

## CYNGOR GWYNEDD – Report to Cyngor Gwynedd’s Cabinet

<b>Title of Item:</b>	<i>Medium Term Financial Plan</i>
<b>Cabinet Member:</b>	<i>Cllr. Paul Rowlinson, Cabinet Member for Finance and Cllr. Dyfrig Siencyn, Council Leader</i>
<b>Relevant Officer:</b>	<i>Dewi Morgan, Head of Finance Dafydd Gibbard, Chief Executive</i>
<b>Meeting date:</b>	<i>14 May 2024</i>

### 1. Decision Sought:

- 1.1 Approval of the Council's Medium Term Financial Plan for the period 2025/26 – 2027/28.
- 1.2 To commission the Chief Executive to establish and lead on a range of measures and work packages, as outlined in part 4.7 of this report, to pre-prepare for dealing with the significant gap in our budget over the next three years.

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

- 2.1 The Medium-Term Financial Plan (MTFP) sets out the financial outlook for the 3-year period commencing on 1 April 2025.
- 2.2 These estimates are based on the latest available forecasts about the change in income the Council will receive over the period (through Government Grant and Council Tax), and the additional spending requirements over the same period.
- 2.3 Cabinet's adoption of the Medium-Term Financial Plan will allow the Council to consider the work needed to create detailed plans to address the financial gap envisaged for 2025/26 – 2027/28, and to inform the work needed.
- 2.4 The Council is not expected to find out what the Government Grant will be for 2025/26 until at least December 2024, but with the prospects that the financial settlement will not increase, there is a significant risk of serious financial instability of not taking early and decisive steps to consider the situation and take remedial action.

### **3. Introduction and Rationale**

#### **Background/ Introduction**

- 3.1 The Medium-Term Financial Plan plays a vital role in supporting the Council's resilience, and long-term financial sustainability, by providing a strategic outlook beyond current year budget considerations. It is a valuable tool for making informed decisions and planning for the future.
- 3.2 A draft Medium Term Financial Plan for the 3 years commencing on 1 April 2025 is included in the appendix. The MTFP is a live document –the budget is renewed annually with a very detailed income and expenditure plan, but this plan is a high-level assessment of the Council's financial needs for three years that will be constantly updated as new information becomes available. It will be updated for changes in national and local funding assumptions, income projections, spending pressures and any changes in savings plans.
- 3.3 Any review or renewal of the Council's Plan in the coming years will also be reflected, incorporating any resulting financial changes.
- 3.4 Updates to the Plan are expected to be presented to Cabinet regularly as financial forecasts change.

#### **Rationale and justification for recommending the decision**

- 3.5 The purpose of the Medium-Term Financial Plan (MTFP) is to bring together all known factors affecting the Council's financial position and financial sustainability over the medium term. The MTFP provides a holistic view of the financial landscape beyond the current budget year.
- 3.6 The MTFP balances the financial implications of objectives and policies against resource constraints. It helps the Council, Cabinet, and anyone making decisions in accordance with the Delegation Plan, to understand the trade-offs between financial goals and available resources.
- 3.7 The table on the next page shows forecasts that the Council, without interference from it will face the following fiscal gaps in the budget during the years under review:
  - 2025/26: gap of £8 million
  - 2026/27 gap of £4.8 million
  - 2027/28: gap of £4.6 million
- 3.8 That is, a cumulative gap of £17.4 million is projected over three years.

	April 2024 Estimate		
	2025/26	2026/27	2027/28
	£m	£m	£m
<b>Pressure</b>			
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
<b>Total Pressure</b>	<b>14.5</b>	<b>11.4</b>	<b>11.3</b>
<b>Funding Changes</b>			
Council Tax	6.0	6.3	6.7
Grant Settlement	0	0	0
<b>Total of Funding Changes</b>	<b>6.0</b>	<b>6.3</b>	<b>6.7</b>
Savings to be realised	0.5	0.3	0
<b>Funding and Savings Total</b>	<b>6.5</b>	<b>6.6</b>	<b>6.7</b>
<b>Gap</b>	<b>8.0</b>	<b>4.8</b>	<b>4.6</b>
Bridging of 2024/25 Budget	1.0	0	0
<b>Final Gap</b>	<b>8</b>	<b>4.8</b>	<b>4.6</b>

3.9 Details of the information contained in the table, and detailed justifications for the figures used, can be found in the MTFP.

3.10 It should be noted that the table above does not show the best possible or worst-case scenario, but the most likely scenario based on the information available to us.

3.11 The stringent financial constraints which the Council will face over the next few years will inevitably affect its ability to realise its objectives and provide all the services we desire on behalf of the people of Gwynedd. In that regard, an initial step would be to adopt the Medium-Term Financial Plan contained in the appendix. The Plan identifies

the funding gap and part 4 below recommends steps that could be considered to pursue balanced budgets in 2025/26, 2026/27 and 2027/28.

- 3.12 When it is possible to put monetary values to the implementation steps, the MTFP will be updated in order to achieve the aim of the MTFP to provide a clear and concise view of future sustainability so that decisions can be informed to address long-term funding gaps, ensuring the Council's financial health over time.

#### **4. Responding to the situation we face**

- 4.1 Now that we know that we will face a funding shortfall in the region of £17.4M over the next three years, it is vital to put arrangements in place to respond to that.
- 4.2 Over the past 10 years, and more, we have been squeezing budgets and finding savings by inviting proposals from Departments, and prioritising the schemes that had the least impact on Gwynedd's residents.
- 4.3 That led to cutting services here and there but largely continuing to try to achieve as much as we can, for everyone.
- 4.4 Today, the result is that services and staff are under increasing pressure, with a budget deficit leading to inevitable cost overruns in a number of areas. It is an inability to provide a reasonable budget that has led to this overspending.
- 4.5 This regime has been effective so far, but we have now reached a point where we cannot squeeze any more from it, and the regime certainly does not enable us to reach the level of cuts that we face from now on.
- 4.6 We therefore conclude that the current savings and cuts regime has reached the end of its life and that alternative arrangements need to be put in place.
- 4.7 Given the fact that the current system of identifying savings and cuts is not fit for purpose to reach the level of cuts necessary over the next three years, it is recommended that the Cabinet commissions the Chief Executive to:
- a. Introduce additional arrangements to manage overspending in 2024/25, as there will be no reserves to cope with the same kind of situation seen last year. It is intended that an 'early warning' system is put in place for some areas which are under pressure and prepare for mid-year spending freezes if early warnings are received of overspending on these budgets.
  - b. Constructing a new regime that recognises the most essential services to the people of Gwynedd in order to build what we can to deliver

c. Holding a series of other reviews:

- Comparing spending with our peers
- Review by CIPFA
- Revisiting corporate headlines in the budget
- Corporate review fees and income
- Review of departmental budgets
- Review of managerial layers and the Council's structure
- Identifying options within the School Sector
- Spending review by WLGA experts
- Comparing our provision (social services) with other councils
- Review of commissioning and care arrangements
- Transfer to 3rd Sector / Community Councils
- School Transport Strategic Review
- Collaboration opportunities with other authorities
- Service transformation / Ffordd Gwynedd reviews / Digital transformation
- Savings from new absence management regime

4.8 Since these reviews are likely to take several months to complete, it is suggested that the work starts urgently in order to reach a conclusion in good time before setting the 2025/26 budget whilst recognising that it may not be achievable before the 2025/26 budget is set.

4.9 We must be alert to the fact that there is no guarantee that any of the above will lead to opportunities to reduce our spending. However, it is vital that we investigate and turn every possible stone before commencing discussions on the Council Tax level for 2025/26.

4.10 Each of these actions will be dependent on detailed consideration of the requirements of the Well-being of Future Generations (Wales) Act 2015, and if the Medium-Term Financial Plan is to achieve its purpose the actions resulting from it will have to be subject to further assessment on how they contribute to the "five ways of working".

4.11 In addition, further decisions that need to be taken in implementing available options will have to be subject to an Impact Assessment on Equality Characteristics, the Welsh language and Socio-Economic Impact as necessary.

### **Next steps**

4.12 If the MTFP is adopted, and the Cabinet commissions work to identify ways to close the funding gap, work will begin immediately.

## **5. Comments from Statutory Officers**

### **5.1 Chief Finance Officer**

I have worked with the Council Leader, the Cabinet Member and the Chief Executive to prepare this report and confirm the contents.

### **5.2 Monitoring Officer**

This Plan offers a response to the forecast financial challenges facing the Council. Responding to such a situation involves pre-emptive work to ensure that the Council is in a position to realise savings and cuts in a timely manner. I welcome the commission for the Chief Executive to start this work. This will also provide an opportunity to consider the potential legal implications and respond together and assess impacts to find solutions. Legal Services will support this work.

## **Appendices:**

*Medium-Term Financial Plan 2025/26 – 2027/28*