



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

GOVERNANCE AND AUDIT COMMITTEE

Date and Time

10.00 am, THURSDAY, 16TH JANUARY, 2025

Location

Virtual Meeting

*** NOTE ***

*** For public access to the meeting, please contact us***

Contact Point

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(DISTRIBUTED 09/01/25)

GOVERNANCE AND AUDIT COMMITTEE

MEMBERSHIP (18)

Plaid Cymru (8)

Councillors

Ioan Thomas
Menna Baines
Huw Rowlands

Edgar Wyn Owen
Elfed Wyn ap Elwyn
Dafydd Meurig

Arwyn Herald Roberts
Meryl Roberts

Independent (4)

Councillors

Angela Russell
Rob Triggs

Richard Glyn Roberts
Elwyn Jones

Lay Members (6)

Carys Edwards
Rhys Parry
Hywel Eifion Jones
Sharon Warnes
Vacant Seat x 2

Ex-officio Members

Chair and Vice-Chair of the Council

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

4. MINUTES

5 - 14

The Chairman shall propose that the minutes of the meeting of this committee, held on the 28th of November 2024, be signed as a true record.

5. IMPLEMENTING THE DECISIONS OF THE COMMITTEE

15 - 20

To consider the report and offer comments.

6. REVENUE BUDGET 2024/24 – END OF NOVEMBER 2024 REVIEW

21 - 45

To note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the decisions for the Cabinet and comment as necessary.

7. CAPITAL PROGRAMME 2024/25 – END OF NOVEMBER 2024 REVIEW

46 - 59

To receive the information, consider the risks regarding the Capital Programme, and scrutinise the decisions for the Cabinet

8. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

60 - 72

Receive the information, consider the general risks arising from the savings slippages

9. AUDIT WALES REPORTS

73 - 152

Provide an update on reports recently published by Audit Wales – ‘Financial Sustainability of Local Government’ and ‘Financial Sustainability Review – Cyngor Gwynedd’

10. FORWARD WORK PROGRAMME

153 - 154

To consider the work programme

GOVERNANCE AND AUDIT COMMITTEE 28 November 2024

Attendance:

Councillors: Elwyn Jones, Edgar Wyn Owen, Arwyn Herald Roberts, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Ioan Thomas and Rob Triggs.

Lay Members: Sharon Warnes, Hywel Eifion Jones, Clare Hitchcock and Rhys Parry (Chair of this meeting)

Officers: Dewi Morgan (Head of Finance), Ffion Madog Evans (Assistant Head of Finance - Accounting and Pensions), Luned Fôn Jones (Internal Audit Manager), Delyth Thomas Jones (Investment Manager), David Lloyd-Williams (Group Accountant - Management Unit), Caren Rees Jones (Group Accountant - Capital and Management), Gwyn Llŷn (Group Accountant - Accounting and Financial), Eleri Jones (Senior Executive Officer) and Lowri Haf Evans (Democracy Services Officer)

Others invited: Councillor Paul Rowlinson (Cabinet Member - Finance)

Items 6 and 8: Dylan Owen (Statutory Director of Social Services), Aled Davies (Head of Department for Adults, Health and Well-being), Lois Owens (Senior Executive Officer) and Councillor Beth Lawton (Chair of the Care Scrutiny Committee)

Items 10 and 11: Alan Hughes, Yvonne Thomas, Sioned Owen, Siwan Glyn (Audit Wales) and Dewi Jones (The Council's Business Support Service Manager)

Item 13: Ian Jones (Head of Corporate Services Department) and Meinir Griffiths (Service Improvement Officer)

Item 14: Sion Huws (Propriety and Elections Manager) and Huw Elfed Roberts (Electoral Services Officer)

1. APOLOGIES

Apologies were received from Councillor Menna Baines, Councillor Angela Russell, Councillor Elfed Wyn ap Elwyn and Carys Edwards.

Condolences were extended to Carys Edwards following the recent loss of her mother.

Clare Hitchcock was thanked for her valuable contribution and support to the Committee over the last two years and best wishes were extended to her in the future.

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair accepted the minutes of the previous meeting of this committee, held on 10 October 2024, as a true record.

5. IMPLEMENTING THE DECISIONS OF THE COMMITTEE

A report was submitted providing an outline of how the Council's departments had responded to the decisions of the Governance and Audit Committee so that Members could be assured that their decisions were being addressed. It was noted that the report gave Members an opportunity to consider the decision made with the intention of removing the item / decision when the action had been completed.

RESOLVED

To accept the contents of the report

6. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

A report was submitted by the Chair detailing the main findings of the recent meeting of the Controls Improvement Working Group as they discussed the Plas Pengwaith, Llys Cadfan and Plas Hafan audits. It was reported that the audits had received a 'limited' level of assurance because, "although controls are in place, compliance with the control needs to be improved and/or introduce new controls to reduce the risks to which the service is exposed". It was explained that the Improvement Working Group was an opportunity to ask the relevant officers about the findings of the audits, addressing the main matters / deficiencies. It was reiterated that control matters had received attention and the audits did not in any way reflect the quality of care provided to the residents who were always prioritised, and in their chosen language.

It was noted that the main reasons for the control weaknesses were lack of resources, staffing and the pressure placed on the Managers as a result. The lack of recruitment and retaining staff, as well as dependency on agency staff following changes to the pay structure after losing the right for enhanced pay was discussed.

It was agreed in the Working Group that it would be beneficial for the Adults, Health and Well-being Department to conduct a joint review with Internal Audit to look at agency staff expenditure and the financial implications.

The members thanked the officer for the report.

Matters arising from the ensuing discussion:

- The meeting had been beneficial - it provided an opportunity for the homes' managers and officers to respond honestly to the situation
- Concern about agency staff costs – it was agreed that there was a need to conduct a review to try to retain staff under the management of Cyngor Gwynedd - this would reduce turnover
- A suggestion to include a summary of the matters that required attention at the end of the report
- There was a need to refer the recommendations of the report for the attention of the Care Scrutiny Committee

In response to a question regarding the Chancellor's intention to impose national insurance on employers' pension contributions and, as a result of care agencies having to pay higher employment costs, the concern that this would exacerbate the staffing situation, it was noted, although the details had not been confirmed, that workers in the

public sector would be exempt from the change, as the government's departments would have to make substantial cuts to their budgets to fund the change. It was reiterated that the Council was expected to receive repayment for the national insurance costs of Council homes staff, but there was no expectation that such compensation would be payable for staff employed through agencies.

The Cabinet Member for Finance reiterated that he had been in discussions with the Wales Cabinet Minister for Housing and Local Government regarding the situation and they expected more details in January 2025. The details would provide a picture of the impact on the budget - a sum that was likely to be approximately £5 million.

In response to a question regarding care workers' wages, the Audit Manager noted, although a pay rise had been presented in the last few years, that it was insufficient; that the weekend pay (the enhanced pay) had been 'historically attractive' and staff members were now leaving due to better terms in the health field and beyond.

In response to the report, the Head of Adults, Health and Well-being Department noted that the officers who had attended the working group had seen it as a useful exercise and it was a good opportunity to have a further discussion to discuss the situation beyond what had been included in the audit report. He reiterated that there was an intention to respond to the findings and he welcomed a review of the agency staff costs considering that there was a substantial increase in the demand and the impact on the Care Homes.

The Social Services Statutory Director reiterated that staff recruitment in the care field was challenging, and that the Covid period had exacerbated the situation. However, he highlighted that the situation was slowly improving and the use of agency staff had halved (a comparison of 445 agency workers in the first half of 2023/24 compared to 208 agency workers in the first half of 2024/25).

In response to a question regarding the problem specifically in Gwynedd, considering that Gwynedd's population was older and required more care, and some areas of the County was depopulating as a result of young people leaving rural areas to seek work, it was noted that maintaining care services in the rural areas of the County was a problem. According to the Census, it was reported that the population of Gwynedd working age (16-64 years old) had reduced from 75,800 in 2011 to 70,700 in 2021 and there had also been a reduction in the number of children under 16 years old, as well as a substantial increase in the number of older people over 65 years old (and those over 85 years old), and the number of people who could do social care work was reducing.

He reiterated that the Llechen Lân - Older People's Social Services for the Future imposed a strategic direction and an action plan to try to highlight, get to grips and mitigate problems in the future, had been approved by the Cabinet (15 October 2024).

RESOLVED:

To accept the contents of the report

Note:

To refer the report's recommendations for the attention of the Care Scrutiny Committee
To share the 'Llechen Lân' report with Committee Members

7. EXCLUSION OF PRESS AND PUBLIC

RESOLVED to exclude the press and the public from the meeting during the discussion on the following items due to the likely disclosure of exempt information as defined in

Paragraph 14 of Schedule 12A of the Local Government Act 1972 - Information regarding financial or business transactions of any specific person (including the authority that retains that information). There was an acknowledged public interest in being open about the use of public resources and related financial issues. However, it was acknowledged that there were occasions, in order to protect the financial and commercial interests, that matters related to such information needed to be discussed without being publicised. The report was specifically regarding financial and business matters together with associated discussions. The publication of such commercially sensitive information could adversely affect the interests of the bodies and the Council and undermine the confidence to share sensitive information for consideration. This would be contrary to the wider public interest of securing the best overall outcome. For these reasons, the matter was closed for the public interest.

8. SPECIAL INVESTIGATIONS AUDIT - DOMICILIARY CARE

A report was submitted by the Audit Manager detailing the findings of a special audit of domiciliary care commissioned by the Social Services Statutory Director and the Chief Executive. Four questions were set by the commissioners:

- Does the department have adequate financial control over the private domiciliary care provision?
- Is there adequate operational control of commissioning private domiciliary care?
- Are the risk management arrangements for the private domiciliary care provision adequate?
- Does the department have effective management data for managing and commissioning private domiciliary care?

It was emphasised that the audit did not cover a review of the care.

It was noted, although the commissioning model for domiciliary care was aspirational, the action challenges had failed and an element of restructuring had now been in place and a Project Group had been established under the guidance of the Head of Department. In addition, it was highlighted that the work programme had been drawn to address the weaknesses and the priorities, and the Internal Audit had received an invitation to attend the Project Group.

The report was discussed.

RESOLVED:

- **To accept the contents of the report and note the information**
- **A further update was required to provide assurance that the situation was improving, with input from the Chief Executive**

9. RE-OPEN THE MEETING TO THE PRESS AND PUBLIC

RESOLVED to re-open the meeting to the press and public

10. AUDIT WALES REPORTS

Alan Hughes and Yvonne Thomas from Audit Wales and Dewi Wyn Jones (the Council's Business Support Service Manager) were welcomed to the meeting.

A quarterly update was submitted (until 30 September 2024) of the work programme and timetable of Audit Wales. A discussion was held on the financial audit and local performance audit work, drawing attention to a Thematic Review - Financial Sustainability, and Project Work - Response to the Current Demand for Domiciliary Care - the hope was to share the findings of both audits soon.

The members thanked the officer for the report.

In response to a question regarding the Temporary Accommodation Assessment and despite being a national assessment, whether there was an intention to share messages of good practice, it was noted that the information had been gathered by looking at sample arrangements of councils across Wales. The results of the information gathered, which would include good practice and the challenges that would need responding to, would be shared with all Councils.

RESOLVED:

To accept the Quarter 2 update on the Audit Wales work programme

11. FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024 AND THE RELEVANT AUDIT

The Head of Finance explained that the 2023/24 accounts, subject to the audit, had already been presented to the Committee at the September 2024 meeting where the Statement was explained in detail, drawing the members' attention to the main matters and the relevant notes. He noted that the accounts had been subject to an audit by Audit Wales since 20 June and the Statement of the Accounts following the audits were being presented here.

The Assistant Head of Finance - Accounting and Pensioning reiterated that an unqualified opinion was given on the accounts by the Auditors and since the version presented in September, adaptations and recommendations following the audit had been implemented and consideration had been given to the misstatements. Reference was made to the four misstatements that had not been corrected, noting that three of them related to the assets field and one related to the treatment of benefits for the homeless. It was considered that these misstatements were not material, and therefore the Council's intention was to correct them as part of the 2024/25 accounts.

When discussing the adaptations to the Statement of the Accounts that had been changed, it was noted, in the context of the expected adaptation regarding pensions (Pension Commitment), that the last year was the first year to see a situation of a pension asset instead of commitment, a situation considered unprecedented due to the conditions of the market and high inflation, and therefore the situation was not unique to Gwynedd. As a result, it was explained that there had been considerable discussion in terms of its treatment in the accounts last year, and there was a guidance by CIPFA and Audit Wales' Technical Team. However, this year, there was more guidance from the Actuary, and after receiving confirmation by Audit Wales that this was the preferred calculation method, the accounts were changed to reflect the new methodology. It was reiterated that the change had impacted the main findings and the associated notes.

Reference was made to other adaptations that had been changed to comply with the CIPFA practice code:

- Wording was added to Note 4 Accountancy Standards.
- Addition to Note 39 Contingency Liabilities and associated with this, to the adaptation to the risk in the Annual Governance Statement due to adapting the timing.

- Note 18 Debtors - it was seen that the long-term debtors' figures were material this year and, therefore, despite being included in the 'financial instruments' Note, they were required to also be included in the debtors' figures.
- Note 30 'Officers' Remuneration' – an addition to ensure clarity for the readers and to comply with account regulations;
- Note 33 Associated Parties - many amendments and additions to this note, and because the material level of the note is lower than the rest of the accounts (£10k compared to £285k). Despite seeming brief, it was noted that much work had been made to complete the note within a very short time as there was a need to look at all of Gwynedd councillors' returns. In future, the officers would encourage Councillors to complete their returns in a timely manner.

The members expressed their thanks for the report.

Yvonne Thomas, Sioned Owen and Siwan Glyn from Audit Wales were welcomed to share their observations. It was reported that the intention to publish an unconditional opinion on the accounts with the Statement would highlight true and fair opinion of the situation. It was reiterated that the action steps had now been completed and there were no additional matters. Although there was no complete certainty, it was noted that the Auditors worked on a material certainty level with a 2023/24 relevance level of £5.703 million and had implemented independently over the period of the audit. Cyngor Gwynedd's finance officers were thanked for the good collaboration.

Observations arising from the ensuing discussion:

- The Finance department officers were thanked for the good work - a significant achievement to achieve the aim within a tight timetable and receive an unconditional statement.
- Audit Wales officers were thanked for the good collaboration.
- They welcomed that the situation was robust.

Note 10: Earmarked reserves: 10:26 - Council Tax Premium Fund (provision deriving from the Council Tax Premium to achieve the Council's priorities, including the Housing Strategy) - despite being earmarked for the housing scheme (a substantial underspend to date) and that granting a discount and / or charging a premium on second homes and long-term empty dwellings had been considered at the Full Council meeting in December, was the situation sustainable considering that other services within the Council required support?

In response to the above observation, the Cabinet Member for Finance noted that the Cabinet's decision (26 November 2024) was to retain a premium of 100% on dwellings that had been empty for 12 months or longer and retain a premium of 150% on class B second homes, in accordance with Section 12B of the Local Government Finance Act 1992. He reiterated that £3 million of the fund had been given to the Homelessness Service and the rest to the Council Tax Premium Fund. He admitted that the spending was less than what came in, but the Housing Scheme was a long-term plan. In addition, he noted that the Housing Service had received grants and that priority was given to spending the grant funding before the money from the fund. He accepted that questions would be raised should the funding not be used, but the sum of the fund would continue to increase.

In response to an observation that there was a need to construct houses for local people as soon as possible, it was noted that 46 units were being developed on the former Welsh Government site in Caernarfon - this would definitely make a difference.

RESOLVED:

- To accept and approve the 'ISA260' Report by Audit Wales in respect of Cyngor Gwynedd
- To accept and approve the Statement of Accounts for 2023/24 (post-audit)
- The Vice-chair of the Committee and the Head of Finance Department to certify the Letter of Representation electronically
- To congratulate the officers for their work of securing an unqualified statement
- To thank Audit Wales for good collaboration

12. TREASURY MANAGEMENT 2024-25 MID-YEAR REVIEW

The Investment Manager submitted a report on the actual results of the Council's treasury management during 2024/25 until 30 September 2024, against the Treasury Management Strategy for 2024/25 as approved by the Full Council in March 2024. It was noted that the strategy required the Investment Manager to report on treasury management prudential indicators every quarter with a review of the full financial year to also be submitted to the Committee when timely.

It was reported that it had been a very busy period for the Council's treasury management activity, with the funds having been kept safe. However, it was noted that interest rates had reduced during the period, as inflation reduced.

On 30 September 2024, the Council was in a very strong position with net investments due to the high level of investments and operational capital. This included the funds of the Ambition Board and the Pension Fund. It was noted that there had been no significant movement in the level of loans in the last 6 months; the Council continued with the strategy of using internal resources before borrowing externally. It was reiterated that the Council had invested in banks and building societies, local authorities, money market funds, the debt management office and pooled funds, which were consistent with the kind of investments that had been made by the Council for a number of years now, and that risk metrics and earnings were consistent with other authorities. It was reported that the underlying bank rate had been 5.25% in the period where returns had been standard.

It was noted that all activities had fully complied with the CIPFA code of practice and the Council's Treasury Management which was good news and evidenced firm control over the finances. Attention was drawn to the Liability Benchmark, noting that it was an important tool to establish whether the Council was likely to be a long-term external borrower, and therefore shaped the strategic focus and refined decision-making. It was indicated that the Council expected to remain above its benchmark up to 2025 because the Council held reserves, and the cash flow to date had been below the assumptions made when the money had been borrowed.

Finally, reference was made to the prudential indicators and it was reported that there was also full compliance here. Attention was drawn to the treasury management revenue performance and the interest income objective (the interest income to be lower than the funding due to the interest rate being reduced, with projections for further reduction).

The members thanked the officer for the report.

RESOLVED:

To accept the report for information

13. COMPLAINTS AND SERVICE IMPROVEMENT ANNUAL REPORT 2023-24

A report was submitted by the Head of Corporate Services presenting the observations of the Ombudsman for Wales on the Council's arrangements and performance in relation to dealing with complaints and service improvements during 2023/24, highlighting successes, challenges and developments. Members were reminded that the Committee had a statutory requirement to ensure that the Council had effective arrangements in place to deal with complaints. It was reiterated that there had been no change in the procedure or the Concerns and Complaints Policy during 2023/2024, and therefore, the content of the Ombudsman's letter was based on the Policy adopted by the Council in 2021.

It was reported that the Annual Letter had been received on 9 September 2024. Reference was made to some comments and recommendations made by the Ombudsman, which included, "I would encourage Cyngor Gwynedd, and specifically your Audit and Governance Committee, to use this data to better understand your performance on complaints and consider how well good complaints handling is embedded throughout the Authority".

In the context of Gwynedd arrangements, it was suggested to submit a further report to the Committee which would set a context for service improvement policies and arrangements. It was considered that such information would be beneficial to the Council as the Ombudsman's letter did not convey this.

The members thanked the officer for the report.

Observations arising from the ensuing discussion:

- To welcome a further report - seven of the complaints related to the procedure and, therefore, it would be beneficial to get further information considering that the Committee's duty was to scrutinise the procedure
- Appendix B offered the number of complaints received by subject only - further information was required regarding the complaints pattern and how to identify / respond to those patterns
- To welcome that many of the complaints were being resolved before reaching the Ombudsman
- Did officers discuss with other authorities? Was there room here to learn and share experiences? Were there comparisons per other authorities' services available?
- There was a mistake in the Welsh version of Appendix 1 to the Ombudsman's letter - the figures of the number of complaints per 1,000 population did not make sense because the number of Gwynedd, Isle of Anglesey and Conwy complaints were more or less the same (38, 38 and 36) and because the population of Gwynedd and Conwy were quite similar, but the Isle of Anglesey population was significantly lower, it did not make any sense that Gwynedd was 0.55 and Isle of Anglesey was 0.2.

In response to the observations, it was noted that Cyngor Gwynedd tended to be more open about their complaints and, as a result, the figures seemed to be higher than the figures of other Authorities (only complaints to the Ombudsman were included in the report). It was noted that the change in the Council's culture highlighted that Services dealt with complaints before they reached the complaints procedure and this was to be welcomed.

RESOLVED

- **To accept the report**
- **To accept the proposal of the Head of Corporate Services to submit a further report which would set a context for service improvement policies and arrangements**

Note:

Appendix A: Complaints Received: Cyngor Gwynedd (Welsh Version) - need to check population percentage

14. REVIEW OF POLLING DISTRICTS AND POLLING PLACES

A report was presented by the Propriety and Elections Manager highlighting the need for the Committee to approve the results of the review of polling districts and polling places in the Dwyfor Meirionnydd and Bangor Aberconwy (to the extent they were within Gwynedd) parliamentary constituencies, following a consultation period, to be presented to the Full Council for decision.

It was explained that Local Authorities were required to divide its area into polling districts for UK parliamentary elections, and to designate polling places for these polling districts. Under the Representation of the People Act 1983 and Polling Districts and Polling Places Review Regulations (Parliamentary Elections) 2006 the Council was required to review each polling district and polling place every five years.

It was reiterated that a statutory review had been conducted between 23 September 2024 and 1 November 2024. A public notice of the review was issued, as well as details of the current districts and polling stations, and copies were sent to potential interested parties, such as Cyngor Gwynedd members, town and community councils and the political parties. They also asked for observations from the Equality Core Group members as individuals who had specific expertise in relation to access to building or facilities for people with different types of disabilities.

Reference was made to the responses received, noting that the situation was being monitored continuously.

The members thanked the officer for the report.

Observations arising from the ensuing discussion:

- There was a need to look at the numbers who voted at some sites - was there spending justification for those with a low number?
- Unsatisfactory access to some sites - e.g., Ysgol Santes Helen, Caernarfon

In response, it was noted that every effort had been made to ensure balance and to have a site that was accessible and convenient for voters.

RESOLVED:

- **To accept the report**
- **To approve the results of the review to be submitted to the Full Council**
05-12-24

15. THE GOVERNANCE AND AUDIT SCRUTINY COMMITTEE'S FORWARD WORK PROGRAMME UP TO 2025

Submitted - a forward programme of items for the Committee's meetings until October 2025.

In response to a question relating to matters raised in the meeting, the Head of Finance noted that these items would be included in the work programme - the work programme was a live and flexible document.

RESOLVED:

To accept the Work Programme for January 2025 – November 2025

The meeting commenced at 10:00 and concluded at 12:40

CHAIR

Agenda Item 5

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	16 JANUARY 2025
TITLE	IMPELEMENTING THE DECISIONS OF THE COMMITTEE
PURPOSE OF REPORT	TO PRESENT AN UPDATE ON IMPLEMENTING THE COMMITTEE'S PREVIOUS DECISIONS
AUTHOR	DEWI MORGAN, HEAD OF FINANCE
ACTION	FOR INFORMATION

1. INTRODUCTION

- 1.1 The purpose of this report is to outline how Council departments have responded to the decisions of the Governance and Audit Committee, so that members can receive assurance that their decisions are being addressed.
- 1.2 This contributes to reassuring members that the Council's governance is operating effectively.
- 1.3 This item is an opportunity for all members of the Governance and Audit Committee to consider the decisions made. Where the action has been completed, or where further action was not necessary, the line is removed from the table after the Committee has considered the matter.

2. DECISIONS SINCE ESTABLISHING THE NEW COUNCIL (MAY 2022)

Meeting of 9 February 2023

Item	Decision	Update
UPDATE ON THE REPORTS RECENTLY PUBLISHED BY AUDIT WALES	<ul style="list-style-type: none">• To accept the report and the managers' response to the recommendations in 'Arrangements for Responding to the Local Government and Elections (Wales) Act 2021'• To present a report in six months' time to update the Committee with regard to transferring the functions of the North Wales Economic Ambition Board to an empowered sub-committee of the North Wales Corporate Joint Committee, to streamline governance and avoid duplication between both bodies• To accept the report and the managers' response to the recommendations in 'Update on Decarbonisation Progress'	In respect of transferring the functions of the North Wales Economic Ambition Board to an empowered sub-committee of the North Wales Corporate Joint Committee, the project is progressing at a regional level. The target date of transfer is now 1 April 2025.

Meeting of 5 September 2024

Item	Decision	Update
IMPLEMENTING THE DECISIONS OF THE COUNCIL	To accept the contents of the report. Note: Add to the decision notice: <ul style="list-style-type: none"> • That an information session on the field of homelessness needs to be held for Committee members to better understand the field and to understand the reasons why costs in the field are so high. • The Committee's desire to receive Ffordd Gwynedd training. 	Work is currently ongoing to identify and devise information sessions. The initial intention was to hold these during autumn 2024 but it is now likely to be early 2025.
CYNGOR GWYNEDD'S ANNUAL GOVERNANCE STATEMENT FOR 2023/24	To accept the report. To approve the Annual Governance Statement and recommend that it is signed by the Council Leader and Chief Executive. Note: <ul style="list-style-type: none"> • Need to re-consider the Lawfulness likelihood score. • Need to consider reviewing the questions and adapting the document to be clear to Gwynedd residents - although compliant with CIPFA guidelines, a suggestion to consider combining with the assessment of governance arrangements which is included in Gwynedd Council's Self-Assessment to avoid duplication of work 	The Lawfulness score has been considered by the Governance Group (including the Monitoring Officer) and has concluded that the current score is appropriate. The format of the document will be considered when preparing the 2025 Statement.
AUDIT WALES – QUARTER 1 UPDATE	To accept the report. Note: <ul style="list-style-type: none"> • Performance Audit Work of 'Local Project – Waste and Recycling' – need to press on confirming timetable. 	This work will no longer be undertaken – the risk level has been reduced following an external review by WRAP (The Waste and Resources Action Programme).
CYNGOR GWYNEDD ANNUAL PERFORMANCE REPORT AND SELF-ASSESSMENT (draft) 2023/24	To accept the Annual Performance Report and Self-assessment (draft) 2023/24. Note: <ul style="list-style-type: none"> • Need to consider appropriate consultation arrangements for the future to ensure Gwynedd residents' input in the process. • Need to involve the Committee earlier in the process – a suggestion to hold a workshop with Members so that the Committee has input and a better opportunity to offer recommendations. • When presenting data – need to ensure a full explanation e.g., avoiding linguistic categories in secondary schools. 	1. There is an intention to take part in the National Resident Survey co-ordinated by Data Wales and the Welsh Local Government Association early in 2025. Any feedback will be presented in future self-assessments. 2. Work is ongoing to identify the best way to obtain input

	<ul style="list-style-type: none"> Increasing Housing Supply for Local People - need to highlight the impact and not numbers only. <p>Gwynedd Yfory Projects</p> <ul style="list-style-type: none"> Modernisation of Buildings and Learning Environment – to add that a RAC inspection had been undertaken. Promoting the Well-being of Children and Young People – to add that schemes / campaigns are in place by the Education Department to improve pupil attendance. Extending Opportunities for Play and Socialising – to add that additional financial support has been provided by the Council to Byw'n Iach Centres – this has been a positive decision. 	<p>the Committee earlier in the process.</p> <p>3. No further action</p> <p>4. No further action</p>
THE COMMITTEE'S FORWARD PROGRAMME	<p>To accept the Work Programme for September 2024 - September 2025.</p> <p>Note:</p> <ul style="list-style-type: none"> Consider when it would be suitable to review the Committee's Self-Assessment Work Programme 	<p>To be discussed at the meeting of 15 January 2025.</p>

Meeting of 10 October 2024

Item	Decision	Update
<p>URGENT ITEMS –</p> <p>1. Concern about the risks associated with legal challenges against the Council.</p> <p>2. Highlighted that two vacant seats remain on the Committee.</p>	<p>Request to the Chair to discuss the concerns with the Head of Finance so that Committee Members can gain a better understanding of the Council's arrangements.</p>	<p>The Committee Chair has contacted with the Chief Executive to communicate concerns about risk matters, and ways of sharing risks with lay members. Unfortunately, the meeting originally planned had to be postponed and we are seeking to establish a date so that the lay members can meet the Chief Executive, Corporate Director, Monitoring Officer and Head of Finance.</p>
<p>AUDIT WALES: URGENT AND EMERGENCY CARE: 'FLOW OUT OF</p>	<ul style="list-style-type: none"> To accept the contents of the report. Submit an update on the recommendations in 12 months' time. 	<p>Update expected in 12 months' time</p>

HOSPITAL - NORTH WALES REGION'		
INTERNAL AUDIT OUTPUT	<ul style="list-style-type: none"> • To accept the report • Findings of the Residential Homes (Plas Pengwaith, Llys Cadfan and Plas Hafan) Services Audits to be referred to the Management Improvement Group. <p>Carys Edwards, Rhys Parry, Cllr Angela Russell, Cllr Meryl Roberts, and Cllr Ioan Thomas were nominated as members for the Management Improvement Group with an invitation to Cllr Beth Lawton (Chair of the Care Scrutiny Committee) and Cllr Dewi Jones (Vice Chair of the Care Scrutiny Committee) to observe. Should issues arise from the Management Improvement Group that required further attention, they would be referred to the Care Scrutiny Committee.</p> <p>Note: Freedom of Information Requests Audit – a request to consider that the requirements of the Freedom of Information Act 2000 are addressed by the Committee – the Committee to receive an annual report setting out the Council's Arrangements to deal with Freedom of Information matters.</p>	No further action
REVENUE BUDGET 2024/25 - END OF AUGUST 2024 REVIEW	<ul style="list-style-type: none"> • To accept the report and note the situation and relevant risks in the context of the Council's budgets and its departments. • To agree with the recommendation to the Cabinet: • Transfer £1,868k of underspend on corporate budgets to the Council's Financial Strategy Reserve. <p>Note: Work that has been commissioned by the Chief Executive to gain a better understanding of exceptional overspending by the Adults Health and Well-being Department: a request for the Cabinet to challenge the timescale of this work - assurance needed that this work is in place to set a budget.</p>	<p>The intention was for the Statutory Director of Social Services to provide an update during the 28/11/24 Committee on the work involved with the overspend in the Department for Adults, Health and Wellbeing. Due to IT issues during the meeting, the Director was unable to report. The intent is for him to present/report in the next committee. An update on the current situation - the outcome of the end of November 2024 review will be reported in a separate item on the Committee's programme.</p>

Meeting 28 November 2024

Item	Decision	Update
IMPLEMENTING THE DECISIONS OF THE COUNCIL	<ul style="list-style-type: none"> To accept the contents of the report 	No further action
REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP	<ul style="list-style-type: none"> To accept the contents of the report Note: To refer the report's recommendations for the attention of the Care Scrutiny Committee To share the 'Llechen Lân' report with Committee Members 	Chair of the Scrutinee Committee was present in the meeting and the recommendations were discussed in a 'Informal Care Scrutiny' meeting. The 'Llechen Lân' report was shared during the committee.
SPECIAL INVESTIGATIONS AUDIT - DOMICILIARY CARE	<ul style="list-style-type: none"> To accept the contents of the report and note the information A further update was required to provide assurance that the situation was improving, with input from the Chief Executive 	Audit Wales will present their report in February 2025's committee which will provide further opportunities for discussion and to provide an update.
AUDIT WALES REPORTS	<ul style="list-style-type: none"> To accept the Quarter 2 update on the Audit Wales work programme 	No further action
FINAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024 AND THE RELEVANT AUDIT	<ul style="list-style-type: none"> To accept and approve the 'ISA260' Report by Audit Wales in respect of Cyngor Gwynedd To accept and approve the Statement of Accounts for 2023/24 (post-audit) The Vice-chair of the Committee and the Head of Finance Department to certify the Letter of Representation electronically To congratulate the officers for their work of securing an unqualified statement To thank Audit Wales for good collaboration 	No further action
TREASURY MANAGEMENT 2024-25 MID-YEAR REVIEW	<ul style="list-style-type: none"> To accept the report for information 	No further action
COMPLAINTS AND SERVICE IMPROVEMENT ANNUAL REPORT 2023-24	<ul style="list-style-type: none"> To accept the report To accept the proposal of the Head of Corporate Services to submit a further report which would set a context for service improvement policies and arrangements 	Head of Corporate Services to present a report to the committee on February 2025 in order to share further details.

REVIEW OF POLLING DISTRICTS AND POLLING PLACES	<ul style="list-style-type: none"> • To accept the report • To approve the results of the review to be submitted to the Full Council 05-12-24 	No further action
THE GOVERNANCE AND AUDIT SCRUTINY COMMITTEE'S FORWARD WORK PROGRAMME UP TO 2025	<ul style="list-style-type: none"> • To accept the Work Programme for January 2025 – November 2025 	No further action

3. RECOMMENDATION

3.1 The Governance and Audit Committee is asked to consider the contents of the tables above and to offer comments.

Agenda Item 6

MEETING: GOVERNANCE AND AUDIT COMMITTEE

DATE: 16 JANUARY 2025

**TITLE: REVENUE BUDGET 2024/24 –
END OF NOVEMBER 2024 REVIEW**

PURPOSE: Monitoring Report on the Latest Financial Position

ACTION: Receive the information, consider the risks arising from the forecast expenditure against the budget, and scrutinise the decisions to be presented to Cabinet regarding budget management by the Council and its departments

CABINET MEMBER: COUNCILLOR HUW WYN JONES

CONTACT OFFICER: FFION MADOG EVANS, ASSISTANT HEAD OF FINANCE

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Governance and Audit Committee is expected to scrutinise some financial matters, including budget monitoring reports, as appropriate.
2. The attached report (Revenue Budget 2024/25 – End of November 2024 Review) will be submitted to the Cabinet on 21 January 2025.
3. The Cabinet Member for Finance and the Chairman of the Governance and Audit Committee have asked us to present this report to the Governance and Audit Committee to be scrutinised.
4. The Governance and Audit Committee is requested to note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the decisions for the Cabinet and comment as necessary.

Appendices:

Cabinet report 21/01/2025: Revenue Budget 2024/25 – End of November 2024 Review

CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

	Revenue Budget 2024/25 – End of November 2024 Review
Cabinet Member:	Councillor Huw Wyn Jones, Cabinet Member – Finance
Relevant officer:	Ffion Madog Evans, Assistant Head of Finance Department – Accountancy and Pensions
Date of meeting:	21 January 2025

1. Decision sought

- 1.1 Noting that there are projections of £8.3 million of overspend by Council departments, with 83% of it relating to adult and child care, to accept the report on the end of November 2024 review of the revenue budget and support the steps the Chief Executive has introduced to address the significant overspend by the Adults, Health and Well-being Department, the Children and Families Department, the Highways, Engineering and YGC Department and the Environment Department.
- 1.2 Delegate the right to the Head of Adults, Health and Wellbeing in consultation with the Head of Finance and the relevant Cabinet Members to make a number of necessary budget transfers, without limitation on the value, within services budgets in the Adults, Health and Well-being Department to reflect the current pressures, including in the field of Learning Disability, Older People, Physical Disability and Mental Health.
- 1.3 Approve additional financial support above the £201k contractual payment to Cwmni Byw'n Iach to be funded from the transformation fund, and to delegate the right to the Cabinet Member for Economy in consultation with the Finance Cabinet Member, Chief Executive and Head of Finance to agree the amount of final financial support above the contractual payment to Cwmni Byw'n Iach at the end of the financial year.
- 1.4 To approve the transfer of £4,409k of underspend on corporate budgets to the Council's Financial Strategy Reserve.
- 1.5 Exclude clause 16.3.1.(C) of the Financial Regulations and not allow departments to carry any underspend into the next financial year.

2. The reason why the Cabinet needs to make the decision

- 2.1** It is the Cabinet's responsibility to take action, as necessary, to secure appropriate control over the Council's budgets (e.g., approval of significant virements or supplementary budgets).

3. Introduction and Rationale

Background / Introduction

- 3.1** The end of November report is submitted on the latest review of the Council's revenue budget for 2024/25, and a summary of the situation per Department is outlined in **Appendix 1**. The current projections suggest that five of the departments will overspend by the end of the year. Significant overspend is anticipated by the Adults, Health and Well-being Department, the Children and Supporting Families Department, the Highways, Engineering and YGC Department and the Environment Department.

- 3.2** In **Appendix 2**, further details are provided relating to the main issues and the budget headings where significant variances are anticipated, along with specific recommendations where appropriate.

4. The reasoning and justification for recommending the decision

The Savings Situation

- 4.1** In the 2024/25 Budget report to the Full Council on 7 March 2024, it was reported that £5,648,890 worth of savings were required to assist in closing the 2024/25 financial deficit. The budgets have been reduced by this amount; therefore, the situation is reported upon after considering the savings.
- 4.2** In recent years, we have reported on risks to achieving savings. Savings schemes to the value of £2 million were removed during 2023/24. In terms of the remaining schemes, there are risks relating to the delivery of some of the schemes.
- 4.3** The latest situation in terms of savings is that £42 million, namely 90% of the amended savings schemes since 2015, have now been realised.

5. Council Departments

5.1 Adults, Health and Well-being Department

After the Department received an additional permanent budget allocation of over £3.2

million this year to meet pressures in various fields, the latest projections suggest that there will be an overspend of £3.3 million by the end of the year (compared with £3.9 million in 2023/24). The overspending is the result of a combination of different factors, including an increase in the pressures on the domiciliary care provision, with higher staffing costs, sickness levels and high rates of non-contact hours within the internal provision. The other main issues include direct payments, which overspend £1.5 million in the older people service, and supported accommodation in the learning disabilities service.

After work was commissioned by the Chief Executive last year to look at the department's financial position, the work is now being addressed.

5.2 Children and Families Department

The department's financial position has worsened substantially since the 2023/24 situation, when an overspend of £2.6 million was reported, but this has now further increased to £3.7 million, mainly because of an increase in out-of-county placement costs. The department had seen the complexity of packages increasing, and recent increasing use of unregistered placements.

As a result of the exceptional overspending by the Children and Families Department, the Chief Executive has already commissioned work to explain the detail in Children's care, to obtain a better understanding of the issues and a clear programme of response. The work is led by the Statutory Director of Social Services.

5.3 Education Department

Following a £1.5 million overspend in the 2023/24 financial year on school transport, the field received an additional budget allocation this year of £896k on a permanent basis and a further £896k for just one year, to address the pressure on the school buses and taxis field following the re-tendering of contracts. A combination of grant receipts and cutting back on spending means that an underspend is anticipated by the department.

5.4 Byw'n Iach

Over the past few years, as the income levels of Byw'n Iach were disrupted by Covid, the company has received annual financial support from the Council which was £550k in 2022/23 and £308k in 2023/24, which was above the contractual payment of the delivery contract, to enable them to maintain their services. The financial support continues this year, and the required sum is now £201k. Cabinet approval is sought for the amount above the contractual payment, delegating the right to the Cabinet Member for Economy in consultation and the Finance Cabinet Member, Chief Executive and Head of Finance to agree the of final amount of support at the end of the financial year.

5.5 Highways, Engineering and YGC Department

An overspend of £699k is anticipated by the department, a reduction was seen in the work being commissioned by external agencies which is having a negative impact on the income of the highways services. In municipal, there is a combination of factors, including additional pressure on the budgets of staff responsible for street cleaning and cleaning public toilets. Income losses are issues for land maintenance and public toilets, but there are projections of higher income by the bereavement services. An improvement was also seen in the income projections for Gwynedd Consultancy.

5.6 The Environment Department

An overspend of £970k is anticipated, with the annual trend of overspending in the field of waste collection and recycling continuing, and accounting for £667k of the overspend. Employment costs and levels of sickness and overtime were problematic in the field; but the matter is being addressed and therefore seems to be reducing. Additional fleet costs, in terms of vehicle hire, is another matter. Lack of parking income was also evident this year. Several savings schemes are also slipping, which is part of the picture.

5.7 Housing and Property

The trend of significant pressure on the emergency accommodation service continues, with projections that spending in this field will be £5 million this year, compared with £6.8 million last year. The reported financial situation is after taking into account an additional budget of £3m allocated from the council tax premium and also a one-off additional budget of £0.9 million allocated as part of the bids procedure for 2024/25 to assist with the extra pressures. It is anticipated that the department as a whole will underspend (£303k).

5.8 Corporate

Underspend on corporate because of additional tax yield and prudent projections when setting the 2024/25 budget. Following a recent national pay settlement, the council received a grant late in the year towards the additional pressure. The reported underspend is reduced as there is a need to bridge the required savings which were part of the Council's financial strategy for 2024/25.

6. Conclusion

6.1 It is anticipated that many Council departments will overspend by the end of the year, with overspending in adults and children care accounting for 83% of departmental overspend.

There are significant overspending projections for the Adults, Health and Well-being Department, the Children and Families Department, the Highways, Engineering and YGC Department and the Environment Department this year. In light of the exceptional overspending projections by the Children and Families Department, the Chief Executive has already commissioned work to explain the detail in the area of Children's care, in order to obtain a better understanding of the issues and a clear programme of response. This is consistent with the arrangements that have been implemented in the other departments that substantially overspend.

A Medium-Term Financial Plan report was submitted to the Cabinet on 14 May 2024, which outlined the savings and cuts procedure for responding to the financial position. This included recommending freezing spending during the year, should it become apparent that substantial overspend is likely. This measure is already in force since reporting on the overspend projections in the August Review. Therefore, a combination of freezing expenditure arrangements, as well as making use of the Council's reserves is needed to fund the anticipated financial deficit for 2024/25.

The Council's financial regulations allow the departments to keep underspends of up to £100k. But, given the current financial situation and in line with regulations, I recommend that Cabinet decide not to allow this this year.

Earlier this year, the Council received a one-off reimbursement to all councils from the returns of re-funding Parc Adfer, in Deeside. The contribution has been placed in a fund, with the first call on it to be used to fund the overspending in the waste field.

7. Next steps and timetable

- 7.1** To act on the recommendations submitted and present a follow-up report to the Cabinet in May on the situation at the end of the financial year.

8. Views of the Statutory Officers

8.1 Chief Finance Officer

I have worked with the Cabinet Member to prepare this report and I confirm the content.

8.2 Monitoring Officer

No comments to add in terms of propriety.

Appendices:

Appendix 1 – Summary of departmental budgets' net positions

Appendix 2 – Details of budgets and the significant variances

Revenue Budget 2024/25 - Summary of the position per Department

	End of November Review				<i>End of August Over / (Under) Spend Position 2024/25</i>
	2024/25 Proposed Budget	Gross Estimated Over / (Under) Spend 2024/25	Recommended Adjustments	Estimated Adjusted Over / (Under) Spend 2024/25	
	£'000	£'000	£'000	£'000	£'000
Adults, Health and Well-being	78,657	3,349	0	3,349	2,673
Children and Families	23,374	3,683	0	3,683	3,205
Business Service and Care Commissioning	2,572	(100)	0	(100)	(97)
Education	117,374	(145)	0	(145)	(60)
Economy and Community	5,922	440	(201)	239	127
Highways, Engineering and YGC	18,449	699	0	699	649
Environment	17,323	970	0	970	1,083
Housing and Property	12,768	(303)	0	(303)	126
Corporate Management Team and Legal	2,748	(61)	0	(61)	(63)
Corporate Services	8,020	(33)	0	(33)	(23)
Finance (and Information Technology)	8,474	(4)	0	(4)	(18)
Corporate Budgets (Differences only)	*	(4,409)	4,409	0	0
Totals (net)	304,155	4,086	4,208	8,294	7,602

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Adults, Health and Well-being Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adults Services</u>						
Older People's Services						
Residential and Nursing - Homes	24,394	23,174	(1,220)		(1,220)	(874)
Domiciliary Care	10,163	11,785	1,622		1,622	1,221
Physical Disabilities Services	3,472	2,593	(879)		(879)	(979)
Others	3,711	5,083	1,372		1,372	911
	41,740	42,635	895	0	895	279
Learning Disabilities Services	30,098	30,253	155		155	364
Mental Health Services	5,197	5,160	(37)		(37)	(144)
Department Management	579	498	(81)		(81)	(123)
<u>Adults Services Total</u>	77,614	78,546	932	0	932	376
<u>Provider Services (shows net budget)</u>						
Residential Care	(75)	314	389		389	211
Day Care	(13)	(19)	(6)		(6)	14
Community Care	157	1,692	1,535		1,535	1,622
Others	(7)	37	44		44	10
<u>Provider Services Total</u>	62	2,024	1,962	0	1,962	1,857

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Adults, Health and Well-being Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Other Services</u>						
Departmental Central Services (including Department savings)	981	1,436	455		455	440
<u>Other Services Total</u>	981	1,436	455	0	455	440
<u>Adults, Health and Well-being Total</u>	78,657	82,006	3,349	0	3,349	2,673

Adults, Health and Well-being

Older People - in residential and nursing, higher fee costs from private providers continue but the use of an independent national care fees system has been effective in giving the Council assurance of value for money. The arrangements relating to deferred payments due for residents are also more effective. A permanent additional budget of £600k was given to this field for 2024/25, therefore an underspend is anticipated by the end of the year. A further increase in the pressures on the domiciliary care budget and reduction in anticipated income and therefore an overspend of £1.6 million is projected. In the physical disabilities field, the trend is that there is less demand for domiciliary care but continued increasing pressure on direct payments. In 'Other', an overspend of £1.5 million on direct payments but this is slightly reduced by an underspend on day services.

Learning Disability - following an overspend of £2m in this field in 2023/24, the service received an additional budget allocation of £1.68 million on a permanent basis for 2024/25 onwards, it is estimated that there will be an overspend of £155k this year. The pressure remains on supported accommodation, and field worker posts above the organisation is contributing to the overspending.

Mental Health - the service received a permanent additional budget allocation of £419k for 2024/25, which has transformed the financial projection of the overspend position reported last year. It is anticipated that residential and nursing and field workers will underspend but there is pressure on the supported accommodation element.

Department Management - an underspend on salaries, travelling and the legal budget.

Provider Services - overspend on staff in residential care, which includes the use of agency staff. Despite an additional budget of £0.5 million being permanently invested in domiciliary care in 2024/25, higher staffing costs, with sickness levels and high non-contact hour rates continue and account for £1.5 million of the overspend. The day care provision has reduced over recent years, however there are residual running costs for some of the buildings.

Departmental Central Services - posts above the structure, pressure on the bad debts provision and failing to realise savings are responsible for the £455k overspend.

Savings - in terms of the situation of realising savings for the department, savings to the value of £356k from previous years (after deleting savings amounting to £1.5 million in 2023/24), as well as £1.44 million in new savings for 2024/25, therefore a total of £1.8 million. The latest projections show that it will not be possible for 85%, namely £1.5m of these savings, to be realised this year.

In light of the exceptional overspend by the Adults, Health and Well-being Department in 2023/24, the Chief Executive commissioned work earlier on in the year to explain the complex detail in Adults care, in order to gain a better understanding of the issues and a clear agenda to respond. The work is being addressed and is being led by the Statutory Director of Social Services, with the intention to report on the findings soon.

It is recommended that a number of substantial budget transfers are implemented before the end of the financial year within the Adults, Health and Well-being Department to reflect the current pressures, including in the field of Learning Disability, Older People, Physical Disability and Mental Health.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Children and Families Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	674	662	(12)		(12)	(43)
Operational	2,598	3,029	431		431	319
Placements						
Out-of-County Placements	5,831	7,838	2,007		2,007	1,821
Small Group Homes	0	0	0		0	0
Fostering through an Agency	1,917	1,529	(388)		(388)	(269)
Fostering - Internal	3,057	2,816	(241)		(241)	(219)
Support Services and Others	2,086	2,497	411		411	385
	12,891	14,680	1,789	0	1,789	1,718
Post-16	1,703	1,768	65		65	2
Derwen Service	2,614	3,992	1,378		1,378	1,139
Youth Justice	283	243	(40)		(40)	(41)
Early Years	168	92	(76)		(76)	(36)
Workforce Development Unit	186	186	0		0	0
Others	2,257	2,405	148		148	147
Children and Families Total	23,374	27,057	3,683	0	3,683	3,205

Children and Families

Service Management - grants receipt but a reduction in the amount that funds core spending.

Operational - the overspending trend continues as a result of substantial pressure on support from support plans, as well as staffing above the budget for field workers.

Placements - a further increase was seen in the average number of out-of-county placements again this year to 35.1 (32.5 in 2023/24, 25.7 in 2022/23), and therefore an increase in the overspend since the 2023/24 position, with an overspend projection of £2 million for the year. Although £240k is the average cost of the placements, there are six exceptional placements this year, which cost between £488k and £800k each. An increase was seen in the costs due to the complexities of packages and recent increased use of unregistered placements, which are more costly.

Average numbers of Fostering through an Agent and Internal Fostering consistent with 2023/24 numbers but as there are several unaccompanied asylum seekers receiving a service, the income receipt from the Home Office for them has resulted in an underspend. In the support service and others, there are increasing pressures on the budget of the placements team and support workers.

Small Group Homes - in the process of being established in Gwynedd, which are in-house provisions which will mean that children can be placed in-house, instead of with external out-of-county providers, which in turn will reduce the existing overspending on placements.

Derwen - the overspend trend continues, and has intensified, with the costs of support plan workers and specialist support now overspending by £1.1 million. There was a change in the emphasis in terms of how the service is provided, with more emphasis on direct payments which is responsible for £195k of the overspend. Increased use of placements that are long-term in their nature in the Short Break Unit, thus leading to an increase in the pressure on the budget.

Post-16 - staffing above the social worker budget, but a contribution from the Home Office towards asylum seekers reduces the overspending.

Youth Justice - staff turnover and a reduction in the Council's contribution towards the partnership's running costs this year.

Early Years - grants available to fund core spending, leading to a projected underspend.

Others - a combination of factors including overspending on staffing, specialist service fees and on the contributions of joint services.

As a result of the exceptional overspending by the Children and Families Department, the Chief Executive has already commissioned work to explain the detail in the area of Children's care, in order to obtain a better understanding of the issues and a clear programme of response. The work will be led by the Statutory Director of Social Services.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW

Business and Care Commissioning Service	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Support and Commissioning	1,586	1,472	(114)		(114)	(151)
Income and Finance	757	778	21		21	(70)
Preventative Services	229	222	(7)		(7)	124
<u>Business and Care Commissioning Service Total</u>	2,572	2,472	(100)	0	(100)	(97)

Business and Care Commissioning Service

The Business and Care Commissioning Service has been moved from the Adults, Health and Well-being Department during the year to be accountable to the Statutory Director of Social Services, since their work field includes the care of adults and children.

Support and Commissioning - underspend on a number of budget headings, including staff costs, travelling, printing and services and supplies, but one-off costs on systems reduces the reported underspend.

Income and Finance - one-off employment costs, as well as unfound savings, mean that further overspend is anticipated by the end of the financial year.

Preventative Services - the telecare plan is underspending (£14k) as a result of improvement in the contributions projections which is now above the target, as well as receiving a grant to fund a post. An additional grant receipt was also seen for other preventative services, therefore an underspend of (£7k) is anticipated.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Education Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Devolved Schools	97,325	97,325	0		0	0
Schools Quality Services	(1,357)	(1,369)	(12)		(12)	(13)
Infrastructure and Support Services						
Transportation	8,511	8,511	0		0	0
Ancillary Services	1,145	1,083	(62)		(62)	(28)
Others	2,928	2,893	(35)		(35)	(23)
	12,584	12,487	(97)	0	(97)	(51)
Leadership and Management	2,620	2,600	(20)		(20)	(24)
Additional Learning Needs and Inclusion	5,194	5,209	15		15	48
Youth Service	1,008	977	(31)		(31)	(20)
Education Total	117,374	117,229	(145)	0	(145)	(60)

Education

Schools Quality Service - a combination of income receipt and an increase in the use of grant funding to fund core spending.

Transport - following an overspend of £1.5 million during the 2023/24 financial year, the field received an additional budget allocation this year of £896k on a permanent basis, and a further £896k for one year only to address the pressure on the school bus and taxi field, following the re-tendering of contracts. Therefore, at present, it is anticipated that the financial position will be balanced.

The transport field continues to be the subject of a strategic review to try to control the increase in the expenditure, so that it is possible to reduce overspending and take advantage of opportunities for efficiencies.

Infrastructure and Support Services - Ancillary Services - higher income for catering following a grant receipt for primary schools' free school meals. Overspending on staffing costs are issues in school cleaning and caretaking. The care element of the breakfast clubs also continues to overspend, with a projected overspend of £94k as a result of higher staff costs and lack of income.

Infrastructure and Support Services - Others - underspend on a number of various budgets.

Leadership and Management - staff turnover and grant allocations, as well as savings deriving from a system change.

Additional Learning Needs and Inclusion service - a mixed picture which is a combination of staff turnover and grant receipt, however, pressure on a number of other various headings. The circumstances relating to one specific centre remain and is responsible for an overspend of £135k.

Youth Service - realising the 2025/26 savings scheme relating to staffing in advance.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Economy and Community Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	431	425	(6)		(6)	0
Community Regeneration and Support Programmes	464	454	(10)		(10)	(10)
Maritime and Country Parks	(163)	18	181		181	128
Byw'n Iach and Other Leisure Contracts	2,100	2,408	308	(201)	107	59
Economic Development Programmes	(77)	(182)	(105)		(105)	(75)
Marketing and Events	295	285	(10)		(10)	(40)
Gwynedd Libraries	1,824	1,776	(48)		(48)	(60)
Gwynedd Museums, Arts and Archives	995	1,178	183		183	178
Use of the Department's Underspend Fund	53	0	(53)		(53)	(53)
Economy and Community Total	5,922	6,362	440	(201)	239	127

Economy and Community

Community Regeneration and Support Programmes - grant money is funding core spending.

Maritime and Country Parks - the impact of poor weather over the summer disrupted income levels, which has led to a lack of income at beaches and has contributed to a reduction in the income of Hafan Pwllheli. Higher spending and spending above the budget are also issues at Hafan Pwllheli and Victoria Dock, Caernarfon. Better projections with the Country Parks with an underspend of (£65k) as a result of a one-off income receipt from Netflix at Parc Padarn and a combination of grant receipts and higher income at Glynllifon.

Byw'n Iach and Other Leisure Contracts - the leisure provision was transferred to the Byw'n Iach Company in April 2019, but responsibility for the running costs of properties remained with the Council. Over the past few years, as the income levels of Byw'n Iach have been disrupted by Covid, the company has received annual funding support from the Council which was £550k in 2022/23 and £308k in 2023/24, which was above the contractual payment of the delivery contract, to enable them to maintain their services. The financial support continues this year and the required sum is £201k.

Furthermore, there is an overspend of £135k on the Economy and Community Department budget on leisure properties running costs.

Economic Development Programmes - success in attracting grants which releases the Council's core budget.

Marketing and Events - job saving in advance which is part of the 2025/26 savings schemes.

Gwynedd Libraries - vacant post which is a part of the 2025/26 savings schemes, as well as less spending on many budget headings.

Gwynedd Museums, Arts and Archives - overspend mainly because lack of income are issues at Neuadd Dwyfor £147k, Storiel £41k and Lloyd George Museum £3k.

In order to reduce the overspend reported, the department will use its departmental underspend fund in full, which is £53k this year.

It is recommended that the Cabinet approves financial support to the value of £201k to Byw'n Iach.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Highways, Engineering and YGC Department (including Trunk roads)	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Services:						
Highways (including Trunk roads)	12,122	12,350	228		228	228
Engineering	507	499	(8)		(8)	(3)
Municipal	5,698	6,187	489		489	391
Gwynedd Consultancy	122	112	(10)		(10)	33
Highways, Engineering and YGC Total	18,449	19,148	699	0	699	649

Highways, Engineering and YGC (including Trunk roads)

Highways Services - less work being commissioned by external agencies which therefore has a negative impact on the projected income, as well as increasing pressure on the lighting budget. Underspend on staff costs reduces the overspend reported.

Engineering Services - underspend on various headings.

Municipal Services - a mixed picture which is a combination of factors, additional pressure on the budgets of street cleaning staff and cleaning public toilets. Income losses are issues for land maintenance and public toilets. An increase was seen in the expenditure projections since the August Review which worsens the financial situation. Higher income projections by the bereavement services, and staffing underspend in a number of fields is assisting the financial position.

Gwynedd Consultancy - improvement in the income projections from external organisations such as other councils and the Welsh Government in the roads and engineering field, but income shortfall is still anticipated in the construction service.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Environment Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	717	930	213		213	219
Planning and Building Control Service	602	834	232		232	235
Street Care and Transport Services						
Network Management (Transportation)	256	(212)	(468)		(468)	(539)
Parking and Parking Enforcement	(2,286)	(1,682)	604		604	695
Integrated Transport	2,583	2,547	(36)		(36)	53
	553	653	100	0	100	209
Countryside and Access	706	683	(23)		(23)	(34)
Public Protection	2,048	1,829	(219)		(219)	(210)
Waste	14,476	15,143	667		667	664
Parc Adfer Refinance Gain Share	(1,779)	(1,779)	0		0	0
Environment Total	17,323	18,293	970	0	970	1,083

Environment

Department Management - a delay in realising savings schemes to the value of £200k as well as an overspend on staff and travelling costs.

Planning and Building Control Service - lack of income is an issue in Building Control, Development Control and Land Charges, but is reduced by an underspend on staffing costs.

Street Care and Transport Services

Network Management (Transportation) - exceeding the streetworks fees income, as well as vacant posts and underspend on many of the budget's headings.

Parking and Parking Enforcement - the projected deficit in the parking income has increased to £679k, but its impact is reduced by an underspend on other budgets.

Integrated Transport - an additional one-off budget of £400k was allocated for 2024/25 following the additional pressures after re-tendering public bus contracts. A higher grant receipt from Transport for Wales is also helping to ease the situation. It is suggested that the review into the transport provision should continue.

Public Protection - vacant posts and reduced expenditure on a number of the budget headings, including food and water samples, services and supplies. Projected income is down for the areas of licensing, markets, taxi licensing and food and water safety, but is more promising for trading standards following grant receipts.

Waste - the work of introducing changes to the field continues, and therefore there is a reduction in the overspend projections from the 2023/24 levels, with £667k projected by the end of the financial year. There are a number of matters responsible for the overspend, but mainly waste collection and recycling. Overspend also evident in the running costs of recycling centres. Employment costs and sickness and overtime levels are problematic; however, the matter is being addressed and therefore seems to be reducing. Additional fleet costs, in terms of vehicle hire, is another issue. A number of savings schemes slipping are also a part of the picture.

Reclaiming the Shared Returns of Parc Adfer - One-off saving to all councils from the returns of re-funding Parc Adfer. The contribution has been placed in a fund, with the first call on it to be used to fund the overspending in the waste field.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Housing and Property Department	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	543	534	(9)		(9)	(52)
Housing Services						
Homelessness	6,184	5,915	(269)		(269)	227
Private Sector Housing	403	353	(50)		(50)	(38)
Others	360	349	(11)		(11)	(38)
	6,947	6,617	(330)	0	(330)	151
Property Services						
Property	5,279	5,299	20		20	14
Caretaking, Catering and Cleaning	(1)	15	16		16	13
	5,278	5,314	36	0	36	27
Housing and Property Total	12,768	12,465	(303)	0	(303)	126

Housing and Property

Management - underspend on staffing costs and on services and supplies.

Homelessness - the trend of significant pressure on the emergency accommodation service continues, with projections that spending in this field will be £5 million this year, compared with £6.8 million last year. Following consideration of an additional budget for emergency accommodation, namely £3m allocated from the council tax premium and also £0.9 million from an additional one-off budget allocated as part of the bids procedure for 2024/25 to assist with the extra pressures.

Private Sector Housing - staff turnover and an underspend on supplies and services but a deficit in the disabled facilities grant income.

Housing Services, Others - a grant receipt and an underspend on staffing costs, which is reduced by a shortfall in the contributions from housing associations.

Property Services - pressures on the services and supplies budget in Property and on vehicle costs in Pest Control, a one-off income receipt reduces the overspend.

Caretaking, Catering and Cleaning - overspend on staffing costs which is reduced by an income receipt that is higher than the target.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Central Departments	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	2,748	2,687	(61)		(61)	(63)
Finance (and Information Technology)	8,474	8,470	(4)		(4)	(18)
Corporate Services	8,020	7,987	(33)		(33)	(23)
Central Departments Total	19,242	19,144	(98)	0	(98)	(104)

Central Departments

Corporate Management Team and Legal - attempt to keep posts vacant in various fields as well as projected income being above target (£50k) by the legal service. Additional pressures of £17k on the Gwynedd element of the Coroner's budget, reduces the underspend reported.

Finance (and Information Technology) - staff turnover, which is reduced by higher software costs in Information Technology and the Taxation, Benefits, Income and Payments Units. It is not anticipated that income targets will be met in several fields across the department by the end of the financial year. One-off spending on CIPFA Consultation reduces the anticipated underspend.

Corporate Services - a combination of reasons responsible for the situation, including staff turnover and an attempt to keep posts vacant. Realising the 2025/26 savings in advance is also evident. The latest income projections of the Print-room suggest that the income target will be met, however, a deficit is projected in Customer Contact. A permanent bid was allocated for 2024/25 to address the added pressures on the counselling and physiotherapy budget, and therefore this has cancelled out the associated overspend.

REVENUE BUDGET 2024/25 - END OF NOVEMBER REVIEW						
Corporate (Reflects variances only)	2024/25 Proposed Budget	2024/25 Estimated Position	Estimated Over / (Under) Spend 2024/25	Use of Other Sources or Other Adjustments Recommended	Estimated Adjusted Over / (Under) Spend 2024/25	Estimated August Review Over / (Under) Spend 2024/25
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(1,800)	1,800	0	0
Council Tax Reductions	*	*	0	0	0	0
Interest	*	*	82	(82)	0	0
Pay Inflation Pressure Above Demand	*	*	(948)	948	0	0
Government Grant - Additional Pay Pressure	*	*	(2,179)	2,179	0	0
Savings Provision	*	*	0	0	0	0
Budgets / Bids Returned	*	*	(691)	691	0	0
Bridging Savings	*	*	2,991	(2,991)	0	0
Others	*	*	(1,864)	1,864	0	0
Corporate Total	*	*	(4,409)	4,409	0	0

Corporate

Council Tax - additional council tax returns as a result of prudent projections when setting the 2024/25 budget. Although a reduction of 239 was seen in the numbers of second home premiums in 2023/24; there has been an increase of 287 in the numbers to date this year. Furthermore, we saw 362 properties transferring from non-domestic rates to Council Tax up to the end of November (381 in 2023/24). However, on the other hand, the Valuer's Office permitted 145 properties to transfer from Council Tax to non-domestic rates, which is lower than in previous years (193 in 2023/24, 452 in 2022/23, 469 in 2021/22 and 506 in 2020/21). In 2024/25, £6m of Council Tax Premium has been earmarked for the Housing Strategy and a further £3m for the field of Homelessness.

Council Tax Reductions - following a campaign to target different groups to increase the number of applications, an increase was seen in the number who claim the reduction in Gwynedd this year compared with the trend in previous years.

Interest - balance levels in the bank to invest are lower than expected as we set the budget and therefore means that the interest receipts are underachieving.

Pay Inflation Above the Requirement - following the recent pay settlement, a combination of prudent budgeting, as well as additional funding from the Government for an element of teachers' pay inflation.

The Government Grant - Additional Pay Pressures - received an additional grant in December from the Government towards additional pay pressures facing councils.

Budgets / Bids Returned - the pressures on some budgets not as much as provided for in the budget, including gas budgets.

Bridging Savings - make use of corporate underspend to fund the required savings transition which was part of the Council's financial strategy for 2024/25.

Others- the demand on the provision was not as high as projected when setting the budget.

It is recommended that £4.409 million is transferred to the Council's Financial Strategy Reserve, so that it is available to assist in funding the financial deficit.

Agenda Item 7

MEETING: GOVERNANCE AND AUDIT COMMITTEE

DATE: 16 JANUARY 2025

**TITLE: CAPITAL PROGRAMME 2024/25 –
END OF NOVEMBER 2024 REVIEW**

**PURPOSE: Monitoring Report on the Expenditure and Financing of the
Capital Programme**

**ACTION: Receive the information, consider the risks regarding the
Capital Programme, and scrutinise the decisions for the
Cabinet**

CABINET MEMBER: COUNCILLOR HUW WYN JONES

**CONTACT OFFICER: FFION MADOG EVANS,
ASSISTANT HEAD OF FINANCE**

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Governance and Audit Committee is expected to scrutinise some financial matters including budget monitoring reports, as appropriate.
2. The attached report (Capital Programme 2024/25 – End of November 2024 Review) will be presented to the Cabinet on 21 January 2025 for decisions regarding the revised programme and its financing.
3. The Cabinet Member for Finance and the Chairman of the Governance and Audit Committee have asked us to present this report to the Governance and Audit Committee to be scrutinised.
4. The Governance and Audit Committee is asked to note the position and any risks regarding the Council's capital programme, scrutinise the decisions for the Cabinet, and comment as necessary.

Appendices:

Cabinet report 21/01/2025: Capital Programme 2024/25 – End of November 2024 Review

CYNGOR GWYNEDD – Report to Cyngor Gwynedd Cabinet

Item Title:	Capital Programme 2024/25 – End of November Review (30 November 2024 position)
Cabinet Member:	Councillor Huw Wyn Jones, Finance Cabinet Member
Relevant Officer:	Ffion Madog Evans, Assistant Head of Finance
Meeting Date:	21 January 2025

1. Decision Sought:

- To accept the report on the end of November review (30 November 2024 position) of the capital programme.
- Approve the revision to the Capital Budget approved on 7 March 2024 and revised on 15 October 2024 from the programme’s financing perspective (as shown in part 3.2.3 of the report), that is:
 - an increase of £166,000 in the use of borrowing
 - an increase of £4,112,000 in the use of grants and contributions
 - an increase of £420,000 in the use of the revenue
 - an increase of £697,000 in the use of renewal and other reserves.

2. The reason why the Cabinet needs to make the decision:

It is the Cabinet’s responsibility to act, as necessary, to secure appropriate control over the Council’s budgets. It is necessary to ensure appropriate financing arrangements for the Council’s plans to spend on capital. The Cabinet has the authority to adapt the capital programme. Approval is sought for the proposed programme (part 3.2.2) and financing (part 3.2.3).

These are recommended steps to ensure definite sources of funding for the 2024/25 – 2026/27 capital schemes.

3. Introduction and Rationale

3.1 Background/ Introduction

This technical report is presented as part of the 2024/25 budget review. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. The structure of Part 3.2 of the report (The rationale and justification for recommending the decision) is as follows:

- Part 3.2.1: Main Findings

- Part 3.2.2: Analysis by Department of the £175.124m capital programme for the 3 years 2024/25 – 2026/27.
- Part 3.2.3: The sources of finance for the net increase of approximately £5.395m since the last review.
- Part 3.2.4: Detail of additional grants since the last review.
- Part 3.2.5: Analysis of the capital prudential indicators.

The Cabinet has a role in formally approving the incorporation of grant funding into the capital budget, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of contributions and capital receipts.

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

3.2 The rationale and justification for recommending the decision

3.2.1 Main Findings

The main findings that arise from the revised position are:

- Clear plans are in place to invest approximately £102.7m in 2024/25 on capital projects, with £51.1m (50%) of it being financed by attracting specific grants.
- An additional £19.7m of proposed expenditure has been reprofiled from 2024/25 to 2025/26 and 2026/27, but no loss of funding was caused to the Council where schemes have slipped.

3.2.2 Capital Programme 2024/25 to 2026/27

See below the revised capital programme as at the end of November 2024:

Department	END OF AUGUST REVIEW				Increase/(Decrease) since the Last Review £000
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	
Education	19,937	12,443	2,795	35,175	185
Environment	6,325	3,725	1,742	11,792	205
Corporate Services	74	-	-	74	24
Finance	2,263	498	609	3,370	11
Economy and Community	29,952	13,792	1,975	45,719	2,181
Housing and Property	25,652	11,472	6,850	43,974	667
Adults, Health and Wellbeing	2,556	4,565	-	7,121	21
Children and Supporting Families	2,337	320	-	2,657	762
Highways, Engineering and Consultancy	10,241	6,059	4,552	20,852	1,939
Corporate	3,390	500	500	4,390	(600)
TOTAL	102,727	53,374	19,023	175,124	5,395

3.2.3 Changes to the Sources of Finance

The budget for the three year programme shows an increase of £5.395m since the last review. The proposed sources of financing for this are noted below :

Source of Finance	END OF NOVEMBER REVIEW				Increase/(Decrease) since the Budget £000
	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	
Supported Borrowing	4,057	4,057	4,057	12,171	-
Other Borrowing	12,094	4,378	4,119	20,591	166
Grants and Contributions	55,219	22,416	6,512	84,147	4,112
Capital Receipts	129	-	-	129	-
Departmental & Corporate Revenue	1,582	-	-	1,582	420
Capital Fund	9,576	11,266	307	21,149	-
Renewals & Other Funds	20,070	11,257	4,028	35,355	697
TOTAL	102,727	53,374	19,023	175,124	5,395

**The General Capital Grant from the settlement is shown on the Grants row rather than as part of the Borrowing/Settlement as in the 2024/25 budget.*

3.2.4 Additional Grants

Since setting the original budget, the Council succeeded in attracting additional grants totalling £4,107k, the largest of which are listed below. Several additional adjustments brings the total movement to £4,112k (see Appendix 1 for more information):

- £1,626k Adjustment to the Grant from the UK Government's Shared Prosperity Fund
- £725k Welsh Government grant towards the North Prom scheme at Barmouth
- £710k Childcare Capital Grant from the Welsh Government

- £406k Grant from Cymru Football Foundation towards two football pitch schemes
- £185k Sustainable Communities for Learning Grant
- £149k Grant from Welsh Government's Regional Integrated Fund (RIF)
- £117k ARFOR 2 grant from Welsh Government Grant

3.2.5 Capital Prudential Indicators

The CIPFA Prudential Code notes the need to report these Prudential Indicators (see Appendix 4 for more information).

3.3 Next Steps

To implement the recommendations to finance the programme.

4. Comments by Statutory Officers

4.1 Principal Finance Officer

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

4.2 Monitoring Officer

No observations in relation to propriety.

Appendices List:

Appendix 1 – Details of Main Changes

Appendix 2 – Details of Budget Reprofileing

Appendix 3 – Capital Expenditure First 8 months 2024/25

Appendix 4 – Capital Prudential Indicators 2024/25

Background Documents List:

2024/2025 Budget : [Annual budgets \(llyw.cymru\)](https://llyw.cymru)

Capital Strategy 2024/25 : Full Council 07/03/24 : [Item 12 - Capital Strategy 2024-25 including Investment and Borrowing Strategies.pdf \(llyw.cymru\)](#)

Details of Main Changes

See below the relevant schemes that have caused the main changes to the sources of finance since the original budget:

	2024/25	2025/26- 2026/27
	£'000	£'000
Other Borrowing		
<ul style="list-style-type: none"> Vehicles for use in the areas of waste and Recycling; and information technology equipment (<i>Environment; Finance Departments</i>). 	166	
Grants and Contributions		
<ul style="list-style-type: none"> Sustainable Communities for Learning Grant – adjustments and the addition of various schemes (<i>Education Department</i>). 	185	
<ul style="list-style-type: none"> ARFOR 2 Grant from Welsh Government towards developing enterprising communities (<i>Economy and Community Department</i>). 	117	
<ul style="list-style-type: none"> Direct Food Assistance Grant from Welsh Government (<i>Economy and Community Department</i>). 	32	
<ul style="list-style-type: none"> Adjustment to the Grant from the UK Government's Shared Prosperity Fund - a sum is paid to Cyngor Gwynedd to be distributed across the counties of north Wales (<i>Economy and Community Department</i>). 	1,626	
<ul style="list-style-type: none"> Grant from Cymru Football Foundation towards two football pitch schemes (<i>Economy and Community Department</i>). 	406	
<ul style="list-style-type: none"> Childcare Capital Grant from the Welsh Government (<i>Children and Supporting Families Department</i>). 	710	
<ul style="list-style-type: none"> Care Homes Fund Grant for children's homes from the Welsh Government (<i>Children and Supporting Families Department</i>). 	52	
<ul style="list-style-type: none"> Regional Integrated Fund (RIF) – additional grant from Welsh Government towards adapting establishments as well as facilitating joint working arrangements with other agencies (<i>Adults, Health and Wellbeing Department</i>). 	149	

<ul style="list-style-type: none"> Welsh Government grant towards the North Prom scheme at Barmouth (<i>Highways, Engineering and Consultancy Department</i>). 	725
<ul style="list-style-type: none"> Grant from the Land and Buildings Development Fund from Welsh Government towards the feasibility of schemes (<i>Housing and Property Department</i>). 	50
<ul style="list-style-type: none"> Leasing Scheme Wales Grant from the Welsh Government (<i>Housing and Property Department</i>). 	55
Departmental and Corporate Revenue	
<ul style="list-style-type: none"> Revenue contributions towards several environmental schemes (<i>Environment Department</i>). 	21
<ul style="list-style-type: none"> Revenue contributions towards Capitalised Repairs and Maintenance (<i>Housing and Property Department</i>). 	400
Renewals and Other Funds	
<ul style="list-style-type: none"> Vehicle and Equipment renewals from departmental funds (<i>Highways, Engineering and Consultancy; Environment Departments</i>). 	627
<ul style="list-style-type: none"> Contribution from the Climate Fund towards a renewals scheme to move to electric vehicles (<i>Highways, Engineering and Consultancy; Corporate Services Departments</i>). 	40
<ul style="list-style-type: none"> Contribution towards works carried out in Block J, Headquarters (<i>Housing and Property Department</i>). 	30

Details of Budget Reprofileing

See below the main schemes that have been reprofiled since the original budget:

	2024/25	2025/26 - 2026/27
	£'000	£'000
Schools' Schemes (Sustainable Communities for Learning and Others) (<i>Education Department</i>)	(7,863)	7,863
Economic Stimulus Schemes and Industrial Units (<i>Economy and Community Department</i>)	(2,652)	2,652
Levelling Up Fund (<i>Economy and Community Department</i>)	(9,745)	9,745
Maritime, Country Parks and Leisure schemes (<i>Economy and Community Department</i>)	(167)	167
Children's establishments including the Maesgeirchen Integrated Centre scheme (<i>Children and Supporting Families Department</i>)	(320)	320
Penygroes Health and Care Hub (<i>Adults, Health and Wellbeing Department</i>)	(2,400)	2,400
Residential Establishments, Day Care and other schemes in the Adults area (<i>Adults, Health and Wellbeing Department</i>)	(2,165)	2,165
Highway schemes and purchase of burial land (<i>Highways, Engineering and Consultancy Department</i>)	497	(497)
Vehicle and Equipment Renewals (<i>Highways, Engineering and Consultancy; Environment Departments</i>)	(5,807)	5,807
Coastal Risks and Flood Prevention schemes (<i>Highways, Engineering and Consultancy</i>)	(1,368)	1,368
Transport schemes and Urban Improvements (<i>Environment Department</i>)	(309)	309
Car Parks – Resurfacing (<i>Environment Department</i>)	(119)	119
Environment Department Specialist IT systems (<i>Environment Department</i>)	(48)	48
Waste and Recycling Schemes (<i>Environment Department</i>)	(174)	174
Housing Grants and Other Schemes (<i>Housing and Property Department</i>)	(745)	745

Disabled Adaptation and Offices Schemes (<i>Housing and Property Department</i>)	(154)	154
Council's Carbon Management and Solar Panel Schemes (<i>Housing and Property Department</i>)	(2,500)	2,500
Asbestos Disposal Schemes (<i>Housing and Property Department</i>)	(200)	200
Heating Decarbonisation Schemes (<i>Housing and Property Department</i>)	(600)	600

Note:

The above reprofiling will not result in any loss in grant.

There are a variety of valid reasons behind the reprofiling in many cases, but the delay prior to implementing these schemes can mean that the services must cope for longer with current assets which have not been improved.

Capital Expenditure First 8 Months 2024/25

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed November) 2024/25 £'000	ACTUAL EXPENDITURE FOR THE 8 MONTHS TO 30/11/2024 £'000
Education	19,937	5,782
Environment	6,325	3,485
Corporate Services	74	74
Finance (and Information Technology)	2,263	641
Economy and Community	29,952	10,774
Housing and Property	25,652	6,844
Adults, Health and Wellbeing	2,556	214
Children and Supporting Families	2,337	1,403
Highways, Engineering and Consultancy	10,241	4,746
Corporate	3,390	-
TOTAL	102,727	33,963

Note:

The percentage spent this year (33%) is higher than the position this time last year (amount spent in 8 months in 2023/24 was 27%), but lower than two years ago (40% in 2022/23).

Capital Prudential Indicators 2024/25

The Council measures and manages its capital expenditure and borrowing with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a regular basis.

The latest position and information are reflected here.

Capital Expenditure

The Council has undertaken and is planning capital expenditure as summarised below.

	2023/24 Actual £m	2024/25 Forecast £m	2025/26 Budget £m	2026/27 Budget £m
General Fund Services	56.9	103.1	53.7	19.4
Leasing General Fund *	0.0	5.0	0.0	0.0
TOTAL	56.9	108.1	53.7	19.4

* Capital Expenditure for 2024/25 includes £5m due to a change in the accounting for leases and does not represent cash expenditure.

The main General Fund capital projects in 2024/25 include (see the review reports for reprofiling details as applicable) :

- Housing Schemes/Strategy - £17.9m
- Shared Prosperity Fund Schemes - £16.4m
- Sustainable Communities for Learning Schemes - £16.1m
- Levelling Up Fund Schemes - £10.1m
- Coastal Flood Protection - £3.9m
- Property Schemes - £3.7m

Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) and capital receipts used to replace debt.

	31.3.2024	31.3.2025	31.3.2026	31.3.2027
	Actual	Forecast	Budget	Budget
	£m	£m	£m	£m
General Fund Services *	173.5	189.2	191.7	193.7

* The Capital Financing Requirement for 2024/25 and subsequent years includes a £5m increase due to a change in the accounting for leases.

Gross Debt and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2024	31.3.2025	31.3.2026	31.3.2027	Debt at
	Actual	Forecast	Budget	Budget	30.11.2024
	£m	£m	£m	£m	£m
Debt (including Private Finance Initiative (PFI) and leases)	101.3	98.7	94.0	88.6	100.0
Capital Financing Requirement	173.5	189.2	191.7	193.7	

Debt and the Authorised Limit and Operational Boundary

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

	Maximum Debt 2024/25 £m	Debt at 30.11.2024 £m	2024/25 Authorised Limit £m	2024/25 Operational Boundary £m	Complied ?
Borrowing	94.3	94.3			
Private Finance Initiative (PFI) and Finance Leases	5.7	5.7			
Total Debt	100.0	100.0	200	190	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Proportion of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP) are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, National Non-Domestic Rates and general government grants.

	2023/24 Actual	2024/25 Forecast	2025/26 Budget	2026/27 Budget
Financing Costs * (£m)	7.1	9.1	9.5	10.2
Proportion of Net Revenue Stream (%)	2.2%	2.8%	2.8%	3.0%

* Financing costs for 2024/25 and subsequent years includes a £0.7m increase due to a change in the accounting for leases.

Treasury Management Indicators

These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are reported separately as part of the Treasury Management Report for the period under review.

Agenda Item 8

MEETING: GOVERNANCE AND AUDIT COMMITTEE

DATE: 16 JANUARY 2025

TITLE: SAVINGS OVERVIEW:
PROGRESS REPORT ON REALISING SAVINGS SCHEMES

PURPOSE: Report on the Latest Position

ACTION: Receive the information, consider the general risks arising from the savings slippages

CABINET MEMBER: COUNCILLOR HUW WYN JONES

CONTACT OFFICER: FFION MADOG EVANS, ASSISTANT HEAD OF FINANCE

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Governance and Audit Committee is expected to scrutinise some financial matters as appropriate.
2. The attached report (Savings Overview: Progress report on realising savings schemes) will be submitted to the Cabinet on 21 January 2025.
3. The Cabinet Member for Finance, and the Chairman of the Governance and Audit Committee have asked us to present this report to the Governance and Audit Governance Committee to be scrutinised.
4. The Governance and Audit Committee is requested to note the position and the relevant risks regarding the Savings Overview, consider the decisions for the Cabinet and comment as necessary.

Appendices:

Cabinet Report 21/01/2025: Savings Overview: Progress report on realising savings schemes

CYNGOR GWYNEDD – Report to Cyngor Gwynedd’s Cabinet

Subject:	Savings Overview: Progress Report on Realising Savings Schemes
Cabinet Member:	Councillor Huw Wyn Jones, Cabinet Member for Finance
Contact officer:	Ffion Madog Evans, Assistant Head of Finance - Accounting and Pensions
Date:	21 January 2025

1. The decision sought

- 1.1 To accept the information in the report and to note the progress towards realising the savings schemes for 2024/25 and previous years.
- 1.2 Approve the deletion of one savings scheme worth £146,910 relevant to 2025/26 in the waste area in the Environment Department, using the provision set aside in the budget in order to do so.

2. The reason why it is necessary that the Cabinet makes the decision

- 2.1 Realising the individual schemes is the responsibility of relevant Cabinet members, who challenge the performance of the departments including the progress of the savings schemes. It is the responsibility of the Cabinet Member for Finance to keep an overview of the whole picture.

3. Introduction and Rationale

Background / Introduction

- 3.1 This report provides an overview of the Council's savings' situation for 2024/25 and previous years following a review of the situation at the end of November 2024.
- 3.2 In the 2024/25 Budget report to the Full Cabinet on 7 March 2024, it was reported that savings totalling £5,648,890 were required for the 2024/25 financial year to help close the 2024/25 funding gap. The savings were a combination of £3,668,130 previously approved in Cabinet 14 February 2023 for the 2023/24 budget, a £15,000 scheme that has been deferred which received Cabinet approval on 19 February 2019, along with new savings approved in Cabinet on 20 February 2024 worth £1,956,760.

4. Rationale and justification for recommending the decision

The Council has financial planning arrangements that have already identified significant efficiency savings in recent years to reduce service cuts for Gwynedd residents. Recent years have seen difficulties in realising savings in some areas and so during 2023/24 £2m worth of savings were deleted.

5. Historical Departmental Savings Schemes 2015/16 – 2024/25

5.1 Appendix 1 summarises the achievement of each department based on the November 2024 review, against the revised savings target that has been set for them, **which totals over £34m. It can be reported that £33.8m worth, or 98% of these schemes have been realised**, but the risk of realising the savings on some of the schemes remains.

5.2 There are 5 schemes worth £368k that face risks of delivering; 3 schemes from the Adults, Health and Wellbeing Department (total of £223k) and 2 schemes from the Economy and Community Department (total of £145k).

5.3 4 schemes totalling £164k have slipped but the departments do not foresee a problem in realising them.

6. New Departmental Savings Schemes 2023/24 – 2024/25

6.1 In the full Council on 7 March 2024 the 2024/25 Budget report was approved which included efficiency savings schemes and cuts worth £5.2m, with £2m of it to be implemented to fund the 2024/25 funding gap.

6.2 Appendix 2 summarises the achievement of each department based on the November 2024 review against the savings target set for them, **totalling over £12m. It can be reported that over £8m, or 67% of these schemes have already been realised, with a further £791k or 6% on track to deliver fully and in a timely manner.**

6.3 The Corporate Services Department has identified that £14k worth of savings can be achieved on the Learning and Development of the Organisation - cutting supplies budgets scheme, worth £41.6k. However, there are significant risks to realise the remaining savings of £27.6k and the department is looking at how it can be realised.

6.4 It is currently anticipated that there are some risks of realising almost £544k worth of savings schemes which includes 1 scheme from the Education Department (£41k), 4 from the Environment Department (£388k), 1 from the Finance Department (£38k) and 1 from the Highways and Engineering Department (£60k).

6.5 There is a slippage on some schemes totalling £536k which were profiled to be realised in 2023/24 and there is some delay in realising schemes worth £2.141k in 2024/25, thus a total of £2.677k, but the departments do not foresee a problem to realise them. Most of this amount includes savings from the Adults, Health and Well-being Department (total of £1.2m) and £444k from schools, which is slipping as schools work within an academic year and so the realisation will slip into the next financial year.

7. Departmental Savings Schemes 2025/26 onwards

7.1 Due to the prospects for a poor financial settlement and the current challenging economic climate, it is inevitable that Local Authorities must look at savings and cuts to support the financial situation. Additional savings schemes and cuts for 2025/26 are already under consideration by the Council. A public consultation to establish what is important to the people of Gwynedd has recently been held which will be considered when looking at the required savings. The savings will be subject to a report shortly.

7.2 The current savings for 2025/26 onwards, worth £3.7m are listed by department in **Appendix 3**, the historical savings worth £200k in Table 1 and the new savings worth £3.5m in Table 2, but it is currently premature to report on the status of these schemes.

8. Savings realisation review

8.1 Following a recent review by the Chief Executive of waste area savings schemes by the Environment Department, it was concluded that there is a need to:

- merging three savings schemes in the commercial waste field.
- that two savings schemes have been approved, namely The modification of the current arrangements for nappy collection and Collecting residual waste every 4 weeks, as both schemes cannot be realised, it is proposed that the nappy collection scheme worth £146,910 which has been profiled for 2025/26 is deleted.
- there are great risks to achieving the savings of the £400k Waste Agreement Review scheme in 2025/26 and therefore the saving is to be reduced to £100k with the Environment Department implementing two alternative schemes for the remaining £300k.

9. Conclusion

9.1 It can be reported that a total of £42 million of savings have been realised since 2015/16, which is 90% of the required £46.6m over the period. It is inevitable that realising the savings has been challenging and I am grateful to all the departments and Cabinet Members for ensuring this success.

9.2 The table below summarises the latest position of the savings schemes since April 2015 with 90% of all schemes realised.

Table 1: Summary of the status of all savings schemes since April 2015

Status of Savings	Portal	£m	%
Have realised	1	42.0	90.2
On track to achieve savings in full and on time	2	0.8	1.7
Delay, but moving forward	3	2.9	6.1
Some risks to achieve - slip or fail	4	0.8	1.7
Significant risks to realise in full or partially	5	0.1	0.3
Total savings		46.6	100

9.3 Therefore, I ask the Cabinet to note the achievement outlined in this report towards realising the savings schemes. In addition, delete one savings scheme worth £146,910 relevant to 2025/26.

10. Next steps and timetable

10.1 Act on the recommendations stated in this report and submit a follow-up report to the Cabinet following the final situation at the end of the 2024/25 financial year.

11. View of the Statutory Officers

11.1 Head of Finance

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

11.2 Monitoring Officer

No observations to add in relation to propriety.

Appendices:

Appendix 1 - Overview of Historical Savings Schemes 2015/16 - 2024/25 per Department

Appendix 2 - Overview of New Savings Schemes 2023/24 - 2024/25 per Department

Appendix 3 - Table 1 - Overview of Historical Savings Schemes 2025/26 onwards per Department

- Table 2 - Overview of New Savings Schemes 2025/26 onwards per Department

OVERVIEW OF HISTORICAL SAVINGS SCHEMES FOR 2015/16 TO 2024/25 PER DEPARTMENT

TABLE 1
SCHEMES THAT HAVE REALISED

Department	Total Savings 2015/16 to 2024/25 £	Schemes that have realised £	Percentage of schemes that have realised
Education	1,659,740	1,659,740	100%
Schools	4,331,620	4,331,620	100%
Environment	2,972,463	2,922,463	98%
Corporate Services	2,569,218	2,569,218	100%
Finance	1,881,636	1,881,636	100%
Economy and Community	2,996,422	2,851,422	95%
Adults, Health and Well-being	6,594,981	6,293,051	95%
Children and Supporting Families	2,318,908	2,318,908	100%
Highways, Engineering and Gwynedd Consultancy	6,531,580	6,496,580	99%
Corporate Management Team and Legal	403,240	403,240	100%
Housing and Property	843,230	843,230	100%
Sub-total	33,103,038	32,571,108	98%
Managerial Savings	1,200,360	1,200,360	100%
TOTAL	34,303,398	33,771,468	98%

TABLE 2
SCHEMES YET TO BE REALISED

Adran	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	Total £
Environment			37,500	12,500			50,000
Economy and Community		45,000		70,000	15,000	15,000	145,000
Adults, Health and Well-being	30,000	136,930	33,750		101,250		301,930
Highways, Engineering and Gwynedd Consultancy		8,750	26,250				35,000
TOTAL	30,000	190,680	97,500	82,500	116,250	15,000	531,930

Department	Head of Finance's comments
Environment	There has been a slippage on one scheme which is To provide electric car charging points in car parks (£50k).
Economy and Community	There are some risks in achieving the savings of 2 schemes; a scheme relating to Neuadd Dwyfor (£100k) and Establish parking fees on Dinas Dinlle beach and increase launching fees across Gwynedd beaches from £10 to £15 (£45k).
Adults, Health and Well-being	There are some risks in achieving savings of 3 schemes namely Improving work processes by undertaking the Ffordd Gwynedd review and using the finance modules of the new IT system within the Adult Department (£40k), Review of Continuing Healthcare packages £47.57k) and Review the operating arrangements within the Adult Department (£135k). The 2 schemes Restructuring the Business Service by reducing support for teams within the Department and the Children's Department (£49k) and Increase income and reduce other costs with a balance of £30k, have slipped but the Department anticipates realising these during 2024/25.
Highways, Engineering and Gwynedd Consultancy	The Barmouth Bridge scheme - not paying Network Rail for the right of way over the bridge (£35k) has slipped but the department is still in discussions with Network Rail.

OVERVIEW OF NEW SAVINGS SCHEMES FOR 2023/24 AND 2024/25 PER DEPARTMENT

Department	Total of new savings for 2023/24 and 2024/25		Realised Schemes		Schemes on track to be completed on time		Schemes slipping and schemes with some risks of achieving the savings		Head of Finance's comments
	£ - number		£ - number		£ - number		£ - number		
Education	1,304,550	31	1,194,510	26	69,040	3	41,000	2	There is a delay on 2 schemes which have been profiled in 2024/25 namely <i>Cut 25% of the Key Stage 4 Behaviour hubs' budget</i> (£18k) and <i>Delete one level 3 assistant post in the Inclusion Team</i> (£23k). There are 2 schemes on track to deliver in a timely manner.
Schools	1,966,100	1 *	1,522,020	1	-		444,080	*	There has been a delay on part of the <i>school efficiency savings</i> scheme mainly because schools work within an academic year and therefore the remaining amount will materialise in 2025/26.
Environment	1,197,750	32	372,740	19	35,510	1	789,500	12	The department anticipates some risks of realising the savings of 4 schemes worth a total of £388k - <i>Rationalisation of departmental support arrangements</i> (£150k), <i>Increase income by collecting Commercial Waste from holiday accommodation</i> (£120k), <i>Parking and Streetworks - Extension of Parking Enforcement Hours at Council Short Stay Car Parks</i> (£38k) and <i>Parking and Streetworks - Adjustment to Band 2 Long Stay Fee Structure</i> (£80k). There is a slippage/delay on 8 schemes worth a total of £402k but they are moving forward. There is 1 further scheme on track to deliver in a timely manner.
Corporate Services	517,790	20	449,260	17	26,920	2	41,610	1	The service has recognised that £14k worth of savings can be achieved on the savings of the <i>Establishment's Learning and Development scheme - cutting supplies budgets</i> worth £41.6k. However, there are significant risks of realising the remaining savings of £27,610 and the department is looking at how it can be realised. It is anticipated that 2 schemes will be realised in a timely manner.
Finance	665,100	17 *	322,810	12	138,720	2 *	203,570	3 *	There has been a slippage from 23/24 on 3 schemes worth a total of £166k, included here is the <i>departmental scheme - Increase income targets to be proportionate to the work</i> that is at risk to achieve a 24/25 target worth £38k. A further 2 schemes are on track to materialise fully and in a timely manner.
Economy and Community	513,760	36	483,120	32	9,530	1	21,110	3	There are some risks of delivering £3k of savings on the <i>Marketing & Events scheme - increasing advertising income on the Eryri/Snowdonia Mountain and Coast website</i> . There is a delay on 2 schemes totalling £18k but 1 scheme is moving forward and on track to deliver in a timely manner.

Adults, Health and Well-being	1,575,650	20	82,150	5	266,090	8	1,227,410	7	There has been a slippage from 2023/24 on 4 schemes; <i>Client Asset Management Unit: Charge property management fee in line with Court of Protection practice guidance</i> (£9k), <i>Make use of a national reimbursement scheme to fund 25% of support costs in substance misuse</i> (£25k), <i>Achieve efficiency savings by making better use of equipment/technology in supported accommodation for individuals with physical disabilities</i> (£10k) and <i>Mental Health, Protection and Quality Assurance: Achieve efficiency savings by making better use of equipment/technology in supported accommodation</i> (£10k). There is a delay in 2024/25 on 3 schemes totaling £1.173k and a further 8 schemes on track to realise in a timely manner.
Children and Supporting Families	238,140	6 *	80,180	5 *	157,960	1 *	-	-	£158k on track to realise in a timely manner.
Highways, Engineering and Consultancy	1,025,440	18	606,940	9	87,500	2 *	331,000	7	The department anticipates risks of realising 1 scheme namely <i>Improving efficiency/rationalisation of highway depot sites</i> scheme (£60k). There was a slippage from 2023/24 on 2 schemes namely <i>Stop lamp inspection work over the summer</i> (£5k) and <i>Raising CCTV service contributions to reflect the true cost</i> (£5k) with the remaining £10k to realise this year. There is a delay on 4 schemes this year with a total of £261k but they are moving forward and 2 further schemes with a total of £77.5k on track to realise in a timely manner.
Corporate Management Team and Legal	131,190	7	131,190	7	-	-	-	-	All schemes of the period have been achieved.
Housing and Property	760,350	13	610,850	11	-	-	149,500	2	There has been a delay on 2 schemes namely <i>Internalise more technical work on Disabled Facilities Grants schemes</i> (£54k) and <i>Reducing our office space due to new ways of working</i> (£95.5k), but they are moving forward.
Managerial Savings	2,400,000	1	2,400,000	1	-	-	-	-	The one scheme of the period has been achieved.
TOTAL	12,295,820	202	8,255,770	145	791,270	20	3,248,780	37	In financial terms (£), 67% of the new 2023/24 and 2024/25 savings schemes have already been realised and a further 6% are on track to be delivered on time by the end of the financial year.

* schemes with different status splits in the years they have been profiled

TABLE 1

OVERVIEW OF HISTORICAL SAVINGS SCHEMES 2025/26 ONWARDS PER DEPARTMENT

Department	2025/26	2026/27	Total 2025/26 and 2026/27 Savings	
	£	£	£ - number	
Adults, Health and Well-being	200,000	-	200,000	1
HISTORICAL SCHEMES TOTAL	200,000	0	200,000	1

TABLE 2

OVERVIEW OF NEW SAVINGS SCHEMES 2025/26 ONWARDS PER DEPARTMENT

Department	2025/26	2026/27	Total 2025/26 and 2026/27 Savings	
	£	£	£ - number	
Education	151,960	-	151,960	5
Environment	949,630	200,000	1,149,630	11
Corporate Services	248,620	-	248,620	7
Finance	292,540	-	292,540	8
Economy and Community	135,020	-	135,020	5
Adults, Health and Well-being	923,120	143,090	1,066,210	12
Highways, Engineering and Consultancy	462,500	-	462,500	5
NEW SCHEMES TOTAL	3,163,390	343,090	3,506,480	53
TOTAL	3,363,390	343,090	3,706,480	54

Agenda Item 9

MEETING	Governance and Audit Committee
DATE	16 th January 2025
TITLE	Audit Wales Reports
AMCAN	Provide an update on reports recently published by Audit Wales – ‘Financial sustainability of local government’ and ‘Financial Sustainability Review – Cyngor Gwynedd’
RECOMMENDATION	Members are asked to accept the reports.
AUTHOR	Alan Hughes, Audit Lead, Audit Wales Dewi W. Jones, Council Business Support Service Manager

1. BACKGROUND

- 1.1. The Audit and Governance Committee has a role to review and assess the risk management, internal control, performance management and corporate governance arrangements of the Council and as part of this role there is an expectation to consider the reports of external review bodies such as Audit Wales, Estyn and Care Inspectorate Wales (CIW).
- 1.2. As well as actively considering reports the committee are expected to assure themselves that there are arrangements in place to monitor and evaluate progress against any recommendations contained in them.
- 1.3. A copy of the reports on ‘Financial sustainability of local government’ (**Appendix 1**) and ‘Financial Sustainability Review – Cyngor Gwynedd’ (**Appendix 2**) have been included as appendices. An organisational response document to the local report is included as **Appendix 3** which outlines what we as a Council propose to do in response to the recommendations within the report. **Dewi Morgan, Head of Finance** will attend the meeting to expand on the response, set context and respond to any questions if necessary.

Financial sustainability of local government

December 2024



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary Report

Auditor General's foreword

The financial position of local government is unsustainable over the medium-term unless action is taken

- 1 From my position as the external auditor for most of the devolved Welsh public sector, I see the valued services that the local government sector provides to the people of Wales daily - waste collections, libraries, environmental health, education, social services and many more. Vital for citizens, these services are increasingly stretched by financial, demographic, and societal pressures.
- 2 To date, unlike in England, all Welsh councils have been able to balance their budgets and none has needed to submit a Section 114 report.¹ That is testament to the commitment of officers and councillors across Wales and the tough decisions already made. However, as the cumulative impact of financial restraint builds, we cannot assume that the future for the sector is sustainable. The position is fragile and sensitive to the competing and complex factors that affect council finances.
- 3 It is my role to highlight these risks and provide assurance over the arrangements councils have made. To that end, I have reviewed the steps that councils are taking and the arrangements they have in place to support their own financial sustainability.
- 4 Our work shows that, while councils generally know the scale of their funding gaps, they do not have longer term plans in place to address them. This leaves them vulnerable to short term decision making that may not represent value for money or be in the longer-term interests of local communities. That runs counter to the expectations of the Wellbeing of Future Generations Act, which places long-term thinking at the heart of organisational planning.

1 A section 114 report is issued to the Full Council where a council's Chief Finance Officer (Section 151 officer) believes the council has spent (or is committed to spend) more than the total resources available to it. It then places spending limits on the council.

- 5 Our examination also highlights the importance of good governance to financial sustainability. That means having clear strategic leadership, a detailed and well-communicated understanding of the financial position, and effective oversight and collaboration by elected councillors. In such an environment, value for money is more likely to be at the heart of decision making. I echo the view of my counterpart the UK Comptroller and Auditor General that promoting productivity and making public money work harder should be focuses for the whole public sector.²
- 6 I emphasised all these issues in my statement earlier in the year - [From firefighting to future-proofing – the challenge for Welsh public services | Audit Wales](#). There, I described common themes that I see repeatedly from our work across the public sector. If addressed, public organisations could achieve more with what they already spend and so help shift from relentless firefighting of today’s immediate challenges to the delivery of sustainable public services that are fit for the future.
- 7 Some councils are better placed than others to weather the financial challenges ahead. But given the scale of the funding gaps projected for local government in the coming years, all councils will need to keep up or increase the pace of change if they are to meet the urgency and scale of the challenge. The Welsh Government will also need to support the sector in meeting this challenge.
- 8 Put simply, local government is financially unsustainable over the medium term unless action is taken, by those who support and interact with the sector as well as councils themselves. Though a difficult message, I hope that this report helps councils, the Welsh Government and all of those committed to the sector, to chart a path to a sustainable future.

2 Comptroller and Auditor General, [Here’s how to make public money work harder](#), September 2024

Executive summary

Context

- 9 Over the spring and summer of 2024, we looked at the financial sustainability of each of the 22 councils in Wales. We focussed on:
 - the strategies to support councils' long-term financial sustainability;
 - councils' understanding of their financial position; and
 - council's reporting arrangements to support regular oversight of their financial sustainability.
- 10 This report provides some context on the financial challenges faced by councils and summarises our key findings from this work. We have also reflected on what all of this means for the future financial sustainability of councils and provide some reflections on how councils' future financial sustainability could be strengthened.

Key facts

Below are some key facts that illustrate how the financial pressures on council finances have grown over time

3.3% (£3 billion) – the real terms growth of gross council spending between 2008-09 and 2023-24.



94%, 27%, and 31% – the real terms growth in council spending on children’s, adult, and older peoples’ social care between 2008-09 and 2023-24

-62% – the reduction in real terms council spending on community safety between 2008-09 and 2022-23



-16.6% – the real terms reduction in usable reserves not protected by law between 2022-23 and 2023-24³



79% – the increase in children looked after by Welsh councils between 2003 and 2023



41% – the increase in schools spending on Additional Learning Needs between 2015-16 and 2022-23



-4.3% – the reduction in real terms funding for Welsh local government between 2025-26 and 2027-28 forecast by Cardiff University

3 This is a comparison of the 19 councils that had provided draft accounts for 2023-24 at the time of drafting. It excludes Blaenau Gwent CBC, Denbighshire CC, and Merthyr Tydfil CBC.



Key messages

Below is a summary of the key messages that are set out in this report.

There are significant risks to the sustainability of local government finances which are likely to increase over the medium term without action to mitigate them

- 11 Given the scale of the funding pressures facing local government, many councils require a step-change in approach to move beyond setting an annually balanced budget to achieving value for money and financial sustainability over the medium-term.

The public sector has faced a period of unprecedented financial pressures since 2008.

- 12 In real terms spending by councils decreased between 2008 and 2020. It rose slightly during the pandemic but overall growth in funding for councils remains well below the growth rate before 2008. This has required councils to make difficult choices throughout this period.

The pressure on local government funding over this time has affected councils and services differently

- 13 Some services have been 'protected' from budget reductions more than others, and for some service areas this has varied across councils. It is notable, however, that some significant falls in spending have been seen in the regulatory and preventative areas of council spending.

There are significant factors affecting councils' financial sustainability that are beyond their control

- 14 Wider contextual challenges greatly influence demand for services and costs for councils. This has included, for example a large and unforeseen increase in inflation because of world events. To varying degrees these are beyond councils' control. This makes mitigating their impact more difficult.

All councils in Wales have arrangements to understand their short and medium-term financial positions. Generally, however, they do not take a longer-term view of financial sustainability

- 15 Few councils have a comprehensive understanding of how they will close their projected budget gaps over the medium to long term – beyond the next two years. Whilst some councils have identified some of the savings required, there is a continued reliance on annual savings rounds, rather than longer-term transformation plans. This has meant a reliance on short-term savings, and/or short-term use of reserves.
- 16 This increases the risk over time that funding gaps will not be bridged, or that short-term solutions will not help councils to secure value for money over the longer term.

Councils have generally appropriate financial reporting arrangements for the short and medium term but assessing and monitoring the impact of financial decisions is a weakness

- 17 Most councils have arrangements in place to report on their short and medium-term financial position. This helps facilitate oversight and scrutiny of councils' financial position. The reporting and assessing of the actual impact of financial plans and decisions once implemented is however a weakness. Without understanding and monitoring the impact of financial decisions it is difficult for councils to understand the extent to which they are achieving value for money.

Practice examples

- 18 Our review aimed to promote practice examples that could help councils to improve their financial sustainability. We have drawn on some of what we observed at different councils during the review and included a checklist in the report for councils to consider against their own arrangements.

Many of the financial challenges faced by Welsh councils are common to the rest of the UK

- 19 Experience from across the UK offers potential for learning from elsewhere. We have outlined some of this learning, including key learning from the Section 114 reports that have been issued in England. This includes the importance of being aware and accepting of financial challenges, offering leadership to respond to them, and having proper governance arrangements to oversee the response.

We heard some concerns that national issues or processes make financial planning more difficult

- 20 These included concerns relating to:
- the funding formula used to distribute Welsh Government funding to local government;
 - the timing of the local government funding settlement, and the lack of 'multi-year' settlements present in other spending areas: and
 - additional responsibilities being placed on councils without commensurate funding being made available.
- 21 We have reported these to provide context and balance but have not explored or assessed these matters within the scope of this work.

Our audit approach

- 22 Our audit approach is set out in the appendices to this report, alongside a map that provides links to our local reports. This work is a continuation of our work on financial sustainability, most recently in 2021. Our work is also supplemented by our local government financial sustainability data tool. We have published the most recent update to this tool alongside this report. This update has added data for the 2023-24 financial year⁴, as well as new indicators covering councils' levels of borrowing.

4 Data in the tool for 2022-23 and 2023-24 is drawn from unaudited, draft financial statements.

Detailed Report

What does financial sustainability mean?

- 23 There is no common definition of financial sustainability within the public sector. Our understanding of what financial sustainability looks like is informed by our cumulative audit knowledge and experience, the work of key bodies like the Chartered Institute of Public Finance and Accountancy (CIPFA). It is also informed by the sustainable development principle as set out in the Well-being of Future Generations (Wales) Act 2015.
- 24 A council could be sustainable by delivering minimal services at the minimum standard that the law allows. This, though, would be unlikely to enable it to deliver all its objectives or meet the needs and expectations of its communities. Equally a council's financial plans could be unsustainable because it is trying to deliver services far above the reasonable expectations of service users, or because it has taken unnecessary commercial risks to deliver services.
- 25 Councils are independent of other public bodies with their own tax raising powers but are still fundamentally linked to the wider public sector. The Senedd and the Welsh Government place requirements on councils, whilst also providing most of their funding, as outlined below. The actions of public bodies in other sectors such as the police, fire and rescue services, and health bodies, can also impact on council services and spending. To be financially sustainable, a council needs to provide the services required of it, by law and expectation, within its available resources in the long-term. Part of this may involve re-defining what 'reasonable' expectations might be for service users as demand pressures, priorities and the funding position changes.
- 26 A sustainable council must also provide the assets and infrastructure to enable effective service delivery. This requires a balancing of capital investment and its sources, such as borrowing, as well as ongoing maintenance and future liabilities, against the impact of these financial decisions on revenue spending. Failing to invest in the short-term may cause increased costs in the medium to long-term.
- 27 Whilst councils can put arrangements in place and take decisions to improve their financial sustainability, some factors are outside of their control. These include the funding levels and funding model determined largely by the Welsh and UK governments, and changes in the wider economy. Though outside their control, councils still need to make informed assumptions about such factors to inform their financial planning.

Overall, we found that most councils have arrangements in place to support their short-term financial sustainability but have yet to fully develop their longer-term plans

How well do councils understand the financial position?

- 28 This national report reflects finding from the assessments we have undertaken in all 22 councils. It would not be sensible or helpful to use these findings to produce a 'league table' of financial sustainability. **Appendix 1** to this report, however, shows our main findings for each council. Individual council reports are published on the Audit Wales website.
- 29 All councils have arrangements that enable them to quantify their financial position and understand their financial pressures in the short and medium terms. However, most remain focused on the next two years, and few look beyond three years. In part, this reflects the annual balanced budgets that councils are required to set by law, which may encourage a focus on the short-term. Looking towards a longer period can help councils better understand the challenges they face, as well as supporting longer-term solutions that cannot be implemented in an annual cycle.
- 30 We found that reserves are not always used in a strategic manner. Reserves have been used, in some councils, as 'bridging' strategies to balance annual budgets rather than supporting longer-term transformation. Reserves can be an important tool in funding investments to support longer-term financial sustainability such as 'invest-to-save' or transformation projects. Reserves are also in effect an emergency fund for councils that can be used infrequently to fund unexpected financial pressures. Using them solely to fund in-year pressures without using them to support longer-term financial sustainability is unlikely to deliver value for money over the longer-term. However, we recognise that in some circumstances this may be unavoidable, particularly given the scale and pace with which financial pressures have developed in recent years.
- 31 Without clear long-term financial strategies, supported by detailed medium-term plans, the long-term strategic direction of councils towards securing financial sustainability is unclear. Corporate strategies and financial plans provide a framework for elected councillors, as well as the public, to understand decisions and actions. Where councils do not have longer term financial strategies, we cannot be assured that councils have arrangements to support long-term financial sustainability and therefore value for money.

- 32 To help improve their financial sustainability, some councils have sought advice to better understand their financial position. This has included benchmarking to understand spend per head with comparative councils. This can help councils identify opportunities to improve value for money through learning how other councils provide service and the costs of delivering them.

How well developed are councils' plans to meet the financial challenge over the medium term?

- 33 No council has a comprehensive understanding of how they will bridge their funding gaps over the length of their Medium-Term Financial Plans (MTFPs). Whilst some have a substantial proportion of savings identified, the majority remain focused on annual savings. In the long-term, it is unlikely that the historic approach of incremental cuts across a wide range of services will be sufficient given the levels of savings that councils have made since 2008.
- 34 Councils recognise that some service transformation is required to bridge their funding gaps, however, transformation plans are not consistently being developed. Some councils have identified transformation projects, their timescales, and their intended savings, which helps inform councillors of the potential solutions over a longer-period. Most councils are in the early stages of their current transformation plans, either forming governance arrangements or drawing up a list of potential options. Whilst it is not inevitable that all transformation will lead to savings, it is likely that the pace of transformation will need to be accelerated to help councils bridge their funding gaps over the medium-term.

Do councils have strong governance arrangements?

- 35 Most councils have arrangements in place to report their short and medium-term financial position to councillors. This helps to facilitate oversight of the financial position and inform decision-making.
- 36 However, most councils do not have arrangements in place to understand and assess the impact of financial decisions on an ongoing basis. Reporting the impact of decisions on council objectives and local communities enables councillors to understand if the intended impact of financial decisions has materialised. This in turn helps to identify if any corrective action needs to be taken, as well as informing assessments of the value for money of decisions. It can also provide learning to help inform future financial decisions.

Practice examples

- 37 We have drawn on some of the practice we observed at different councils during the review to develop a checklist for councils to consider against their own arrangements:
- using external advice – some councils have sought to supplement their understanding of their financial position through procuring detailed benchmarking data from external organisations. This has helped councils understand service spending relative to similar councils, as well as potential variation in the level of services they deliver. This can help councils to better inform where and how they might improve the value for money of their service delivery.
 - promoting a collective approach to financial decision-making - many councils outlined how they have communicated to councillors that the budget is an ongoing process, rather than an annual event. This led to, for example, workshops and engagement sessions to discuss financial proposals. This can help build understanding of, and therefore support for, sometimes difficult decisions.
 - making decisions easy to visualise – some councils have reported proposed budget savings to councillors in both cash terms and as a percentage of Council Tax. This can help councillors to better understand the impact of accepting or rejecting a saving on local council tax payers. In turn, this helps improve transparency and understanding of the impact on communities.
 - analysing future demand – a few councils have undertaken research to understand the scale and nature of long-term predicted demand for services using internal and external data. This can help councils develop a detailed understanding of their budget gap, particularly for services with a significant projected rise in demand, such as adult social care.
 - aligning financial and transformation plans – a few councils have developed transformation strategies aligned with their MTFPs to outline their approach to close the short, medium, and long-term budget gaps. This can help councils to communicate their intended approach to officers, councillors and other stakeholders. It also helps to provide a strategic framework for decision-making.
 - having clear savings trackers – most councils track their savings implementation and report this to councillors for their oversight. Some councils risk rate individual savings to provide a clear indication on the likelihood of achieving them. Risk rating savings can improve scrutiny by making it clear where the delivery of savings is not on target and corrective action needs to be taken.

- clearly understanding long and short-term impacts of decision-making – most councils assess the impact of significant savings proposals. Some councils assess the impact on communities and the achievement of the well-being objectives, some over both the short and long-term. This can help to improve the quality of decision-making by providing councillors with a detailed understanding of the potential impact of decisions both now and in the future. Setting out options that have been considered to mitigate any negative impact can also help inform councillors when taking decisions on savings proposals.
- understanding and rationalising the asset base – councils own and invest in a range of buildings and other assets to deliver services. They have ongoing costs in maintenance that impact spending plans and effectiveness of services. Understanding the condition of already owned assets, in addition to understanding what is needed in the future, helps understand and plan for revenue and capital costs from buildings.

National findings

38 Our local reports have focused on the arrangements in place at each council to support financial sustainability. As explained above, most councils' funding is provided by the Welsh Government. Below we summarise themes raised by councils during our fieldwork that relate to Welsh Government.



Funding formula

- 39 Funding from the Welsh Government, known as the local government settlement, is determined by the application of a formula known as the Standard Spending Assessment (SSA). The SSA is designed to reflect the different costs of service delivery due to demography, geography, or socio-economic characteristics. Notional amounts of funding are allocated to specific service areas, although individual councils then determine how this funding is then allocated across service areas.
- 40 The SSA process is outlined in documents published by the Welsh Government annually.⁵ These documents include both the sources of data, the indicators used, and the assessments that draw on the data and indicators. This is known as the 'Green Book'. The formulae for all services were independently reviewed before the 2001-02 settlement and there have been subsequent focused reviews of specific aspects of the formula, agreed following discussions through the finance sub-group, which includes councillor and officer representatives of councils. The Welsh Government publish papers annually that provide context and outline the annual process for their determination.
- 41 The indicators used in the formulae are split into three categories:
- main client groups – These are the main factors influencing cost, such as population or pupil numbers. In 2024-25, this represented 65% of indicators.
 - deprivation – Indicators reflecting additional costs to support people with higher levels of deprivation. In 2024-25, this represented 28% of indicators.
 - population dispersal - Indicators reflecting additional costs to support people in sparsely populated areas. In 2024-25, this represented 6% of indicators.

5 For example, [Local government revenue and capital settlement: Background information for standard spending assessments 2024-25](#)

- 42 The total funding available, the determination of how this is distributed, and the provision of any 'top-ups' to ensure all councils receive a baseline increase in funding are clearly political decisions for the Welsh Government. There are also elements of the settlement set out by law, such as Non-Domestic Rates distribution, and the settlement is also subject to the approval of the Senedd. We have not audited the detail of the formula, its source data, nor its effectiveness as part of this review.
- 43 Inevitably, there is a range of views across Wales on the merits of this system that often correlates with how funding is allocated. Those who receive proportionally greater levels of funding from the Welsh Government, in general, had less to comment on during our fieldwork.
- 44 However, we heard a number of concerns relating to the SSA though our fieldwork, these included:
- the SSA produces too much difference between neighbouring councils;
 - the SSA has an emphasis on funding for services for children rather than older people, despite services for older people often resulting in higher costs due to social care costs; and
 - that some data used within the SSA is not sufficiently up to date.
- 45 We have not audited these assertions. Some relevant information is, however, already provided by the Welsh Government. For example, the 2024-25 SSA documents acknowledged that some data relating to settlement and dispersion was based on the 1991 and 2001 censuses, whilst others also used data from 2001 and 2011. Some elements of the formula are updated more frequently. We have not reviewed the impact that such examples might have, however it is clearly important that Welsh Government has assurance over the validity and accuracy of data that is used to inform decisions on funding allocations.



Length and timing of the settlement

- 46 Council officers outlined the strain on capacity and individuals that the timing and duration of the local government settlement can have. Where funding is different to the anticipated level or changes between the provisional and final allocation, this can require significant amendments to local plans. In the three settlements before publication, the average change in settlement was a 0.3% increase. Annual volatility in funding levels can add further uncertainty to these amendments.

- 47 Pre-pandemic, the settlement was typically published in October and finalised in December. This allowed councils time to inform their local budget setting. Since 2019, the provisional settlement has been in December with finalisation in February or March. This reduces planning time for councils and has meant councils have decided their annual budgets ahead of knowing the amount of funding they would receive. This increases the risk of additional funding being allocated without a proper assessment of its impact, or the unplanned use of reserves if funding is below the budgeted level. Both scenarios increase the risk of funding not being used in a planned way to secure value for money over the longer-term.
- 48 In addition, the timing of specific grants was also felt to increase the pressure on officers and financial planning. For example, when it is uncertain if additional funding will fund nationally agreed pay rises or changes in pension contribution rates, this makes financial forecasting more challenging.
- 49 In some previous years, the Welsh Government provided councils with a multi-year indication of overall council funding. This has not consistently been provided and was not in the current year. Some interviewees have said that the lack of clarity on indicative funding is a barrier to effective financial planning.
- 50 We recognise that some factors that influence the timing of the local government financial settlement are beyond the control of the Welsh Government. The timetable and decisions of fiscal events in the UK Parliament have a significant impact on the budget setting process in Wales. This can limit the extent to which Welsh Government can provide clarity on future settlements, grants, and their timing.
- 51 Councils can draw on publicly available information to help forecast future funding levels. For example, the Wales Governance Centre provided projections for council budgets up to 2027-28 in October 2023. Councils also draw on a comparison of financial assumptions, such as anticipated pay rises, made by different councils through the Society of Welsh Treasurers. We saw all councils use evidence like this to varying extents. Forecasts can be helpful to enable councils to develop different options, so they are prepared to respond to financial pressures once funding levels are confirmed or unforeseen events occur. This can help to mitigate against uncertainty over the future budget position and help councils to prepare for a range of scenarios.



Additional responsibilities

- 52 Some interviewees felt that additional funding has not been provided by the Welsh Government despite the additional responsibilities placed upon councils through new legislation.
- 53 As outlined above, services (or levels of services) provided by councils are either provided due to the council choosing to (a 'discretionary' service) or because it is required to by law (a 'statutory' service). Legal duties are included in Acts passed by the Senedd or the UK Parliament. However, for statutory services, Councils have the option to shape these services where service levels are not prescribed.⁶
- 54 As new Acts are passed it can mean new duties are placed on councils. Legislation can also have unintended consequences that result in additional costs for councils. For example, where it results in private sector service providers deciding to stop providing a service and councils have to fill a gap in provision as a 'provider of the last resort.' The most frequently cited area where interviewees felt that legislation has led to increased costs related to housing services.

6 For example, class sizes in primary schools are required by Regulations to be no more than 30 pupils so a council could not increase classes sizes above this.

The wider UK context

Pressure on council finances is not unique to Wales and this offers insight into potential causes and indicators of financial sustainability

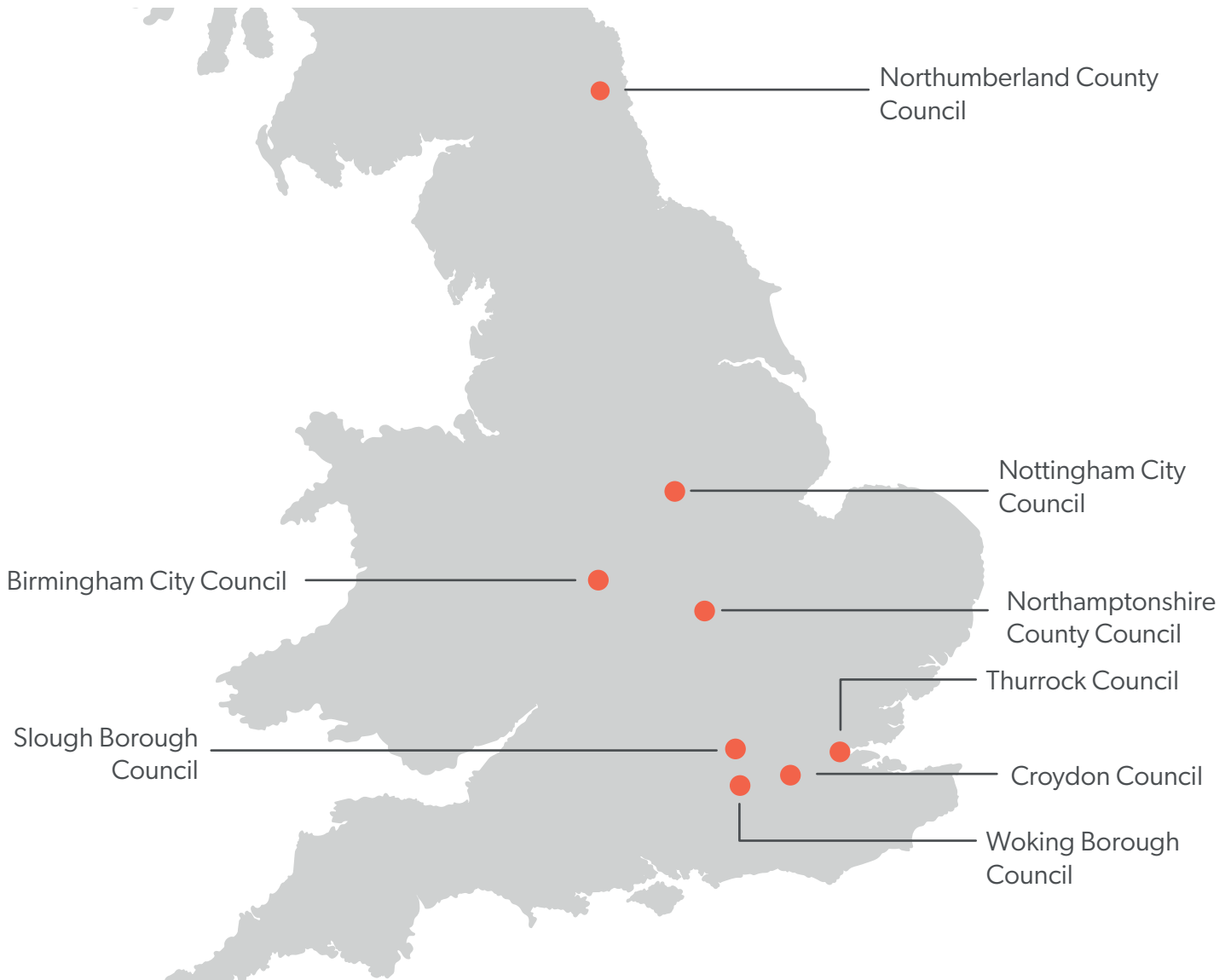
- 55 When, in the view of the Chief Finance Officer⁷, a council has spent (or is committed to spend) more than the total resources available to it, the officer must (in consultation with other senior officers) report this to councillors and to and to the auditor (in Wales, the Auditor General). This is known as a Section 114 report.⁸ This then limits any new spending the council can make. To date, no such reports have been made in Wales.
- 56 Since 2018, in England 11 reports have been made due to councils being unable to balance the budget (**Exhibit 1**).

7 This is commonly referred to as a Section 151 officer as the role is required by s151 of the [Local Government Act 1972](#).

8 s144 of the [Local Government Finance Act 1988](#). This also applies where the S151 officer believes a council will incur unlawful spending.

Exhibit 1: council areas in England that have made a Section 114 report

This map shows the eight councils in England that have made a Section 114 report.



Source: Audit Wales

57 Although in each case there were differing local influences, the Chartered Institute for Public Finance and Accountancy (CIPFA) identified four common themes:

Exhibit 2: common themes of Section 114 reports

An unwillingness to see the reality of the situation	Ignoring the warnings about the financial position, both internally and externally, to avoid recognising that the current plan was not working.
An absence of leadership	Being unable to take difficult decisions – both by officers and councillors. This means less problem solving and scrutiny of proposals.
Inadequate governance processes	A significant lack of oversight by councillors, particularly by governance and audit committees. A lack of skills contributes to this.
Weak financial management	Weak and insufficient processes that lack accountability, sustainability, and transparency. This can be indicated by a substantial decline in reserves, which limits solutions to problems when they arise.

Source: [CIPFA](#)

58 CIPFA have produced resources to support councils, such as [Building Financial Resilience](#), in addition to outlining a [roadmap to avoiding Section 114](#):

- the savings process should be effective and engaging, with budget holders involved in identifying and delivering savings;
- the risks around commercial activities must be clearly understood, with effective oversight of council-owned companies;
- councillors must receive training on financial matters, improving their understanding of complex issues;
- governance arrangements should be strengthened and include the ability to speak truth to power;
- internal audit should review the effectiveness of financial rules and processes, and knowledge of and compliance with financial regulations;
- the quality of financial management should be assessed, particularly for larger organisations;
- independent assurance on the annual governance statement can ensure it is effective; and
- a financial resilience review may be obtained.

- 59 This structure could be used as a basis for councils to review their own position, alongside our local reports. For example, Denbighshire County Council have used the common themes and roadmap to develop a self-assessment to inform its Governance and Audit Committee of the risk of requiring a Section 114 report. It intends to make this an annual assessment to support its arrangements and oversight by councillors.
- 60 Councillors through their scrutiny and decision-making are an important part of a governance framework that supports financial sustainability. This could include scrutinising the robustness of financial plans or proposed decisions, as well as needing to take difficult decisions to support financial sustainability. This aligns with the [Principles for Good Governance in the Public Sector](#)
- 61 Financial sustainability and the uncertainty associated with funding models has been identified as an issue by auditors in other parts of the UK.
- 62 For example, in England the National Audit Office (NAO) has reported⁹ on the impact of financial uncertainty and resilience on councils delivering value for money. The NAO's findings are very similar to our own, including:
- councillors holding off making difficult decisions in the hope that the settlement would be more positive than expected;
 - a lack of time to review savings options to make good rather than quick decisions;
 - a tendency to be overly cautious and cut services rather than to plan for efficiencies over the medium term; and
 - the tendency to build up reserves in-year in the expectation that they will be needed to balance the next budget.
- 63 The NAO have also produced a [good practice guide](#) for leaders and decision-makers in an uncertain environment to help consider value for money, as well as [strategic planning and budgeting](#).
- 64 Audit Scotland have concluded that council budget gaps in 2024-25 were 'unsustainable'.¹⁰ They reported similar themes to Wales, such as the challenging timetable of budget setting and the importance of clarity in financial plans. They have also recently set out that¹¹ 'the unprecedented financial and service demand pressures mean there is an urgent need for the local government sector to transform how it operates if it is to sustainably maintain services'.

9 For example, [Local government finance in the pandemic](#), March 2021 and [The local government finance system in England: overview and challenges](#), November 2021

10 Audit Scotland, [Local government budget 2024-25](#), May 2024

11 Audit Scotland, [Transformation in councils](#), October 2024

65 Audit Scotland have developed key transformation principles (**Exhibit 3**), in addition to setting out barriers to, and potential structures to support, transformation. This work includes features that may be applicable to Wales, such as emphasising community involvement, collaboration, and prevention. It also underlines the importance of innovation.

Exhibit 3: transformation principles

This exhibit sets out principles for council transformation published by Audit Scotland.

Vision	<p>Have a clear vision that sets out the intended end state of any transformation activity, focused on:</p> <ul style="list-style-type: none"> • delivering large-scale recurring savings or generating income for the council, contributing to its longer-term financial sustainability; • improving outcomes for citizens in line with council priorities; • taking a whole-system approach to see and realise opportunities both within councils and more widely; • meeting the needs of the people who use services and reduce inequalities; and • focusing on preventative activity, where applicable, to reduce the demand for services and to make them sustainable in the longer term.
Planning	<ul style="list-style-type: none"> • Be clear on the scale of the change required and ensure transformation plans are sufficiently ambitious to credibly respond to the scale of the challenge. • Commit staff with appropriate skills, time, and resources to ensure transformation occurs at the scale and pace required and that there is enough capacity for the changes to be embedded. • Be clear about the timescales, costs, outcomes, and anticipated impacts of transformation projects. • Show urgency and progress projects at pace without compromising appropriate governance on projects
Governance	<ul style="list-style-type: none"> • Have a clear process for monitoring, evaluating, and reporting progress. • Put in place effective governance and escalation processes so that the transformation activities are well managed in their own right, but also able to be given priority alongside other business-as-usual activities

Collaboration	<ul style="list-style-type: none">• Develop better working relationships with communities and/or partners to achieve a sustainable model of service delivery.• Actively consider the opportunities offered by regional or national sectoral collaboration, or by integrating services locally with partners, or by supporting individuals and communities to achieve desired outcomes in place of an existing service.• Learn from good practice across the country and beyond.
Innovation	<ul style="list-style-type: none">• Implement new ways of thinking, including innovation, creativity and a desire, willingness, and action to change and do things in new and different ways that achieve the outcomes needed.• Embed the right culture and behaviours to manage change and help maximise the contribution of all the team.

Source: [Audit Scotland](#)

What does this mean for councils in the future?

There are significant risks to the sustainability of council finances which are likely to increase over the medium term without action to mitigate them

Securing value for money will be even more important to support financial sustainability

- 66 Later in this report we illustrate the scale of the funding pressures facing local government and how councils are responding to this challenge. We also set out some issues for Welsh Government to reflect on above.
- 67 In view of wider financial and economic trends the funding position for councils may not significantly improve over the medium-term. For example analysis by [Cardiff University](#) in October 2023 forecasted a 4.3% reduction in real terms funding for local government between 2025-26 and 2027-28. The [WLGA](#) have estimated a £559 million budget gap for 2025-26, which they forecast to rise significantly with a further £1 billion of additional anticipated demand in the following two years.
- 68 If these projections prove accurate, it heightens the need for councils to put in place proper arrangements for securing value for money in their financial and wider strategic planning. Given the potential scale, this will mean a step-change in approach for some councils and a much clearer emphasis on moving beyond setting an annually balanced budget to financial sustainability over the medium-term.

The sustainable development principle provides a framework to support financial and strategic planning

- 69 The sustainable development principle provides a framework against which councils can develop their financial plans and strategies. It can also provide a framework for assessing individual proposals or decisions designed to support a council's financial sustainability. Some potential impacts of not applying the principle are set out below against the five ways of working (**Table 1**):

Table 1: examples of the potential impact of not applying the sustainable development principle

This table sets out the potential impacts of not applying the sustainable development principle in relation to each of the five ways of working.

Way of working	Examples of the potential impact of not applying the sustainable development principle
Long-term	<ul style="list-style-type: none"> • Reserves are used in the short-term to balance annual budgets in a way that prevents them from being used for longer-term investment that could secure better value for money. • The long-term impacts of savings proposals are not properly considered, potentially leading to higher costs and reduced outcomes for service users over the longer-term. • Medium- and longer-term investment requirements are not funded/prioritised in the short term, for example in relation to. developing capacity, infrastructure specific skills.
Prevention	<ul style="list-style-type: none"> • Linked to the examples above under ‘long-term’, not investing in preventative initiatives increases the demand for and cost of providing more acute services. It also leads to reduced outcomes for service users.
Integration	<ul style="list-style-type: none"> • Financial plans are not integrated with a council’s other plans and strategies or those of its partners. Or not understanding the relationship between resourcing/ savings decisions across different areas of the business. This results in duplication of effort and missing opportunities to secure multiple benefits, and may hamper progress towards longer term ambitions, as defined in Well-being Objectives.
Involvement	<ul style="list-style-type: none"> • Those with an interest in financial plans or individual decisions are not involved in the decision-making process. This increases the likelihood that a council takes decisions that do not take account of their needs and therefore does not secure value for money.
Collaboration	<ul style="list-style-type: none"> • Opportunities to work collaboratively within and between councils and other partners are not explored. As a result, opportunities to improve value for money through economies of scale, greater resilience and improved outcomes may be missed.

Source: Audit Wales

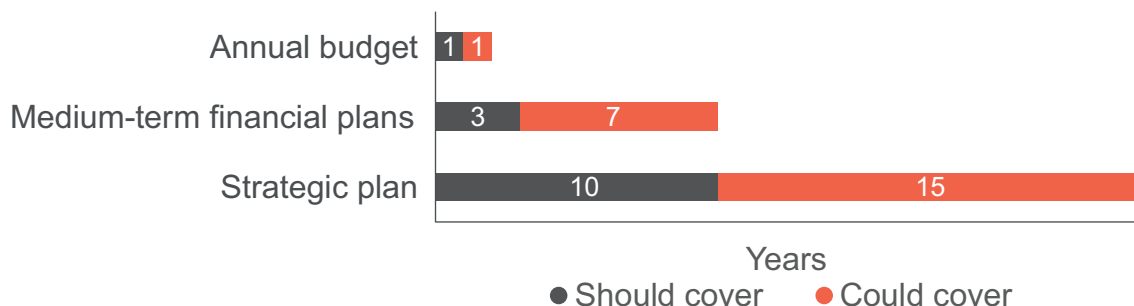
70 Embedding the sustainable development principle more clearly in financial planning could help councils to develop a longer-term, more holistic approach to financial sustainability that is informed by on-going involvement activity. This is particularly important if the scale of the financial challenges requires more fundamental changes to service delivery through for example greater collaboration, transferring assets to community groups or ceasing to provide some services at all.

A longer-term approach to financial planning and decision-making

71 In our review, we have adopted CIPFA’s definitions of timescales in financial planning. Medium-term financial plans are expected to set the direction over at least three years, building on the annual budget setting process. This is within a longer-term strategic plan that builds on the three-year view to at least a decade (**Exhibit 4**). Generally, we found that councils in Wales are not taking this longer-term approach.

Exhibit 4: timescales in financial planning

This exhibit shows the timescales in different types of financial plans should cover and the suggested timescales they could cover in the view of CIPFA.



Source: [CIPFA](#)

72 The timescales set out by CIPFA go beyond electoral cycles and the annual budget process. We recognise the challenges associated with applying such timescales to decision making, however, it is necessary if longer term financial sustainability is to be secured.

Overview of council finances and funding

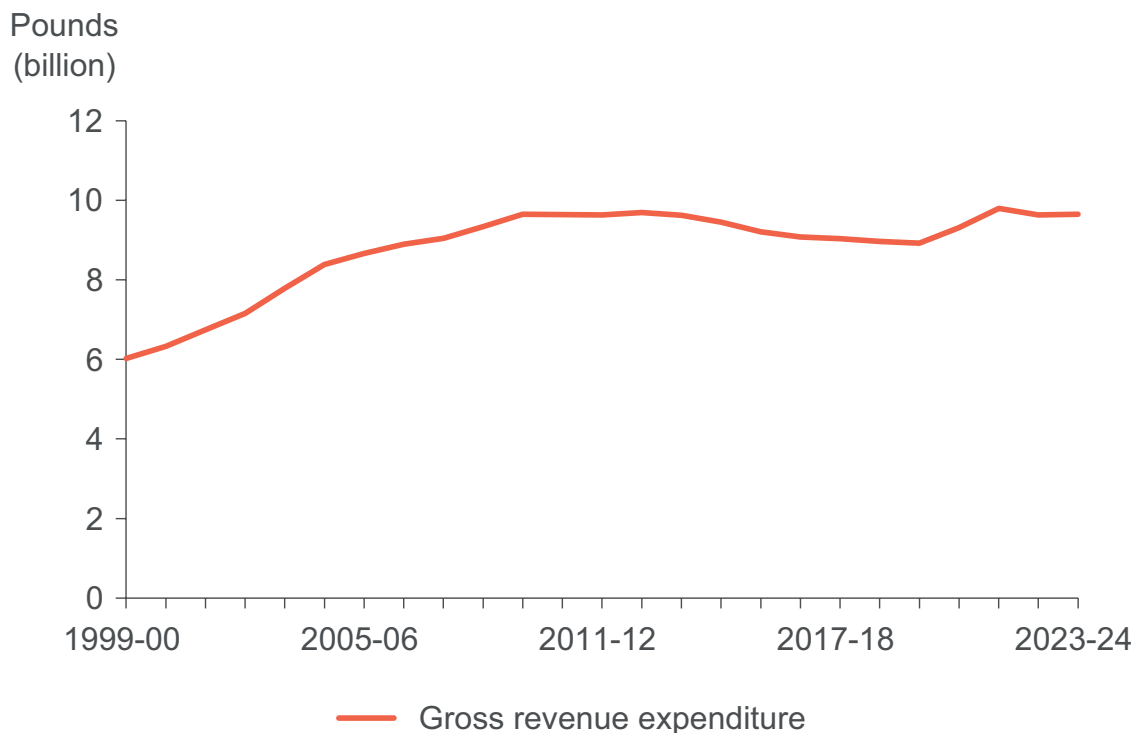
- 73 In this section we set out the recent financial context within which councils are operating and how this has impacted on funding for services.
- 74 The Welsh Government is the largest funder of Welsh councils. Though varying from year to year, since 1999-2000, around 72% of council funding has come from the Welsh Government, with business rates and council tax accounting for some 12% and 16% respectively.¹²
- 75 After the 2008 global financial crisis, the spending power of local government plateaued and then fell. Councils relied on a range of measures to manage their financial position, including increasing Council Tax levels, the use of reserves, and reductions in spending. By law, councils must set a balanced annual budget.
- 76 During the Covid-19 pandemic¹³, additional funding was made available to support councils. This included specific grants for homelessness, offset falls in business rates, and general assistance funding. This funding helped councils maintain and adapt services during the pandemic, it also helped councils to increase their levels of reserves to a varying extent.
- 77 Between 2005-06 (the earliest year comparative data is available) and 2022-23, real-term council spending increased by 11% (**Exhibit 5**). In comparison, over the same period the Welsh NHS programme budget grew by 60% in real terms.¹⁴

12 Audit Wales analysis of Welsh Government, [Council revenue outturn data](#)

13 During the pandemic, we commented on the financial impact on councils twice in [October 2020](#) and [September 2021](#). We also published A Picture of Local Government in [September 2021](#).

14 Audit Wales analysis of Welsh Government, NHS expenditure [pre-2010 data](#) and [post-2010 data](#)

Exhibit 5: gross revenue expenditure by all councils in real terms, 1999-2000 to 2022-23 (June 2024 prices) (£billions)



Source: Audit Wales analysis of [Welsh Government council revenue outturn data](#)

- 78 Council Tax levels are determined by each council. When setting levels of Council Tax, councils must consider a range of factors. For example, the financial impact on residents, the financial position of the council, and the needs of service users. In real terms, between 1999-2000 and 2023-24 the Welsh average band D Council Tax level rose by 66% or £812.¹⁵ The share of council spending funded by Council Tax has remained broadly similar over time. In 1999-2000, Council Tax funded around 16% of gross spending by councils nationally and some 18% in 2023-24.¹⁶
- 79 **Table 2** shows how funding per head of population varies between councils and each type of funding source. This is included for contextual information rather than a conclusion on the circumstances or decisions relating to any individual council.

¹⁵ Welsh Government, [Average band D council tax](#)

¹⁶ The proportion of local spending funded by Council Tax varies between councils.

Table 2: council tax required, Revenue Support Grant (RSG), and Redistributed Non-domestic rates (RNDR) per head of population by council, 2023-24 (Pounds)

Council	Council Tax required	RSG and Top-up funding	Redistributed non-domestic rates	Total
Gwynedd	£780	£1,585	£329	£2,693
Blaenau Gwent	£574	£1,747	£327	£2,648
Denbighshire	£672	£1,612	£324	£2,607
Merthyr Tydfil	£582	£1,700	£325	£2,606
Neath Port Talbot	£611	£1,609	£327	£2,547
Isle of Anglesey	£707	£1,455	£329	£2,492
Rhondda Cynon Taf	£533	£1,634	£320	£2,487
Ceredigion	£716	£1,432	£337	£2,484
Conwy	£732	£1,399	£337	£2,468
Powys	£765	£1,366	£335	£2,466
Carmarthenshire	£630	£1,454	£326	£2,411
Torfaen	£560	£1,525	£321	£2,405
Caerphilly	£474	£1,603	£324	£2,401
Pembrokeshire	£662	£1,374	£327	£2,364
Bridgend	£648	£1,380	£325	£2,353

Council	Council Tax required	RSG and Top-up funding	Redistributed non-domestic rates	Total
Newport	£517	£1,459	£310	£2,287
Flintshire	£665	£1,291	£326	£2,282
Swansea	£582	£1,375	£320	£2,277
Wrexham	£597	£1,329	£323	£2,248
Vale of Glamorgan	£703	£1,188	£318	£2,208
Monmouthshire	£826	£967	£330	£2,123
Cardiff	£546	£1,239	£308	£2,094
Wales	£620	£1,422	£323	£2,365

Source: Audit Wales analysis of Welsh Government [mid-year population estimates](#), [Council Tax](#), and [government support data](#)

Notes: Whilst non-domestic rates are collected locally by councils, they are redistributed by the Welsh Government as part of the annual funding settlement. Consequently, some councils are net beneficiaries or net contributors to the funding 'pool'.

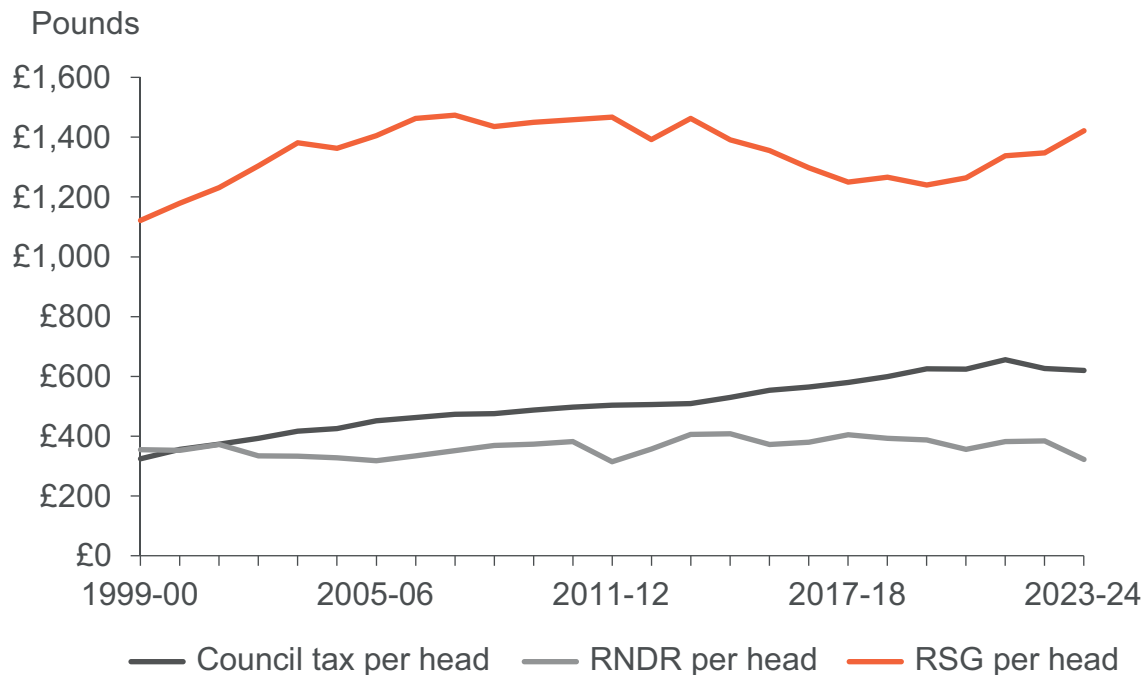
Top-up funding is additional funding provided to ensure councils receive a minimum percentage increase set by the Welsh Government.

Council tax requirement includes Town and Community Council and Police precepts that are outside of the control of Principal Councils.

80 In real terms, between 1999-2000 and 2023-24 the average band D Council Tax level rose by 66% or £812.¹⁷

81 The share of council spending funded by Council Tax has remained broadly similar over time. In 1999-2000, Council Tax funded around 16% of gross spending by councils and some 18% in 2023-24.

Exhibit 6: council tax, RSG, and RNDR per head in real terms based on mid-year population estimates, 1999-2000 to 2023-24 (Pounds)

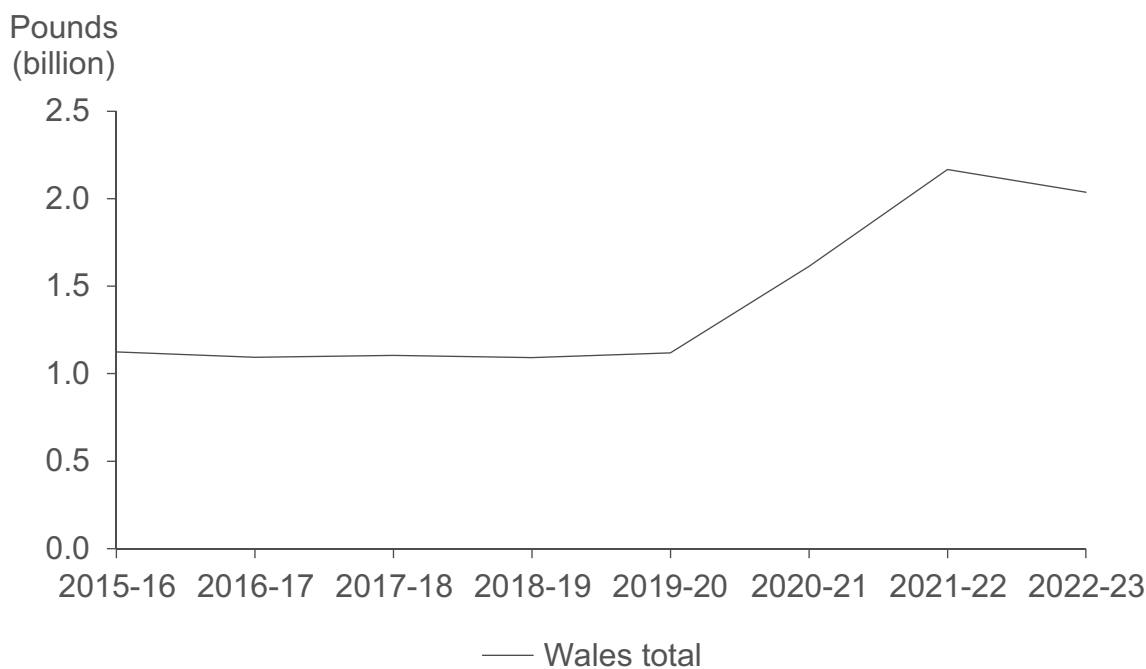


Source: Audit Wales analysis of Welsh Government [population](#), [council tax](#), and [government support data](#)

- 82 Councils can balance their spending by utilising different types of reserves. There are three main types of reserve:
- usable and general reserve – this is a reserve that can be used as a council wants and has not been set aside for a specific purpose.
 - usable and earmarked reserve – this is a reserve that can be used as a council wants but has been set aside for a specific purpose, such as the future costs of an asset. In practice using these reserves to supplement revenue expenditure may be problematic if not being used for their original purpose.
 - unusable reserve – this is a type of reserve that is not cash-backed so cannot be freely used, either due to law or its accounting basis, such as a revaluation reserve. This can be a requirement of international accounting standards or law.
- 83 Reserves can only be used once and are a finite resource. For this reason, they are often seen as a last resort or a form of insurance for councils. This makes the sustainable usage and replenishment of reserves a key indicator of financial sustainability.

84 Our analysis shows that levels of usable reserves not restricted by law¹⁸ were largely consistent over time before increasing significantly during the pandemic (**Exhibit 7**). For Wales overall, usable reserves not restricted by law increased from around £1.1 billion in 2019-20 to more than £2.1 billion in 2021-22. Though reducing in 2022-23, usable reserves still amounted to more than £2 billion or 27% of the total cost of services. This is a significant resource to draw upon. However, the position of individual councils, and the extent to which earmarked reserves can easily be re-purposed, varies considerably. In 2022-23, earmarked reserves accounted for 87% of the total usable reserves not restricted by law held by councils.

Exhibit 7: total usable reserves not restricted by law held by Welsh councils, 2015-16 to 2022-23 (£billions)



Source: Audit Wales [analysis](#) of council accounts

18 We define this as ‘those reserves that can be applied to the provision of services, either by incurring expenses or for capital investment, irrespective of whether there are restrictions on exactly what the resources can be applied to’. This is the total of the general fund, earmarked reserves and schools’ balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

85 The level of usable reserves as a proportion of the net cost of services, as well as other financial indicators, varies considerably across councils. Our [local government financial sustainability data tool](#) compares the level of reserves across local government bodies since 2015-16. In 2022-23, seven councils held usable reserves not restricted by law amounting to less than 20% of the net cost of services. Based on draft accounts provided to us for 2023-24 at the time of publication, two councils have a usable reserves not restricted by law amounting to around 10% of the net cost of services. A further five councils have below 20% of the net cost of services in usable reserves not restricted by law.

Table 3: change in usable reserves not restricted by law between 2022-23 and 2023-24 (£millions)

Council	Usable reserves 2022-23 £million	Usable reserves 2023-24 £million	Change (%)	Usable reserves as a proportion of net cost of services 2022-23	Usable reserves as a proportion of net cost of services 2023-24
Blaenau Gwent	47	Not available	Not available	30%	
Bridgend	103	76	-26%	30%	21%
Caerphilly	165	134	-19%	39%	29%
Cardiff	163	151	-7%	19%	17%
Carmarthenshire	170	149	-12%	38%	30%
Ceredigion	56	51	-9%	32%	25%
Conwy	43	43	2%	16%	15%
Denbighshire	65	Not available	Not available	27%	
Flintshire	50	38	-23%	15%	11%
Gwynedd	123	118	-4%	40%	36%

Council	Usable reserves 2022-23 £million	Usable reserves 2023-24 £million	Change (%)	Usable reserves as a proportion of net cost of services 2022-23	Usable reserves as a proportion of net cost of services 2023-24
Isle of Anglesey	40	39	-5%	24%	21%
Merthyr Tydfil	38	Not available	Not available	27%	
Monmouthshire	27	19	-30%	14%	9%
Neath Port Talbot	91	74	-19%	25%	19%
Newport	129	121	-6%	40%	33%
Pembrokeshire	83	81	-2%	28%	25%
Powys	64	69	8%	20%	20%
Rhondda Cynon Taf	225	215	-4%	36%	32%
Swansea	179	158	-12%	31%	27%
Torfaen	42	41	-4%	19%	17%
Vale of Glamorgan	95	75	-21%	30%	22%
Wrexham	38	37	-3%	12%	11%
Wales	2,037			27%	

Source: Audit Wales analysis of unaudited accounts

Note: At the time of publication, not all 2023-24 accounts had been received. Where not received the entries are noted in the above table

Public expectations and communications

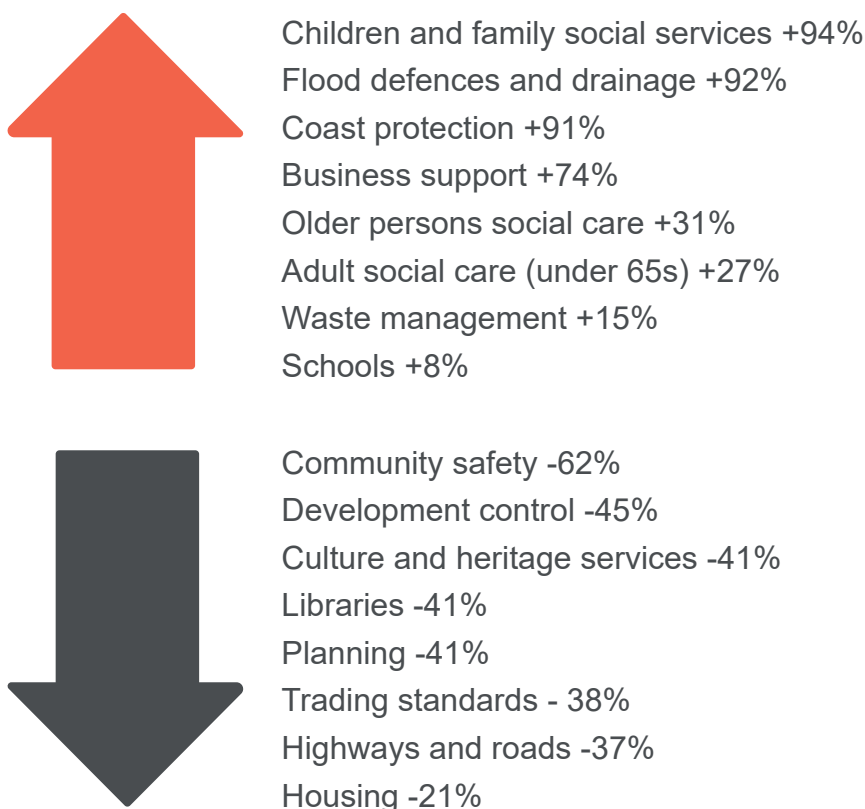
- 86 Councils balance financial pressures against the expectations of their communities. This can be challenging. Whilst no survey collates resident expectations or satisfaction across Wales, data is collated in England. For example, in a June 2024 survey whilst most citizens were satisfied with their councils (55%) only 38% believed they delivered value for money. This suggests an expectation gap between what residents pay for services and their view of the services they receive.
- 87 Councils also face the challenge that at any point in time many council taxpayers may not directly receive the services that account for a significant proportion of council spending, such as social services and education. This presents a communications challenge for councils to explain why and how their funding is allocated and gain public support for what may be unpopular financial decisions. For example, where this means potentially reducing or removing services, or increasing charges for them.

Since 2008 some services have seen significant cuts to spending whilst others have increased

- 88 As Councils have faced pressure on their overall income, spending in some services has decreased (**Exhibit 8**).

Exhibit 8: example services with proportional changes in real terms net spending by Welsh councils, 2008-09 to 2023-24 (June 2024 prices)

This graphic shows the real terms change in service spending by councils between 2008-09 and 2023-24.



Source: Audit Wales analysis of [Welsh Government data](#)

89 Services that provide regulatory or preventative services have often been cut to prioritise funding for short-term needs and/or statutory services. We recognise that prioritising funding for preventative services can be challenging. However, over the longer-term investing in preventative services can improve financial sustainability through providing better value for money as well as improving outcomes for residents.

Councils identified several common and significant financial challenges

90 During our fieldwork councils outlined some of the key financial challenges that are impacting on their financial sustainability. We have outlined some of these below. It is not an exhaustive list and the extent to which these affect individual councils will vary.

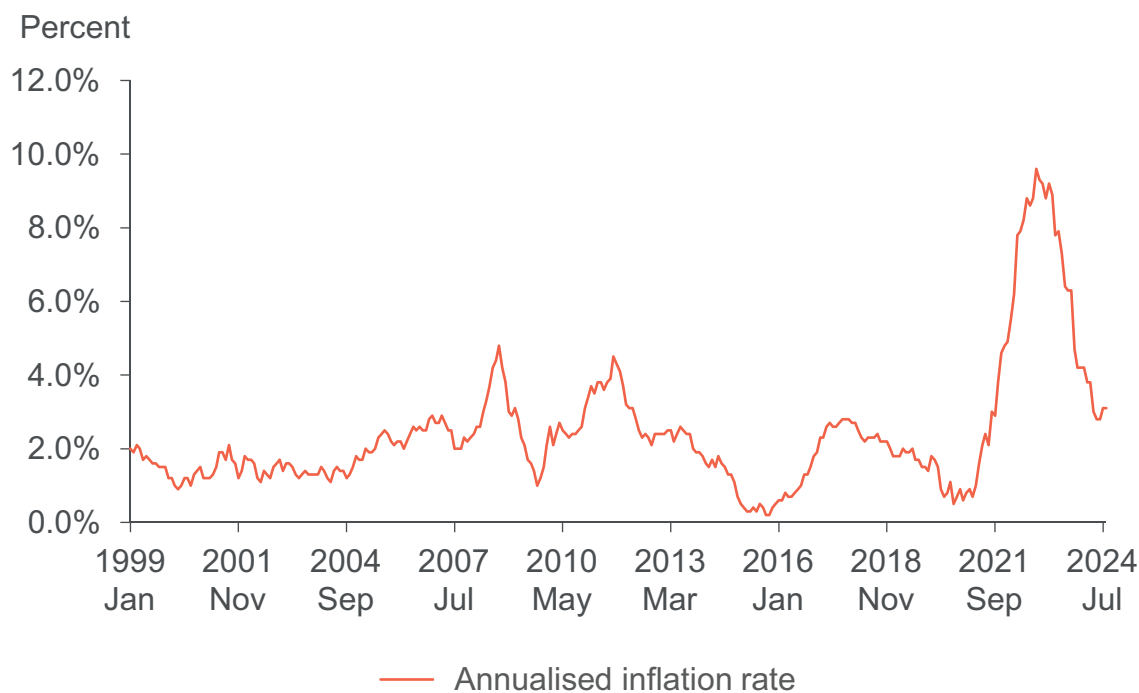


Inflation and the cost-of-living crisis

91 Inflation, the rate that prices increase each year, was relatively consistent at around 2% through the 2000s (**Exhibit 9**). It rose dramatically in late 2021, contributing to a much higher cost-of-living and increasing the cost of local government service delivery.

Exhibit 9: consumer Price Index including owner-occupied housing costs (CPIH) annual rate for all items, January 1999 to June 2024

This graph shows the trend in the annual percentage change in the inflation rate since January 1999.



Source: [Office for National Statistics \(ONS\)](#)

92 Councils faced the same pressures on their own spending as a result of rising prices, seeing large increases in energy costs, for example. So as many residents were looking to councils for additional support, councils themselves were under even greater financial pressure.

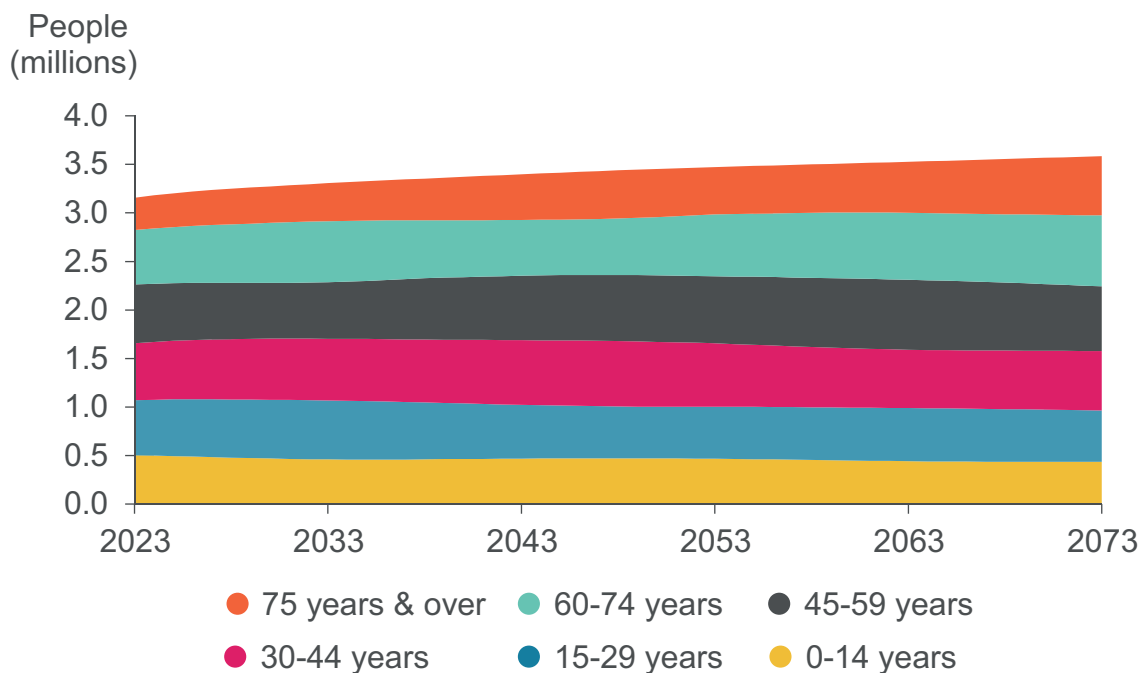


Social care

93 Population projections indicate that life expectancy is expected to continue to increase, along with the proportion of older people in the population. This is likely to increase pressure on public services such as social care services (**Exhibit 10**).

Exhibit 10: Welsh national population projections, 2023 to 2073 (2021 based)

This shows the increase in the Welsh population between 2023 and 2073, broken down age categories.



Source: [ONS](#)

94 The increased demand for some service associated with an ageing population is also greater for some councils due to internal population movements. This can include young people moving to urban areas for work or education, but also older people moving to more rural or seaside areas for retirement. This can make it more difficult for councils to predict the demand for services.

- 95 Between January 2023 and June 2024, the number of adult residents receiving either residential or domiciliary care or reablement increased by 6.6% to 32,062.¹⁹ In recent years, spending on social care has accelerated due to increases in both demand and complexity. As shown in Exhibit 8, social care spending for children, adults, and older people has increased by 94%, 27%, and 31% respectively in real terms since 2008-09.
- 96 Later this year the Auditor General will publish findings following his review of emergency and urgent care flows from hospital and its impact on both councils and health boards.
- 97 Councils are responsible for caring for some children within their social care provision. Once a child has been in care for over 24 hours they are classed as Children Looked After (CLA). The number of CLA has gradually increased over time. By 2023, Welsh Government data showed that 7,210 CLA were cared for by councils – an increase of 79% since 2003.²⁰
- 98 A quarter of CLA in 2023 were housed in Wales but outside their council area, and a further 6.5% were housed outside of Wales altogether. Insufficient capacity can mean that councils incur extra costs as it is a competitive market with a finite number of placements. Placing children out of county can have a detrimental impact on those children as well as increasing costs for councils. We have heard anecdotally from councils that sudden, emergency placements can have significantly high costs – particularly in cases with complex needs.
- 99 The Welsh Government’s Programme for Government includes a commitment to remove profit from the CLA sector. As part of this policy²¹, it aims for fewer children to enter the care system and to restrict companies who can provide accommodation to those who are not-for-profit. We heard concerns from councils about the possible impact of the policy on capacity and costs. The Wales Centre for Public Policy (WCPP) has identified²² a range of potential implications of the policy, which are likely to impact on councils.

19 Welsh Government social care dashboard data

20 Welsh Government, [Children looked after at 31 March by local authority](#)

21 Welsh Government, [Removing profit from the care of children looked after](#), July 2024

22 WCPP, [Expert opinion on eliminating profit from the care of children looked after](#), May 2024

Housing

- 100 Councils have a range of housing and homelessness prevention duties. In real terms, despite spending from council revenue budgets²³ on housing decreasing by 21% since 2008-09, housing has been consistently the third largest spending area for councils after education.²⁴
- 101 Temporary accommodation is used to provide interim housing for residents facing homelessness. This can often take the form of hotels or hostels due to insufficient council-owned properties to meet demand. The costs of providing this accommodation can therefore also be subject to wider market competition. As of May 2024, 11,591 individuals were temporarily housed by councils in Wales, of which 3,003 were children.²⁵
- 102 This is a significant cost pressure that can be difficult to predict due to its sensitivity to the wider rental market and economy. In the year to August 2024, the ONS found that private monthly rents increased by 8.5% in Wales.²⁶ This followed changes to private rental regulations in December 2022 under the Housing (Wales) Act 2014. Both have been cited by council officers as adding additional pressure on their services, as well as increased costs in supporting residents in private rental properties.
- 103 The Auditor General is undertaking a local government study focused on temporary accommodation and plans to report on this early in 2025.

Education

- 104 In general, councils provide funding to individual schools, which then set a budget. These are known as delegated school budgets. Where schools have unspent funding, they can create reserves that are commonly referred to as 'school balances'. During fieldwork, we heard concerns about the impact of required savings and the resulting decrease in school balances. In 2023-24, school balances continued to reduce sharply to a total of £115 million nationally – equivalent to £253 per learner.²⁷ Consequently, 21% of schools held negative balances and required additional support from councils.

23 This excludes Housing Revenue Accounts (HRAs) where a council has retained its own housing stock.

24 This is partially due to social care classification by age.

25 Welsh Government, [Homeless individuals temporarily accommodated at the end of the period by local authority](#)

26 ONS, [Private rent and house prices. UK: September 2024](#)

27 Welsh Government, [Reserves held by schools in Wales at 31 March 2024](#)

- 105 Additional Learning Needs (ALNs), where a person has a learning difficulty or disability that requires additional support, is a key cost pressure for schools. The additional learning system was reformed following legislation in 2018. Changes have been phased in since 2021/22 with all school pupils in the new arrangements by 2025/26. The term 'ALN' has replaced the former term 'Special Educational Needs' (SEN) but the definition is essentially the same.
- 106 Since 2021, the proportion of students in council-funded schools has declined sharply. The proportion of students with SEN/ALNs halved from 22.6% to 11.2% between 2013/14 and 2023/24.²⁸ However, despite a fall in demand, costs have continued to increase. There is uncertainty over the cause of the reduction.
- 107 Net expenditure from delegated school budgets on ALN increased by 13.4% in real terms between 2013-14 and 2023-24. This formed a total of 4.8% delegated schools' net expenditure in 2023-24 – up from 4.3% in 2013-14.²⁹ Spending on ALN from council budgets has risen over the same period by 20.7%. This would support the view that despite a decline in the proportion of students identified with ALN, the costs and complexity of providing support to learners with ALN is a significant challenge for schools to meet. The Auditor General will review ALN as a future national study.
- 108 SEN costs are a key budget pressure for councils across the UK. For example, the UK Government has made 'safety valve' agreements with 38 councils since 2020-21 to support SEN services. This effectively 'writes-off' service deficits, subject to conditions agreed between the council and UK Government. No such arrangements are in place in Wales.
- 109 Councils have legal responsibilities over home to school transport for some learners. The assessment process and thresholds for providing transport are set out in law and primarily relate to the distance between home and the nearest suitable school. Learners entitled to these services cannot be charged. Councils can vary local policy to cover more students and can charge for this discretionary service, for example for transport to religious or Welsh-medium schools that are not the nearest suitable school. Councils net spending on home to school transport has grown by 25% between 2013-14 and 2023-24 in real terms.

28 Welsh Government, [Schools' census results](#)

29 Audit Wales analysis of Welsh Government, [Education revenue outturn expenditure](#)



Capital investment

- 110 Councils must balance capital investment to achieve objectives and service delivery alongside financial sustainability. Capital programmes can include the improving or building of assets, such as roads, office buildings, or schools.
- 111 As with revenue spending, councils can use different funding sources for their capital programme. Unlike revenue budgets, councils can also borrow money. Each borrowing source has distinct types and scales of risk, making active consideration and oversight of capital programmes critical for financial sustainability. Considering the revenue budget implications of capital investment is important in ensuring financial sustainability over the long-term.
- 112 We have recently added borrowing data to our local government data tool to add insight into this area. In cash terms, total borrowing between 2020-21 and 2022-23 grew slightly by 4% to total £6.3 billion. Borrowing varies in scale between councils, reflecting their capital programmes and risk appetite (**Table 4**).

Table 4: total council borrowing and as a percentage of net cost of services and usable reserves not restricted by law, 2023-24

Council	Total borrowing (£ millions)	Borrowing as a proportion of the net cost of services	Borrowing as a proportion of usable reserves not restricted by law
Blaenau Gwent*	190	107%	405%
Bridgend	122	33%	160%
Caerphilly	321	70%	239%
Cardiff	903	99%	596%
Carmarthenshire	413	82%	276%
Ceredigion	112	56%	221%
Conwy	250	84%	577%
Denbighshire*	232	107%	395%
Flintshire	339	93%	885%
Gwynedd	109	33%	93%
Isle of Anglesey	125	68%	323%

Council	Total borrowing (£ millions)	Borrowing as a proportion of the net cost of services	Borrowing as a proportion of usable reserves not restricted by law
Merthyr Tydfil*	127	89%	331%
Monmouthshire	180	85%	955%
Neath Port Talbot	272	68%	368%
Newport	190	52%	158%
Pembrokeshire	179	56%	221%
Powys	338	97%	487%
Rhondda Cynon Taf	288	43%	134%
Swansea	685	117%	435%
Torfaen	111	47%	272%
Vale of Glamorgan	150	43%	201%
Wrexham	522	158%	1419%

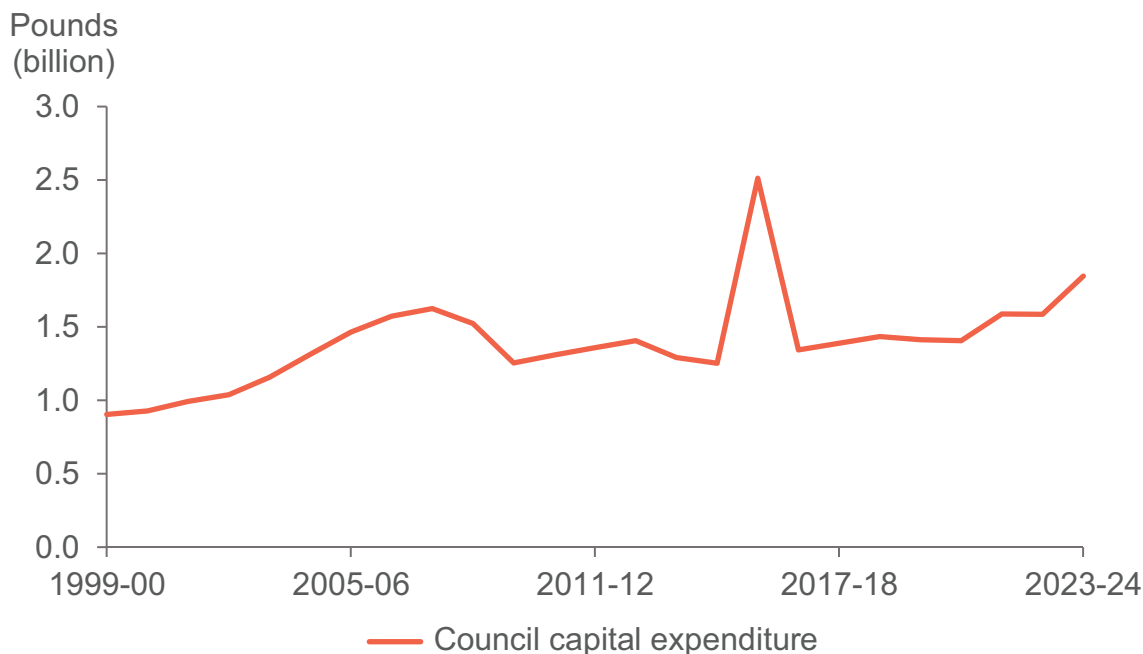
Source: Audit Wales analysis of unaudited accounts

Note: At the time of publication, not all 2023-24 accounts had been received. Consequently, 2022-23 figures have been used for Blaenau Gwent, Denbighshire, and Merthyr Tydfil.

113 Capital expenditure by councils has gradually increased in real terms to just over £1.8 billion in 2023-24. It has grown faster than revenue spending over the period since 1999-2000. The Auditor General will undertake a local government study focused on capital planning in 2024-25.

Exhibit 11: capital expenditure outturn by Welsh councils in real terms, 1999-2000 to 2023-24 (2023-24 prices)

This graph shows the trend in capital spending over time.



Source: Audit Wales analysis of Welsh Government, [Council capital outturn expenditure](#)

Note: 2015-16 appears inflated due to the Housing Revenue Account subsidy buyout, which had a real terms value of around £1.2 billion.



Environmental sustainability

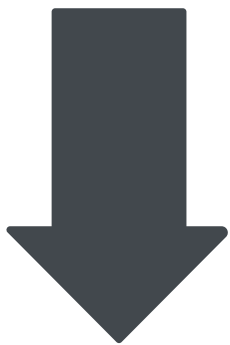
- 114 Climate change and other environmental issues directly affect council spending in three main ways. Firstly, policy can require investment in response, such as the introduction of recycling targets. Council waste management spending has increased by 15% since 2008-09.
- 115 Secondly, it encourages councils to invest in infrastructure to reduce carbon emissions to meet the national net-zero target. As we previously outlined³⁰, there remains significant uncertainty in the ability of the public sector to meet this target and one key element of this is getting to grips with the finance needed.

116 Thirdly, councils must react to the more frequent direct impacts of climate change. For example, Storms Ciara, Dennis, and Jorge in 2020 led to 3,120 domestic and non-domestic properties being flooded, leading to damage estimated at £81 million.³¹ As well as impacting the local economy, these events can require emergency responses, like emergency housing and support, in addition to addressing damage to council property. As the impact of climate change becomes more severe and frequent, the pressure on council finance is only likely to increase. This may increase the need for preventative spending, such as on flood defences.

Financial sustainability on a page

Exhibit 12: financial sustainability graphic

This graphic shows the pressures on council financial sustainability and potential approaches to respond to them.



- Cumulative savings impact since 2008
- Growing demand and expectations
- Annual budget setting requirements
- Difficult decisions being required
- Issues beyond the control or influence of councils
- Finite reserves
- Feasibility of Council Tax rises



- Acceptance of the understood financial position
- A clear, communicated financial strategy
- Wide buy-in and support for the approach
- Realistic, long-term planned savings plans
- Clearly assessed and mitigated risk management
- An open dialogue for oversight
- Learning from elsewhere and together
- Meaningful application of the sustainable development principle

Source: Audit Wales

Our local reports

Exhibit 13: local financial sustainability reports issued by Audit Wales



Source: Audit Wales

Local report findings

In this section we set out our main and sub-conclusions from each of our local reports.

Blaenau Gwent County Borough Council

The Council has appropriate arrangements in place to support its financial sustainability, but these will only be effective if it works at pace to identify, approve and implement sufficient savings to reduce its medium-term funding gap in a sustainable way.

We found this because:

- although the Council's strategy for financial sustainability focuses on long term approaches, it has had to use reserves and consider less sustainable short-term savings options to meet the immediate financial challenge.
- the Council understands its medium-term financial position and the factors which influence it although there is some uncertainty over the longer term.
- clear responsibilities and informative budget monitoring reports support effective oversight of the Council's financial position but it's not clear how the Council's strategic approach to financial sustainability might impact local communities.

Bridgend County Borough Council

The Council understands its financial position with good arrangements to support its financial sustainability which it flexes and adapts but is at the early stage of developing its long-term approach.

We found this because:

- the Council is developing its longer-term approach to support its financial sustainability, which is underpinned by good arrangements to involve officers and councillors, but it has not identified how it will meet all its projected funding gap.
- the Council has a good understanding of its key budget pressures and key risks to its financial sustainability. The Council is taking action to address its budgetary pressures by introducing arrangements to manage and monitor individual risks and budget pressures.
- the Council has robust arrangements to ensure councillors are regularly informed of the Council's financial position and outlook, and for councillors to provide oversight and challenge. The Council is agile in changing its arrangements in response to increased risk to its financial sustainability.

Caerphilly County Borough Council

The Council understands its medium-term financial position and has a clear, but untested approach to improve its financial sustainability. However, its arrangements for reporting and oversight, and modelling of future service demands are limited.

We found this because:

- the Council has a clear strategic approach to improve its financial sustainability, but it has not identified how it will meet its medium-term funding gap. In the short-term, the Council has used reserves and temporary savings to meet its immediate financial challenge while it embeds its longer-term approach.
- the Council understands its medium-term financial position, but the modelling of future service demands is less well-developed, which could impact the accuracy of the identified budget gap.
- there is limited reporting, councillor oversight and scrutiny of the Council's financial position and its impact.

Cardiff Council

The Council has reasonable arrangements to support its financial sustainability with a clear understanding of its financial position and regular reporting to councillors but is in the early stages of developing its change programme to help it meet its significant funding gap.

We found this because:

- the Council is in the early stages of reviewing its service delivery and operating model, developing a change programme to improve its long-term financial sustainability.
- the Council has a clear understanding of its financial position and the scale of its future financial challenges, which it will use to underpin its change programme to meet these challenges.
- the Council has effective reporting arrangements to enable councillors to have oversight of the Council's financial position, but the Council does not always report clearly on the impacts of its financial decision-making.

Carmarthenshire County Council

The Council's embedded transformation approach provides a strategic framework to positively support its financial resilience.

We found this because:

- a combination of the Council's budget strategy, medium-term financial planning and embedded longer term transformation approach sets out a strategic framework for its long-term financial sustainability.
- the Council has a clear understanding of its key budget pressures and costs over the medium-term.
- the Council's financial reporting is clear but is not regularly integrated with reporting on delivery of its corporate objectives

Ceredigion County Council

The Council has arrangements in place to support its present financial sustainability but lacks a long-term strategy to support this.

We found this because:

- The Council has taken decisions to support its financial sustainability over the short to medium-term but does not have a comprehensive long-term financial strategy.
- The Council's Medium Term Financial Strategy is presented during the mid-point of the financial year to ensure early engagement with Members prior to detailed budget setting processes. Assumptions are updated during the budget setting process to provide an up-to-date assessment of likely budget requirements.
- Longer-term monitoring of the Council's financial sustainability is impacted by its lack of a long-term comprehensive financial strategy. There are arrangements in place however to support regular budgetary oversight through its current reporting.

Conwy County Borough Council

Although the Council has arrangements to support its financial sustainability these arrangements are not effective in addressing the scale of its budget gap and low reserves, which provide a significant risk to its long-term sustainability without transformational change.

We found this because:

- the Council has a clear and well-informed strategy which is communicated effectively, but the scale of the identified savings required and the low level of reserves puts its strategy at risk.
- the Council has a clear understanding of its financial position, which includes some service areas with rapidly expanding demand and cost.
- the Council has a range of reporting arrangements which allow scrutiny and assurance for councillors.

Denbighshire County Council

The Council engages well with councillors and officers when setting its budget but it currently lacks an approach to find sufficient savings or an implemented transformation plan to bridge its funding gap.

We found this because:

- the Council has a clear strategy for its medium-term financial sustainability, which is well communicated to councillors and officers, but has weaknesses in how it currently identifies efficiencies and is at an early stage of longer-term transformation.
- the Council's understanding of its financial position is clear, supported by assumptions and identified risks. The Council is aware that its recent use of reserves is unsustainable going forward.
- the Council needs to ensure that its scrutiny and monitoring arrangements provide clarity across the responsible Committees and will need to review the effectiveness of recently introduced reporting and tracking arrangements.

Flintshire County Council

The Council's arrangements do not provide assurance that it can identify strategic transformation in the short and medium-term of the scale required by its financial position. This, combined with its low level of reserves and spiralling costs in some service areas, puts the Council's financial sustainability at serious risk.

We found this because:

- although the Council has engaged councillors well, it has taken a short-term approach to detailed financial planning that has led to weaknesses in identifying and assessing savings, which it has not looked to address.
- the Council has a clear understanding of its financial position and pressures.
- the Council has good arrangements for regular and detailed reporting to councillors on its financial position, but these have been unable to impact its financial position.

Gwynedd Council

There was a significant increase in the number of Council departments overspending in the last two financial years, and it has developed arrangements to review its budgets. It is yet to set out how it will address future funding gaps.

- the Council is yet to implement a long-term strategy to support its financial sustainability.
- the Council's Medium-Term Financial Plan identifies likely financial gaps it will face over the next three years. However, it needs to develop and formalise arrangements to oversee its long-term sustainability – including progress in addressing its projected funding gap.

Isle of Anglesey County Council

The Council has good arrangements to respond to financial challenges in the short to medium term, but has not formalised the planning and oversight of its longer term financial sustainability.

- the Council has not formalised a strategy for its long-term financial sustainability.
- the Council understands its financial position over the short to medium term and has a track record of managing key budget pressures and has delivered services in line with its budget in each of the last five years.
- the Council has arrangements to support regular oversight of its financial sustainability over the short to medium term. However, it needs to develop and formalise arrangements to support oversight of its long-term financial sustainability.

Merthyr Tydfil County Borough Council

There are significant risks to the Council's financial sustainability as it does not currently have a plan to address its medium-term funding gap and does not have a long-term approach to improve its financial sustainability.

We found this because:

- the Council continues to take a short-term approach to addressing its financial position and lacks capacity at a senior officer level to develop a long-term approach to improve its financial sustainability.
- the Council has a good understanding of its service pressures and models reasonable assumptions to inform its budget, but it does not adjust its assumptions over the medium-term which could impact the accuracy of the identified budget gap.
- there is regular budget monitoring reporting to senior officers and senior councillors, but the Council does not report on delivering its savings and without a long-term financial approach it cannot monitor or report on its impact.

Monmouthshire County Council

Although the Council is developing a longer-term approach to financial planning, it is yet to identify how it will close its future funding gap. Given its low reserves levels, the Council will need to work at pace to implement its financial strategy and strengthen its financial resilience.

We found this because:

- although the Council's new financial strategy demonstrates its commitment to strengthening financial sustainability over the medium term, it currently lacks robust plans to close its identified funding gap.
- the Council has a clear understanding of its financial position and recognises the need to strengthen its use of data to better understand and mitigate longer-term cost pressures.
- the Council's reporting arrangements support clear and regular oversight of its current financial position, but reporting on the long-term impact of financial decisions is less well-developed.

Neath Port Talbot County Borough Council

The Council has arrangements in place to support its financial sustainability in the short term but lacks a documented longer-term financial strategy to support more transformative change and inform councillors' future spending decisions.

We found this because:

- the Council does not have a financial strategy to support its financial sustainability over the longer-term.
- the Council has a good understanding of its financial position.
- the Council's financial reporting arrangements support regular oversight of its in-year budget position but not its financial sustainability in the longer-term.

Newport City Council

The council has sound financial arrangements to support its financial sustainability, including a developing transformation plan and effective oversight arrangements, but it has not fully identified how it will close its budget gap over the medium and long-term.

We found this because:

- the Council does not have a fully developed long-term approach to support its financial sustainability. But there are sound arrangements to manage its short-term financial position.
- the Council has a good understanding of its current financial position and the key risks to its future financial sustainability.
- the Council's reporting arrangements support regular oversight of its financial position and risks. These provide a good foundation for oversight and scrutiny of the plan to enable the Council's long-term financial sustainability as it develops.

Pembrokeshire County Council

The Council has arrangements in place to support its financial position in the short-term but lacks a longer-term plan to close its identified funding gap.

We found this because:

- the Council does not have a longer-term strategic approach to secure its financial sustainability and close its identified funding gap.
- the Council has a good understanding of its financial position but overspends in key service departments since 2023 are challenging its financial sustainability.
- the Council's financial reporting arrangements support regular oversight of its in-year budget and savings positions and provide an update on its MTFP.

Powys County Council

The Council has not yet adopted a long-term approach to secure its financial sustainability, but is developing one.

We found this because:

- the Council has not yet adopted a long-term approach to secure its financial sustainability, but is developing one. The Council is finalising a long-term strategic transformation approach to secure its financial sustainability and close its identified funding gap.
- the Council's understanding of its future financial challenge is based on reasonable assumptions and a well-developed understanding of its short and medium-term pressures and risks.
- the Council's reporting arrangements support clear and regular oversight of its current financial position, but it does not report explicitly on the impact of its financial strategy on its corporate objectives nor on local communities.

Rhondda Cynon Taf County Borough Council

The Council has appropriate arrangements to support its financial sustainability which provides a platform to address longer term budget challenges.

We found this because:

- the Council has clear arrangements to manage its financial position in the short term and is developing transformation programmes to address recurring cost pressures, but has not yet modelled the collective impact these programmes will have on its budget gap over the medium to long term.
- the Council's approach is underpinned by a good understanding of its financial position and the factors which impact it, including recurring cost pressures in particular service areas.
- the Council provides regular reports to councillors to enable them to understand its financial position. However, the Council's reporting approach does not give councillors clear sight of the impact all budget decisions have had on services, local communities and the achievement of corporate objectives.

Swansea City and County Council

The Council has reasonable arrangements to support its financial sustainability, but there are weaknesses in the delivery and monitoring of the savings programme to support these.

We found this because:

- the Council is beginning to develop a long-term approach to improve financial sustainability through its transformation programme, supported by its Medium-Term Financial Plan, but progress delivering required savings has been slower than anticipated, presenting risks to the Council.
- the Council has a good understanding of its medium-term financial position, but the use of reserves in response to service overspend and risks around capital financing weaken its long-term financial sustainability.
- the Council has arrangements to regularly monitor its financial position, but it does not report progress with individual savings or fully identify the impact of savings proposals to enable effective oversight of its financial sustainability.

Torfaen County Borough Council

The Council has appropriate arrangements in place to support its financial sustainability and is focused on developing and implementing actions that will generate sufficient savings to address its identified budget funding gap in a timely and sustainable way.

We found this because:

- the Council has appropriate arrangements in place, with its identified funding gap in the short to medium term to be addressed by the strategic use of reserves and efficiency measures, and with actions in development to support its longer-term financial sustainability.
- the Council's financial strategy is supported by a clear understanding of its short to medium term financial position, although there is some uncertainty over the longer term.
- the Council regularly reports its financial position, enabling oversight by officers and councillors, and the Council has the opportunity to consider and report the impact of its financial strategy on communities through its annual delivery plan.

Vale of Glamorgan County Borough Council

Whilst having arrangements for the short to medium term, the Council lacks a long-term plan and regular assessments of the impact of decisions to support its long-term financial sustainability.

We found this because:

- the Council has arrangements in place to manage its financial resilience in the short to medium-term, but its longer-term approach is less certain due to being at an early stage in its transformation agenda.
- although the Council understands its financial position, a limited evidence base and a mixed track record in delivering savings means this understanding may be limited in depth and accuracy.
- the Council has clear arrangements for reporting its financial position, but this does not include an understanding of the impact of delivering on its objectives nor how it affects the longer-term.

Wrexham County Borough Council

The Council has identified significant financial pressures and does not yet have an agreed plan to meet the funding gap.

We found this because:

- whilst the Council is clear upon the magnitude and urgency of its financial challenges, it does not yet have a plan for sufficient savings or strategic approach to transform services to secure its medium-term financial sustainability.
- the Council has clear arrangements for managing its budget and financial savings.



Appendices

1 Audit approach and methods

1 Audit approach and methods

Audit objectives

Through this national summary and our local reports, our objectives were to:

- provide assurance that councils have proper arrangements to support their financial sustainability.
- explain how councils are managing with limited resources and the extent to which they assess the impact of their decisions on service delivery and citizens, now and in the future.
- using the national summary output, explain the extent to which councils are considering the sustainable development principle in their financial planning and decision making.
- using the national summary output, inspire improvement by citing examples of good practice in managing and promoting financial sustainability where appropriate.

Approach and scope

We used a system-orientated approach to examine arrangements to support financial sustainability in our local reports. For our national summary, we combined this with a problem-orientated approach to explore issues and their prevalence.

In preparing our approach, we met with the Society of Welsh Treasurers and the Welsh Government. We retained our independence throughout our work.

We completed our fieldwork locally between March and July 2024, which informed our national evidence gathering over the same period and further into August.

Locally, we reviewed each council's strategic approach to support its financial sustainability, its understanding of its current financial position, and its arrangements for reporting and oversight of its financial sustainability. We reviewed arrangements that each council has to support its financial sustainability. We did not review of each council's wider financial management or individual financial decisions.

Our audit criteria were based on our cumulative audit knowledge and drawing on publications produced by CIPFA.

Methods

In preparing this national summary, we compiled evidence and findings from our local reports that used the following methods:

- interviews – at each council we interviewed:
 - Chief Executive Officer
 - Section 151 officer
 - lead officer for transformation
 - leader of the council
 - cabinet lead for finance
- document review – we reviewed documents from each council including each Medium-Term Financial Plan (MTFP), financial strategies, financial reports, and committee minutes.
- data analysis – we analysed financial data, both publicly available and provided by councils. Where financial figures are presented in real terms, we have used June 2024 deflators issued by [HM Treasury](#) to account for the impact of inflation.



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Financial Sustainability Review – Cyngor Gwynedd

Audit year: 2023-24

Date issued: October 2024

Document reference: 4404A2024

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Summary report

Why we did this audit

Our audit duties

- 1 The Council has to put in place arrangements to get value for money for the resources it uses, and the Auditor General has to be satisfied that it has done this.
- 2 We undertook this audit to help discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations Act (Wales) 2015.

Our objectives for this audit

- 3 To provide assurance that councils have proper arrangements to support their financial sustainability.
- 4 To explain councils' financial position and the key budget pressures and risks to their financial sustainability.

Why financial sustainability is important

- 5 A combination of factors including the rising cost of delivering services and increased demand for some services is placing significant pressure on local government finances.
- 6 Despite these pressures, councils are still required to set a balanced budget whilst delivering a number of statutory services. Councils also provide a range of non-statutory services that communities rely on.
- 7 In this context, it is important that councils develop a strategic approach to their financial sustainability over the longer term to help them to secure value for money in the use of their resources.

What we looked at and what does good look like¹

- 8 We reviewed the Council's strategic approach to support its financial sustainability, its understanding of its current financial position, and its arrangements for reporting and oversight of its financial sustainability. This audit was limited to a consideration

¹ Defined as 'what should be' according to laws or regulations, 'what is expected' according to best practice, or 'what could be', given better conditions.

of the arrangements that the Council has put in place to support its financial sustainability. It was not a review of the Council's wider financial management, or of the individual financial decisions that the Council has made or intends to make.

- 9 We recognise that some factors which will impact on councils' financial sustainability will be beyond the scope of this audit, as this audit focused on the arrangements that councils are putting in place. However, where we identified common issues through our fieldwork that go beyond the arrangements that councils have put in place, we will report on these in our planned national summary report.
- 10 We also recognise the unprecedented financial challenges that councils have faced for many years and are likely to continue to face for at least the medium term. This includes the public sector funding pressures that followed the financial crisis in 2008 and the impact of the pandemic both at the time and its continued aftereffects. More recently councils have also faced significant real-terms reductions in spending power as a consequence of the fastest increase in inflation for decades. Alongside all of these events there have also been significant increases in the demand for some services, including for example the impact of an ageing population and the resulting increased demand for some services. These factors are largely outside the control of any individual council.
- 11 Against this longer-term background of financial challenges councils have needed to respond to more recent challenges at pace and we understand that inevitably in many, if not all councils, some of the specific details of how financial pressures will be tackled over the medium-term are still to be determined. This report sets out our view on the Council's financial arrangements, and where appropriate where we think these could be strengthened to help improve the Council's financial sustainability over the medium-term. Our report should be viewed in the context of these wider and longer-term financial pressures.
- 12 The audit sought to answer the overall question – **Does the Council have proper arrangements to support its financial sustainability?** To do this we looked to answer the following questions:
- Does the Council have a clear strategy for its long-term financial sustainability?
 - Is the Council's financial strategy supported by a clear understanding of its financial position?
 - Do the Council's reporting arrangements support regular oversight of its financial sustainability?
- 13 The audit criteria that we used to assess the Council's arrangements against each of our questions is set out in **Appendix 1**. This has been informed by our cumulative knowledge, as well as drawing on some publications produced by the Chartered Institute of Public Finance and Accountancy (CIPFA).



Our audit methods and when we undertook the audit

- 14 Our findings are based on document reviews and interviews with a sample of councillors and senior officers. The evidence we have used to inform our findings is limited to these sources. We undertook this work during April to May 2024.
- 15 We are undertaking this work at each of the 22 principal councils in Wales and, as well as reporting locally to each council, we also intend to produce a national report.



What we found

- 16 Overall we found that there was a significant increase in the number of Council departments overspending in the last two financial years, and it has developed arrangements to review its budgets. It is yet to set out how it will address future funding gaps. We set out below why we came to this conclusion.
- 17 The Council is yet to implement a long-term strategy to support its financial sustainability. The Council has started to develop a strategic approach, for example by establishing arrangements to assess services' impact on citizens, and to understand the statutory and discretionary elements of different functions. It has also undertaken research to understand the scale and nature of long-term demand in adults' services. This is important to ensure that savings proposals are appraised based on their anticipated impact on citizens, both now and in the future. Building on this and implementing a financial strategy will help the Council to identify the savings needed to close its funding gaps in the next three years² and beyond.
- 18 The Council has relatively high levels of financial reserves that have accumulated over a number of years. Council has three funds³ for funding one-time spending requirements, to deal with overspending, or to transition before savings take effect. Total of these funds have fallen from £23.874 million to £11.153 million during 2023-24. The Council uses reserves to fund a core budget deficit and overspending at the end of the year. The Council recognises that the permanent use of funds to set a budget or to respond to overspending is not a sustainable solution. While the use of funds responds to current pressures, it reduces the balances available to the Council to support the transformation and remodelling of services for the future.

² Cronfa Strategaeth Ariannol y Cyngor, Cronfa Adfer yn Sgil COVID a Chronfa Trawsfurfio

- 19 Service overspending has increased recently, and the Council appreciates the need to come to grips with this to be sustainable as they set annual budgets and long-term plans. For example, its 2023-24 outturn revenue report sets out a total service overspend position of over £9 million at the end of the year.⁴ Similarly, in 2022-23 services overspent a total of over £10 million. The Council has a bidding regime in place to try to respond to areas of overspending on an annual basis, and proactive steps are underway to reduce overspending. Council is not formally reviewing the budget at the end of the first quarter, but the most recent budget review confirms that further efforts are needed to reduce the funding gap. As well as putting pressure on its reserves, a consistent pattern of overspending risks undermining the achievement of any planned savings in the future.
- 20 The Council's Medium-Term Financial Plan identifies likely financial gaps it will face over the next three years. However, it needs to develop and formalise arrangements to oversee its long-term sustainability – including progress in addressing its projected funding gap. The Council reports on its budgets every two months to challenge and support performance meetings with the Cabinet member, and twice a year to a Governance and Audit Committee and to Cabinet. During the fieldwork phase of this audit, the Council is also taking steps to strengthen reporting arrangements by establishing a monthly regime to review budgets within the ten areas most at risk of short-term overspending. The Council intends to review the expenditure and impact of each department to identify the most essential services to Gwynedd's people in order to build what they believe is within their power to provide. This can help the Council understand when and how key services are overspending, but it does not necessarily mean it can tackle this increased pressure. Clear, regular and transparent reporting arrangements are important to enable effective oversight of the Council's financial position, the steps it takes to ensure its financial sustainability and the impact of this on its local communities.



Our recommendations for the Council

Exhibit 1: our recommendations for the Council

Recommendations

- R1 We found limitations in the Council's strategic approach to support its long-term financial sustainability. To address this, the Council should implement a long-term financial strategy that supports its understanding of its medium-long

⁴ Six out of eleven Council departments overspent in 2023-24, with three of these overspending by over £1 million.

Recommendations

term financial position and informs its transformation and prioritisation of services.

Appendix 1

Audit questions and criteria

Exhibit 2: overall question: Does the Council have proper arrangements to support its financial sustainability?

Level 2 questions	Criteria
Does the Council have a clear strategy for its long-term financial sustainability?	<ul style="list-style-type: none">• The Council has clearly set out its strategic approach to support its financial resilience over the short, medium, and long term.• The Council has a medium-term financial plan.• The Council's strategic approach is widely understood and supported by senior officers.• The Council has considered a wide range of options to improve its long-term financial sustainability, including comparison with other bodies.• The Council has identified all the savings it intends to make to meet its funding gap over the medium term, supported by well-evidenced plans based on reasonable assumptions.• The Council's strategy includes the strategic use of reserves to manage its savings programme over the medium term.• The Council has modelled the anticipated impact of its financial strategy over the medium term (eg potential service reductions and council tax levels on local communities).
Is the Council's financial strategy supported by a clear understanding of its financial position?	<ul style="list-style-type: none">• The Council has calculated its funding gap over the short to medium term based on reasonable assumptions.• The Council has benchmarked its assumptions with appropriate comparator bodies.• The Council has a good understanding of its key budget pressures in the medium and long term.• The Council has a track record of successfully addressing key budget pressures.• The Council has identified the key risks to its financial sustainability and has put in place mitigations.

Level 2 questions	Criteria
<p>Do the Council's reporting arrangements support regular oversight of its financial sustainability?</p>	<ul style="list-style-type: none"> • It is clear who is responsible for monitoring the Council's financial position, including its sustainability over the medium to long term. • The Council regularly reports its financial position to members to enable oversight and scrutiny. • The Council has arrangements to transparently report the impact/anticipated impact of its financial strategy on the achievement of its corporate objectives and on local communities to members and other stakeholders. • The Council's savings plan includes what has been agreed, how much progress has been made in implementation, and links to both its budget and medium-term financial plan. • The Council regularly reports progress in delivering planned savings to members to enable oversight and scrutiny.



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Management response form

Report title: Financial Sustainability Review – Cyngor Gwynedd

Completion date: December 2024

Document reference: 4404A2024

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	We found limitations in the Council’s strategic approach to support its long-term financial sustainability. To address this, the Council should implement a long-term financial strategy that supports its understanding of its medium-long term financial position and informs its transformation and prioritisation of services.	<p>The Council recognises that there are further steps to be taken to strengthen its strategic approach to support its long-term financial sustainability:</p> <p>With the commissioning of further work by CIPFA to consider long-term financial sustainability as well as the Council's compliance to the Financial Management Code, a report is due by February 2025 and that we will have produced a programme of work based on the recommendations by mid-March</p>	21 March 2025	Head of Finance

We will consider options for undertaking more of a "Llechen Lân" type review to identify long-term trends in service demand and will have identified appropriate areas.

30 April 2025

Chief Executive /
Head of Finance

The Finance Department will identify areas where efficiency can be improved.

30 June 2025

Head of Finance

We will review the strategic use of Council funds to make the best use of them

30 June 2025

Chief Executive /
Head of Finance

Forward Programme of the Governance and Audit Committee to January 2026

6 February 2025

Implementing the Decisions of the Committee
Review of the Committee's Self-Assessment Work Programme
Care Home Review
Internal Audit Output
Internal Audit Plan 2024/25
Savings 2025/26
Capital Strategy 2025/26 (including Investment and Borrowing Strategies)
Budget 2025/26
Governance Risks Mid-Year Update
Recommendations And Improvement Proposals of External Audit Reports
Audit Wales Reports - Q3 Update
The Council's Arrangements for Dealing with Complaints
The Committee's Forward Programme

May 2025

Elect Chair
Elect Deputy Chair
Implementing the Decisions of the Committee
Annual Report of the Governance and Audit Committee 2024-25
Gwynedd Harbours' Final Accounts for the Year Ended 31 March 2025
Final Accounts 2024/25 - Revenue Outturn
Capital Programme 2024-25 – End of Year Review (31 March 2025 Position)
Output of the Internal Audit Section
Head of Internal Audit Annual Report 2024/2025
Medium-Term Financial Plan
Internal Audit Charter
Internal Audit Strategy and Annual Internal Audit Plan 2025/26
Audit Wales - Quarter 4 Update
Audit Wales - Cyngor Gwynedd Annual Audit Summary 2024
Audit Wales Reports and Organisational Response
Treasury Management Quarterly Report
The Committee's Forward Programme

September 2025

Implementing the Decisions of the Committee
Statement of Accounts 2024/25 (Subject to Audit)
Gwynedd Council's Annual Governance Statement For 2024/25
Treasury Management 2024/25
Audit Wales - Cyngor Gwynedd Annual Audit Summary 2024
Audit Wales Reports - Q1 Update
Audit Wales Report - Detailed Audit Plan 2025
Annual Performance Report and Cyngor Gwynedd Self-Assessment 2024/25
Recommendations And Improvement Proposals of External Audit Reports
The Council's Arrangements for Dealing with Complaints
The Committee's Forward Programme

October 2025

Implementing the Decisions of the Committee
Revenue Budget 2025/26 – End of August 2025 Review
Capital Programme 2025/26 – End of August 2025 Review
Savings Overview: Progress Report on Realising Savings Schemes
Treasury Management Quarterly Report
Audit Wales Reports
The Committee's Forward Programme

November 2025

Implementing the Decisions of the Committee
Final Accounts for the Year Ended 31 March 2025 and Relevant Audit
Treasury Management 2025-26 Mid-Year Review
Internal Audit Output
Internal Audit Plan 2025/26
Audit Wales Reports - Q2 Update on the Work Programme and Timetable
Recommendations And Improvement Proposals of External Audit Reports
The Committee's Forward Programme

January 2026

Implementing the Decisions of the Committee
Review of the Committee's Self-Assessment Work Programme
Revenue Budget 2024/25 – End of November 2024 Review
Capital Programme 2024/25 – End of November 2024 Review
Savings Overview: Progress Report On Realising Savings Schemes
Audit Wales Reports
The Committee's Forward Programme