

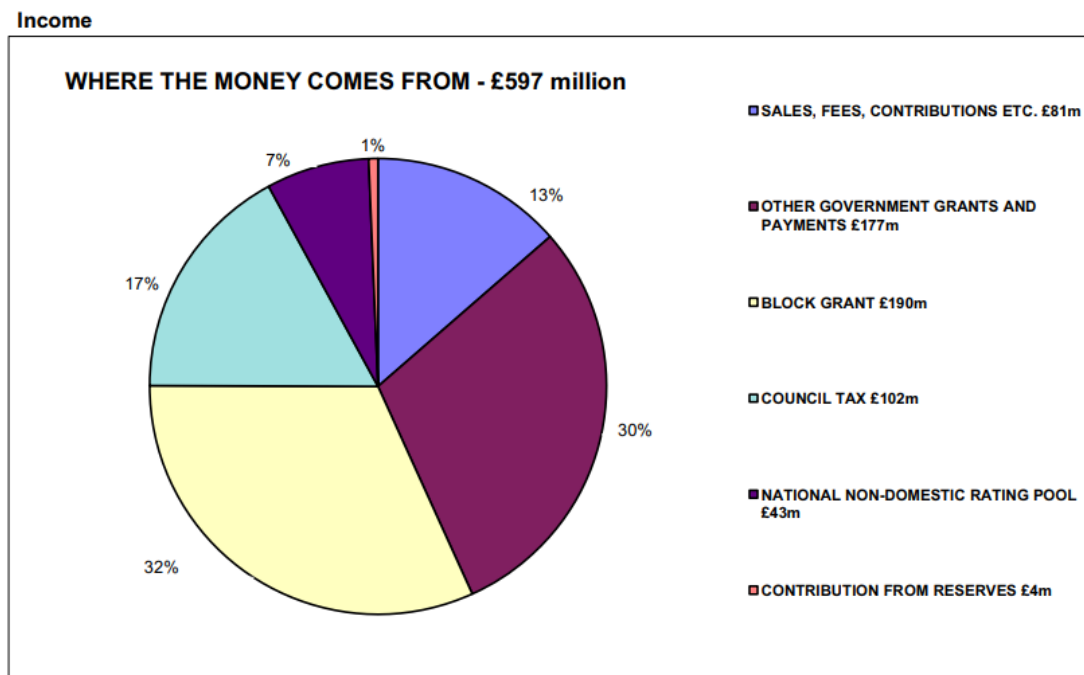
CYNGOR GWYNEDD
Medium Term Financial Plan
2025/26 to 2027/28

1. INTRODUCTION

- 1.1. This document notes the Medium-Term Financial Plan (MTFP) for Cyngor Gwynedd up to the 2027/28 financial year.
- 1.2. The budget is renewed annually to consider any local or national changes, but this plan is a high-level assessment of the Council's financial requirements for three years. Any review or renewal of the Council Plan in the next years will also be reflected, incorporating any financial changes deriving from it. It will also be updated to reflect changes in local and national funding assumptions, local income estimations, spending pressures and any changes to saving schemes.
- 1.3. Lastly, the document identifies the savings that need to be considered, explaining the estimates and presumptions used to develop the Budget and the MTFP. Those presumptions will be reviewed continuously and, if needed, will be amended for the coming years as more data and evidence on service requirements and budgets becomes available.
- 1.4. Therefore, although the budget for 2024/25 was set on 7 March 2024, budgets for subsequent years 2025/26 - 2027/28 are indicative only and are likely to change before the final budgets for those years are approved as part of the annual cycle.

2. FUNDING METHOD ASSUMPTIONS

2.1. The following chart shows the Council's funding sources for the 2024/25 financial year:



Aggregate External Funding

2.2. Together, the combination of the Council's contribution of the National Non-domestic Tax Grant (£43m) and the Block Grant (or Revenue Support Grant (RSG)) (£190m) is called **Aggregate External Funding (AEF)** but the term "settlement" is generally used for this sum. For 2024/25, Cyngor Gwynedd's AEF is £233,316,780 (referred to in the Budget report as "Government Grant"), and it represents approximately 40% of the Council's gross income.

[2024-25 Budget \(llyw.cymru\)](#)

2.3. Every Council's settlement derives from the result of the Government's Standard Spending Assessment for each of the 22 main councils in Wales, and this amount is determined on a Wales level as a first step, depending on the money that is available to be distributed.

2.4. For the purposes of calculating the individual SSA allocations of each Council, local government net revenue spending is broken down into 53 notional service areas. A notional spending amount is set for each of these areas of spending, based on past spending (where such information exists), usually with a three-year delay due to the publishing timetable, verification etc. This figure is the Standard Spending Assessment (SSA) for that service area.

2.5. A separate allocation method is set for each of these service areas in turn in order to distribute the total for the service across the authorities.

2.6. A basic principle of the procedure is that the components of every formula should be objective where possible, so that authorities are not able to have a direct influence on funding (i.e., "play the system").

2.7. Of all the data used:

- **67% of data inputs are client based (e.g., population and demography)**
- **27% are deprivation measures**
- **6% are measures of validity / density.**

2.8. Allocations are based on Wales's comparative share, not authority data levels, as the amount of money available has been established at the start of the process.

2.9. Cyngor Gwynedd received the worst financial settlement from Welsh Government for the 2024/25 budget in terms of the percentage increase – Cyngor Gwynedd is twenty second out of twenty two. The percentage increase we have received is 2.251% compared with a Wales average of 3.3%:

Unitary Authority	2023-24 Final Aggregate External Finance [Note 1]	2024-25 Final Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	124,147	127,586	2.8%	17
Gwynedd	228,180	233,317	2.3%	22
Conwy	199,025	203,526	2.3%	21
Denbighshire	193,351	200,795	3.8%	4
Flintshire	252,255	258,527	2.5%	20
Wrexham	225,021	232,865	3.5%	8
Powys	228,852	235,865	3.1%	11
Ceredigion	131,569	135,286	2.8%	14
Pembrokeshire	212,918	218,870	2.8%	16
Carmarthenshire	338,755	350,646	3.5%	7
Swansea	417,919	435,021	4.1%	3
Neath Port Talbot	277,211	285,594	3.0%	12
Bridgend	250,853	258,925	3.2%	10
The Vale of Glamorgan	202,925	209,781	3.4%	9
Rhondda Cynon Taf	471,369	485,567	3.0%	13
Merthyr Tydfil	119,170	123,492	3.6%	5
Caerphilly	340,339	348,864	2.5%	19
Blaenau Gwent	140,094	144,044	2.8%	15
Torfaen	172,572	178,733	3.6%	6
Monmouthshire	122,844	126,019	2.6%	18
Newport	289,622	304,045	5.0%	1
Cardiff	597,291	623,158	4.3%	2
Total unitary authorities	5,536,285	5,720,524	3.3%	

2.10. The main reason for this was the reduction seen in the population figures used for the purpose of the settlement between the estimates used in 2022/23 and the 2021 Census figures used in 2024/25. 2023/24 was a transitional year where an average of the estimates and the results of the settlement were used.

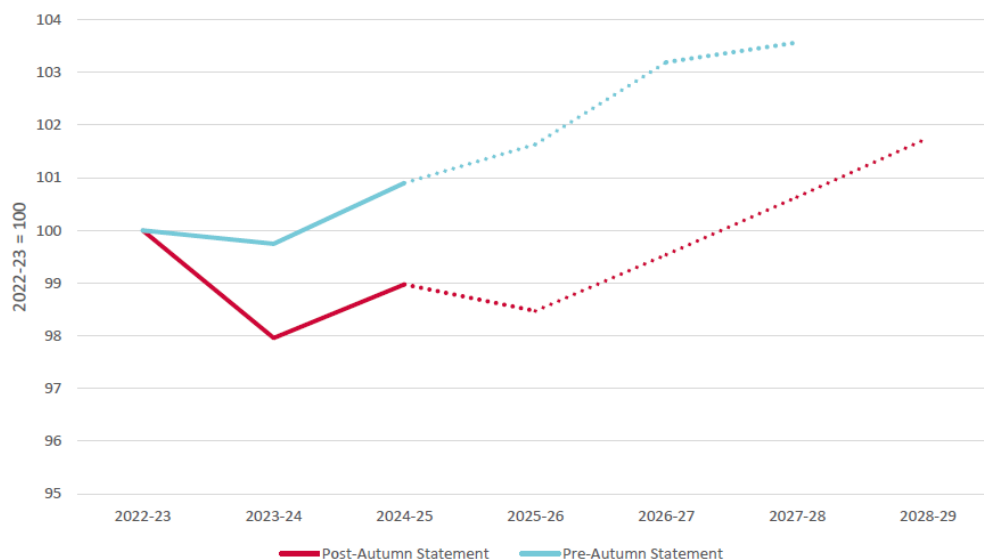
2.11. As with any factor when calculating the Settlement, it is not the population change in Gwynedd in itself that affects the calculation, rather the change in Gwynedd's population compared with the change in population for the rest of Wales. It can be seen in the following table that Gwynedd's population data as a % of Wales's population, for the purpose of the Settlement, has decreased over the last 4 years from 3.95% to 3.75%.

Unitary Authority	Population, all ages as a % of Wales's population 2021-22	Population, all ages as a % of Wales's population 2022-23	Population, all ages as a % of Wales's population 2023-24	Population, all ages as a % of Wales's population 2024-25
Gwynedd	3.95%	3.95%	3.86%	3.75%

2.12. Currently, it is assessed that the decline in Gwynedd's population has affected the budgets for 2023/24 and 2024/25 only and we expect the situation to stabilise over the term of this Medium-Term Financial Plan, with the population of Gwynedd as a % of the population of Wales remaining at approximately 3.75%. We suggest that it would therefore be appropriate to use the average figures for Wales for the value of the Settlement for the next three years.

2.13. Wales Fiscal Analysis, which is part of the Wales Governance Centre at Cardiff University, has produced the following graph which shows how the Welsh Government's spending power is expected to change over the coming years, before and after the Chancellor of the Exchequer's Autumn Statement in November 2023. Spending is expected to fall between 2024-25 and 2025-26, before it starts to increase gradually, but will not be expected to return to the rate of 2022/23 until 2027/28.

Welsh Government day-to-day spending on public services, real terms (2022-23=100)



Source: Wales Fiscal Analysis calculations

2.14. **The spending noted above is a forecast of the Government's total spending. Should the Government decide to protect services such as the Health Service, Schools and childcare, every other service will be squeezed and we could possibly see cuts of 2% a year in real terms for all other areas, which would see cuts on a rate similar to that seen at the beginning of the 2010s.**

2.15. Given the increase in the settlement for 2025/26 to 2027/28, we have considered the factors and presume that the AEF for Cyngor Gwynedd will remain cash flat (i.e., no increase in line with inflation, but no cash cuts either).

Council Tax

2.16. The projections for Council Tax income are driven by two main factors:

- a) Number of Band D equivalent properties, called the tax base.

The tax base for 2024/25 equates to 56,109.27 of Band D properties. In moving forward, the Council has assumed that the collection rate will remain consistent on 99% and there will be annual growth of around 1% a year, as self-contained holiday units return from the business rates system, while the number of applications for exemptions and discounts increase. It is anticipated by 2027/28 that the tax base will therefore equate to 57,809.44 Band D properties.

- b) Payment per Band D equivalent property.

The 2024/25 Council Tax is £1,755.47, which was an increase of 9.54% from the level in 2023/24.

2.17. The projections for the subsequent years of the MTFC, for the purposes of financial planning only, are based on a further general increase of 5% a year in each financial year from 2025/26 to 2027/28.

	2024/25	2025/26	2026/27	2027/28
Tax Base (Equivalent to Band D)	56,109.27	56,670.36	57,237.07	57,809.44
Increase in properties		561.09	566.70	572.37
% increase		1.00%	1.00%	1.00%
Band D Tax (£)	1,755.47	1,843.24	1,935.41	2,032.18
Increase value £		87.77	92.16	96.77
% increase		5.00%	5.00%	5.00%
Total Council Tax Yield (£m)	98.50	104.46	110.78	117.48
Increase £m		5.96	6.32	6.70
Revenue % increase		6.05%	6.05%	6.05%

2.18. The Council runs a Council Tax Reduction Scheme, which is based on regulations that apply to the whole of Wales. Over 8,100 houses receive an element of support towards their Council tax through this scheme.

Summary of Increase in Projected Income

2.19. **Cyngor Gwynedd has established a budget of £331,814,710 for 2024/25 to be funded through a Government Grant of £233,316,780 and £98,497,930 in Council Tax income.**

2.20. **Based on the above presumptions, it is anticipated that the Council's income from the Government Grant and Council Tax will increase as follows during the period of this Medium-Term Financial Plan:**

	2025/26	2026/27	2027/28
	£m	£m	£m
Aggregate External Funding (AEF)	0	0	0
Council Tax	6.00	6.30	6.70
Increase in income	6.00	6.30	6.70

3. SERVICE SPENDING PLANS

Salary inflation

3.1. Salary inflation includes the national pay offer. £15.1m has been budgeted for the pay award for 2024/25, which is currently estimated to be a 5% increase. It is estimated that the pay awards for 2025/16 will be 3%, and then 2% in 2026/27 and 2027/28.

Price inflation

3.2. For the purposes of strategic budget planning, we plan that the inflation of other costs will be in line with the Consumer Price Index (CPI), other than some specific spending areas where the historical increase has been notably different to CPI.

	2025/26	2026/27	2027/28
	inflation	inflation	inflation
Care Costs	4%	3%	2.5%
Energy and Fuel	2%	2%	2%
Levies*	5%	3%	3%
Other Inflation (CPI)	2%	2%	2%

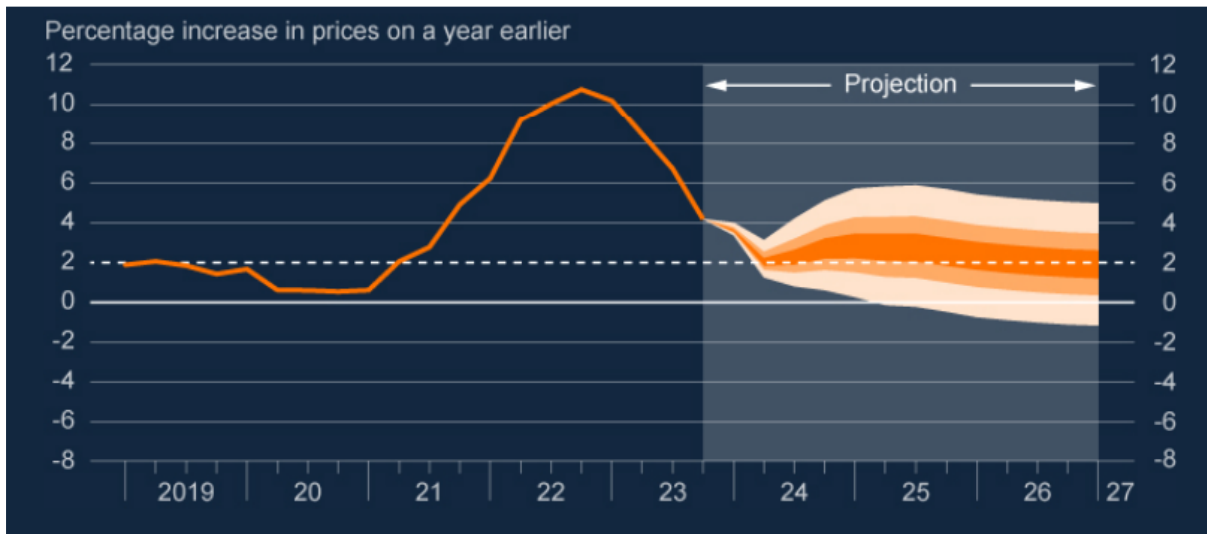
**North Wales Fire and Rescue Service, Eryri National Park Authority, Natural Resources Wales (Special Levies), North Wales Corporate Joint Committee (CJC)*

Care Costs. Inflation in Care has been historically higher than prices in general, mainly due to the costs of independent care homes. It is expected that the high general inflation seen in 2022 and 2023 will now be felt in 2024/25 costs and that inflation in following years will be lower than it has been but will remain above CPI inflation.

Energy and Fuel. These inflation figures tend to be much more unstable than general inflation, however, for the purpose of medium term planning it is reasonable to use CPI figures.

Levies. These are amounts charged by four external bodies who charge a levy, namely the North Wales Fire and Rescue Service, Eryri National Park Authority, Natural Resources Wales (Special Levies) and North Wales Corporate Joint Committee (CJC). The Park Authority's levy is based on the grant the Authority receives from the Government, but other bodies charge a levy that reflects the budget they have set. We anticipate an overall increase of 5% (driven in the main by the North Wales Fire and Rescue Service) in 2025/26 falling to 3% for the two subsequent years.

Other Inflation (CPI). The Council uses the Bank of England (BoE) forecast, along with advice from Arlingclose, our Treasury Advisers, to calculate the CPI rate. The following chart is taken from the CPI inflation forecast published by the BoE in its February 2024 MPC report.



3.3. For the purposes of planning the costs for the duration of this Plan, we have therefore worked in accordance with the most up-to-date assumptions available and set a CPI inflation level of 2% for each year from 2025/26 to 2027/28.

Pressure / Demand for services

3.4. In 2023/24 and 2024/25, the Council has only been able to fund bids that are entirely unavoidable, to fund areas where we are convinced that the budget was not sufficient. In 2024/25 we have funded £5.1 million in unavoidable permanent bids, having funded £2.7 million in permanent bids for 2023/24.

3.5. The bids are funded in the context of significant overspend on Council budgets in 2023/24. The formal review of November 2023 anticipated an overspend of £8 million on Council services during the year, and this MTFP is looking to bring spending in these areas in line with its budget.

3.6. In setting the Medium-Term Financial Plan, it is presumed that it will not be possible to fund permanent bids to the same level as in 2024/25, and that a number of the main areas of overspend have been addressed and arrangements will be developed to provide early warnings of the main areas of historical overspend.

3.7. Therefore, it is anticipated that £3m will be required every year to fund unavoidable bids.

Summary of Increase in Projected Spending

3.8. Cyngor Gwynedd has established a budget of £331,814,710 for 2024/25.

3.9. Based on the above-mentioned assumptions, it is anticipated that spending requirements will increase as follows during the MTFP period:

	2025/26	2026/27	2027/28
	£m	£m	£m
Pay Inflation	7.4	5.1	5.2
Price Inflation	3.6	3.0	2.8
Levies	0.5	0.3	0.3
Pressure on Services	3.0	3.0	3.0
Increase in spending requirements	14.5	11.4	11.3

4. SAVINGS

4.1. Cyngor Council has introduced a range of savings and cuts since the start of the 2023/24 financial year.

Savings approved in March 2023

4.2. At its meeting on 14 February 2023 the Cabinet approved savings worth £8.4m (including schools) for the 2023/24 budget onwards. The savings were implemented in line with the following profile. The £450,000 in savings included shown in the 2025/26 columns in the following table have not been removed from departmental budgets year and are therefore available to fill the financial deficit in 2025/26.

SAVING SCHEMES PROFILE FOR 2023/24 ONWARDS

	2023/24 £	2024/25 £	2025/26 £	Total £
Savings profile (not including schools)	3,097,370	2,848,630	450,000	6,396,000
Schools	1,146,600	819,500	-	1,966,100
TOTAL	4,243,970	3,668,130	450,000	8,362,100

Savings approved in March 2024

4.3. In light of the poor financial settlement and the current economic climate and high levels of inflation, it was inevitable that local authorities had to continue to make savings and cuts to help the financial situation. In February 2024, the Cabinet approved a list of further proposed savings to be implemented in 2024/25 - 2026/27 worth £5.2m, that would come into effect in line with the following profile:

NEW SAVING SCHEMES PROFILE FOR 2024/25 ONWARDS

	2024/25 £	2025/26 £	2026/27 £	Total £
Savings profile	1,965,760	2,860,300	343,090	5,169,150

4.4. The total permanent savings for 2024/25 and 2025/26 (£4.8m) was included in the budget for 2024/25, and the savings that were delayed until 2025/26 were bridged by funds for one year only. Nevertheless, the savings of £343,090 that have been programmed for 2026/27 have not yet been removed from departmental budgets and are therefore available to fill the financial deficit in 2026/27.

Summary of savings programmed for 2025/26 until 2027/28 not yet removed from departmental budgets

4.5. To summarise the above, there are further savings that have been approved but have not as yet been removed from budgets (and are therefore available as contributions to the financial deficit in the MTFP) as follows:

	2025/26 £m	2026/27 £m	2027/28 £m
Savings that have been approved	0.5	0.3	0
Savings available to fill the deficit	0.5	0.3	0

5. FINANCIAL DEFICIT DURING THE TIME OF THE MEDIUM-TERM FINANCIAL PLAN

5.1. The above suggests that the Council, if it does not take specific steps, and soon, will face a financial deficit of £8 million in 2025/26, a further £4.8 million in 2026/27 and a further £4.6 million in 2027/28.

	April 2024 Objective		
	2025/26	2026/27	2027/28
	£m	£m	£m
Pressure			
Pay Inflation	7.4	5.1	5.2
Price Inflation	3.6	3.0	2.8
Levies	0.5	0.3	0.3
Others	-1.0		
Pressure / Demand	3.0	3.0	3.0
Total Pressure	14.5	11.4	11.3
Funding Changes			
Council Tax	6.0	6.3	6.7
Grant Settlement	0	0	0
Total of Funding Changes	6.0	6.3	6.7
Savings to be realised	0.5	0.3	0
Funding and Savings Total	6.5	6.6	6.7
Gap	8.0	4.8	4.6
Bridging of 2024/25 Budget	1.0	0	0
Final Deficit	8	4.8	4.6

6. RESERVES

6.1. The Council maintains reserves to either carry out a one-off planned investment/expenditure or to deal with a financial shock/risk facing the authority in its operations.

6.2. The Council's general balances are in place to use in a true emergency and planning to use this money does not demonstrate prudent financial planning as this would weaken the authority's financial sustainability to a lower than acceptable level. On 31/03/2024, the Council has **£7.912 million in general funds**.

6.3. Apart from the general balances, there have been three funds in place over the last three years to fund one-off spending requirements, to deal with overspending or to bridge before savings come into effect, namely:

- The Council's Financial Strategy Fund
- Post-Covid Recovery Fund
- Transformation Fund

6.4. The outturn position of these funds at the end of the 2023/24 financial year is as follows.

Fund	Balance 01/03/2024 £'000	Close of accounts adjustment 2023/24 £'000	Funding of 2023/24 overspend £'000	Funding of One-off Bids £'000	Bridging from Funds £'000	Revised Balance 31/03/2024 £'000
The Council's Financial Strategy	16,540	466		(1,862)	(3,991)	11,153
Post-Covid Recovery	3,800	602	(4,402)			
Transformation	3,534	1,112		(4,646)		
Total	23,874	2,180	(4,402)	(6,508)	(3,991)	11,153

6.5. It is anticipated that the Transformation Fund and the Covid Recovery Fund will be empty by the closure of the 2023/24 financial year accounts.

6.6. The Council has a range of other funds, but those have been earmarked for specific purposes and will not be available to fund gaps in the revenue budget. There will be changes to the value of several of the funds as the work for the closure of accounts in 2023/24 progresses, but as an outcome of the changes shown in the above table, it is estimated that the current value of the funds and balances is as follows:

Reserves	£'000
The Council's Financial Strategy	5,278
Post-Covid Recovery	-
Transformation / Council Plan	
Renewal Funds	8,242
Capital Funds	28,566
Housing Action Plan	15,058
Other funds	26,525
	83,669
General Balances	7,912

7. CAPITAL PROGRAMME

7.1. At its meeting on 7 March 2024, the Council approved the following capital programme for the three years commencing 1 April 2025. The preparation of a capital programme including 2027/28 will take place in the early months of 2024/25, and that is in the context of a comprehensive review of an Asset Management Plan to be presented to the full Council in July 2024.

CAPITAL PROGRAMME			
	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Council Asset Plan:			
Sustainable Communities for Learning Schemes	9,023	0	0
Housing Schemes	3,000	1,300	1,300
Penygroes Health and Care Hub	2,500	0	0
Adults' Homes / Centres	1,515	0	0
Highways, Bridges and Municipal	1,051	1,700	2,078
Coastal Flood Protection	793	0	0
Other Schemes	3,136	1,023	1,251
Capital Bids	2,123	500	500
Other Schemes:			
Housing Strategy – Council Tax Premium Fund	0	0	2,549
Housing Strategy – Buy to Let	0	0	2,880
<i>Schemes already Approved:</i>			
Shared Prosperity Fund Schemes	16,406	0	0
Levelling Up Fund Schemes	10,098	3,239	0
Housing Schemes / Strategy	14,940	5,430	0
Sustainable Communities for Learning Schemes	7,031	0	0
Property Schemes	3,254	0	0
Coastal Flood Protection	3,113	0	0
Departmental Vehicles	2,960	962	0
Industrial Units	1,424	0	0
Other	2,858	402	362
PROGRAMME TOTAL	85,225	14,556	10,920