

APPENDIX 10

THE STATUTORY FINANCE OFFICER'S STATEMENT ON THE ROBUSTNESS OF ESTIMATES

1. In accordance with Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to report on the robustness of the budget estimates and the adequacy of the proposed reserves. Appendix 7 outlines the position of the balances and reserves, while this appendix confirms the robustness of the budgetary estimates underpinning the budget.
2. The budget estimates are based on assumptions about future expenditure and income and inevitably include an element of risk from assumptions. The impact of this risk can be mitigated through contingency plans, contingency budgets, and financial reserves.

Economic context

3. A Medium-Term Financial Plan (MTFP) was adopted by the Cabinet on 14 May 2024, setting out the financial outlook for the 3-year period commencing on 1 April 2025. The estimates within the MTFP were based on the latest available forecasts on the change in income the Council will receive over the period (through Government Grant and Council Tax), and the additional expenditure requirements over the same period.
4. Based on forecasts published by Wales Fiscal Analysis following the Chancellor of the Exchequer's Budget in November 2023, in considering settlement increases for 2025/26 to 2027/28 we had considered the factors and assumed that the Aggregate External Funding to Cyngor Gwynedd would remain "cash flat" (i.e. no increase in line with inflation, but no cut in cash either).
5. However, following a change in government at Westminster, Cyngor Gwynedd has received a 3.1% increase in its settlement for 2025/26 after the base for 2024/25 was adjusted when drawing up the settlement. The Council is therefore in a stronger position in 2025/26 than originally envisaged, although the increase in settlement as a percentage is the second lowest in Wales.

History of financial management

6. Over the past two financial years, the Council has been unable to keep within its budget. The revenue budget review at the end of November 2024 predicted that Council departments would overspend £8.3 million by the end of the 2024/25 financial year, as follows:

Departments	£'000
Adults, Health and Well-being	3,349
Children and Families	3,683
Highways, Engineering and YGC	699
Environment	970
Other Departments	(407)
Total 2024/25 Forecasted Overspend	8,294

7. The Medium Term Financial Plan included a detailed programme of work to address the financial situation faced by the Council.
8. In their report *Financial Sustainability Review – Cyngor Gwynedd*, Audit Wales noted " 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."
9. Work has been carried out to look closely at the overspending in the areas of social care (which represent 83% of all overspending), and that continues.
10. This budget is therefore being presented in a context where the Council has been unable to provide services within its budget, particularly in the areas of high demand.

Compliance with the codes and standards

11. Despite this, the Council has a proven track record of being able to demonstrate compliance with financial standards and codes, with prompt reporting and robust internal controls. However, independent work has been commissioned by CIPFA to review the Council's long-term financial resilience as well as compliance with the CIPFA Financial Management Code.

Robustness of estimates

Inflation

12. Overall inflation has remained above the Bank of England's target of 2% during 2024/25 and independent forecasts received show that inflation rates are expected to remain that way in 2025/26. We believe overall inflation will remain between 2% and 3% on average during the year. This budget including the pay agreement outlook reflects the latest forecasts. I am satisfied that prudential estimates of inflation levels are included in this budget.

Income assumptions

13. The budget is based on achieving a specific increase in income from fees equivalent to the increase in applicable costs.
14. As usual, inflation has been added to the income targets from fees and charges for Council services and in the majority of cases it is expected that the individual fees will be increased in line with inflation in accordance with the Financial Procedure Rules. Where fees do not increase in line with inflation, I am satisfied that robust arrangements are in place to reach a conclusion at an appropriate level, including consultation with the Finance Department.
15. If demand for Council services falls, and income targets are not achieved, that can lead to overspending on departmental budgets. The actual budget situation will need to be closely monitored during the year and, if necessary, spending cut back to match the drop in income. That will not be possible with some large corporate budgets, where income estimates have to be set at a prudent level.

Grant assumptions

16. The Council receives a range of individual grants and I am satisfied that there are generally appropriate arrangements within the authority to deal with grants, but a few areas have been addressed by the Council's internal auditors where there is room for improvement. Should the Council receive an additional settlement grant during the year, or after this budget has been passed, appropriate governance arrangements are in place within the Council Constitution to reach a decision on its use.
17. However, there are risks associated with the large number of specific grants from the Welsh Government and other bodies that support a proportion of the Council's spending. We have received significant specific grants in social care in recent financial years, with associated commitments, which makes fiscal planning difficult. Generally, the associated expenditure will have to finish when a grant expires, but the terms of a contract may mean that expenditure cannot be cut as quickly as the grant, or that there are redundancy costs to fund. Furthermore, funded activity may be so important to achieving the Council's own priorities, that the Council decides to continue with the expenditure.

Savings Risk

18. On 20 February 2024, Cabinet approved £5.2m worth of savings for the 2024/25 budget onwards. The programme profile is shown here in Appendix 3, which shows that £2,860,300 worth of savings have been profiled for 2025/26. The whole £5.2m was implemented in the 2024/25 budget, with subsequent years' savings being bridged from funds. Therefore, the savings of 2025/26 and 2026/27 do not help reduce the financial gap in those years.
19. Three £650k savings schemes relevant to 2025/26 are derived from previous savings programmes and are available to fill the 2025/26 gap.
20. Furthermore, a savings report to Cabinet of 11 February 2025 recommends the implementation of new savings schemes and cuts of £519k. However, only £100k can be deducted from the 2025/26 budget with the rest to be deducted from the 2026/27 and 2027/28 budgets.

21. However, some Council departments have a history of failing to deliver on their savings plans and that presents a significant risk to long-term financial sustainability. I believe this is the biggest risk in setting this budget. In line with the usual procedure, we will mitigate the risk by ensuring that departments and Cabinet members have ownership of the savings schemes, and regularly monitor the relevant progress. The budget also includes a strategy of providing 10% of the value of new savings schemes over the lifespan of the programme to deal with situations where savings schemes slip.

Interest Rate Risks

22. Interest rates can affect the revenue budget through interest earned – i.e. an increase in the interest rate would mean more income. In line with the Council's Investment Strategy, the budget does not depend on overly high returns. Interest rates are expected to continue to fall steadily in the 2025/26 financial year. Due to a combination of declining rates and less cash available for investment we anticipate receiving over £2 million less of interest in 2025/26 than in 2024/25.

Adequacy of reserves

23. Cyngor Gwynedd has £7.9 million of general funds which are reserved for true crisis situations.
24. In addition to this the Council's Financial Strategy Fund is in place to be available to deal with overspending within departments. It is anticipated that there will be around £13.5 million in this fund on 1 April 2025 which I consider to be a sufficient level for 2025/26.

Views of the Statutory Finance Officer

Having considered all the risks set out above and mitigations, the Head of Finance (Section 151 Officer) considers the budgets to be robust, adequate, and achievable.