

2027/28 Budget Consultation

FREQUENTLY ASKED QUESTIONS

Why is there a gap in the budget, where does it come from?

The biggest part of the funding we receive (**77%**) comes from Welsh Government (WG) in the form of its Revenue Support Grant (RSG).

The budget gap for 2027/28 comes from things like:

- costs of energy, food, fuel and other services
- increasing demand for services such as Additional Learning Needs, homelessness and social care
- increasing costs from external partners e.g. South Wales Fire and Rescue and the providers of social care services
- Increasing costs of borrowing

How big is the gap for 2027/28?

In March 2026 the council forecasted an **£8.1m** gap in its budget for 2027/28. This factors in:

- an indicative 1% increase in funding from Welsh Governments in the form of its Revenue Support Grant (RSG), and
- an indicative 5% council tax increase

To achieve a legally balanced budget the Council will require:

- services to identify further budget reductions/savings.
- increased fees and charges for some services.
- settled on a final Council Tax increase to pay for council services and to help pay for increases in our contributions to the South Wales Fire and Rescue Authority.

What do you mean by 'savings' are you referring to 'cuts'?

In the past we have used the term 'savings', to describe the different things we have been able to do to find solutions to bridge the budget gap. By doing things differently we have been able to 'save' the council money and keep services running.

We have done this by doing things like:

- running efficient services and 'saving' money
- being more entrepreneurial in the way we do things
- reducing the amount of money services are given to spend
- increasing the amount of money we have to spend by charging for some services

After nearly two decades, we have exhausted all the vast majority of ‘efficiency’ opportunities and there are very few, options left open to us.

An increase to our settlement from Welsh Government is welcomed but this still won’t be enough to close the gap and therefore we will be left with no option other than to make hard choices about where to cut our spending.

Are all Councils struggling to balance the books or is it just Merthyr Tydfil?

It is well documented that all councils across the UK are facing significant financial challenges. Current figures suggest Welsh authorities are facing a shortfall of more than £272m in 2027/28, according to analysis by the BBC Shared Data Unit (August 2026).

Does Welsh Government give each Council the same amount to fund services?

When allocating its overall budget Welsh Government assigns a portion to fund council services. This money is then shared out between all 22 Welsh councils. The amount each council receives is worked out through the Local Government Funding Formula. This looks at things like the geographical size of the council, how rural it is, the size of its population, the economy of the area in terms of wealth and poverty. Merthyr Tydfil’s share of overall budget that Welsh Government assigns to fund council services is 2%

In 2026/27 the Council will receive **£142.2m** from Welsh Government.

The budget and your Council Tax

For every 1% of Council Tax collected the Council receives (net of Council Tax Reduction Scheme) approx. £0.330m in income to help pay for services.

For 2026/27 the Council set a Council Tax increase of 4.95%

Council tax is not just about the council it also funds:

- fire and rescue services and national park levies

There is an additional precept for the police and (where appropriate), community councils

Who pays for the South Wales Fire and Rescue Service?

South Wales Fire and Rescue Service protects residents, businesses and communities across the region through preventive and responsive services including home safety, fire prevention, extinguishment, responding to road traffic collisions, and other emergencies including severe weather events.

Each year, the Council must pay into a combined fire service fund to meet the annual costs of the Fire and Rescue Service. This is known as the annual Fire Service Levy. In the financial year 2026/27 the Council pay a levy of **£3.919m**.

Although there is no Council Tax 'precept' shown on your bill for South Wales Fire and Rescue Service - part of the Council Tax you pay helps the Council fund the fire and rescue service.

South Wales Fire and Rescue Authority is also under pressure from increasing costs, and it is highly likely that in 2027/28 councils will need to contribute more to help it balance its books.

Why can't the Council use up the money it has in reserves to help balance the books?

When we refer to 'reserves' we are talking about the money the Council holds each year to pay for unexpected expenses or emergencies, for example the cost of an extreme weather event.

The Council doesn't hold large reserves and like household savings once we dip into them to pay for something then the money is gone. The Council's current level of General Fund reserves is **£6.9m**. This is the Council's last line of defence in the event of unforeseen circumstances and is low compared to other councils in Wales. The Council's net budget for 2026/27 was £183.7m with the reserve equating to **3.76%** of the budget.

The Council also holds various earmarked reserves which are set aside for specific purposes and can be drawn down as and when the additional spend occurs.

Why don't you reduce your workforce?

Over the past decade the Council has streamlined its workforce to such a point that many services are now running at critical capacity, and any further reductions could result in unsafe levels.