

## **APPENDIX 10**

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

1. This statement is provided in accordance with Section 25 of the Local Government Act 2003, which requires the Council's Chief Financial Officer to report to Members on:
  - The robustness of the estimates made for the purposes of the Council's budget calculations.
  - The adequacy of the proposed financial reserves.
2. Members are required to have regard to this report when considering the budget and council tax for the forthcoming financial year.
3. Appendix 7 outlines the position of the balances and reserves, while this statement confirms the robustness of the budgetary estimates underpinning the budget.
4. 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**

5. A revised Medium-Term Financial Plan (MTFP) was adopted by the Cabinet on 16 September 2025, setting out the financial outlook for the 3-year period commencing on 1 April 2026. 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.
6. When adopting the revised MTFP, there was a lack of clarity regarding the increase of Aggregate External Finance ("settlement") for 2026/27. On the one hand, it was noted that an addition to the public sector budget from the Westminster government last year was a first step towards addressing the impact of underinvestment over a decade or more. On the other hand, a warning was issued that the Government in Cardiff cannot increase public spending under the current economic circumstances.

7. However, following a budget deal between the Welsh Government and Plaid Cymru, Cyngor Gwynedd has received a 4.1% increase in its settlement for 2026/27 after the base for 2025/26 was adjusted when drawing up the settlement. The Council is therefore in a stronger position in 2026/27 than originally envisaged, although the increase in settlement as a percentage is the second lowest in Wales before considering the funding floor that was put in place.
8. There are elections to the Senedd in May 2026 and there remains significant uncertainty in future Welsh Government funding beyond 2026/27.

### **History of financial management**

9. 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 2025 predicted that Council departments would overspend £5.3 million by the end of the 2025/26 financial year, as follows:

Departments	£'000
Adults, Health and Well-being	3,062
Children and Families	1,856
Highways, Engineering and YGC	492
Environment	685
Housing and Property	248
Other Departments	(1,012)
<b>Total 2025/26 Forecasted Overspend</b>	<b>5,331</b>

10. The Medium-Term Financial Plan included a detailed programme of work to address the financial situation faced by the Council.
11. The MTFP reflects the expected continuation of demand-led pressures, particularly in social care and homelessness prevention. These continue to be modelled using trend data.

12. 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."
13. Work has been carried out to look closely at the overspending in the areas of social care (which represent 76% of all overspending), and that work is ongoing.
14. 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**

15. 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 undertaken 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**

16. Overall inflation has remained above the Bank of England's target of 2% during 2025/26 and independent forecasts received show that inflation rates are expected to remain that way in 2026/27. Based on the Bank of England's forecasts and the independent advice obtained from Arlingclose, our independent treasury management advisors who have reviewed the BoE's assumptions, we believe overall inflation will remain between 2% and 3% on average during the year.
17. The pay agreement outlook included in the budget reflects the latest forecasts. Based on recent trends and the economic outlook, a projected 2026/27 increase of a 4% pay deal for teachers and 3.4% for the remaining workforce have been included in the budget. I am satisfied that prudential estimates of inflation levels have been used.

## **Income assumptions**

18. The budget is based on achieving a specific increase in income from fees equivalent to the increase in applicable costs.
19. 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.
20. 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**

21. 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.
22. 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**

23. On 20 February 2024, Cabinet approved £5.2m worth of savings for the 2024/25 budget onwards. The programme profile is shown in Appendix 3 of the budget report, which shows that £343,090 worth of savings have been profiled for 2026/27. 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.
24. Two savings scheme worth £91,000 from the Highways, Engineering and YGC Department, one scheme worth £98,500 from the Education Department and one scheme worth £50,000 from the Corporate Services Department, which derive from previous savings programmes which relate to 2026/27.
25. In addition to this there are £81,000 worth of saving schemes that have been approved in 2025/26 but are profiled in 2026/27.
26. Some Council departments have a history of inability 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 there is slippage in savings programmes.

## **Interest Rate Risks**

27. 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 2026/27 financial year. However, due to a combination of changes in interest rates and cash available for investment, we anticipate receiving over £89k more interest in 2026/27 than in 2025/26.

## **Adequacy of reserves**

28. The latest audited Statement of Accounts for Cyngor Gwynedd showed that the overall level of earmarked reserves on the balance sheet date (31 March 2025) was £110.8 million, up from £101.8 million on 31 March 2024. The reserves include the Council's Financial Strategy Fund which is in place to be available to deal with overspending within departments. It is anticipated that there will be around £18 million in this fund on 1 April 2026 which I consider to be a sufficient level for 2026/27.
29. Further, Cyngor Gwynedd has £7.9 million of general funds which are reserved for true crisis situations. I deem this level to be adequate for the production of the 2026/27 budget but the level will be reviewed further early in the financial year.
30. Audit Wales published their report *Strategic Management of Balances and Reserves – Cyngor Gwynedd* in September 2025; the report was considered by the Council's Governance and Audit Committee on 11 September 2025.
31. The work had been completed during May and June 2025 detailing year-end figures for 2024/25. The report concluded that “Cyngor Gwynedd has clear and structured governance arrangements for managing its reserves. The Council Chief Finance Officer regularly advises members and officers on reserve levels and usage. A key strength is the Council’s ongoing “harvesting” process, which reviews reserves at multiple points throughout the year. However, there is no formal strategy or framework to guide decisions on reserve levels, which could help ensure that reserves are used effectively and provide assurance that they’re consistently aligned with the Council’s objectives”.
32. In response to the report, I have committed to develop a reserves strategy – to set a direction by adopting a strategy to ensure clarity on the use of reserves – by 31 March 2026.

## **Views of the Statutory Finance Officer**

**Having considered all the risks set out above and mitigations, I consider the budgets to be robust, adequate, and achievable.**