

Medium Term Financial Plan – October 2026 Update

Scenario-based planning range for the 2027/28 budget and four-year medium-term financial outlook

Report at a glance	
Purpose	To update Cabinet on the Council's medium-term financial outlook, including the planning framework for the 2027/28 budget and the extension of scenario-based planning across the four-year MTFP period.
Planning approach	Scenario-based planning is used rather than a single fixed-point estimate and will be extended across the four-year medium-term planning period.
Current 2027/28 range	£3.0m favourable, £4.5m mid-case and £6.5m adverse.
Main focus	Funding uncertainty, financial resilience, schools, service demand, capital affordability and the route to a balanced budget.
Decision framework	Supports early choices before draft budget proposals are finalised.

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1. Introduction

- 1.1. The Council's Medium term financial strategy (MTFS) and plan (MTPF) are the link between its long-term policy objectives and its financial capacity. It seeks to ensure that the Council's strategic objectives can be achieved within the confines of the financial resources available.
- 1.2. The MTFS, as approved, committed to a six-monthly update of the MTPF, including an update of progress against the performance framework and delivery plan embedded within the MTFS. This report represents the first six-monthly update of the MTPF during 2026/27, with the final budget report of Cabinet in March 2027 representing the second iteration.
- 1.3. The purpose of the MTPF update is to provide a rolling financial planning framework that links the Council's strategic objectives, service priorities, financial resilience and statutory duty to set a balanced budget. It is not itself the statutory budget decision, but it establishes the planning assumptions, risk context, timetable and governance framework within which detailed budget proposals will be developed.
- 1.4. The approach reflects the CIPFA Financial Management Code principles most relevant to an MTPF update: clear financial leadership, reliable assumptions, transparent scenario planning, risk-aware decision making, and alignment between service planning, capital investment and financial capacity. The document does not replace the MTFS; it applies those principles to the current planning period and the route to the 2027/28 budget.

2. Strategic Financial Context and Outlook

- 2.1. The Council's financial planning continues to be shaped by constrained public finances, service demand and the need to protect financial resilience. This update uses scenario-based planning to support informed choices, rather than presenting a single fixed estimate of the 2027/28 budget gap.
- 2.2. Recent financial performance provides a more stable platform for budget planning than in some previous years, but the position remains finely balanced. The latest in-year monitoring position shows a broadly manageable non-school position, while school balances remain a material financial resilience risk.
- 2.3. The budget process is designed to refine assumptions at key points: the UK Autumn Budget, the Welsh Government draft budget, the provisional local government settlement and the development of directorate budget packages. This allows the Council to maintain momentum while recognising that the final position will not be known until later in the process.
- 2.4. Assumptions will be managed through a clear refresh and challenge cycle. Finance will maintain the working model, directors will own the service evidence underpinning pressures and mitigations, SLT will provide corporate challenge, and Cabinet will consider the financial and policy choices that emerge as the range narrows.

3. External context

- 3.1. The main external factors affecting the MTPF are Welsh Government funding, pay and price inflation, interest rates, labour market conditions and demand for services. These factors are reflected in the scenario range and will be refreshed as national information becomes clearer.

Factor	Planning Implications
Inflation	• Pay, contract and non-pay assumptions remain key drivers of the scenario range • Inflation should be treated through sensitivity analysis rather than a single fixed assumption • Demand-led inflationary impacts need to be evidenced separately where they exceed the core planning assumptions
Labour market	• Recruitment, retention and workforce capacity continue to affect service delivery and transformation • Pay assumptions remain a significant part of the 2027/28 planning range • Commissioned services and agency costs may create additional pressures if labour market conditions remain tight
Utilities prices	• Energy and fuel costs remain important but should be assessed against current contracts and market forecasts • Transport, fleet, schools, leisure and property budgets remain exposed to price movements • Any above-assumption movement should be reflected through scenario updates or evidenced service pressures
Interest Rates	• Borrowing rates influence the affordability of both the existing capital programme and any additional investment • Revenue consequences of unsupported borrowing need to be considered alongside revenue budget scenarios • Treasury management assumptions should continue to be reviewed as market conditions change
Economic & political landscape	• UK public expenditure choices shape the funding envelope available to Welsh Government • Welsh Government budget decisions and the local government settlement remain central to the Council's planning range • Scenario planning allows the Council to plan before final funding information is available while remaining transparent about uncertainty

4. Funding context

- 4.1. The Council's main funding sources are the Welsh Government settlement, Council Tax, fees and charges, grants and other specific income. The key planning issue is how these sources interact with service demand, inflation and the residual gap that must be closed through the budget process.

Welsh Government settlement

- 4.2. The Welsh Government settlement remains the single largest source of Council funding and is therefore a significant driver of the MTFP. The latest planning range assumes a 1.90% increase in Welsh Government funding for 2027/28 in the mid-case scenario, with the assumption to be refreshed as national budget information and the provisional local government settlement become available. The favourable and adverse scenarios currently test increases of 2.10% and 1.50% respectively.

- 4.3. The main funding issues for the 2027/28 budget process are the level of the local government settlement, the treatment of specific grants, whether national funding is recurrent or one-off, and the balance between Welsh Government funding, Council Tax, income, reserves and savings in closing the budget gap.
- 4.4. In addition, the Council receives significant specific grant funding that is subject to defined terms and conditions. These grants support important service activity but can create financial planning challenges where they are annually allocated, uncertain, ring-fenced or not fully indexed for inflation. For planning purposes, specific grants should be assumed to continue at existing levels unless there is robust evidence of change, but any known or likely grant change should be assessed separately from the core scenario range until the scale and service impact are clear.

Council Tax

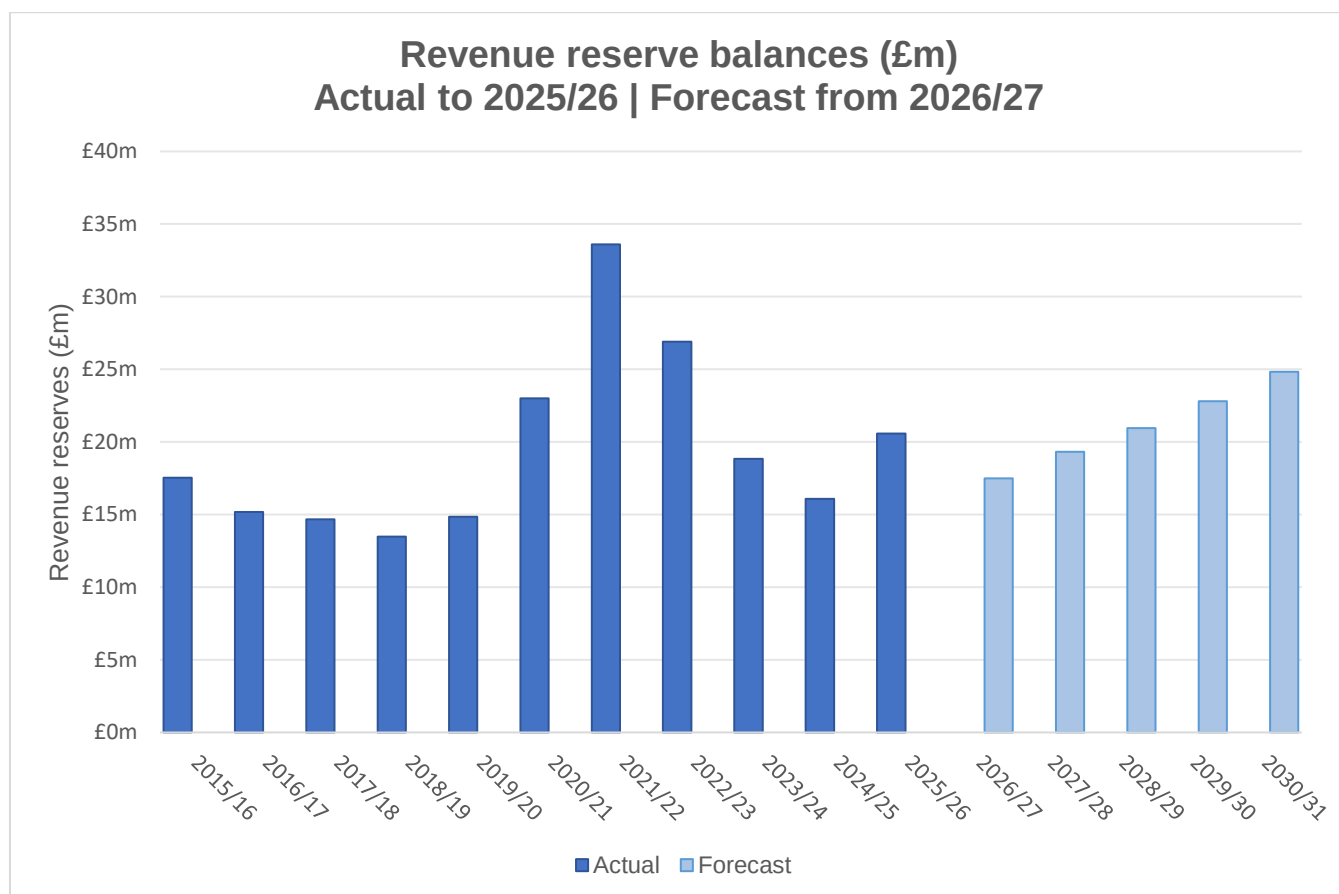
- 4.5. Council Tax is currently modelled at 3.95% for 2027/28 as a planning assumption only. Cabinet has not yet considered the level to be proposed, and any recommendation will need to take account of affordability, consultation feedback, settlement funding and the full budget package.

Fees & Charges for services

- 4.6. Fees and charges make an important contribution to the Council's funding base and support the delivery of discretionary and chargeable services. For 2027/28 the mid-case planning assumption is a 2.90% increase, with favourable and adverse scenarios of 2.50% and 3.50% respectively to reflect the potential impact of price, demand and collection performance.
- 4.7. The annual planning assumption remains that fees and charges should normally increase by at least the relevant rate of inflation unless there is a clear policy, legal, market or service reason to depart from that position. Any material deviation from the planning assumption will need to be considered as part of the wider budget package given the impact on the residual budget gap.

5. Reserves and financial resilience

- 5.1. Reserves remain a key part of the Council's financial resilience framework. They provide capacity to manage volatility, support planned change and respond to unforeseen pressures, but they are a finite resource and are not a sustainable substitute for a recurring balanced budget. Consistent with the CIPFA Financial Management Code, the test is therefore not simply the level of reserves held, but whether their purpose, adequacy, planned use and replenishment are clearly understood within medium-term financial planning.
- 5.2. The following charts should therefore be read as an evidence base for the resilience judgement, rather than as standalone financial information. They illustrate the composition and direction of usable reserves, the distinction between general and earmarked balances, and the extent to which some reserves are already linked to specific commitments, risks or planned use.
- 5.3. This context is particularly important because the Council's financial resilience will depend on the funds that are genuinely available to manage risk and support transition after allowing for existing commitments and planned use.

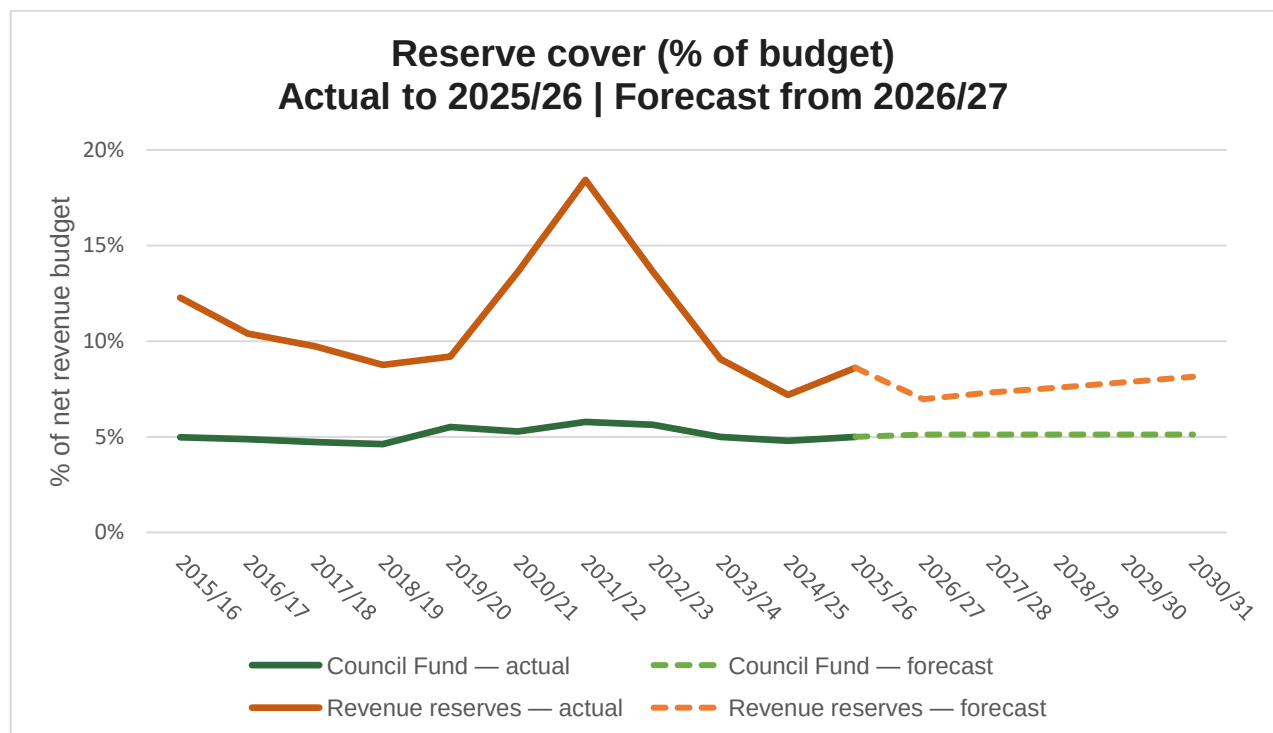


- 5.4. The above position should be considered alongside the underlying reserve composition at 1 April 2026 shown below. Total usable revenue reserves stood at £20.6m; however, this includes a maintained Council Fund balance of £12.0m, a £6.9m deficit in school balances, £8.7m of strategic earmarked reserves and £6.7m of service and partnership reserves. The net general fund balance, after recognising school balances, was therefore £5.1m. This reinforces the central resilience message: while the Council continues to hold usable reserves, the element that is genuinely flexible for future budget management is more limited than the headline total implies.

Revenue reserve component at 1 April 2026	£m
Council Fund	12.0
School balances	(6.9)
Net general fund balance	5.1
Strategic earmarked reserves	8.7
Service and partnership reserves	6.7
Total usable revenue reserves	20.6

- 5.5. The Council Fund continues to be maintained at 5% of the net revenue budget, in line with the Council's approved reserves policy. This remains an important safeguard and provides

assurance against general risk, but it should be considered alongside the wider earmarked reserve position, the forecast direction of school balances, capital commitments and the scale of the medium-term budget gap shown elsewhere in this update.



- 5.6. Taken together, the charts help explain why the Council's reserves position needs to be considered in terms of quality, availability and purpose, not just the headline total. They show that the Council Fund provides a core level of general protection, while a significant part of the wider reserves position is earmarked, committed or constrained. This distinction is important for the MTFP because reserves may provide time-limited support for transformation, risk management or exceptional volatility, but they do not create recurring budget capacity.
- 5.7. For the 2027/28 budget framework, the Council should protect the Council Fund, review earmarked reserves for purpose and availability, and maintain a clear distinction between one-off support, risk management and recurring budget solutions. This reflects CIPFA FM Code principles that financial decisions should be transparent, evidence-based and sustainable over the short, medium and long term.
- 5.8. Any planned use of reserves should meet a clear assurance test: it should be affordable, transparent, time-limited, linked to a defined purpose and supported by an exit route. Where reserves are used to manage transition, timing or exceptional volatility, the underlying recurring solution should be identified and the impact on future financial resilience should be explicit.
- 5.9. The reserve position will therefore be kept under review through the budget process alongside the scenario range, school deficit recovery, capital affordability and delivery risk. This will allow Cabinet to consider whether the emerging budget package protects the Council's underlying financial resilience, rather than relying on reserves to defer difficult recurring choices.

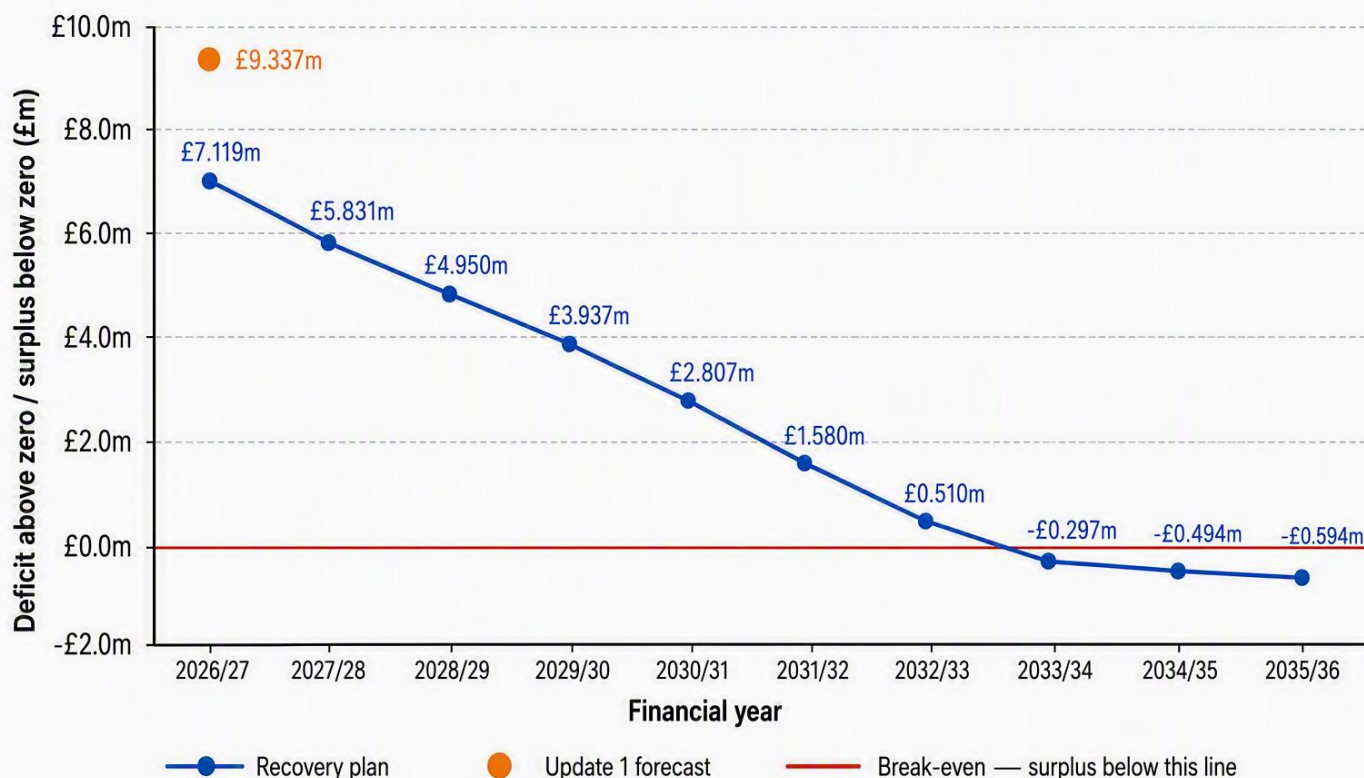
6. Schools' budgets and reserve balances

- 6.1. Schools' budgets are a central part of the Council's financial resilience because cumulative school deficits are carried on the Council's balance sheet. The focus for the MTFP is therefore the future risk, recovery trajectory and implications for 2027/28 budget planning.
- 6.2. The latest forecast indicates that the cumulative schools deficit is expected to increase to £9.337m by the end of 2026/27. This creates a weaker starting point for the 2027/28 budget process and reinforces the need to test whether recovery plans remain credible and deliverable.

Year	Net level of School Balances (Surplus) / Deficit in £000's
2015/16	(1,156)
2016/17	(269)
2017/18	(175)
2018/19	232
2019/20	435
2020/21	(3,418)
2021/22	(6,956)
2022/23	(4,257)
2023/24	904
2024/25	4,092
2025/26	6,880
2026/27 Forecast	9,337

- 6.3. The recovery plan chart below illustrates the forward risk. It shows that the latest forecast is materially above the agreed recovery trajectory, meaning the Council now needs to assess not only whether recovery plans exist, but whether they remain deliverable from this weaker starting point.

School balance projection based on recovery plans agreed



- 6.4. The strategic implication is that school financial recovery will need to be treated as a medium-term resilience programme. The Council will need to maintain pressure on recovery plan delivery, understand where plans are not realistic, and distinguish clearly between temporary support, targeted intervention and any recurring funding decisions that may need to be considered through the 2027/28 budget process.
- 6.5. The immediate priority is to identify where recovery plans remain credible, where assumptions need to be reset, and where additional support, challenge or escalation is required. This should include staffing structures, pupil number assumptions, ALN pressures, grant reliance, planned management actions and the timescale for reducing accumulated deficits.
- 6.6. The proposed next step is to use the high-risk school review to inform the 2027/28 budget process, the reserves and financial resilience assessment, and any future reports to Cabinet on school financial recovery. This will ensure that schools' financial recovery is considered as part of the Council's wider medium-term risk management framework, rather than as a standalone monitoring issue.

7. Budget assumptions and scenario-based planning range

- 7.1. The medium-term budget model is being used to present a planning range rather than a single estimate. For 2027/28 the current range is £3.0m favourable, £4.5m mid-case and £6.5m adverse.

- 7.2. This range should be considered as a planning framework. The mid-case reflects the current working assumptions, while the favourable and adverse scenarios show how movements in funding, pay, inflation, income and borrowing could affect the level of action required.
- 7.3. For 2027/28, the opening scenario range does not include a general allowance for service demand-led pressures over and above the price inflation assumption. This approach is deliberate. Its purpose is to require directorates to bring forward rounded budget packages that identify the underlying drivers of any pressure, the management action already being taken, the scope for demand management or service redesign, and any residual funding requirement that remains after mitigation.
- 7.4. This does not mean that demand-led pressures are being discounted. Rather, they will need to be evidenced through the budget process and considered alongside compensating proposals, service choices and corporate affordability. This avoids building untested growth into the base before directorates have demonstrated the net position.
- 7.5. For the later three years of the MTFP, a moderate allowance for demand-led pressures above inflation is included. This reflects historic experience that isolated demand-led pressures tend to emerge over time, particularly in high-cost statutory services. Including a measured allowance in the later years helps keep the medium-term outlook realistic, while retaining discipline in the immediate 2027/28 budget process.

Planning assumption	Favourable	Mid-case	Adverse
Pay inflation – non-teaching	3.00% / £1.3m	3.30% / £1.6m	3.50% / £1.8m
Pay inflation – teaching	3.25% / £1.4m	3.50% / £1.5m	3.75% / £1.6m
Price inflation	2.50% / £3.4m	2.90% / £4.0m	3.50% / £4.8m
Borrowing	£0.4m	£0.5m	£0.7m
Reserves	£0.0m	£0.2m	£0.5m
Levies and insurances	£0.4m	£0.4m	£0.4m
Reduce capitalisation support	£1.0m	£1.0m	£1.0m
Fees and charges	2.50% / (£0.6m)	2.90% / (£0.7m)	3.50% / (£0.8m)
Welsh Government funding	2.10% / (£3.0m)	1.90% / (£2.7m)	1.50% / (£2.2m)
Council Tax	3.95% / (£3.3m)	3.95% / (£3.3m)	3.95% / (£3.3m)
Estimated budget gap 2027/28	£3.0m	£4.5m	£6.5m

- 7.6. While the immediate focus of the budget process is the 2027/28 budget gap, the same scenario-based approach will be extended across the four-year MTFP period. This is important because relatively modest annual changes in pay, inflation, funding, demand or capital financing assumptions can compound materially over the medium term. The four-year range will therefore provide Cabinet with a clearer view of both the first-year budget requirement and the cumulative level of risk or opportunity that may need to be managed through future budget rounds.

Scenario	2027/28	2028/29	2029/30	2030/31	Four-year cumulative range
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Favourable	£3.0m	£6.1m	£5.5m	£4.7m	£19.3m
Mid-case	£4.5m	£7.2m	£6.9m	£6.2m	£24.8m
Adverse	£6.5m	£9.0m	£8.3m	£7.6m	£31.4m

- 7.7. The key message from the scenario range is that the Council is not facing a one-year balancing exercise. Even where the 2027/28 gap is considered manageable, pressures accumulate over the medium term. The budget process therefore needs to identify recurring proposals that reduce the underlying gap, rather than relying mainly on one-off measures or deferring choices into later years.

8. Uncertainty, sensitivity analysis and budgetary risk

- 8.1. The scenario range provides the main sensitivity analysis for 2027/28. The remaining budget risks are those that could materially change the range or affect the deliverability of the eventual budget package.
- 8.2. The principal risks currently influencing the Council's financial planning are summarised below. They will be monitored through the budget process and reflected in the scenario range where they become sufficiently evidenced.
- 8.3. The risk response will be proportionate to the nature of each risk. Some risks will be reflected directly in the scenario range, some will require mitigation through directorate packages, some will be escalated through corporate risk and performance arrangements, and some will remain as issues for consultation or political choice where there is no purely technical solution.
- 8.4. The following table is intended to show which risks could change the size of the budget gap, why they matter and what management response is proposed.

Risk area	Direction of risk	Why it matters	Management response
Welsh Government settlement and specific grants	Funding may be above or below the mid-case assumption.	Settlement and grant movements have a direct impact on the residual budget gap and may affect core service activity.	Refresh scenarios following national budget announcements, provisional settlement and final settlement; assess specific grant changes separately where required.
Pay, inflation and commissioned services	Costs may exceed current planning assumptions.	Pay, contracts, care, transport, utilities and construction costs can create significant recurrent pressure.	Update assumptions as national and market information changes; challenge contract uplifts; reflect material movements in the scenario range.
Demand-led services	Activity, complexity or placement costs may rise.	Social care, homelessness, ALN and transport can move quickly. No general 2027/28 allowance is included	Require evidence-led directorate proposals; test activity and unit costs; consider prevention, demand management and service redesign.

		above price inflation, but later-year assumptions include a moderate demand allowance to reflect historic experience.	
Schools' financial recovery	School deficits may worsen or recover more slowly.	The forecast cumulative schools deficit is a material financial resilience risk for the Council.	Maintain recovery plans, review high-risk schools, test staffing and pupil assumptions, and consider proportionate intervention where required.
Savings and budget package deliverability	Savings may be delayed, reduced or non-recurrent.	Non-delivery increases the residual gap and risks carrying unresolved pressure into future years.	Apply rolling officer and SLT challenge; test deliverability, dependencies, timing and recurrent benefit.
Income, debt recovery and fees and charges	Income may underperform against assumptions.	Demand, affordability, collection rates and market conditions can affect Council Tax, fees, charges and other income.	Set prudent assumptions, monitor collection and debt recovery, and review fee decisions alongside the wider budget package.
Capital programme and revenue consequences	Additional capital investment may create revenue cost.	Unsupported borrowing, maintenance and operating costs can increase the revenue budget gap.	Prioritise capital pressures, quantify revenue consequences and consider capital choices alongside the revenue scenarios.
Reserves and financial resilience	Reserve flexibility may remain constrained.	Reserves protect against volatility but cannot fund recurring pressures sustainably.	Maintain the Council Fund, review earmarked reserves, avoid recurring reliance on reserves and replenish where possible.
Future Waste policy and funding	Funding and service costs may not align.	Changes to waste policy could affect the net cost of service delivery.	Monitor national announcements, model service impacts and reflect confirmed implications through the relevant directorate package.

9. Bridging the gap between expenditure and available resources

- 9.1. Best practice in medium-term financial planning is to treat the budget gap as a managed programme of choices rather than a balancing exercise at the end of the process. The Council's approach will therefore be to develop a rounded package of recurring savings, service reform, demand management, income, Council Tax, use of reserves where appropriate, and capital financing choices, supported by clear evidence on deliverability, risk and recurrent impact.

- 9.2. This approach is consistent with recognised good financial management practice, which emphasises medium-term planning, whole-system choices, scenario testing, clear links between resources and priorities, and the protection of financial resilience. It also reflects the principle that uncertainty is a reason to plan earlier and more systematically, rather than to defer choices until all funding information is known.
- 9.3. The budget response should be developed across five connected levers: controlling and evidencing expenditure pressures; reducing or redesigning demand; increasing income where appropriate and deliverable; delivering recurring savings and productivity improvements; and using reserves or one-off resources only where they support transition, risk management or genuine one-off pressures.
- 9.4. In simple terms, the budget will need to be built from a rounded package of evidenced pressures, realistic savings, income choices, demand management, Council Tax decisions and limited one-off support where appropriate.

Budget lever	What the package should show	Key tests before inclusion
Service pressures	The underlying driver, evidence base, statutory or policy context, current mitigations and residual funding requirement.	Is the pressure unavoidable, recurrent, evidenced and net of management action?
Demand management and prevention	How demand, complexity, placement cost, activity or avoidable escalation can be managed differently.	Is the impact realistic, measurable and aligned with service outcomes?
Savings and productivity	Proposals for service reform, staffing, procurement, digital, assets, process improvement or reduced activity.	Are the savings recurring, deliverable, timed correctly and supported by clear accountability?
Income, fees and charges	Inflationary uplifts, policy choices, market opportunities, collection assumptions and affordability considerations.	Is the income prudent, collectible, lawful, equitable and consistent with demand assumptions?
Reserves and one-off resources	Any proposed use of reserves, capital receipts, capitalisation support or time-limited funding.	Is use genuinely one-off, affordable, transparent and linked to transition or risk management?

- Directorate packages should therefore be prepared on a net contribution basis. They should bring together pressures, mitigations, savings, income and service choices in one place, showing the net effect on the budget gap under the favourable, mid-case and adverse scenarios. This is particularly important because the 2027/28 opening scenario range does not include a generic demand-led growth allowance above inflation; any such pressures must therefore be evidenced, mitigated and presented as part of a rounded directorate package.
- Each proposal should distinguish clearly between recurring, one-off and time-limited impacts. Recurring pressures should normally be met through recurring funding or recurring mitigation. One-off resources may have a role in managing timing, implementation, redundancy,

transformation or exceptional volatility, but they should not be used to obscure an unresolved recurring budget gap.

- The challenge process should test whether proposals are financially material, deliverable within the budget year, lawful, consistent with the Council's priorities, supported by equality and future generations considerations, and capable of being monitored. Where delivery risk is high, the budget should either include a realistic phasing assumption or identify a contingency, alternative mitigation or escalation route.
- In practical terms, the next stage of the budget process should produce: a refreshed scenario range; directorate packages showing net contribution to the gap; a list of proposals suitable for consultation; an assessment of cumulative risk and deliverability; and a clear view of any residual gap remaining to be addressed through political choices on Council Tax, service levels, income, reserves or further savings.

10. Medium-term approach to change and sustainability

- 10.1. The Council's medium-term approach to change and sustainability needs to sit at the heart of the MTFP. The CIPFA Financial Management Code emphasises that strong financial management should support short, medium and long-term sustainability, embed financial management within organisational culture, use quality data and risk management, and maintain transparency, accountability and assurance in decision-making. The Council's ongoing programme of change, For Purpose On Purpose (F-POP), provides the framework through which those principles can be translated into practical service and financial change.
- 10.2. F-POP should therefore be treated as a delivery and assurance mechanism for medium-term financial sustainability, not simply as a separate transformation programme. Its role is to help services redesign activity, manage demand, improve productivity, make better use of data and assets, and strengthen budget ownership. Financial benefits should only be included in the MTFP where there is clear evidence on timing, deliverability, investment requirement, dependencies, risks and recurrent impact.
- 10.3. The programme should also help distinguish between three different types of benefit: direct recurrent savings that can safely be built into the budget; cost avoidance or demand mitigation that reduces future pressure but may be harder to cash out immediately; and enabling benefits, such as improved data, workforce capacity or service resilience, that support better financial management but should not be counted as savings until they are evidenced.

F-POP / change theme	Contribution to sustainability	Financial planning test	Assurance / governance
Demand, prevention and early intervention	Reduces avoidable escalation, placements, crisis response and repeat demand where service evidence supports intervention.	Is the expected impact measurable, attributable and likely to reduce recurrent cost or future growth?	Tracked through service performance, finance monitoring and directorate budget packages.

Productivity, process and digital change	Improves capacity, reduces manual processing, removes duplication and supports more consistent service delivery.	Can benefits be converted into cashable savings, avoided cost, improved control or service resilience?	Benefits register, implementation plans and post-delivery review.
Workforce, capacity and culture	Strengthens budget ownership, financial awareness, leadership accountability and capacity to deliver change.	Are roles, savings ownership, training needs and change capacity sufficiently clear?	Officer challenge, SLT oversight and budget holder accountability.
Data, insight and performance	Improves understanding of cost, demand, activity, productivity and outcomes, enabling better choices.	Is the evidence strong enough to support budget assumptions and service redesign choices?	Consistent reporting, risk tracking and scrutiny of key assumptions.
Assets, procurement and commissioning	Supports better use of estate, contracts, commissioning models, external funding and whole-life cost decisions.	Are savings, receipts, contract benefits or cost avoidance realistic, timed and risk-assessed?	Capital, procurement and revenue implications considered together.

- The governance of F-POP should therefore be linked directly to the budget cycle. Proposals emerging from the programme should be tested through the same challenge route as other budget proposals, with clear ownership, delivery milestones, enabling investment, risk assessment, equality and future generations considerations, and a benefits profile showing when and how the financial impact will be realised.
- For 2027/28, the prudent position is not to include a general, unallocated financial benefit from F-POP within the opening scenario range. Instead, specific proposals should be added only where they have been sufficiently developed and tested. Over the medium term, the programme should become an increasingly important source of recurring savings, cost avoidance and improved resilience, but this must be supported by a robust benefits framework and regular reporting to SLT and Cabinet.

11. Capital programme

- 11.1. Capital investment remains central to maintaining essential infrastructure, supporting service delivery, meeting statutory responsibilities and delivering longer-term policy objectives. For MTFP purposes, the key issue is affordability: capital plans must be considered within sustainable limits and alongside the revenue consequences of borrowing, maintenance, operating costs and future service commitments.
- 11.2. The capital programme should therefore be assessed alongside the revenue scenarios set out in this update. New or changed capital commitments should identify their revenue impact, funding source, deliverability, risk and whole-life cost before they are built into future MTFP assumptions.

- 11.3. Rising construction, material and contract costs remain an important affordability risk. Where external grant funding does not keep pace with cost increases, schemes may require additional Council contribution, reduced scope, deferral or alternative delivery options.
- 11.4. While ongoing condition surveys, asset data and service monitoring help identify and manage risk, the Council's ageing asset base will continue to require investment to maintain, refurbish or replace infrastructure to acceptable standards. This includes schools, highways, bridges, structures, operational property, ICT, vehicles, drainage, rights of way and other assets that support service delivery and community resilience.
- 11.5. Annual capital allocations for asset maintenance and refurbishment are targeted at the highest-priority backlog issues, with focus on statutory compliance, health and safety, assets in the poorest condition, network resilience and risks to service continuity. Estate optimisation, asset disposals, transfers and strategic capital projects will also be used to reduce risk and release value where appropriate, although these measures will not fully address the total backlog.
- 11.6. The current draft capital MTFP is outlined below. This table will be refreshed as part of the 2027/28 capital programme review and should be considered as a current working position until updated figures are finalised.

Capital budget	Indicative Budget 2027/28
Expenditure	£000's
Asset Management Schemes	2,230
School Development Schemes	0
Infrastructure & Transport Schemes	7,372
Regeneration Schemes	730
Inclusion Schemes	1,200
ICT Schemes	413
Vehicles Leasing	1,500
Capitalisation Directive	1,708
Other Schemes	50
Total Expenditure	15,202
Funding	£000's
Supported Borrowing	(2,406)
Unsupported Borrowing	(5,564)
Grants & Contributions	(3,872)
Reserve Funded	(103)
Capital Receipts	(1,758)
Vehicle Lease Financing	(1,500)
Total Funding	(15,202)
(Surplus) / Deficit	0

- 11.7. The Capital Strategy provides the formal framework for capital investment decisions, including affordability, prudence, sustainability, risk and deliverability. The MTFP update should inform that strategy by identifying the revenue consequences and resilience implications of current capital assumptions before final budget proposals are brought forward.
- 11.8. While the core capital programme remains in place and supports essential infrastructure investment, significant backlog and emerging infrastructure pressures remain outside the programme because of affordability constraints. Some of these pressures are expected to reach a critical intervention point during the four-year MTFP period. The budget process will therefore need to distinguish between pressures that can continue to be managed through routine maintenance, those that require planned preventative investment, and those where deferral would materially increase the risk of asset failure, service disruption or higher whole-life cost.
- 11.9. All schemes and unfunded pressures will be reviewed through the budget process using the approved capital priority matrix. This will give greatest weight to health and safety, legal and statutory obligations, revenue budget impact, corporate priorities, external funding leverage, asset condition, network resilience, whole-life cost and deliverability. For schemes already approved but delayed, the review should confirm whether the original business case, cost estimate, funding package, delivery timetable and revenue implications remain valid.
- 11.10. The Capital Programme for 2027-2031 will therefore be refreshed alongside the revenue budget so that capital choices, borrowing assumptions and revenue consequences are considered together. This review will consider existing commitments, capital contingency, emerging infrastructure pressures, external funding opportunities, capital receipts, reserves, unsupported borrowing and the impact of any additional borrowing on the revenue scenario range.
- 11.11. The capital receipts summary below sets out the expected opening balances, planned use of receipts, forecast new receipts and closing balances across the MTFP period. It will be updated as the capital programme is refreshed.

Capital receipt balances	2026/27	2027/28	2028/29	2029/30	2030/31
	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April	5,091	3,843	2,888	2,233	2,286
Capital receipts used for financing	(595)	(50)	(50)	(50)	(50)
Capital receipts used to support capitalisation direction	(2,931)	(1,708)	(708)	0	0
Capital receipts Forecast	2,278	803	103	103	103
Forecast Balance as at 31st March	3,843	2,888	2,233	2,286	2,339

- 11.12. The reducing balances shown in the table mean that capital receipts should be treated as a financing risk, not guaranteed capacity, until disposals are sufficiently certain. Where expected receipts are delayed, reduced or not achieved, the Council may need to reconsider scheme timing, scope, alternative funding sources or the level of borrowing required.
- 11.13. This reinforces the need for the capital programme review to consider capital priorities, available financing and revenue consequences together. Given the limited headroom in the capital programme, any additional capital investment requiring unsupported borrowing should

be considered explicitly alongside the revenue budget, the Council's overall financial resilience and the medium-term route to a recurring balanced position.

- 11.14. The following table provides an indicative sensitivity showing the annual revenue impact of additional unsupported borrowing in £10m tranches. It is intended to illustrate the scale of revenue consequences that would need to be accommodated within the MTFP, rather than to pre-judge any individual capital decision. The figures are based on the current 50-year PWLB maturity rate of 6.49%, with a simple straight-line MRP assumption over 50 years. Actual costs will depend on the borrowing rate at the point of advance, repayment profile, MRP policy, asset life and timing of spend.

Additional unsupported borrowing	Annual revenue budget impact (MRP + Interest)
£10m	£0.85m
£20m	£1.70m
£30m	£2.55m
£40m	£3.40m
£50m	£4.25m

12. Budget Process and Timetable

- 12.1. Setting a balanced budget for 2027/28 will require a disciplined, staged and evidence-led process. The role of this MTFP update is to set the planning framework, identify the current range, describe the main risks and clarify how assumptions, directorate proposals, engagement and settlement information will be brought together before final decisions are made.
- 12.2. The process will need to support transparent accountability. Finance will maintain the overall model and assurance framework; directorates will evidence pressures, mitigations and proposals; SLT will test deliverability and corporate fit; Cabinet will shape the policy choices; and scrutiny, consultation and member engagement will provide challenge before final recommendations are made.
- 12.3. The budget process will be structured around a number of phases: establishing the planning range and key assumptions; developing directorate packages; officer and SLT challenge; political consideration of emerging options; formal draft budget proposals; consultation and scrutiny; and final approval of the revenue budget, capital programme and Council Tax requirement.
- 12.4. Directorate budget packages will be expected to show pressures, mitigations, income, savings, service change, demand management and capital consequences in a single net position. This will allow Cabinet to consider rounded choices under the favourable, mid-case and adverse scenarios rather than reviewing separate lists of growth and savings.
- 12.5. The milestone dates in developing the budgetary process for 2027/28 are as follows:

Phase	Main activity	Indicative timing
1. Establish planning range and evidence base	Refresh assumptions, confirm the scenario range, test the approach with SLT, and brief the Leader and Cabinet Member for Finance.	Sep-26
2. Member framing and engagement	Present the MTFP update, explain the scenario approach, and brief Cabinet, political groups and members before detailed proposals are settled.	Oct-26
3. Directorate budget package development	Develop rounded directorate packages covering pressures, savings, income, service change, demand management and capital implications.	October to early November 2026
4. Settlement and scenario refresh	Review the UK Autumn Budget, Welsh Government draft budget and provisional settlement, then refresh the favourable, mid-case and adverse scenarios.	Late October to early December 2026
5. Challenge, prioritisation and draft budget	Undertake officer and SLT challenge, integrate revenue and capital choices, and refine a coherent draft budget package.	November to January 2027
6. Draft budget, scrutiny and consultation	Cabinet considers draft proposals, followed by scrutiny and consultation with residents, businesses, partners, staff and trade unions.	20 January to 18 February 2027
7. Final settlement and budget decision	Update for final settlement, consultation and scrutiny feedback, then take final budget proposals to Cabinet and Council.	Late February to 4 March 2027

12.6. The timetable is intended to give Cabinet a clear view of the main decision and assurance points. It will also provide a framework for monitoring how assumptions change, how proposals are developed and challenged, and how engagement feedback is reflected before the final budget is recommended.

Appendices

Appendix A - Progress against the MTFS Delivery plan

The medium term financial strategy (MTFS) approved by Council in July 2024 outlined the delivery plan that will convert the MTFS into practice. The plan contains the actions proposed in accordance with the strategy document. These align to the strategy's key aims and objectives.

There was a commitment made to provide a six-monthly update on progress against the delivery plan to monitor progress of the plan against the core objectives. The latest update of progress is outlined below:

Action No.	Action/Description	Outcome/Output	Timescale for completion	Responsible Officer/Body	Progress update September 2026
1	Develop a Change and Improvement plan to enable delivery of required savings over the medium term	Programme of work developed with overarching governance to enable delivery to be co-ordinated	By Autumn 2026, to inform the 2027/28 budget cycle	Cabinet/SLT	Programme of change reserve strengthened through the 2025/26 outturn, but further work is needed to translate change activity into fully costed, deliverable and recurrent savings options with clear ownership, milestones, benefits tracking and links to service business planning.
2	Delivery of budget holder training	Refresh and rollout of training to all budget holders	Initial rollout by December 2026, then ongoing	Head of Finance	Progress has been slower than originally intended and the training offer is not yet fully embedded. The next stage is to finalise and deploy a refreshed training offer covering forecasting, monitoring, savings delivery, reserves, income, debt management, procurement links and financial systems, with an evaluation mechanism.
3	Self-assessment of compliance with CIPFA Financial Management Code	Self-assessment to identify further actions to improve the Council's financial management	March 2027	Deputy Chief Executive	Core financial governance arrangements remain robust, with the Annual Governance Statement concluding that governance arrangements are effective. The Deputy Chief Executive has completed an initial self-evaluation against the CIPFA Financial Management Code, which provides assurance that the Council's core financial management arrangements are in place while identifying areas for continued operational improvement. The focus now is on using that evaluation, alongside learning from external review, internal audit, budget monitoring and

Action No.	Action/Description	Outcome/Output	Timescale for completion	Responsible Officer/Body	Progress update September 2026
					wider governance processes, to inform ongoing improvements in financial management practice, including links to the Code of Corporate Governance, options appraisal and medium-term financial planning.
4	Independent financial resilience review to be undertaken	Independent review to highlight and further areas for improvement	March 2027	Deputy Chief Executive	Audit Wales has provided positive external assurance on the MTFS and wider financial sustainability arrangements. The next step is to the scope and value of commissioning an independent financial resilience review to provide external assurance on medium-term planning, reserves, savings delivery and financial governance.
5	Enhance approach to modelling future growth, demand, demographic and inflationary pressures in the MTFP		Ongoing through six-monthly MTFP updates and the 2027/28 budget cycle	Head of Finance	MTFS and six-monthly MTFP updates have strengthened modelling of pay, inflation, service pressures, funding assumptions and capital affordability. Further work will develop scenario planning for 2027/28 and later years, including downside funding scenarios, capital pressures and the revenue consequences of unsupported borrowing.
6	Revenue reserves (including school balances) and useable capital receipt review to be undertaken in line with the revised reserves policy	Rationalisation of revenue reserves	Ongoing through six-monthly MTFP updates and outturn review	Deputy Chief Executive; Head of Finance	2025/26 outturn strengthened resilience, with £1.068m transferred to the Council Fund and £3.020m used to replenish earmarked reserves, including £2.5m to the Risk Mitigation Reserve. School deficits remain a significant risk, increasing to £6.88m with nineteen schools in deficit.
7	Financial risk register to be maintained and regularly updated	To ensure that suitable mitigations are in place against key financial risks	Ongoing through six-monthly MTFP update and 2027/28 budget cycle	Head of Finance	The Council has a sound and improving understanding of financial risks and cost drivers through the MTFS, MTFP updates, outturn and monitoring. Key risks include school deficits, service pressures, early 2026/27 risks, capital affordability and infrastructure pressures with revenue consequences.

Action No.	Action/Description	Outcome/Output	Timescale for completion	Responsible Officer/Body	Progress update September 2026
8	Annual review of fees and charges	To benchmark and assess fees and charges to ascertain scope for further income potential	Annually as part of the budget cycle	Head of Finance	Fees and charges remain a key part of the 2027/28 budget framework. Future reviews should continue to test income assumptions, collection performance, affordability and service-specific risks, alongside the wider budget package.