

## CYNGOR GWYNEDD - Report to Cyngor Gwynedd Cabinet

<b>Title of item:</b>	Revenue Budget 2025/26 – End of August 2025 Review
<b>Cabinet Member:</b>	Councillor Huw Wyn Jones, Cabinet Member - Finance
<b>Relevant officer:</b>	Ffion Madog Evans, Assistant Head of Finance Department - Accountancy and Pensions
<b>Date of meeting:</b>	11 November 2025

### 1. Decision sought

That the Cabinet:

- 1.1 Approve additional financial support above the contractual payment projected to be £219k to Cwmni Byw'n Iach to be funded from the transformation fund, delegating the right to the Cabinet Member for Economy in consultation with the Cabinet Member for Finance, the Chief Executive and the Head of Finance to agree on the amount of the final financial support above the contractual payment to Byw'n Iach at the end of the financial year.
- 1.2 Ask the Head of Finance and Head of Environment to submit a further report on the possible options for funding the costs of making safe/demolishing the Corbett Arms building in Tywyn.
- 1.3 Approve the transfer of £3.757 million of underspend on corporate budgets to the Council's Financial Strategy Reserve, with its use to be considered before the end of the current financial year.
- 1.4 Approve the financial virements as outlined in **Appendix 3** following a review of the funds, removing £576k worth of negative balances from the funds of the Adults, Health and Well-being Department (£300k) and the Children and Supporting Families Department (£276k), following the departments' overspending for three consecutive years.

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

- 2.1 The purpose of this report seeks to provide a trajectory of the revenue position by the end of the financial year. Therefore, the amounts noted below is an estimate of what we are projecting by March 2026, and they are not amounts that represent the current overspend position.

- 2.2** It is the Cabinet's responsibility to act, 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 August report is submitted on the latest review of the Council's revenue budget for 2025/26, and a summary of the situation per Department is outlined in **Appendix 1**. The current projections suggest that five of the departments will have budget deficits by the end of the year. The main deficit is anticipated in:

- Adults, Health and Well-being - Domiciliary Care and Residential Homes
- Environment Department - Waste
- Children and Families Department - out-of-county placements, Derwen and Post-16
- Housing and Property Department - Homelessness
- Highways, Engineering and YGC Department - less income than expected on the highways side

- 3.2** Below, and in **Appendix 2**, further details are provided relating to the main issues and headings where a budget deficit is projected, as well as specific recommendations, where appropriate.

### **4. The reasoning and justification for recommending the decision**

#### **The Savings Situation**

- 4.1** In the 2025/26 Budget report to the Full Council on 6 March 2025, it was reported that £3.5 million worth of savings were profiled for the 2025/26 budget. The budgets have been reduced by this amount; therefore, the situation is reported upon after consideration of the savings.
- 4.2** In recent years, we have reported on risks in achieving savings. In terms of the remaining schemes, there are risks to the delivery of some of the schemes.
- 4.3** The latest situation in terms of savings is that almost £46 million, namely 92% of the amended savings schemes since 2015, have now been realised.

## **5. Council Departments**

### **5.1 Adults, Health and Well-being Department**

There is a mixed situation for the 2025/26 budget, with over £3 million in additional permanent funding allocated to the Department, whilst the budget at the same time was reduced by cuts of over £1m this year, as well as £500k of historical savings removed from the budget but not realised to date (total savings of £1.5m). Nevertheless, the latest projections suggest that if no operational changes are made during this year, then the budget deficit will be £3.1m by the end of the financial year.

The demand for residential services increased, with 29 additional residents in private homes, partly due to staffing challenges at internal residential homes, which has led to a reduction in the beds available, leading to substantial cost increases. There has been an unexpected and unusual increase in the number (12 since November 2024), of individuals requiring residential care due to mental health issues, and this adds to the demand.

In addition, there was a significant increase in the costs of residential homes due to the increase in national insurance costs to the care providers. Likewise, the domiciliary care provision is seen to be costing more than the budget, and this shows the additional cost of the effort made to provide care in areas where a service is not readily available. The internal domiciliary care service saw additional costs of around three-quarters of a million because of the recent increase in sickness rates. The Department is committed to reduce these costs, and the subsequent overspend, during this year.

### **5.2 Children and Families Department**

An increase was seen in the Department's budget for 2025/26 of £2.175 million. There are many additional cases where individuals require specialist care outside the county, and this care is expensive; an increase is also seen in the care provision for children with disabilities in the county by means of Derwen and Hafan y Sêr services, and consequently, it is anticipated that there will be a budget deficit of approximately £1.5 million by the end of the financial year unless there will be a change in what is provided during the year.

### **5.3 Education Department**

An underspend of (£20k) is anticipated by the Education Department. Following substantial overspend on school transport over the last few years, the field received an additional budget allocation of £896k on a permanent basis and a further £939k for the year only, to address the pressures in the field of school buses and taxis. There has been an improvement in the field of transport and, therefore, it is possible to reduce the one-off contribution to £639k based on the latest projections.

#### **5.4 Byw'n lach**

Over the past few years, Cwmni Byw'n lach has received financial support from the Council which was £550k in 2022/23, £308k in 2023/24 and £281k in 2024/25, which was above the contractual payment in the delivery contract, to enable them to maintain their services. It is projected that the demand for financial support continues in 2025/26 with the required amount being £219k by the end of the year. We will be holding further discussions with the company before establishing whether it is appropriate for the Council to provide financial support again this year.

#### **5.5 Highways, Engineering and YGC Department**

A budget deficit of £522k is anticipated by the Department by the end of the year. A reduction was seen in the work being commissioned by external agencies which is having a negative impact on the income of the highway services. The department is prudent when attempting to project the spending arising when responding to storms and inclement weather. Spending on the inclement weather response is a part of the Department's annual operations now, and efforts are made to cope with the spending by means of programmed work initially, but over the last 3 years, the response has been above the programmed and has led to an overspend. In the Municipal service, a combination of factors, including additional pressure on the staff budgets of street cleaning and cleaning public toilets. While income losses are issues for land maintenance and public toilets.

#### **5.6 The Environment Department**

A budget deficit of £740k is anticipated by the Department by the end of the year. The annual trend of overspending in the waste field continues and is responsible for £662k of the overspend. The Department has many plans in progress to address this overspending. At one time, the overspend was £1.4m, therefore, a lot has been achieved over the past two years. To achieve the last step, there will be a need to complete a restructure of the waste Service, followed by further operational changes.

Furthermore, after Cyngor Gwynedd achieved a 65.3% rate for recycling in 2024/25 which is below the Welsh Government's 70% recycling target, this means that the Council is facing a £612k fine subject to an assessment against various criteria from the Government. However, as we have a formal plan in place to seek to address and meet the national target, and that we are working closely with the Welsh Government on that, we believe that the risk of forcing the fine on us is low and therefore we have not included this amount in the trajectory for the end of the year.

£3.7m of new income was received which derives from a levy on packaging for producers and retailers, to promote recycling by the companies who create this waste. The purpose of the income is the ability to invest in our recycling infrastructure, although technically it

is not restricted to this only. For this year, we will need to use the first proportion of this income to meet any deficit in the waste service's revenue budget before transferring the rest to a reserve for the time being.

We will also need to consider how to fund the costs of making safe and/or demolishing the Corbett Arms Hotel building in Tywyn over the coming weeks. It is a Grade II listed building, which has been causing concern to Cyngor Gwynedd and the local community for years as it is in a structurally dangerous condition, which has meant that the Council has had to act to protect and safeguard the public. The final cost could be somewhere between £1m and £1.5m. The Department cannot cope with such one-off expenditure without notice within their usual revenue budget and therefore a separate report will be needed in due course to consider what other options we have to address this cost.

## **5.7 Housing and Property**

The trend of significant pressure on the emergency accommodation service continues, with expenditure on the field forecast to be £6.7 million this year, compared to £6 million last year. The reported financial situation considers an additional budget of £3m allocated from the council tax premium and a one-off additional budget allocated as part of the bids procedure to assist with the increasing pressures. It is anticipated that the department will overspend £167k, which is a combination of higher costs to move and store the personal property who receive emergency accommodation; an increase in the number of individuals who present themselves as homeless and in need of accommodation; and an increase in the price per night for emergency accommodation by some providers.

## **5.8 Corporate**

An underspend of £3.8 million on corporate headings because of added tax yield and prudent projections when setting the 2025/26 budget. Following recent confirmation for the 2025/26 national pay settlement, the settlement was lower than what we provided in our budget for 25/26 and in addition, we received a grant towards teacher pay. After the Welsh Government's delay in confirming its contribution towards the additional costs of councils' national insurance until the summer, the Council received a grant that was higher than what was originally expected.

## **5.9 Funds**

Funds were reviewed as outlined in **Appendix 3**, following the Adults, Health and Well-being Department and the Children and Families Department's overspend for three consecutive years, which means that their departmental funds have negative balances worth £576k. It is suggested that the balance is removed to allow the departments to focus on the 2025/26 challenges.

## **6. Conclusion**

- 6.1** A spending position of £2.5 million more than the budget is projected by the end of the financial year to continue to meet the increasing demand for services for the rest of the year, based on the information that we currently have. This figure is based on a budget deficit of £6.3 million at the end of the year by the departments, with the impact being mitigated by the fact that there will be a likely underspend of £3.8 million on corporate budgets.

## **7. Next steps and timetable**

- 7.1** Act on the recommendations submitted and submit a follow-up report to the Cabinet on 20 January 2026 following a review of the situation at the end of November.

## **8. Observations 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

Appendix 3 - Review of Reserves