	7,355	2
Other Neighbourhood Services	Leisure, Parks, Street Cleansing and Supported Bus Services	7,094	2
Highways	The cost of Highways and Engineering including Flood, Drainage and road maintenance	5,447	2
Regeneration and Planning	Includes management of the Planning function including development of the LDP, Regeneration, Country Parks and Tourism services.	3,115	1
General Fund Housing	Community Safety and Homelessness provision	1,871	1
Democratic Costs	Democratic Costs	1,729	0.5
Regulatory Services	Food safety, animal welfare	1,711	0.5
<b>Total</b>		<b>331,574</b>	<b>100</b>

## 2. Key Issues for Consideration

### 2.1 Corporate Plan Objectives

**2.2** The Council agreed its current new five year Corporate Plan – ‘Vale 2030’ in March 2025.

**2.3** In line with the duties under the Well-being of Future Generations Act the Council is committed to looking much more to the long term and will work hard to leave a sustainable legacy for future generations. Vale 2030 sets out a focus on taking preventative actions and to involve residents in the actions that are taken, while listening to ideas, views and concerns. Vale 2030 has further strengthened the vital importance of working in partnership to deliver the intended outcomes for residents and making the best use of public sector resources to do so. This recognises the benefits that partnership working brings and the importance of joining up services around peoples’ needs.

**2.4** The Council’s five well-being objectives are set out in the Corporate Plan and complement one another to collectively contribute towards the seven national



well-being goals. The Plan sets out the reasons for choosing these objectives and how they will be achieved.

#### Vale 2030

**2.5** The five well-being objectives are:

- i. Creating great places to live, work and visit;
- ii. Respecting and celebrating the environment;
- iii. Giving everyone a good start in life;
- iv. Supporting and protecting those who need us; and
- v. Being the best Council we can be.

**2.6** Key to the delivery of the Corporate Plan within the constraints of the Financial Strategy is the Council's Reshaping Programme. Vale 2030 articulates what the Council would like to achieve, with Reshaping being the transformation programme which shows how the organisation will change and work to achieve this. A series of other corporate strategies are associated with the success of the Financial Strategy. These include the People Strategy setting out the way in which the workforce will be supported and developed, Corporate Asset Management Strategy setting out the direction and use of the Council's assets and a Digital Strategy to set a course for the use of digital technology as a key enabler of Council operations.

#### **2.7 Financial Strategy**

**2.8** The Financial Strategy is broadly in keeping with the Strategy adopted over the past three years, it has been gradually evolving rather than being significantly overhauled annually.

#### **Delivering the Corporate Plan**

**2.9** The overriding objective of the Financial Strategy is to ensure that resources are aligned to corporate objectives. The development of the Council's budget will take place with the new Wellbeing Objectives being a source of continuous focus.

#### **Focus on Supporting the Most Vulnerable**

**2.10** The Council continues to operate in challenging times with the cost of living crisis broadly driven by the war in Ukraine in March 2022 still having an impact on many residents with the high levels of inflation which persisted through 2023/24. The UK and Welsh Government led schemes are fully wound down but the Council continues to support partners and community organisations to enable access to information and services, and signposting residents to additional support through various channels of communication. A key component of the Financial Strategy will be to ensure, as far as possible within the financial constraints impacting on the Authority, that services providing support to the most vulnerable will be provided with sufficient resource to continue to operate as effectively as possible.

## **Sustainable Finances**

- 2.11** It is not enough to limit attention to setting the 2026/27 budget. The Council's finances need to be managed to ensure they are sustainable over the medium term and beyond. A balanced budget will be brought forward for 2026/27 but as part of the budget setting process there will also be a focus on the shape of the Council over the medium term. One-off measures will need to be part of a budget strategy but they need to be recognised as such and the necessary adjustments made to the base in future years.
- 2.12** The underlying estimates need to be robust, and all cost pressures need to be recognised and be part of the budget. This includes consideration of historical under and overspends and unrealisable savings which need to be addressed. New savings proposals need to be realistic, deliverable and subject to open and clear scrutiny.

## **Appropriate Level of Reserves**

- 2.13** Covid-19, the conflicts in Ukraine and Gaza, the change in political administration in the USA as well as the cost of living crisis serve as strong reminders of the uncertain world the Council is currently operating in, and whilst easing inflation had not having been considered as major a risk for many years. The overall level of reserves and how they are earmarked need to be continuously reviewed. This is both to protect against unexpected costs and enable investment in services to ensure they operate as efficiently as possible in the future. It is not just about having sufficient overall reserves but ensuring that as well as covering known commitments, both revenue and capital, that they reflect the risks which the Council faces. The risks around interest rates and inflation have been addressed through the comprehensive reviews of the reserves in 2023/24 to 2025/26 but the reserves will be subject to further review as part of 2026/27 budget setting.

## **Generating Local Tax Revenue**

- 2.14** At the heart of the Financial Strategy is the Council Tax Policy. Council Tax is a key controllable revenue stream for the Council and this policy will be developed during the budget setting process.

## **Fees and Charges**

- 2.15** The Council should look to recover all costs in its approach to fees and charges other than where it consciously offers concessions. There are a number of fees and charges which are statutory in nature and set by Government and for these the Council should ensure that the chargeable work is undertaken as efficiently as possible. A thorough review was undertaken in 2023/24 which now needs to be built on and this will continue to be a key feature of annual budget setting.

## **Collective Responsibility to Manage the Finances**

- 2.16** The Council has continued its excellent track record in managing its finances well as was evidenced in the Audit Wales Financial Sustainability Report, published in October 2021. There was a follow up report in 2024 with actions in place to strengthen financial sustainability and create a clear link between budgets and performance. A key element of this success is the collective ownership of the

finances throughout the Council. The development of the Council's Financial Strategy has been led by the Corporate Resources Directorate, but has been informed, and will be delivered by, the Council's Strategic Leadership Team and all budget holders.

- 2.17** Day to day management is through the Oracle Fusion system and appropriate training on the system is on offer to all officers, senior managers and leaders. CIPFA's Financial Management Code came into force in 2022 and self and independent assessment will be undertaken against the criteria set out in the Code.

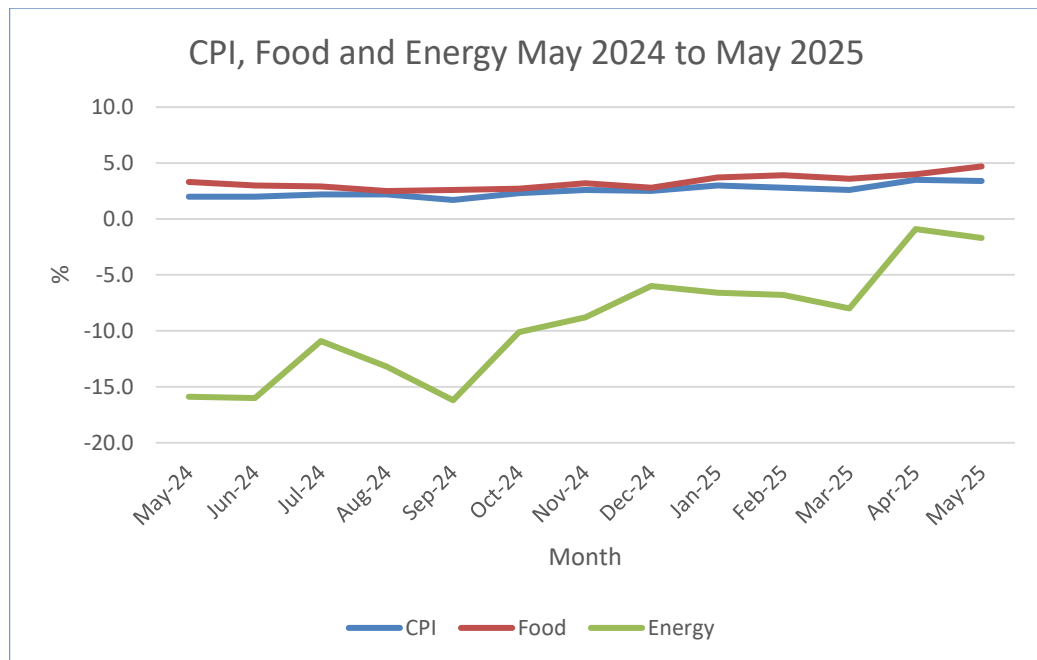
#### **Accessible and Transparent Finances**

- 2.18** The best decisions are based on having the best information available and the Council will strive to continue to present its finances in a way that makes them accessible and readily understandable. This is especially the case with the presentation of the use of grants and reserves.
- 2.19** Arguably more needs to be done here in respect of public participation, both through early engagement when savings proposals are being formulated and also in the publication of Equality Impact Assessments which are required to be in place alongside savings proposals when the Council consults on its budget.

#### **Deliver Best Value**

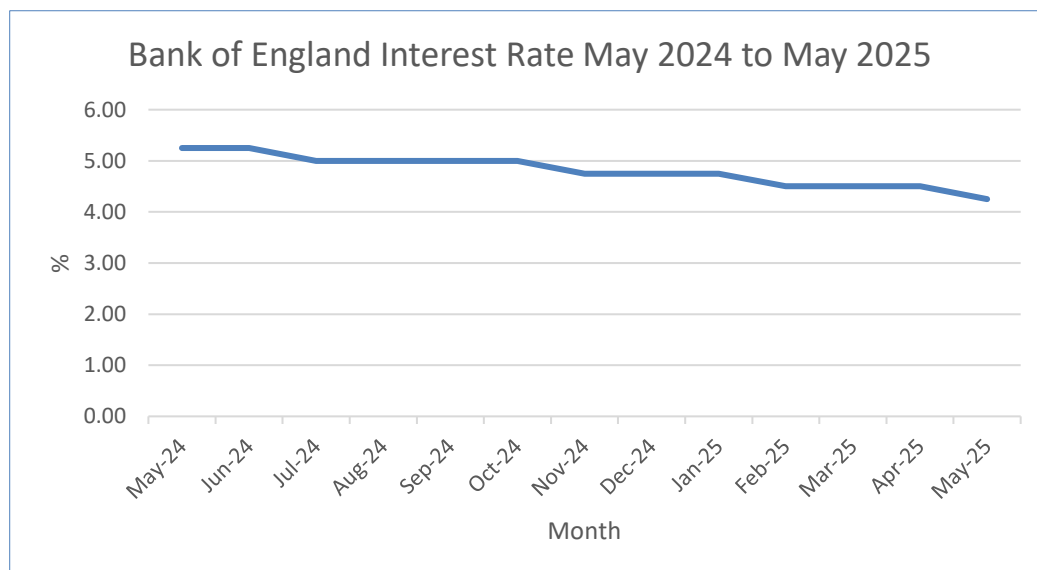
- 2.20** Resources are certainly finite, and the Council must utilise them as efficiently as possible. There are tools and processes in place to ensure this is the case and it is important they are strictly adhered to. Of note are the Contract Procedures and Financial Procedures set out in the Constitution. It is equally important that the Council continually compares itself with its peers and benchmarks services for both performance and costs and seeks out best practice in service delivery.
- 2.21** **Overall economic position and prospects for local government**
- 2.22** The overall economic environment for the UK continues to be one that faces many challenges and much uncertainty. There has been little let up since the Covid Pandemic with the exit from the EU with conflicts in the Ukraine, the Middle East and the new administration in the US all having an impact.
- 2.23** Inflation had returned to the Government target level of 2% in May 2024 and stayed around this level for a number of months and actually dipped to 1.7% in September 2024. There has been upward pressure since most notably in April 2025, 3.5%, with the NI contribution increase and also the energy price cap. It is expected to remain at its current level if not a little higher before falling back later in the year assuming any global economic shocks in the meantime. Notwithstanding this, it is possibly going to be a couple of years before it is back at the Government target level.

## 2.24 Chart 4 – Inflation



**2.25** With inflation easing the Bank of England has been able to take the pressure of interest rates with series of reductions since July 2024. Further reductions are anticipated.

## 2.26 Chart 5 - Base rate



**2.27** Growth continues to be slow with the economy only 2.3% larger in April 2025 than it had been back in February 2022. Growth is at the heart of the new Labour Government's agenda and the spending plans outlined below are very much dependent on the OBR forecasts coming through. There will be pressure for tax increases to preserve the spending plans in the Autumn budget if this growth is not forthcoming.

## 2.28 Chart 6 - GDP



## 2.29 Chancellor's Budget March 2025

**2.30** The Chancellor provided an update on the UK Economy in her Spring Statement on 9th March, 2025 ahead of the June Spending Review. It came alongside the OBR's latest economic forecasts – growth in 2025 downgraded to 1% down from 2% but upgrades in the four subsequent years: 2026 1.9% 2027 1.8%, 2028 1.7% and 2029 1.8%. This would mean the economy would be larger at the end of this period compared to the forecast in last October's budget. There is a less positive position with inflation now forecast at 3.2% for 2025 up from 2.6% last October before falling back to 2.1% in 2026 and in line with target at 2% in 2027.

**2.31** The Chancellor set out the two Fiscal Rules; firstly, the Stability Rule that ensures that public spending is under control with the current budget balanced by 2029/30 with day to day spending met by tax receipts and secondly the Investment Rule that net financial debt falls by the end of the forecast period.

## 2.32 Chancellor's Spending Review June 2025

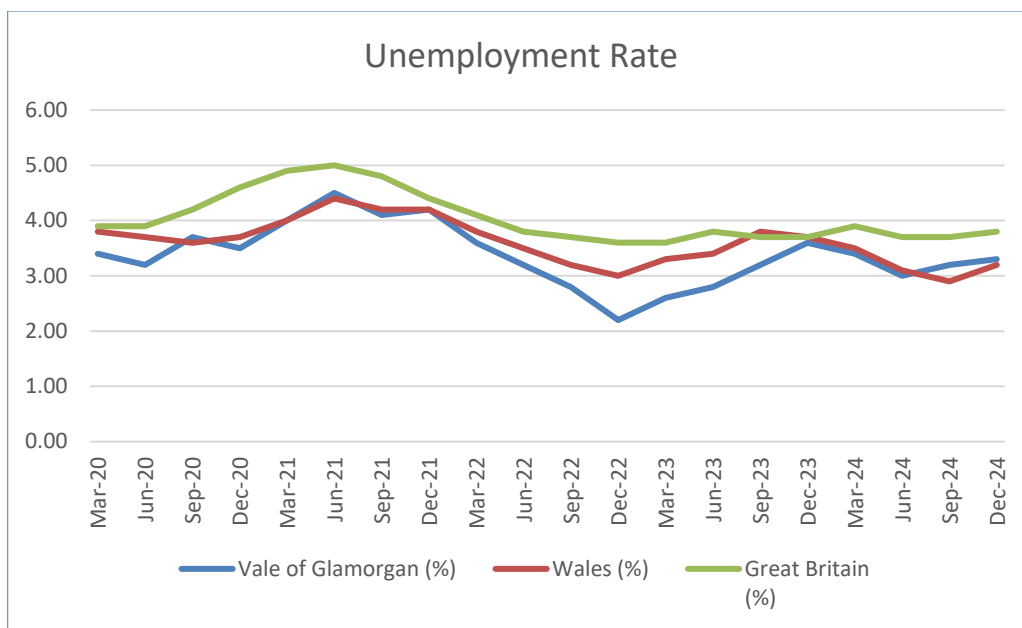
**2.33** The Spending review announced on 11th June is the first multi-year spending review since 2021 setting the budgets for UK Government departments for the next three years. It also sets out investment spend to the end of the decade for new infrastructure such as hospitals and schools and also military equipment.

**2.34** NHS is the big winner with spending in England to go up 3% on average allowing for inflation. Health investment though is held in real terms over the next three years. Core spending on Education is set to increase 0.4% in real terms on average over the next three years and the UK Government is extending its roll out of free school meals for September 2026. There has been a fair amount of coverage on Home Office budgets which go down by 1.7% in real terms with a reduced reliance on hotels for asylum seekers. Again, following much coverage over recent months Defence spend goes up by 0.7% which takes it up to 2.5% of GDP by 2027. However, MHCLG has a 1.4% real terms reduction with UK Government keeping to the core spending power message bringing in the ability

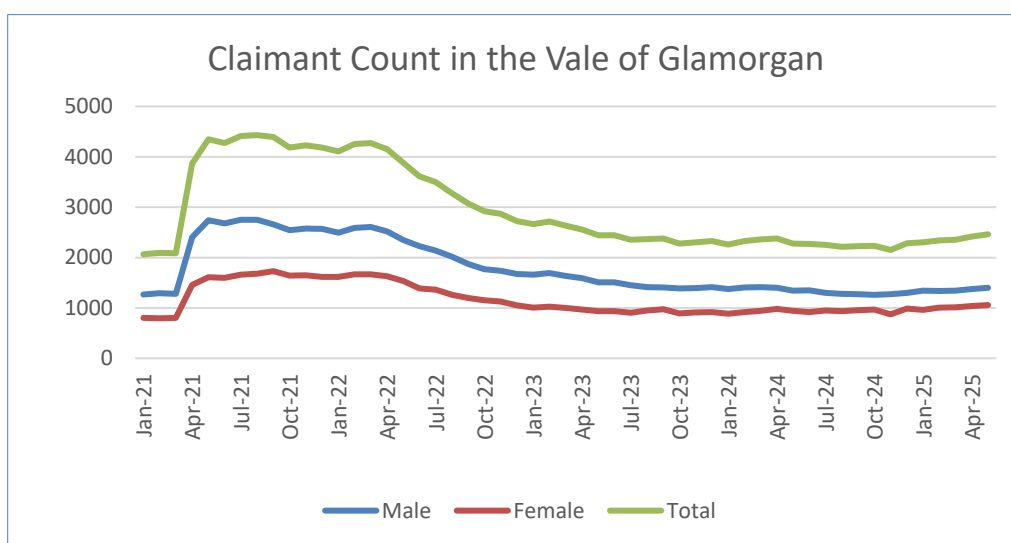
to raise Council Tax. On a positive note to finish is the increased investment in Social Housing.

- 2.35** Shared Prosperity Fund is built in for the duration of the Spending Review but with a name change to New Local Growth Fund. It is held at its 2025/26 level and will continue to be managed at UK level.
- 2.36** Consequently, the Welsh Block Grant for day to day spending will grow by around 1.2% per year in real terms on average from this year to 2028/29. After accounting for faster growth in devolved taxes – relative to the corresponding Block Grant Adjustments it is estimated that day to day spending will grow by approximately 1.4% per year in real terms on average. The capital block grant will grow again in real terms next year, before falling quite significantly over subsequent years. Overall, the capital block grant will be approximately 3.6% lower in 2029/30 than in 2025/26
- 2.37** This presents some difficult choices for the Welsh Government. The UK Government plans to increase day to day spending on the NHS in England by 3% per year in real terms over the next three years. This has triggered the lion's share of additional funding for the Welsh Government: the Cardiff University Fiscal team estimate that consequentials deriving from NHS and schools spending in England equate to around 91% of the additional funding announced for the Welsh Government in 2028/29.
- 2.38** Passing on these consequentials to equivalent services in Wales would still leave NHS funding growing at below its long run historical average (3.6%). But this would still see other services facing tight budgets over coming years, leaving them – at best – flat in real terms. Following the pattern of recent years, the funding is also frontloaded, with faster growth in spending in 2026/27 followed by leaner budgets in 2027/28 and 2028/29.
- 2.39** There is a political angle to this, it is relatively good news for the current Cabinet Secretary for Finance, who may be able to avoid having to cut services in next year's budget, which will need to pass through the Senedd a matter of months before the election. However, it is worse news for whoever is Cabinet Secretary after the election, who could face the prospect of having to cut non NHS spending by 1.4% per year in real terms in 2027/28 and 2028/29.
- 2.40** There had been an expectation of a three year settlement arising from the Welsh Government's follow up spending review. However, The Welsh Finance Secretary's brief statement on 1st July, 2025 has made it clear that this will not unfortunately be the case.
- 2.41** **How does it feel in the Vale of Glamorgan**
- 2.42** **Let's Talk about Life in the Vale**
- 2.43** The Council has significant insight into citizens priorities and their experience of Council services. The most robust source of data remains the Let's Talk about Life in the Vale residents survey in 2023.

- 2.44** The survey provided a wealth of data and much of this fed into deliberations on setting the budget for 2024/25 and the finances across the medium term. Much of this remains relevant today.
- 2.45** There were 4,009 responses to the survey. Analysts have calculated that this sample is representative of the Vale of Glamorgan's population by using a margin of error calculation across all questions. Cost of Living was a significant issue for residents. 78% of respondents stated that they are either very or fairly concerned with the Cost of Living crisis. Over 60% had purposely not put their heating on in the previous six months and only 39% said they would be able to pay an unexpected but necessary payment of £850.
- 2.46** Residents were asked about their priorities and to rank their importance. The top priority for 42% of the population was 'Easily accessible care and health care services when I or my family need them' and 78.1% ranked this in their top three priorities. Second at 26.6% was 'buy or rent a good quality home' and 47.6% ranked this in their top three. It is reassuring that these are areas that the Council is focussing resources on through its Financial Strategy.
- 2.47** 8% of respondents stated they were either very or fairly concerned with the climate emergency and 65% were either very or fairly concerned with the nature emergency. 73% of respondents were also very or fairly concerned about services and support for older people and 61% about services and support for young people. All of these are areas of priority for the Council as reflected in the Council's Budget Strategy.
- 2.48** Consultation on the Vale 2030 plan and draft budget proposals for 2025/26 and previous years also show consistent support for the key themes of the Council's budget strategy.
- 2.49** The Council undertakes a wide range of other public engagement work each year. The insight gained from this work is reported internally and will directly inform the budget setting process. The Let's Talk survey will run again in 2025 with an enhanced section of questions on the Council's budget strategy and spending priorities. This will provide equally robust data to inform the 2026/27 budget setting process.
- 2.50** A more detailed budget consultation exercise will then take place in November 2025. The Council intends to trial the use of new participatory budgeting techniques as part of this.
- 2.51** Unemployment, Benefits and Housing
- 2.52** Unemployment is down year on year December to December in the Vale but is still higher than 12 months earlier. There is a similar trend across Wales whilst year on year unemployment has risen across the UK.

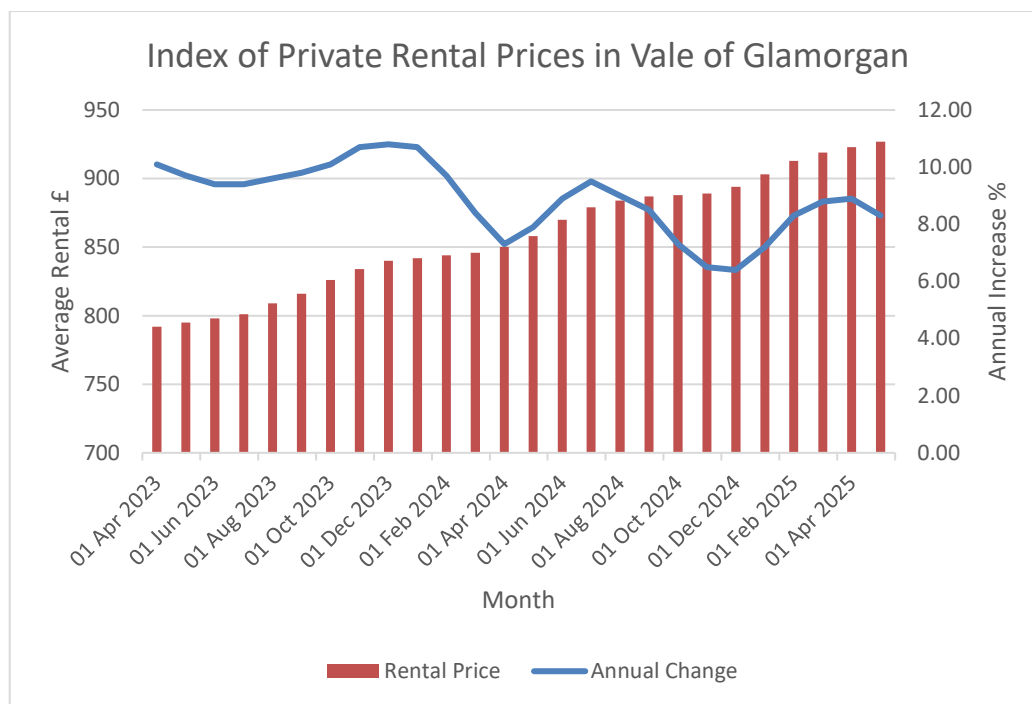


- 2.53** There is more up to date claimant data but on a like for like basis with the unemployment data above the claimant count actually grew across the period December 2023 to December 2024, an increase of 200, a 7.89% increase. The level is broadly maintained as at May 2025.



- 2.54** Private rental housing costs continue to rise at an alarming rate and this can no longer be attributed solely to the inflation that persisted in the economy in 2023/24. Year on year to for April 2025 they are up 8.90% and by far outstripping the 2.7% increase in social rents by the Council and Registered Social Landlords and the prevailing inflation rate. Up in excess of 17.0% over the past two years.





## 2.55 Refresh of the Medium Term Financial Plan

2.56 The following table rolls forward the five year plan approved by Council in March. There has been a high level review of the assumptions given the persistent inflationary pressures in the economy at the current time with a more comprehensive being undertaken over the summer and early autumn to be reported through to Cabinet in November. The narrative below does, therefore, assess the risks with current assumptions and highlight some potential areas where there may be movement

## 2.57 Table 3 – Overall MTFP Summary

	2026/27	2027/28	2028/29	2029/30	2030/31
	£000	£000	£000	£000	£000
Additional Funding					
Grant Settlement	2,244	2,267	2,290	2,312	2,335
Council Tax	4,171	4,334	4,503	4,679	4,861
Reduction in use of smoothing Reserves	-500	0	0	0	0
Reduction in use of School Support from Reserves	-267	0	0	0	0
<b>Total Additional Funding</b>	<b>5,648</b>	<b>6,601</b>	<b>6,793</b>	<b>6,991</b>	<b>7,197</b>
Investment	-53	-214	0	0	0
Demography	2,652	1,947	1,923	1,933	1,933

Inflation Pay	8,612	6,829	5,605	5,750	5,865
Inflation Non Pay	6,330	5,275	5,275	5,275	5,275
Capital Financing	254	324	89	182	0
Other Pressures	259	328	330	417	425
<b>Total Pressures</b>	<b>18,054</b>	<b>14,489</b>	<b>13,222</b>	<b>13,557</b>	<b>13,498</b>
<b>Reversal of One Off Savings</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Gap</b>	<b>13,156</b>	<b>7,888</b>	<b>6,429</b>	<b>6,566</b>	<b>6,302</b>

## 2.58 Review of Funding Assumptions

### Welsh Government Grant

- 2.59 There was only a single year settlement for 2025/26 so there is no definitive information on funding levels for any years in the refreshed Medium Term Financial Plan. The March report made a notional assumption of grant increases of 1% in each of the forward years. Each 1% is in the order of £2.2M so a key component of financial planning. The initial analysis from the Spending review suggests real terms growth in 2026/27 only with future settlements below the rate of inflation. Nevertheless, the Welsh Government will ultimately determine how the consequentials are allocated and may not simply replicate a UK Government approach. There has been some further clarity for 2026/27 only with the Finance Secretary's statement on 1st July setting out an inflationary increase. It has come a little too late to be factored into this refresh but at least there will be some upside to come through in the October report.

### Council Tax

- 2.60 There is a planning assumption of 3.9% across the plan period, this ultimately being a decision for Council. There is currently no allowance for property growth and the ongoing impact of impact on the introduction of the second homes premium from 1st April, 2024 and the ongoing impact of the empty properties' premium introduced in April 2023 will need to be evaluated further, the current assumptions having been relatively prudent. Of course, both sets of numbers will ease back if the desired effect of bringing more properties into use is successful. Also, the Collection Rate is subject to further review too; it is currently at 97.1% which is above the current performance level albeit it continuing to improve. The under performance to date has been mitigated by over performance on historical arrears.

### Reserves

- 2.61 There is no planned run down of the Council's General Fund balance but there is a continuation of the approach to smooth out temporary pressures through the use of smoothing reserves which unwinds in 2027/28. The table below sets out the assumptions forward years and also includes the first two years of the introduction of the approach for clarity.

**2.62** Table 4 – Use of Smoothing Reserves

	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Corporate Energy	1,200	700	0	0	0
School Energy	1,200	400	0	0	0
Homelessness	200	1,460	500	0	0
Cost of Living	200	100	0	0	0
Risk, Reshaping and Investment	0	84	0	0	0
Education Pressures	0	0	267	0	
<b>Total Use of Smoothing Reserves</b>	<b>2,800</b>	<b>2,744</b>	<b>767</b>	<b>0</b>	<b>0</b>
<b>Movement in Use of Reserves</b>	<b>0</b>	<b>-56</b>	<b>-1,977</b>	<b>-767</b>	<b>0</b>

**2.63** Homelessness is the final element of the Strategy with projected fallout of the drawdown in 2026/27 additional funding around schools challenge and procurement is also due to end in 2026/27.

**2.64** The Council's overall strategy for reserves is unchanged with reserves held to cover identified risks, capital commitments and provide for investment in services to support the reshaping programme. There is a continuous review of reserves but a more formal consideration during closure of accounts and budget setting which will continue.

**Pressures**

**Investment**

**2.65** There is currently no investment built into the forward years of the Medium Term Financial Plan. Indeed, it actually shows a reduction with the one off Investment on school procurement support dropping out in 2026/27 and the schools budget support the following year.

**Demography**

**2.66** It is anticipated that there will continue to be growth in Children's placements as well as the increases in Adult Social Care with the aging population and adults with complex care needs living longer. Whilst the mainstream pupil population is contracting there is continued growth in ALN and places at Ysgol Y Deri along with the associated school transport costs.

**Inflation Pay**

**2.67** Price inflation had been included at 2% per annum across the life of the Plan. This is possibly on the light side with the inflationary pressures persisting in the economy and as set out above expectations of inflation been in line with the Government's 2% target moving out into the future, certainly beyond the next 18 months or so. Therefore, there are revised assumptions of 3% for 2026/27, 2.5% for 2027/28 and 2% thereafter. Additionally, there is also £624K included in

2026/27 only to address the shortfall in funding for NI costs coming through to Wales following the 2% increase from 1st April, 2025. Wales has a larger public sector workforce proportionately than England as the Barnett formula does not drive through sufficient funding. The position would have been worse had Welsh Government not topped up the funding from UK Government in part.

### **Inflation Prices**

- 2.68** There are likely to be significant non pay inflationary pressures too across the medium term. Most notable are those across Children's and Adult Social Care provider fees which were in the order of £5.0m per annum across the Plan in March as well as the inflationary pressures in waste and school transport services too giving a total of £5.275M. An element of these costs is driven by pay awards so similar to above the assumptions are revised and the pressure has been increased for 2026/27 only to £6.330M in total, £5.275M in future years.

### **Capital Financing**

- 2.69** There are insufficient capital resources to meet all of the costs on the Sustainable Communities for Learning Programme and borrowing is necessary to take forward the St Richard Gwyn and Ysgol Iolo schemes requiring total growth in financing budgets of £359K over the next three years. Additionally, there are borrowing commitments against the Cardiff Capital Region programme of works. There is currently forecast to be a £440K increase in provision by the end of the plan but the CCR numbers are prone to some movement.

### **Other**

- 2.70** Finally, there are some general pressures on property and highways assets.

### **Savings**

- 2.71** There are ongoing savings from the programmes of work underway for 2025/26 and these are covered later in the report.

### **Approach to Delivering a Balanced Budget**

- 2.72** There will be three key elements to bringing forward a balanced 2026/27 budget and sustainable medium term financial plan, which is similar to recent years but there will be a much greater focus on transformation and reshaping in line with the work outlined to the report to Cabinet in January 2024.

- i. Maximising funding
- ii. Managing cost
- iii. Bringing forward savings and generating additional fee and charges with a focus on transformation through the Reshaping Programme

### **2.73 Reshaping and Savings**

#### **2.74 Programme**

- 2.75** The key driver to ensure financial sustainability is the Council's Reshaping Programme. This has emerged over the past two budget cycles and following an outline report to Cabinet in January 2024 the full prospectus was approved at

Cabinet on 10th October, 2024. A summary of the key elements of the Programme in the following paragraphs with a link to the full programme below.

**2.76** [Reshaping Programme Update](#)

**2.77** The framework contains five interrelated themes:

- i. Target Operating Model
- ii. Service Transformation
- iii. Strengthening Communities
- iv. Digital Innovation
- v. Economic Resilience

**2.78** These themes are being used to identify, develop and deliver individual streams of activity within the overarching Reshaping Programme. Sponsors and project managers are in place for all of the elements.

Target Operating Model

**2.79** This theme considers issues around the Council's processes, people, structure, governance and technology and how the organisation should look and function to deliver our priorities and core activity.

**2.80** The Council's Target Operating Model (TOM) is the way in which the overall strategy of the organisation (via Vale 2030) will be delivered in strategic terms. Defining the organisation's TOM will take the objectives of the Reshaping Programme and vision of the organisation for Strong Communities with a Bright Future and enable a set of organisation-wide principles to be developed on issues such as structure, delivery models that will/will not be acceptable, the Council's strategic approach to partnership working, how people are managed and developed, as well as decision making, performance and scrutiny approaches. The TOM provides the direction and enabling activity to deliver the work involved in the other transformation themes, supported by key Council strategies such as the People Strategy, Digital Strategy, Medium Term Financial Plan, Corporate Asset Management Strategy and forthcoming Data Strategy. This theme is both about 'what' we do and also 'how' we do it.

Service Transformation

**2.81** A key component of the transformation programme is considering how individual services can be transformed to make them more sustainable in the medium to longer term.

**2.82** This theme takes the principles defined by the TOM and apply them to individual services (or combinations of services). Consideration is given to the best model for operating services, such as in collaboration with partners, by internal reorganisation, the role of digital technology and other service delivery models such as social enterprise, not for profit arms-length trading and others.

### Strengthening Communities

- 2.83** This theme seeks to develop the Council as an enabler and facilitator rather than direct provider of some services as well as defining how the organisation interacts with partners.
- 2.84** Work to strengthen our communities is integral to how we transform as an organisation and there are a range of activities underway to take forward this work, reflecting our role as an enabler and facilitator as well as a provider of services.
- 2.85** This theme will be important as the financial position of the Council means that in the future some services may not be possible to deliver directly (and indeed, as has been seen, are sometimes more appropriately and effectively delivered by others with support of the Council, for example, the previous service transformation to create community libraries which ensured libraries continued to be viable within individual communities).

### Digital Innovation

- 2.86** The digital innovation theme will involve the Council seeking to ensure that digital innovation is at the heart of what we do and secures efficiency across the board. The Digital Strategy is based around themes of community and involvement, organisation and processes, people and skills and data and insight. This shows how it complements the other themes of Reshaping (notably, Service Transformation) and the key strategic documents referenced earlier in this report.

### Economic Resilience

- 2.87** The theme of economic resilience is centred around the Council's role in supporting economic resilience in how to 'level up' and ensure that a place-based approach is effective in the creation of sustainable communities with good employment.
- 2.88** Areas of focus within this theme include the Council's response to the UK Government's Levelling Up and Transforming Towns funding, alongside the use of Council assets to support economic resilience. The TOM will influence this theme in the Council's approach to working with Capital Region partners in the attraction of business to the county to support sustainable and high-quality jobs.

### **2.89** Delivery

- 2.90** There has been a positive change in the mix of Reshaping initiatives and more traditional savings in the 2025/26 Budget. Of the £8.771M savings identified £3.743M are Reshaping, £3.828M savings £1.200M is a 1% efficiency target which schools will need to manage. The split with full year impacts into 2026/27 is set out below.

**2.91** Table 5a – Reshaping and Savings Proposals

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	£000	£000	£000
Reshaping	3,743	642	0
Schools Efficiency	1,200	0	0
Savings	3,828	562	0
<b>Total Reshaping and Savings Proposals</b>	<b>8,771</b>	<b>1,204</b>	<b>0</b>

**2.92** Reshaping proposals represent £3.743M or 43% of the £8.771M identified as savings for 2025/26. The Reshaping Proposals in the 2024/25 budget had amounted to £1.190M or 16% of the total target £7.676M.

**2.93** Reshaping and Transformation

**2.94** Table 5b – Reshaping and Transformation

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	£000	£000	£000
Target Operating Model - Other	20	20	0
Target Operating Model - Assets	110	85	0
Target Operating Model - Income	821	100	0
Strengthening Communities (including Schools)	0	0	0
Service Transformation	2,692	414	0
Digital	100	23	0
Economic Resilience	0	0	0
<b>Total Reshaping Proposals</b>	<b>3,743</b>	<b>642</b>	<b>0</b>

**2.95** Savings

**2.96** A proportion of the proposals and initiatives to address the budget gap have needed to be traditional savings.

**2.97** Table 5c - Savings

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	£000	£000	£000
Savings Proposals	3,828	562	0
<b>Total Savings Proposals</b>	<b>3,828</b>	<b>562</b>	<b>0</b>

**2.98** Equality Impact Assessments were undertaken for all of the reshaping and savings proposals requiring one and were published as part of the consultation process. There are no new savings post consultation.

**2.99** Further Development and Delivery across the Medium Term Financial Plan and Financial Sustainability

**2.100** As set out in the March Council report officers have continued to work on the forward years of the Medium Term Financial Plan to ensure the future financial sustainability of the Council with this work being framed by the Reshaping Prospectus, set out in some detail above. This work has not yet been updated to

reflect the reappraisal of the inflationary pressures facing the Council which have effectively increased the fund gap below by £6.458M across 2026/27 and 2027/28.

**2.101** Table 6a - Medium Term Gap

	2026/27	2027/28	2028/29	2029/30	Total
	£0	£0	£0	£0	£0
<b>Total Funding Gap</b>	<b>8,064</b>	<b>6,522</b>	<b>6,429</b>	<b>6,566</b>	<b>27,581</b>
<b>Savings Already Proposed</b>					
Target Operating Model – Other	20	0	0	0	20
Target Operating Model – Assets	85	0	0	0	85
Target Operating Model – Income	100	0	0	0	100
Service Transformation	414	0	0	0	414
Digital	23	0	0	0	23
Other Savings	562	0			562
<b>Total Savings</b>	<b>1,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,204</b>
<b>Reversal of Temporary Savings</b>	<b>-750</b>	<b>0</b>	<b>0</b>		<b>-750</b>
<b>Residual Gap</b>	<b>7,610</b>	<b>6,522</b>	<b>6,429</b>	<b>6,566</b>	<b>27,127</b>

**2.102** The focus of work on the 2025/26 budget means there are some continuing savings which start to address the future gaps which was mentioned above. An approach to developing the medium term financial plan has been taken to utilise the transformation themes of Reshaping and to match them with the pressures the Council is facing in Social Care, ALN and from pay and contractual price pressures as well as identifying opportunities for further transformation in other areas of the Council's activity.

**2.103** Table 6b – Medium Term Savings Strategies

	2026/27	2027/28	2028/29	2029/30	Total
	£000	£000	£000	£000	£000
<b>Additional Reshaping Targets</b>					
<b>Target Operating Model – Other</b>					
Additional Learning Needs.	481	481	481	481	1,926
Social Services demand management.	2,358	2,358	2,358	2,358	9,434
School Transport	0	458	458	458	1,375



<b>Target Operating Model – Assets</b>					
Decarbonisation Work Streams	0	200	400	400	1,000
<b>Target Operating Model – Income</b>					
Key income generation opportunities	984	984	984	984	3,935
Increase Council tax Collection Rate 1%	363	363	363	0	1,089
<b>Service Transformation</b>					
Schools' agency staff model.	0	257	257	257	770
Waste Strategy	0	200	200	200	600
Investment in Pothole Emerging Practice	0	0	0	200	200
<b>Service Transformation/Digital</b>					
Brilliant basics and automation: improving customer/resident service, linked to automation and service reviews in high volume services.	1,005	1,005	1,005	1,005	4,021
Procurement Savings	625	625	625	625	2,500
<b>Strengthening Communities</b>					
Expand Community provision	0	0	50	50	100
<b>Total Additional Reshaping Targets</b>	<b>5,817</b>	<b>6,932</b>	<b>7,182</b>	<b>7,019</b>	<b>26,948</b>
<b>Gap - Tactical Savings Required/ Temporary Use of Reserves</b>	<b>1,793</b>	<b>-410</b>	<b>-753</b>	<b>-452</b>	<b>178</b>

**2.104** The Target Operating Model 'Other Schemes' are aiming to mitigate by 25% the demand pressures coming through in Social Care and ALN and 50% of those in Home to School Transport. For assets, decarbonisation will ease utility costs as well as supporting the Council in meeting its Project Zero ambitions. The Council continues to seek out improved and new income opportunities and is looking to increase this stream by 2.5% per annum as well as continue to increase in year Council Tax recovery. There is work already in play with schools to reduce agency costs, a number of strategies progressing in Waste to reduce cost including transport costs and also innovations to reduce the cost of maintaining the highway. There are numerous automation opportunities through the Council's

Brilliant Basics programme with the savings being equivalent of 1% of the workforce costs per annum. The Council has a more comprehensive Contract Register and Forward Plan in place which will enable amore target approach in reducing third party spend. And finally, opportunities to expand community provision will be sought.

- 2.105** The programme meets the financial demands across the medium term but the time of some of the earlier work is not 100% in synch with the gap. There are two options here; either short term tactical savings will be required and/or (subject to the further assurance on the deliverability of the programme) it would be in order to smooth the gap through the use of reserves on a one off basis.

**2.106 Process and Timetable for Setting the 2026/27 Budget and 2026/27 to 2030/31 Medium Term Financial Plan**

**2.107 Process**

- 2.108** Key decisions on the budget have been taken relatively late over the past three years, part due to late UK Budget announcements and consequently Welsh Government Provisional Grant Settlements. This has a number of downsides but most notably puts pressure on the delivery of transformation initiatives and savings in full and only allows a relatively short window for consultation.
- 2.109** The Council will be feeding into the Welsh Government’s own Spending Review following the UK Government’s announced on 11th June, 2025. This will require the annual refresh work of the cost pressures and other assumptions in the MTFP to be brought forward. This work will commence shortly and be fed back via the Welsh Treasures and WLGA at the end of August giving the Council a revised Budget gap at the very start of September. In previous years work reviewing the cost pressures along with the other assumptions has been a month or so later so the timing of the work to feed into the Welsh Government’s Spending Review is helpful.
- 2.110** Officers are working across the summer on their Reshaping proposals and savings as appropriate against the framework set out in paragraphs 2.74 onwards. These will be reviewed initially by SLT in early September and then be subject to a series of Budget Working Groups, round one in September and round two in October.
- 2.111** There is then a period of less certainty with no clear dates at this time for the UK Chancellor’s Autunm Budget, the outcome of the Welsh Government Spending Review or the Welsh Government Provisional Grant Settlement. On the latter 11th June Spending Review outlined had given rise to the prospect of a Provisional Settlement in October. However, the Welsh Finance Secretary’s Statement on 1st July has both unexpectedly reverted to a one year Settlement only and more likely in the second or third week of November rather than October. This would be ahead of the Council Tax Base forecast so there would be some adjustments for this in the Final Settlement.
- 2.112** It is, therefore, proposed that the Council brings forward it Budget for Consultation to November 2025 which would rely on an earlier internal forecast of Council Tax receipts. Bringing the date forward has a number of benefits.

Firstly, public consultation has been constrained by the tight turn round historically from publishing a Budget for Consultation in mid-January and then the Draft Budget to Cabinet late February for Full Council approval in early March. The November publication would enable an extended consultation of say six weeks to run into the new year. Secondly, the Council has been finalising its efficiencies, savings and fees and charges very late and this does have a detrimental impact on the 100% delivery of all three. Fees and Charges will all increase in line with the Financial Strategy with exceptions and new charges covered in the Budget for Consultation. The increase will be linked to a September index, not necessarily CPI though as this does not reflect the drivers for cost pressures across the Council, wage growth being a key factor.

- 2.113** The Council will continue its positive approach in 2025/26 with all Equality Impact Assessments to be published alongside the Consultation. As well as input from Scrutiny and other interest groups, the decision making will be informed by the Life in the Vale work referenced earlier in the report.
- 2.114** The draft Budget will be presented to Cabinet at the end of February alongside the Capital Investment Strategy and Capital Investment Programme and Treasury Strategy along with the 3rd quarter financial monitoring reports for 2025/26. It is important that the final budget proposals are supported by the most up to date financial information for the current financial year.
- 2.115** Risks
- 2.116** The Council's finances are prominent in the Council's Corporate Risk register.
- 2.117** The following paragraph is lifted directly from the summary section of the Quarter 4 2024/25 Corporate risk report to Governance and Audit Committee and Cabinet in June 2025:
- 2.118** CR1 Financial Resources – "This risk has a high-risk score of 12 and is forecast to remain static. There is a risk of failure to deliver a balanced budget to sustain current and future services, achieve reshaping programme savings and secure external funding for economic development. A lower-than-expected Welsh Government settlement would exacerbate the funding deficit, placing further pressure on achieving more savings or further increasing income, while school deficits deplete reserves. Challenges in forecasting future social care demand further strain financial stability and service delivery. Failing to maximise alternative service delivery models and manage budget reductions could threaten service sustainability. Not adapting to the changing economic landscape or failure to effectively collaborate with key partners, including the Third Sector, may impact long-term viability and service integration. Procurement risks include non-compliance with the Council's Contract Procedure Rules, the Procurement Act and the Social Partnership and Procurement Act which would lead to financial penalties and costly service delivery failures as well as reputational damage. Mitigating actions include a new Contract Register and Forward to guide service redesign and procurement and a revised Council Procurement Policy and Strategy that is better aligned with partners, tracks spend and carbon data and supports social value delivery"

- 2.119** There is uncertainty with the specific Welsh Government Settlements for the next three years but some framing at this stage with the Chancellor's June 2025 Spending Review. The current planning assumptions are prudent in light of this announcement.
- 2.120** Schools and Social Care provide the greatest risks to the Council's finances. School budgets are under pressure across Wales with the total level of reserves down £50M (43%) in 2024/25. The Council continues to lobby for changes to the Welsh Government funding formula with its shortcoming for the allocation of resources for schools. However, there can be no reliance on the prospect of any change and extensive work is being undertaken with the Vale's schools to bring them to a position to operate within the available resources, the Council in recent years passporting through Welsh Government funding increases and specifically for 2025/26 full funding pay awards.
- 2.121** The Social Care budget was increased by £11.0M (12.9%) but still experienced a significant overspend in year requiring a £5.5M unplanned drawdown from reserves. The Council has sought to right size the budget for 2025/26 but it remains a risk given the volatility, especially in Children's Social Care. There is a Directorate Budget Programme in place chaired by the Director with Member and s151 Officer input and the Director and team are actively engaged in the reshaping programme.
- 2.122** Not specifically covered in the summary but a component of the overall Financial Resources risk assessment is the delivery of savings. There has been a challenging savings programme over the past three years up at £8.771M in 2025/26. This year on year challenge is becoming more difficult to deliver and there has been some tail off in 2024/25. For 2025/26 the Savings Tracker and monitoring have been in place very early in the financial year and for 2026/27 earlier decision making will enable more certain delivery from 1st April 2026. The Reshaping Prospectus was approved last autumn and has driven a number of the initiatives in the 2025/26 budget and those set out above for 2026/27 and across the medium term. The governance around the programme is now well established head up by a monthly officer/Member board chaired by the Chief Executive.

**2.123 Key Dates**

- 2.124** The table below sets out the key dates for Budget setting for 2026/27.

Date	Group	Activity
August 2025	Officers	Review of pressures to feed into MTFP and Welsh Government Spending Review
September 2025	Budget Working Group (1)	Review of service spend, pressures and emerging reshaping and transformation proposals
October 2025	Budget Working Group (2)	Focus on reshaping and transformation proposals

September to October 2025	Comms and Participation Team	Let's Talk about Life in the Vale 2025
October 2025	UK Government	Budget Statement
November 2025	Welsh Government	Provisional Welsh Settlement
November 2025	Cabinet	Budget for Consultation
November 2025 to January 2026	Scrutiny	Review of planning assumptions and budget proposals
November 2025 to January 2026	Residents, Trades Unions, Interest Groups	Consultation on budget proposals
December 2025	Cabinet	Council Tax Base, Council Tax Reduction Scheme, Precept dates and premiums
January 2026	Scrutiny, Cabinet and Council	HRA Business Plan and Rent Setting
February 2026	Cabinet	Draft Budget and MTFP
March 2026	Welsh Government	Final Grant Settlement
March 2026	Full Council	Approves Budget and Council Tax

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** The delivery of the Council's Corporate Plan and well-being objectives is significantly influenced by the available finance to deliver services. This report provides the context in which the Council will be operating in the immediate and medium term.
- 3.2** This report provides an immediate and medium-term projection of the Council's financial position, however the decisions to be taken on the Financial Strategy in the coming months will be influenced by the need to think about the longer-term implications of decisions, including the continued lobbying of Welsh Government for a fairer settlement for the Vale of Glamorgan and in supporting calls to mirror the English approach with multi-year funding arrangements. This is a key driver for the redefining of the Reshaping Programme to ensure a balance of tactical financial decisions and longer-term transformation.
- 3.3** The approach to setting a balanced budget described in the body of this report includes reference to collaboration and the value of this approach has been well evidenced in recent years, most notably in the response to the pandemic, where the pooling of resources (whether financial, capacity or expertise) resulted in improved outcomes and better value for money. Additionally, the inclusion of the strengthening communities transformation theme indicates the value placed

on collaboration and recognition of the integrated nature of the Council's work within the wider public and third sectors.

- 3.4** The report sets out proposals for consulting widely on the Council's budget, demonstrating the importance being placed on involving people in decision making and this will be further strengthened through the use of insight gained through the engagement on the Council's new Corporate Plan for 2025 to 2030 as well the public opinion exercise. In understanding the views of others through this process, decisions will be taken in an integrated way – both internally and externally.

## **4. Climate Change and Nature Implications**

- 4.1** There are no implications arising directly from this report. However, the availability of funding to support the decarbonisation work of the Council will directly impact on the ability to deliver net zero by 2030.

## **5. Resources and Legal Considerations**

### **Financial**

- 5.1** The financial considerations are set out in the body of the report.

### **Employment**

- 5.2** There is a significant budget gap at this stage of the budget setting process and given that salaries and wages are a major element of the Council's overall spend there is likely to be an employment impact when savings proposals come forward in January. There is also a specific theme in the savings and framework to explore organisational design and within the transformation themes on target operating model and service transformation.
- 5.3** Where any potential employment impacts arise, the Council will follow its existing policies and procedures and ensure that there is full engagement with staff and the Trades Unions.

### **Legal (Including Equalities)**

- 5.4** The Council is required under statute to fix its Council Tax for the financial year 2026/27 by 11th March, 2025 and to do so will have to agree a balanced revenue budget by the same date.
- 5.5** The Financial Strategy and process for approving the 2026/27 Budget and MTFP at Council in March 2026 will be aligned to the Council's agreed Corporate Plan 2025 and the development of the 2026/27 Directorate Plans.
- 5.6** The budget proposals as set out in the report has due regard to the requirements of the Council's Strategic Equality Plan including the Equalities Act 2010 and Public Sector Equality Duty for Wales. The subsequent development of specific proposals and strategies set out in the report will require the completion of Equality Impact Assessments. This involves systematically assessing the likely (or

actual) effects of policies on individuals who have a range of protected characteristics under the Act.

## **6. Background Papers**

None.