

Meeting: Cabinet

Date: 11 February 2025

Cabinet Member: Councillor Huw Wyn Jones, Cabinet Member for Finance

Subject: 2025/26 Budget

Contact Officer: Dewi Morgan, Head of Finance

2025/26 BUDGET

Decision Sought

Recommend to the Council (at its meeting on 7 March 2025) that:

- 1. A budget of £355,243,800 should be set for 2025/26, to be funded by £246,818,190 of Government Grant and £108,425,610 of Council Tax income (which is an increase of 8.66%).**
- 2. A capital programme of £53,736,190 in 2025/26 should be established, to be funded from the sources set out in Appendix 4 of the report.**

1. INTRODUCTION

- 1.1** The Council must set a balanced budget for 2025/26.
- 1.2** This budget is set at a time when Welsh local authorities continue to face financial challenges, where the addition to the settlement does not meet the increase in demand for services.
- 1.3** Cyngor Gwynedd has received a grant increase for 2025/26 of 3.1%, equivalent to a £7.5m increase in external funding. In addition, a further £6.5m has been included to reflect the transfer of responsibilities to the settlement, which is also included in the grant.
- 1.4** By 2025/26, our spending would need to be increased by £24.2m to "stand still" (details are in part 3 below). This includes £7.7m to meet pressures on service budgets (details of the individual 'bids' are in Appendix 2).

- 1.5 It is seen in this report that demand pressures on services, as well as inflationary pressures indicate that a combination of Council Tax increases and the introduction of a new programme of savings and cuts must be considered if a balanced budget is to be set for 2025/26. The 2025/26 budget seeks to protect the services the Council provides to the people of Gwynedd and recommends an 8.66% increase in Council Tax to achieve that objective this year. Even then, we will need to look for savings and cuts to set a balanced budget, and forecasts suggest there will be further pressure in aiming to set a balanced budget for 2026/27.
- 1.6 The savings and cuts that have been identified have been subject to consultation with Council members in a series of workshops in January 2025. The draft budget has been considered by a majority of Council members at a briefing session on the financial situation held on 28 January 2025, and scrutinised by the Governance and Audit Committee on 6 February. The role of the Cabinet is to recommend a balanced and appropriate budget to the Council meeting on 6 March for 2025/26.
- 1.7 The 2025/26 budget includes a substantial proportion of the savings that have slipped from previous years, savings identified when setting the 2024/25 budget, as well as new savings.
- 1.8 This year we propose to establish a capital programme worth £53.7m in 2025/26, as set out in Appendix 4.
- 1.9 The full Council are required to consider the budget and set Council Tax for 2025/26 based on the issues identified in the following report. This detailed report sets out the factors influencing the proposed revenue budget for 2025/26 and outlines the main changes since 2024/25.

2. WELSH GOVERNMENT GRANT

2.1 The Welsh Government has announced the indicative local authority funding settlement for 2025/26 as follows:

Revenue Support Grant 2024/25 – 2025/26	Total Welsh Authorities £	Cyngor Gwynedd £
2024/25 Government Grant	5,877,383,500	239,296,450
2025/26 Government Grant	6,130,839,270	246,818,190
Increase £	253,455,770	7,521,740
Increase %	4.3%	3.1%

Further details of the settlement can be found here –

[Local government revenue and capital settlement: provisional 2025 to 2026 | GOV.WALES](#)

- 2.2 Official Welsh Government figures in the table above show notionally that Cyngor Gwynedd is receiving a grant increase of £7.5m by next year (after adjusting the relative 2025/26 figure to reflect changes to the taxbase and transfers to the settlement), which is a 3.1% increase, while the average across Wales is 4.3%.
- 2.3 Several factors feed into the local government grant allocation formula, such as the county's population, the number of pupils in our schools, and the number of income support claimants.

3. COUNCIL REVENUE EXPENDITURE – 2025/26

3.1 The increase in expenditure required to "stand still" in 2025/26 is set out in the table below.

Additional Expenditure Requirements

	£	£
Base Budget		331,814,710
Staff Salary Inflation	8,597,340	
Additional Employers NI	4,560,100	
Grant Towards Additional Employers NI	(3,500,000)	
Other Inflation (suppliers)	1,715,150	
Levies (Fire, ENPA, NRW & CJC)	505,730	
Demography	(643,000)	
Bids – Pressures on Services	7,688,450	
Various Budget Adjustments	(93,130)	
Interest on Balances	2,254,120	
Transfers to the Settlement	3,094,330	
Net total of increases		<u>24,179,090</u>
Total 2025/26 spending requirements before savings		<u>355,993,800</u>

3.2 **Base Budget 2024/25**

Although the net expenditure for 2024/25 was £332m, it is important to note that the Council's actual expenditure is £590m, because we receive a host of specific grants worth £177m and charge an overall income of £81m for services we provide.

3.3 **Salary Inflation £8.6m**

An agreement was reached on workforce pay (apart from teachers) for April 2024 to March 2025 by agreeing an increase of £1,290 up to pay point 43, and then 2.5% to pay point 44 and above. In line with most other local authorities, we had budgeted prudently for a 5% increase, with the final agreement a little less than what had been budgeted for.

This budget sets aside the objective of an increase in the 2025/26 pay agreement of 3.5% for the whole workforce (teachers from September 2025, remaining workforce from April 2025).

3.4 **Employer National Insurance Net Adjustments £1.1m**

The Chancellor announced in the Budget statement for 2025/26 that there will be an adjustment to the threshold and the rate of national insurance paid by an employer. This budget is set on the basis that the cost will be partly funded by the Government.

3.5 **Other Inflation £1.7m**

This is a 'net' amount which includes provision for a range of changes dependent on the rate of inflation in a number of specific areas. The main areas where increases are seen are:

- Independent Residential Care Homes £1.4m
- Non-residential Care £972k:
 - Supported Housing £624k,
 - Domiciliary Care £234k,
 - Other services £114k
- Energy (Electricity and Gas) (£819k)
- Fuel (Diesel and Petrol) (£184k)
- Increase in other prices:
 - Insurance £133k
 - Property rates £44k

3.6 **Levies £506k**

The levies paid to the relevant bodies will increase as follows between 2024/25 and 2025/26:

- | | |
|---|-------|
| • North Wales Fire and Rescue Authority | £427k |
| • Eryri National Park Authority | £53k |
| • Natural Resources Wales (Special Levies) | £2k |
| • North Wales Corporate Joint Committee (CJC) | £24k |

The net increase of £427k to the North Wales Fire and Rescue Authority levy is equivalent to an increase of 0.43% in council tax, this presumes a grant will be received to contribute towards the authority's additional National Insurance cost.

3.7 Demography (£643k)

Due to a reduction in pupil numbers in schools; namely secondary (£228k) and primary (£415k).

3.8 Pressures on Services £7.7m

Appendix 2 contains details of each individual request for additional expenditure arising from pressures on the services.

It is recommended that bids worth £7.7m for additional permanent resources submitted by Council departments to meet inevitable pressures on their services are approved.

All departments are asked to identify any expenditure the Council must deliver to ensure continuity of basic service. The procedure here is not for desirable new developments, but rather for the continuation of existing basic services.

An element of these applications of course manifests itself as we review the current year's spending patterns. Others are the result of issues arising where spending is necessary to protect outcomes for the public, or to meet statutory requirements. There is also an element of central government creating pressures and expectations, followed by the Council having to cope with the knock-on effects.

The items presented in Appendix 2 have been thoroughly challenged by the Leadership Team before being recommended for Cabinet approval. Furthermore, all these spending requests were presented at the Budget Seminar held on 28 January 2025.

3.9 Various Budget Adjustments £2.2m

A total reflecting a significant number of adjustments to different budgets across the Council. This includes the impact of a decrease in interest receipts of £2.3m in returns in investing balances and the Council's cash flow, and a cost decrease of (£93k) due to other budgetary considerations.

4. EXISTING SAVINGS THAT HAVE ALREADY BEEN APPROVED

4.1 Cyngor Gwynedd has delivered over £42m of savings plans since 2015/16.

4.2 On 20 February 2024, the Cabinet approved a programme of savings worth £5.2m for the budget of 2024/25 onwards. The profile of this programme is seen in Appendix 3, which shows that £2,860,300 of these savings are profiled for 2025/26. £5.2m in its entirety was actioned in the 2024/25 budget, with subsequent year savings being bridged by funds/reserves. Therefore, the 2025/26 and 2026/27 savings do not assist in reducing the budgetary gap in those years.

4.3 Furthermore, there are three savings plans worth £650k which remain from previous savings programmes that are related to 2025/26.

4.4 The value of these savings by department is summarised in the following table.

Savings that have already been programmed to reduce the 2025/26 Funding Gap	
	£
Adults, Health and Wellbeing Department	1,123,120
Environment Department	949,630
Highways, Engineering and YGC Department	462,500
Finance and I.T. Department	292,540
Education Department	151,960
Economy and Community Department	135,020
Corporate Services Department	218,620
Corporate Management Team	30,000
Subtotal	3,363,390
Less: Savings Provision	(286,030)
Existing Planned Savings 2025/26	3,077,360

5. FUNDING GAP 2025/26 AND COUNCIL TAX

- 5.1 Part 3 above shows that the Council's spending requirements (before savings and cuts are removed) for 2025/26 are £356m. Part 2 noted that the grant from the Welsh Government will be £246.8m.
- 5.2 As explained in part 4 above, there are a total of £650k of savings and cuts to be utilised to reduce the funding gap.

Establishing the 2025/26 Budget	
	£
2024/25 Base Budget	331,814,710
Additional Expenditure Requirements	<u>24,179,090</u>
2025/26 Expenditure Requirements before Savings	355,993,800
less Welsh Government Revenue Grant Income	(246,818,190)
Funding Gap from Council Tax and further savings	<u>109,175,610</u>

- 5.3 That means there is a residual gap of £109.2m that needs to be filled. A savings report will be presented to the Cabinet on February 11, 2025, recommending the implementation of new savings and cuts programmes worth £519k. However, only £100k can be drawn from the budget for 2025/26 with the remaining amounts to be drawn from the 2026/27 and 2027/28 budgets.
- 5.4 While considering the £3.4m savings previously approved for 2025/26 (see Section 4 above). An additional £100k would bring a total savings and cuts amount of £3.5m for 2025/26. Nevertheless, £750k of this total will contribute towards addressing the budgetary deficit as explained in section 4.3.

Funding Gap from Council Tax and Savings	109,175,610
Less Existing Savings already approved	(650,000)
Less New Savings and Cuts	(100,00)
Funding Gap from Council Tax	<u>108,425,610</u>

- 5.5 Further details on the savings and cuts are found in Appendix 3.
- 5.6 It is recommended that the remainder of the gap is to be greeted through Council Tax. Increasing the Tax on individual dwellings by 8.66% will generate £108,425,610 of income, and this would be sufficient to fill the gap.

- 5.7 This will be £9.9m of additional Council Tax income compared to the 2024/25 budget. That equates to a Council Tax increase of £152.02 for properties in Band D, or £2.92 a week. The tax levied by the Police and Crime Commissioner (an increase of 6.44% for 2025/26) and the community councils (various %) will of course be in addition to this.
- 5.8 Background information and the context for setting the Tax level is set out in Appendix 6.
- 5.9 If Council members wanted a less than 8.66% increase in the level of Tax, then fewer permanent resources would have to be committed to deal with the pressures on services, there would be a need to find further savings and cuts, or a combination of both.
- 5.10 The choice between maintaining services and taxation is always a difficult one. For 2025/26 it is expected that the proposal to raise the tax by 8.66% to meet the pressures on services while setting a balanced budget will be a similar level to the majority of authorities in north Wales.

6. CONCLUSIONS / BUDGET 2025/26

- 6.1 This report and the appendices set out the factors that should be considered when establishing the 2025/26 budget and historic savings will still have to be harvested, new savings and cuts will have to be introduced, and the level of tax will need to be raised to set a balanced budget.
- 6.2 It is recommended that revenues of £356m be spent, having added £24.2m, which includes the provision of £7.7m to address demand for services.
- 6.3 Having received a grant from Welsh Government of £246.8m, relying on £750k of savings (£650k of historic savings that have already been programmed and £100k of new savings). The level of Council Tax will need to increase by 8.66% to generate £108.4m of income to close the 2025/26 funding gap.

Balanced budget for 2025/26	
	£
2025/26 Expenditure Requirements before Savings	355,993,800
2025/26 Savings Total	<u>(750,000)</u>
2025/26 Budget	<u>355,243,800</u>
To be funded from -	
Grant Income	246,818,190
Council Tax (yield after raising 8.66%)	<u>108,425,610</u>
2025/26 Budget	<u>355,243,800</u>

- 6.4 This will involve setting a net budget of **£355,243,800**. A breakdown of the budget per service is given in Appendix 1.

7. CAPITAL

- 7.1 The 2019/20 onwards asset strategy was established by the Council on 7 March 2019. On 11 July 2024 the strategy was revised and approved by the Council with the period extended to 2033/34. It is incorporated as part of the Capital Programme, and we are adding to that by 2025/26. Details of the current capital programme can be found in Appendix 4.
- 7.2 The two tables shown in Appendix 4 reflect the capital requirements, together with the funding, for setting the 2025/26 to 2027/28 capital budget, to establish a total programme worth £53,736,190 in 2025/26, to be funded from the sources analysed in Appendix 4.
- 7.3 The table in Appendix 4 states that £500k is available annually for the funding of capital bids. For 2025/26, £523k from this budget has been earmarked for the 3 relevant capital bids detailed in Appendix 2b.

8. LONGER TERM STRATEGY

- 8.1 When announcing the draft 2025/26 settlement in December 2024, the Welsh Government has not given an indication of the increase in grant that will be paid to Welsh local authorities from 2026/27. However, the outlook is not positive, and Cyngor Gwynedd, like all other councils, is expected to receive below-inflation increases in future – and perhaps no increase at all.
- 8.2 In considering the increased demand for services on the Council, in the face of shrinking provision because of cuts, there will need to be an early, fundamental consideration of what the Council can provide and how. As can be seen in Appendix 3, further saving plans have been programmed for 2026/27 and beyond but work will commence immediately after setting the budget for 2025/26 on updating a Medium-Term Financial Plan that recognises the situation as envisaged.

9. OTHER CONSIDERATIONS AND VARIOUS ASSESSMENTS

- 9.1 The current level of the Council's general balances is £7.9m. Given the increased pressures expected on the Council's budgets over the next few years, it is considered that this level of balances will be appropriate to reserve for practical cash flow and unexpected expenditure. Information on the balances and reserves is presented in Appendix 7.
- 9.2 Appendix 5, 'Addressing the Schools Budget in 2025/26', explains the position of the Gwynedd schools' budget.
- 9.3 In determining a budget, Cabinet and Council must consider the impact of their decisions in terms of equality, in line with the statutory duties placed on the Council through the Equality Act 2010. Appendix 8 deals specifically with the duty, including the statutory finance officer's comments on the whole Budget in terms of equality. The assessment confirms that there will be a positive overall impact from the continuity of services that are considered a priority for protection and funding to the additional level of demand, and it is not believed that any negative impacts will be significant.
- 9.4 The Council complies with the requirements of the Well-being of Future Generations (Wales) Act 2015 and the recommendations in the report are based and developed in accordance with the statutory duty on the Council under Section 3 to undertake sustainable development in all its activities. As usual, more detailed information about the Well-being Act and relevant conclusions is provided at Appendix 9.
- 9.5 The statutory finance officer must express a view on the robustness of the estimates. An appropriate risk assessment and confirmation is presented at Appendix 10.
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Views of the local member

Not a local issue

Views of statutory officers

Monitoring Officer:

Although it is for the full Council to make a final decision on the Budget and Council Tax it is the responsibility of Cabinet to recommend this. It is important that Cabinet gives a clear recommendation on its spending plans and the draft budget and this report provides this. Once the Council has agreed the funding sources, then Cabinet will be responsible for the spending and prioritisation within that budget.

Head of Finance:

I have worked with the Cabinet Member to prepare this report in accordance with the Cabinet's decision of 11 February and confirm the contents. Having considered all the risks outlined in Appendix 10 to the report, and the mitigation, I consider that the Council's Budget for 2025/26 is robust, adequate, and achievable.

APPENDICES

- 1 Proposed Budgets
- 2 Summary of Bids
- 2a Permanent Revenue Bids
- 2b Capital Bids
- 3 Savings and Cuts
- 4 Capital
- 5 Dealing with the Schools Budget in 2025/26
- 6 Council Tax
- 7 Balances
- 8 Assessing the Impact on Protected Characteristics, the Welsh Language and Socio-Economic Disadvantage
- 9 Well-being of Future Generations (Wales) Act 2015
- 10 The Statutory Finance Officer's Statement on the Robustness of Estimates
- 11 Formal Decision