CYNGOR GWYNEDD - Report to Cyngor Gwynedd Cabinet

Item title:	Revenue Budget 2026/27 – End of August 2026 Review
Cabinet Member:	Councillor Huw Wyn Jones, Cabinet Member - Finance
Relevant officer:	Ffion Madog Evans, Assistant Head of Finance Department - Accountancy and Pensions
Date of meeting:	10 November 2026

Summary

- *A budget deficit of £9.8 million is forecast for the 2026/27 financial year.*
- *Four of the Council's departments are suffering from a budget deficit above the £100,000 threshold with expenditure in the fields of children's extra-county placements, waste, residential and domiciliary care, post-16 care and the Derwen service, above their allocated budget.*
- *Parking and highway income targets are not being met.*
- *Council tax yield and council tax premium £5.3 million below this year's budget.*
- *The Chief Executive has already held an urgent meeting with all relevant heads of department to gain a better understanding of the issues in the departments and a clear programme to respond including continuing to push to achieve savings. However, a deficit in demand is the obvious reason for the vast majority of the budget deficit and managing that is beyond the Council's ability.*
- *It is anticipated that the Council's reserves will need to be used at the end of the financial year to fund the almost inevitable financial deficit. The Cabinet will then need to decide which funds will be appropriate to use, based on the recommendations of the Statutory Finance Officer. This year, particular attention will have to be paid to the significant impact of housing transfers from tax and premium paying properties to properties subject to non-domestic rates.*

1. The decision sought

That the Cabinet:

1.1 Accepts the report noting that there are forecasts of a significant budget deficit for 2026/27 in the Children and Families Department and the Adults, Health and Well-being Department, with a deficit to a lesser extent in the Environment and Highways Departments as well.

1.2 Approve additional financial support above the contractual payment to Cwmni Byw'n Iach to be funded from the transformation fund, delegating the right to the Cabinet Member for Economy in consultation with the Cabinet Member for Finance, the Chief Executive and

the Head of Finance to agree on the amount of the final financial support above the contractual payment with Byw'n Iach at the end of the financial year.

1.3 Approve funding of the £1.006 million above budget expenditure in the field of Waste using £1.006 million from the Producer Extended Responsibility Fund for packaging materials.

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

2.1 The purpose of this report seeks to provide a trajectory of the revenue position by the end of the financial year. Therefore, the amounts noted below are an estimate of what we are projecting by March 2027 and they are not amounts that represent the deficit in today's budget.

2.2 It is the Cabinet's responsibility to take action, as necessary, to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets).

3. Introduction and Rationale

Background / Introduction

3.1 This report presents the end of August 2026 review of the Council's revenue budget for the 2026/27 financial year, and a summary of the situation per Department is outlined in **Appendix 1**. The current projections suggest that four of the departments will have a significant budget deficit by the end of the year. The main deficit is anticipated in:

- Adults, Health and Well-being Department - Residential Homes and Domiciliary Care
- Children and Families Department – Out-of-county placements, Post-16 and Derwen
- Environment Department - Waste and Parking
- Highways, Engineering and YGC – Highways and Municipal

3.2 Below, and in **Appendix 2,** further details are provided relating to the main issues and headings where a budget deficit is projected, as well as specific recommendations, where appropriate.

4. The reasoning and justification for recommending the decision

The Savings Situation

4.1 In the 2026/27 Budget report to the Full Council on 5 March 2026, it was reported that £583k worth of savings had been profiled for the 2026/27 budget. The budgets have been reduced by this amount; therefore, the situation is reported upon after considering the savings.

4.2 Regular reports, twice a year, are submitted to the Cabinet and the Governance and Audit Committee providing an update on the realisation of savings, and over the past few years we have reported on risks to achieving savings. Following a recent review of the savings schemes, it is recommended that £925,600 worth of savings be erased as they are no longer achievable.

4.3 The latest on savings is that £242k – which is 45% of the relevant £533k to the 2026/27 financial year – has already been realised, with a further £91k on track to be realised in a timely manner. This means that almost £49 million, which is 98% of all revised savings schemes since 2015, have now been realised, which is a total of £72.5 million savings since 2010/11.

5. Council Departments

5.1 Adults, Health and Well-being Department

Over £3.3 million in additional permanent funding was allocated to the Department for the 2026/27 budget onwards. Latest projections suggest that if there is no change during the year, there will be a budget deficit of £2.3 million by the end of the financial year. There have been increasing pressures on residential and nursing care and also on domiciliary care. Staff costs above budget levels are issues in the provider services. Following a review of the department's savings, £536k worth of unrealised problematic savings were erased, while several other savings schemes have recently been realised by the department.

The increase in demand continues to follow what was predicted and warned in Llechen Lân and is likely to continue for years to come.

5.2 Children and Families Department

There has been a further increase in the number of individuals needing specialist care both within and outside the county and that care is costly, which is £5.7 million above budget. Further to this, there has been an increase in the provision of care for children with disabilities in the county through the services of Derwen and Hafan y Sêr and also by the Post-16 service. It is anticipated that there will be a budget deficit of around £6.5 million by the end of the financial year if there is no change in what is provided during the year.

5.3 Education Department

Pressures in the field of school transport on the additional learning needs element, but its impact is reduced by underspending including grant receipt in other fields. The Department intends to balance the department's financial position by the end of the year by making use of funds from a departmental reserve.

5.4 Byw'n Iach

Over the last few years, the Byw'n Iach company has received financial support from the Council above the contractual payment of the provider contract to enable them to maintain their services. This additional support has decreased over the years with the amount being £550k in 2022/23, £308k in 2023/24, £281k in 2024/25 and £269k in 2025/26. It is anticipated that the demand for financial support will continue in 2026/27 but that the amount required will have reduced to £115k by the end of the year. This movement in the right direction is to be welcomed.

5.5 Highways, Engineering and YGC Department

A budget deficit of £329k is anticipated by the department by the end of the year. A reduction was seen in the work being commissioned by external agencies which is having a negative impact on the income of the highways services. In the Municipal Service, there is a combination of factors, including additional pressure on the budgets of cleaning public toilets. While income losses are issues for land maintenance and public toilets. Unrealised savings contribute to the financial position.

5.6 Environment Department

A budget deficit of around £467K is forecast by the end of the year, including an income deficit on parking income whilst the annual trend of overspending in the waste field continuing and responsible for £1 million of the departmental financial pressure. The Department has several schemes in place to address the financial position, but in order to achieve the final step over the next year there will be a need to complete a restructure of the Waste Service and further operational changes. Unrealised savings worth £760k contribute to the department's financial position and timely decisions will be needed if some of these are to be achieved and the financial burden on the department is to be reduced.

The department intends to make use of new income to make up for any shortfall in this year's waste budget, with the money deriving from a levy on packaging materials for producers and retailers, to promote recycling by the companies that create this waste.

5.7 Housing and Property Department

It is anticipated that the department as a whole will underspend (£49k) at the end of the financial year. Following years of significant pressure on the emergency accommodation service, all deliberate interventions by the service have resulted in a reduction in expenditure on the field, down to £5.4 million this year compared to £6.1 million in the last two years. While an additional one-off allocation of £800k was earmarked for emergency accommodation in 2026/27, it is not anticipated that there will be further demand for the provision and therefore the funds can be returned on a corporate level.

The council tax premium funded £4.2m of the emergency accommodation budget in 2026/27.

5.8 Corporate

The latest forecasts suggest that council tax yields and council tax premiums will be £5.3 million lower than the budget this year. The Valuer's Office allowed a significant number of properties to transfer from council tax to non-domestic rates during the year, with 361 properties transferred to the end of August (283 in 2025/26). There was also a decrease of 246 in the number of premium second homes to the end of August (74 in 2025/26). There has also been a decrease of 185 in the number of properties transferring from non-domestic rates to council tax (618 in 2025/26). The loss is further intensified in 2025/26 as applications are backdated by a few years, so the impact of several years goes against the financial situation this year. In light of the recent reduction in tax yields, the impact of this will soon receive consideration in the context of funding the commitments from the council tax premium.

Contrary to this picture, there are better forecasts on other Corporate headings including higher income and grant receipts, favourable impact of historic loan repayment, return of bid funds that are not fully utilised this year, reduction in overall capital costs along with less pressure on a number of various budgets. Considering Corporate as a whole, pressures are forecast to be £408k above budget.

It is anticipated that the Council's reserves will need to be used at the end of the financial year to fund the financial deficit.

6. Conclusion

6.1 Following a review at the end of August, a budget deficit of £9.8 million is forecast in order to continue to meet the increasing demand for services for the rest of the year based on the information that we currently have. The figure is based on a budget deficit of £9.4 million by the departments and a further £0.4 million on corporate budgets.

69%, which is £6.5 million of it, derives from the increasing demand for children's services, mainly on out-of-county placements.

It is anticipated that four of the Council's departments will be spending significantly above budget by the end of the year, with an increase in demand seen in several other fields including adult care and transport in the field of additional learning needs in schools.

The Chief Executive has already held an urgent meeting with all relevant heads of department to gain a better understanding of the issues in the departments and a clear programme to respond including continuing to push to achieve savings.

Given the latest overspending forecasts, it is recommended that it is appropriate that action to freeze unavoidable expenditure be implemented for the remainder of the financial year. Nevertheless, it is anticipated that the Council's reserves will need to be used at the end of the financial year to fund the almost inevitable financial deficit. The Cabinet will then need to decide which funds will be appropriate to use, based on the recommendations of the Statutory Finance Officer. This year, particular attention will have to be paid to the significant impact of housing transfers from tax and premium paying properties to properties subject to non-domestic rates.

7. Next steps and timetable

7.1 A report outlining the situation at the end of November will be submitted to the Cabinet in January 2027.

8. Observations of the Statutory Officers

8.1 Chief Finance Officer

I have worked with the Cabinet Member to prepare this report and I confirm the content.

8.2 Monitoring Officer

No comments to add from a propriety perspective.

Appendices:

Appendix 1 - Summary of departmental budgets' net positions

Appendix 2 - Details of budgets and the significant variances