

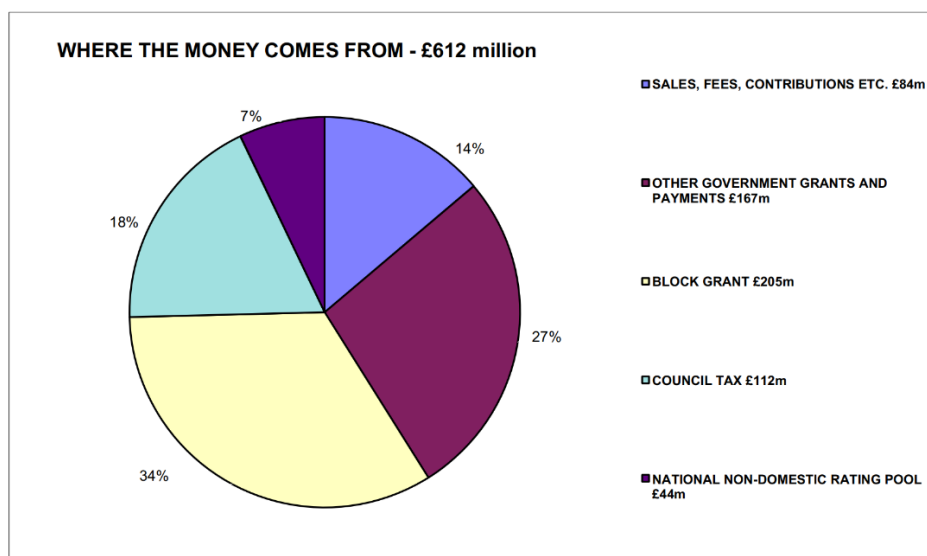
CYNGOR GWYNEDD
Medium Term Financial Plan
2026/27 to 2028/29

1. INTRODUCTION

- 1.1. This document notes the Medium-Term Financial Plan (MTFP) for Cyngor Gwynedd up to the 2028/29 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. The document sets the context and explains the financial gap that needs to be filled before it will be possible to set balanced budgets during the 3-year period of the Plan. An explanation is given for 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 2025/26 was set on 6 March 2025, budgets for subsequent years 2026/27 – 2028/29 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 2025/26 financial year:



Aggregate External Funding

2.2. Together, the combination of the Council's contribution of the National Non-domestic Tax Grant (£44m) and the Block Grant (or Revenue Support Grant (RSG)) (£204m) is called **Aggregate External Funding (AEF)** but the term "settlement" is generally used for this sum. For 2025/26, Cyngor Gwynedd's AEF is **£248,389,720** (referred to in the Budget report as "Government Grant"), and it represents approximately 40% of the Council's gross income.

[2025-26 Budget](#)

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. When the draft local government settlement for 2025/26 was announced, Cyngor Gwynedd received the second-worst financial settlement from the Welsh Government in terms of percentage, an increase of 3.1%. However, following pressure from a number of visible authorities (which saw the lowest increase) a floor of 3.8% was set by the final settlement. As can be seen in the table below, 9 local authorities received an increase of 3.8%, including Gwynedd. That compares to the Welsh average of 4.5%:

Unitary Authority	2024-25 Final Aggregate External Finance [Note 1]	2025-26 Final Aggregate External Finance	Percentage difference	Rank
Isle of Anglesey	130,907	135,881	3.8%	14
Gwynedd	239,296	248,390	3.8%	14
Conwy	210,992	219,010	3.8%	14
Denbighshire	205,729	215,251	4.6%	8
Flintshire	265,881	275,984	3.8%	14
Wrexham	239,206	249,508	4.3%	11
Powys	242,255	251,461	3.8%	14
Ceredigion	138,945	144,225	3.8%	14
Pembrokeshire	224,985	233,534	3.8%	14
Carmarthenshire	360,749	375,692	4.1%	12
Swansea	446,796	468,409	4.8%	4
Neath Port Talbot	293,059	306,177	4.5%	10
Bridgend	266,326	276,528	3.8%	13
The Vale of Glamorgan	216,231	224,448	3.8%	14
Rhondda Cynon Taf	497,404	521,329	4.8%	5
Merthyr Tydfil	126,901	133,144	4.9%	3
Caerphilly	357,689	373,900	4.5%	9
Blaenau Gwent	147,468	154,534	4.8%	6
Torfaen	183,439	192,216	4.8%	7
Monmouthshire	130,297	135,248	3.8%	14
Newport	311,915	329,322	5.6%	1
Cardiff	640,911	674,886	5.3%	2
Total unitary authorities	5,877,384	6,139,078	4.5%	

2.10. There was a significant decrease in the population figures used for settlement purposes between the estimates used in 2022/23 and the 2021 census figures used in 2024/25. While the impact of this decline is now being fully felt in the main indicators (2023/24 was a transitional year in which the average of the estimates and settlement results were used), the impact remains long-term.

2.11. As with any factor in calculating the Settlement, the census is not affected by the change in population of Gwynedd in itself, but by the change in the population of Gwynedd compared to a change in the population of the rest of Wales. The table below shows that the population data for Gwynedd as a % of the population of Wales, for the purposes of the settlement, has now stabilised in the estimate for 2025/26 having decreased over the previous 3 years from 3.95% to 3.75%:

Unitary Authority	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	Population, all ages as a % of Wales's population 2025-26
Gwynedd	3.95%	3.86%	3.75%	3.77%

2.12. Given that Gwynedd continues to be among the counties receiving the lowest settlement (based solely on factors other than population), we now expect that Cyngor Gwynedd's increase in settlement will remain below the Welsh average for the next 3 years.

2.13. In considering progress in the settlement for 2026/27 to 2028/29 we have considered the above factors and assume that the AEF to Cyngor Gwynedd will increase by 1.5% per annum.

Council Tax

2.14. 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 2025/26 equates to 56,842.05 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 2028/29 that the tax base will therefore equate to 58,564.42 Band D properties.

- b) Payment per Band D equivalent property.

The 2024/25 Council Tax is £1,907.49, which was an increase of 8.66% from the level in 2023/24.

Summary of Increase in Projected Income

2.15. Cyngor Gwynedd has established a budget of £356,815,330 for 2025/26 to be funded through a Government Grant of £248,389,720 and £108,425,610 in Council Tax income.

2.16. 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)	3.7	3.8	3.8
Council Tax – change in base	1.1	1.2	1.2
Increase in income	4.8	5.0	5.0

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3. SERVICE SPENDING PLANS

The term "pressure" is used to describe the new spending requirements that the Council is likely to face in the coming years. We need to try to quantify those elements that are likely to increase in cost, issues where there will be increased demand for services and also new issues that are likely to be hit by demands such as a change in legislation or to deliver something that is a priority for the Council.

These elements are detailed below. In attempting to quantify the cost we receive expert advice from our Treasury Advisers, researching historical trends and benchmarking against national trends and among other Authorities.

Salary inflation

3.1. Salary inflation includes the national wage agreement. £8.6m has been budgeted for the pay award for 2025/26, representing an increase of 3.5%. The final pay agreement for employees other than teachers, announced in July 2025, equates to 3.2% while teachers have received a 4% increase from September 2025. Annual pay inflation for teachers is also estimated at 4.0% in 2026/27 and 3.4% for other staff, which would average 3.6% in 2026/27. We anticipate this increase to be 3% in the following two years. Salaries are agreed nationally and we need to fund the annual increase agreed following consultations with the trade unions.

3.2. Every three years there is a revaluation of the position and value of the pension fund. The triennial revaluation of the Pension Fund will take effect from 1 April 2026. While the figures will not be finalised for some months, the information we currently have suggests that the fund is performing well and as a result it would be prudent to expect a reduction of up to 3%, or £3million, in employer contributions in 2026/27.

Price inflation

3.3. 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.

	2026/27	2027/28	2028/29
	inflation	inflation	inflation
Care Costs	4%	4%	4%
Energy and Fuel	3%	3%	2%
Other Inflation (CPI)	3%	3%	2%

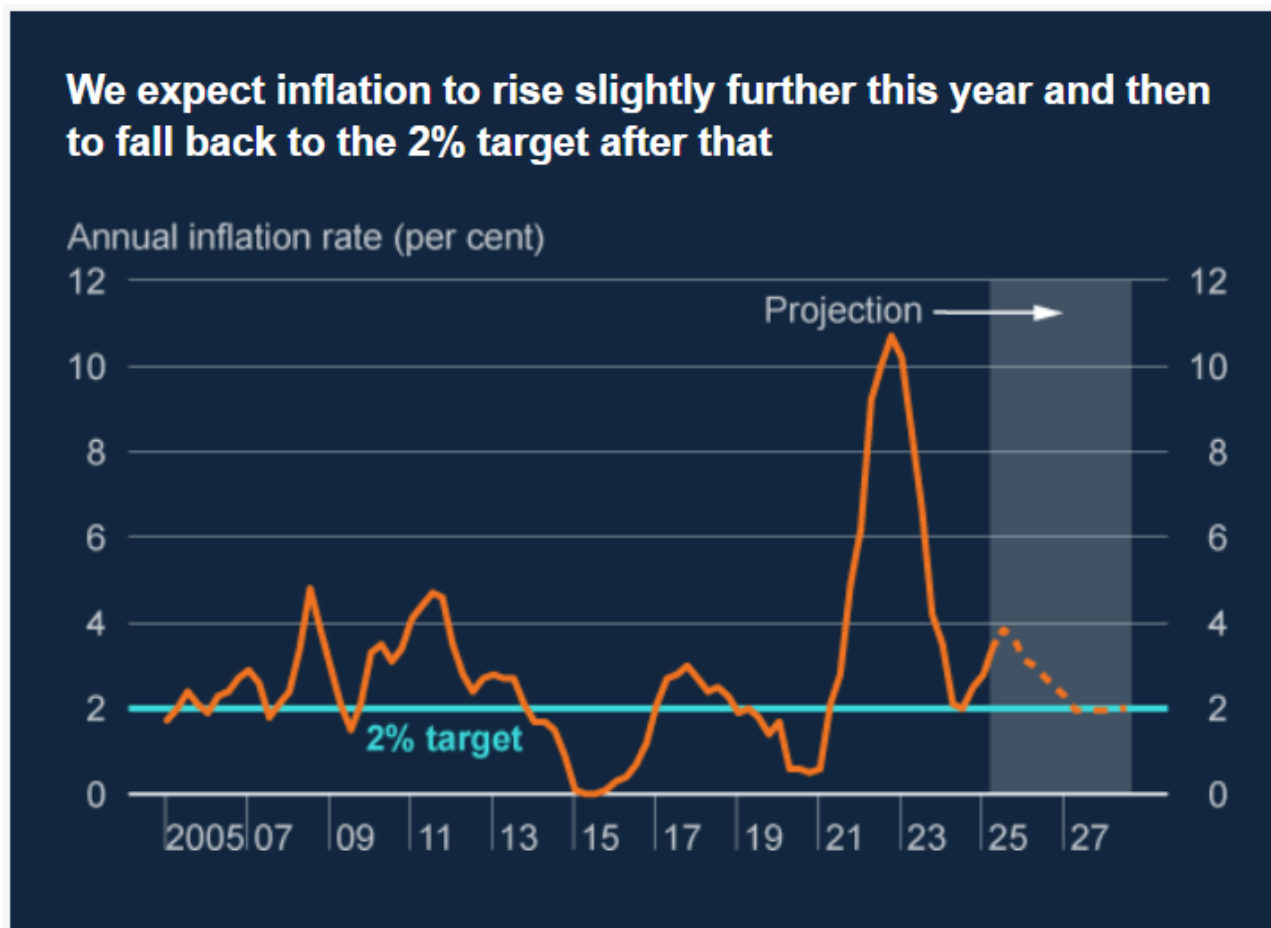
**North Wales Fire and Rescue Service, Eryri National Park Authority, Natural Resources Wales (Special Levies), North Wales Corporate Joint Committee (CJC)*

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 in future 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 volatile 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 increase of £1m overall in 2026/27 (mainly driven by the North Wales Joint Corporate Committee as it establishes arrangements to carry out its statutory duties) falling to £500,000 in the following two 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 Monetary Policy Committee report in August 2025.



3.4. For the purpose of planning the lifetime costs of this Plan, therefore, we have worked in line with the latest available assumptions, and set the level of CPI inflation at 3% in 2026/27 and 2027/28 in order to mitigate the impact of higher-than-expected inflation in 2025/26 and then 2% in 2028/29.

Pressure / Demand for services

- 3.5. In 2023/24 and 2024/25, the Council was only able to fund completely unavoidable financial bids, in order to fund areas where we are convinced the budget was inadequate. In 2024/25 we have funded £5.1million of unavoidable permanent bids, following the funding of £2.7million of permanent bids for 2023/24. In 2025/26 however, bids worth £7.7million were allowed, specifically to address areas that were overspending annually as they were unable to meet demand within the available budget.
- 3.6. Overall, Council departments have exceeded their budget in recent years, by £9million in 2023/24 and £6.7million in 2025/26. A combination of underspending in corporate headings (e.g. Council Tax) and grants arriving late in the year has been a clear help in mitigating the overspending, but the detailed review of expenditure against budgets will continue, considering reasons in the areas where there are significant or regular variances.
- 3.7. In setting the Medium Term Financial Plan, an assumption is made that bid funding will need to continue to be necessary due to the unavoidable pressures on services. The scheme earmarks £8m a year to fund contingency bids in 2026/27 and £5m in 2027/28 and 2028/29. These amounts are based on information we have from research such as Llechen Lân which clearly shows that there will be an increase in demand for care services, which are costly to provide. We are also aware of unavoidable spending requirements in the area of Special Needs Education, Childcare and school transport. As the financial year progresses there will be more robust information about these requirements and our entire Plan will need to be adjusted to match the information we will have at that time.

Summary of Increase in Projected Spending

3.8. Cyngor Gwynedd has established a budget of £356,815,330 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:

	2026/27	2027/28	2028/29
	£m	£m	£m
Pressures			
Pay Inflation	9.3	8	8.3
Price Inflation	4.7	3.9	4
Levies	1	0.5	0.5
Reduction in Employer Pension Contributions	-3	0	0
 Pressure on Services	 8	 5	 5
 Increase in spending requirements	 20	 17.4	 17.8

4. SAVINGS

4.1. A total of £43 million of savings have been realised since 2015/16, which is 90% of the £46.6m required over the period. Realising the savings has inevitably been challenging, given that £46.6 million represents around 13% of the Council's net budget for 2025/26. It is inevitable that discovering further savings and cuts will be increasingly difficult; With fewer efficiency savings available, remaining options are ones that can result in significant service interruptions as a result of numerous redundancies.

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.

Savings approved in March 2025

1. At its meeting on 11 February 2025, the Cabinet approved further savings of £519,000 profiled as follows. They were a combination of increasing income (£90,000) and reducing resources / combining services (£429,000):

4.5.

NEW SAVING SCHEMES PROFILE FOR 2025/26 ONWARDS

	2025/26	2026/27	2027/28	Total
	£	£	£	£
Savings profile	100,000	320,500	98,500	519,000

Summary of savings programmed for 2026/27 until 2028/29 not yet removed from departmental budgets

- 4.6. 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:

	2026/27	2027/28	2028/29
	£m	£m	£m
Savings that have been approved	0.3	0.1	0
Savings available to fill the deficit	0.3	0.1	0

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

5.1. The table below summarises the income and expenditure elements set out above and suggests that the Council will face a funding gap of £14.9 million in 2026/27, a further £12.3 million in 2027/28 and a further £12.8 million in 2028/29.

	July 2025 Estimates		
	2026/27	2027/28	2028/29
	£m	£m	£m
Pressure			
Pay Inflation	9.3	8	8.3
Price Inflation	4.7	3.9	4
Levies	1	0.5	0.5
Reduction in Employer Pension Contributions	-3	0	0
Pressure / Demand	8	5	5
Total Pressure	20	17.4	17.8
Funding Changes			
Council Tax	1.1	1.2	1.2
Grant Settlement	3.7	3.8	3.8
Total of Funding Changes	4.8	5	5
Savings to be realised	0.3	0.1	0
Funding and Savings Total	5.1	5.1	5
Gap	14.9	12.3	12.8

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 31/03/2025, the Council has **£7.912 million in general balances**.

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
- Transformation Fund

6.4. The outturn position of these funds at the end of the 2024/25 financial year is as follows.

Fund	Balance 31/03/2024 £'000
The Council's Financial Strategy	18,924
Transformation	11,564
Total	30,488

6.5. In the previous plan we reported that the Transformation Fund would be completely depleted by the close of the 2023/24 financial year accounts. However, due to a better-than-expected financial situation at the end of 2024/25, the Cabinet on 15 May 2025 resolved:

- Harvest £1.275 million from various funds and transfer it to the Transformation Fund.
- Decommit £375k of historic or non-committed schemes in the Transformation Fund.
- Move £2.5 million from the Financial Strategy Support fund to the Transformation Fund so that they are available for the Council's priorities and fund future one-off bids.

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. The value of the balances at the start of the 2025/26 financial year was as follows

Reserves	£'000
Financial Strategy Support	18,924
Transformation / Council Plan	11,564
Renewal Funds	5,970
Capital Funds	26,805
Housing Action Plan	17,417
Other funds	30,121
	110,801
General Balances	7,912