

**2014/15 BUDGET
and
2014/15 – 2017/18 FINANCIAL STRATEGY**

1 Background

- 1.1 This report notes the factors that influence the revenue budget required for 2014/15.
- 1.2 In addition, despite the fact that last year, we established a 4 year financial strategy, due to the fundamental changes seen in the financial climate, this report also recommends a new financial strategy for the period up to 2017/18 and notes the steps required to meet the challenge ahead.

A) 2013/14 Budget

2 Welsh Government Grant

- 2.1 The Welsh Government has announced the final settlement for 2014/15 together with indicative figures for the following year. The details are noted below in Table 1.

**Table 1
Revenue Support Grant 2014/15 & 2015/16**

£m	Wales	Gwynedd
2013/14	4,439,012	183,042 (*)
2014/15	4,264,466	174,971
Reduction	3.9%	4.4%
2015/16 (indicative)	4,198,518	172,346
Reduction	1.5%	1.5%

* £181.633m was the true grant figure for 2013/14 but the figure has been adjusted to take into account the transfers into the settlement in order to compare like with like.

- 2.2 It can be seen from the above table that Gwynedd Council faces losing over £8.071m grant next year which is a reduction of 4.4%, with the average reduction across Wales being 3.9%.
- 2.3 One of the reasons for the higher than average reduction is that the factors feeding the allocation formula keep going against us.
- 2.4 Specifically in 2014/15 Gwynedd has the lowest but one increase across Wales in the number of primary school pupils and it also had the highest but one reduction in the number of income support claimants under 65 year of age.

- 2.5 In addition, due to the way the formula works, as authorities across Wales in general spend less on average on transportation (compared with Education and Social Services) and as we receive a greater proportional share in the area of transportation, we suffer more as the expenditure figures are fed into the formula.
- 2.6 In the official published statements, the Government notes that the average reduction across Wales was 3.4% but this disregards the fact that £26m of Council Tax Reduction Scheme money which was previously paid as a grant in 2013/14 has been transferred into the settlement. In order to compare like with like therefore this figure should be included, which means that the reduction is closer to 3.9% .
- 2.7 We must also be careful not to read too much into the indicative figures for 2015/16.
- 2.8 We know from experience this year that it would be futile to put too much emphasis on this figure. The reduction could be greater, especially in the wake of the Chancellor's Autumn Statement, and any further policy changes within Welsh Government by this time next year.
- 2.9 One feature of the settlement is the substantial difference between the actual grant figure for this year [£181.633m for Gwynedd] and the figure used for comparison [£183.042m].
- 2.10 The difference of £1.409m comes about due to a number of grants which have been transferred to the settlement. It should be noted that the settlement also includes a third tranche of the resource provided by Welsh Government for borrowing to spend on our roads. More details are given in part 3.12 of the report.

3 Council Revenue Expenditure - 2014/15

- 3.1 Table 2 below shows the increase in the expenditure required for 2014/15.

Table 2 2
2014/15 Budget

	£'000
Base Budget 13/14	233,912
Salary Inflation	1,551
Other Inflation	1,191
Precepts	(21)
Increments	(94)
Pensions	264
Council Tax Reduction Scheme	203
Interest on Balances	236
Borrowing Costs	(404)
Demography	452
Miscellaneous	2
Income budget adjustments	92
Transfers into settlement	1,414
Pressures on services	1,498
Total requirement	<u>240,296</u>

3.2 **Base Budget 13/14** – Although £233.912m is the net 2013/14 expenditure figure it is important to note that the Council’s true expenditure is £367m but this figure comes down to £234m as we receive a multitude of grants worth £79m and raise nearly £54m for services which we provide. As there is a trend for a number of these grants to be reduced there is also pressure on services to ensure that the corresponding expenditure reduces in order to balance the grant reduction, but this is not possible in every case without having a substantial effect on services provided to the people of Gwynedd.

3.3 **Salary Inflation** – This is the main assumption where the figure required for 2014/15 is unknown at present. Obviously there will be pressure from the unions to increase salaries bearing in mind that salaries have been constrained over the last few years. However, the Chancellor has noted that he wants to see public sector salary settlements restricted to 1% in the years ahead.

There is a provision for an increase of 1% therefore in the base budget. Should salaries increase more than that it would increase our requirement for savings in the years ahead.

3.4 **Other inflation** – This figure represents a provision for general inflation of 2.1% but making specific provision for items where the inflation rate is likely to be higher (e.g. Electricity and Gas).

This figure is lower than that added in previous years due to the fact that the increase experienced this year was less than that forecast when

preparing the budget which means that less provision is required for 2014/15.

In order to ensure that the payments made for services also contributes towards meeting the financial gap, every income budget has been increased by 2.5% which represents the inflation figure at the time the budget was prepared.

- 3.5 **Increments and Pensions** - The increments figure is the increase that results from giving staff salary increments, but this year, due to staff turnover, this figure represents a saving. Over the last 3 years the employer's contribution for staff pensions has increased 0.5% per year. However following the Pension Fund valuation the Fund Actuary has noted that there is no need to increase contributions for the next three years, and therefore there will be no increase in 2014/15.

However, in April 2014, the nature of the Local Government Pension Scheme will change which means that overtime payments will become pensionable. It has therefore been necessary to provide for higher employer contributions.

- 3.6 **Council Tax Reduction Scheme** - In the past, if the cost of Council Tax benefit increased (or decreased) the cost (or the saving) was reflected in the grant we received from the Department of Work and Pensions. Following transfer of the grant to the Welsh Government (and they in turn transferring that grant to the settlement), from now on, the Council will have to face any additional costs within the figure that we receive in the settlement.

Theoretically, there is £8.9m in the settlement to pay for the assistance given to taxpayers, but it is likely that this will not be sufficient to meet the true costs this year. On the basis of the latest projections it will be necessary to add about £203,000 to this budget in 2014/15. [The effect of inflation is already incorporated into the inflation figure noted above].

- 3.7 **Interest on Balances** - by now we had expected that interest rates would have started to rise but they continue to be extremely flat. As a result, rather than borrowing externally, we use internal borrowing which reduces the amounts we have to invest. Therefore, we will not be receiving as much interest in 2014/15 and this must be reflected in the budget.
- 3.8 **Borrowing costs** - we are benefiting from lower borrowing costs next year due to repayment of loans and the fact that we are not borrowing any new money as it is better for us to use the money tied up in our reserves (which attract low interest rates anyway) rather than borrowing at a higher cost to the Council.

3.9 **Demography** – We usually acknowledge the increasing number of elderly clients we would expect to provide for as a result of the ageing population, but as reported last year we have not had to do this for some years since the actual number has not risen. However, in 2013/14 it appears that the number of such clients has caught up with the demographic projections and we will have to add £858,000 to the budget to recognise this increase.

Against this increase however, we have seen a decrease in the number of children in our secondary schools which results in a budgetary reduction in that sector (£840,810). With an increase in pupil numbers in the primary sector (which results in a need to increase the budget by £434,860), there is a net saving of nearly £406,000 as a result of falling pupil numbers.

This reduces the total net demography figure to £452,000.

This substantial reduction in the secondary sector is of some concern to me and I return to this issue in part 4 below.

3.10 **Miscellaneous** – The figure shown here is a collection of miscellaneous minor items which need to be adjusted in the various budgets such as adjustments in the tonnages going to landfill; adjustments to the National Insurance thresholds; adjustments required to changing terms of external contracts undertaken by us; increase in the number of elected members who choose to be a part of the pension scheme and a raft of other minor items.

3.11 **Adjustments to Income Budgets** – The income budgets are reviewed annually to assess trends and it is now necessary to adjust the income budget for Hafan Pwllheli in order to reflect the fact that the actual income has decreased due to a decrease in use (which in itself might be due to the current economic climate). However there is a positive effect on some other income budgets to be set against this. The effect on specific budgets can be seen below [figures in brackets show an increasing income and figures without brackets show a decrease] –

- Hafan, Pwllheli : £180,000
- Land Searches : [£13,000];
- Cemeteries : [£10,000];
- Crematorium : [£25,000]
- Building Control : [£40,000].

3.12 **Transfers to the settlement** – As stated above a number of grants are being transferred to the settlement this year as follows -

- ***Council Tax Reduction Scheme (£803,000)*** – in order to ensure that the scheme continues to pay the Council Tax in full for those on low income.
- ***Grant for Administering the Council Tax Reduction Scheme (£179,000)*** – for paying the cost of staff in the Benefits Unit who administer this Scheme. This is the sum that was transferred into the settlement - the actual cost (and the previous grant) was much higher but a reduction in the grant has been introduced as part of the Government's austerity programme.
- ***Additional Council Tax support grant for Pensioners (£150,000)*** – there is currently a national scheme which gives additional support to pensioners who receive support with their Council Tax and this is funded from a Government grant. They have added this to the settlement for 2014/15 and have stated that it is a matter for councils whether they continue with it or not. This has been added to the budget for 2014/15 as it was too late in the day to consider abolishing it but it should be noted that this is an option for the years ahead.
- ***Public Conveniences Grant (£17,000)*** – this grant is being transferred to the settlement. At present it pays for payments given to businesses urging them to open their conveniences to the public.

On top of these transfers there is £265,000 in the settlement to pay for the third tranche of the road improvements borrowing plan. Although this is not actually a true transfer to the settlement it is a budget we must spend for specific purposes and therefore I have included it under this heading.

3.13 **Pressure on Services** - There are two main headings here namely

a) **Applications received from services for additional funds to meet the pressures on their Services (£1.471m).**

Every service is invited to identify any expenditure which is required for the Council to continue to ensure the continuation of basic services. This heading is not for new developments but rather for continuation of current basic services.

Details of the recommendations are given in Appendix 1.

Some of the issues needing consideration are reflected in this year's spending patterns. Others are a result of factors where there is a need to increase the budget in order to protect outcomes to the public or to meet statutory requirements. There is also an element of Central Government creating more pressure and expectations

and our having to deal with the consequential effects (on top of the reduction in our grant)

These items have been subject to challenge before being recommended. This figure is significantly lower than that which we have seen in the past.

Also in this report it is noted that one-off pressures worth £558,000 also need to be approved in order to ensure continuation of service. This can be funded from the £297,250 performance incentive grant money kept each year for the purposes of one off spending and an further additional £128,750 from savings which have been found early in 2013/14, with the remainder (£132,000) being funded from balances.

b) School Requirements (£27,580)

The background to this is noted in part 4 below.

4 Schools

- 4.1 The Welsh Government have noted that they have protected the Local Government Grant in order to ensure a lower reduction in school budgets compared with other services. The implication presumably is that we would have seen a reduction greater than 4.4% had they not given us this protection.
- 4.2 Our approach towards this to date has been to continue to plan on the basis of what the Council would wish to do for schools then measuring that against the Welsh Government's proposals and consider whether there is a need to adjust anything in order to comply with the promise.
- 4.3 This rule means that there is a need to ensure that this year, schools receive an increase of +0.45%. As noted last year, this raises the basic question as to how logical it is for the Council to continue to deliver the Welsh Government's wishes when we will have to cut other services to pay for it. We do not know of course what the effect would be of not complying in terms of Welsh Government response and the response of the schools themselves.
- 4.4 The figures in the budget shown above (which include ensuring that schools receive the necessary increase in their budgets to meet inflation etc) along with other actions noted in this section, mean that we will fulfil this requirement this year.
- 4.5 Therefore, unlike other services, for the third year in a row, overall the schools budget will not face having to find savings in 2014/15 other

than to face the usual adjustments that arise from the change in pupil numbers, with some schools benefiting and some losing out.

- 4.6 However in order to understand the overall context, it is important that the Cabinet is aware of what is happening with grants given to schools by the Welsh Government.
- 4.7 In 2014/15 Gwynedd schools will benefit nearly £900,000 due to increased deprivation grant that schools receive with about £520,000 going to the primary sector and about £374,000 going to the secondary sector. Of course the distribution to individual schools will depend on the number of children in individual schools eligible for free school meals and it must be used to improve results amongst children from less privileged backgrounds.
- 4.8 However against this increase, the secondary sector will face a reduction of about £500,000 in post 16 and 14-19 network grant.
- 4.9 With a reduction of £840,810 in the budget due to a decrease in the number of children noted in paragraph 3.9 above, and these grant reductions, the secondary sector is going to suffer substantially this year with the reduction approaching £1m.
- 4.10 In view of the unexpected grant reduction, the Schools Service is offering £160,000 on a one off basis from its own resources in order to assist the sector to acclimatise to this reduction in grant.
- 4.11 However, if we look at the demographic position on its own, the reduction in the number of pupils means that one school will fall below 260 pupils (which is the number whereby there are real doubts on the ability of a school to deliver the curriculum) and therefore it is suggested that we need a protection scheme for the secondary sector whereby the budget of secondary schools that fall under 260 pupils is protected until it is possible to find a longer term solution for schools of this size.
- 4.12 However, with two other schools nearing the figure of 260 pupils, this underlines the need to ensure a long term solution to the problem. Such a plan would cost £27,580 in 2014/15.
- 4.13 Taking into account the Council's priority in its Strategic Plan of improving children and young persons' educational standards, there is a question as to whether we should go further and consider the funding balance between the primary sector (which will see an increase of nearly £1m in its overall budget) and the secondary sector (which will see a similar reduction in its budget even after taking the above steps into account).

- 4.14 It may be the case that time does not allow us to consider such a policy now, but we must be alive to the fact that whilst the secondary sector will have planned for the demographic reduction, finding ways of dealing with the total reduction is not going to do anything to help the sector concentrate on educational attainment.
- 4.15 I recommend that we assist the sector to acclimatise to the reduction by giving them more time to cope with the situation and add to the sum that the education service itself plans to use to assist, by using balances to make a one off contribution of a further £250,000.

5 Summary of the position in 2014/15

- 5.1 It can therefore be seen from the above, that the Council's expenditure needs for 2014/15 are £240.30m (an increase of 2.1% not taking into account the transfers into the settlement) and we will be receiving a grant of £174.97m from the Welsh Government (a reduction of 4.4%).
- 5.2 On top of this, **without** any increase in the Council Tax, it is estimated that £53.11m will come from the Council Tax in 2014/15 (an increase of £835,170 from this year).
- 5.3 Members may remember that when we were preparing the 2013/14 budget we were under the impression that the Council Tax Reduction Scheme was to be amended so that everyone would have to pay at least 10% of the Council Tax and we were worried that this would have an adverse effect on how much Council Tax we could collect. We therefore brought the collection rate down from 99% to 97.5%.
- 5.4 However, late in the day, the Welsh Government decided to keep to a scheme that would continue to give a 100% relief to those on low income. As that scheme is to continue in 2014/15 we can increase the collection rate back to 99%. This will turn around the reduction in income implemented in the Council budget for 2013/14.
- 5.5 With expenditure requirements of £240.30m and a total Government Grant and Council Tax income of £228.08 we see that we will therefore be facing a deficit of £12.22m in 2014/15.

6 DEALING WITH THE GAP IN 2014/15

- 6.1 At its meeting on 5 December, the Council agreed with the principle of having a strategy that was based on setting a balanced budget for 2014/15 in order to buy the necessary time to draw up a considered and sensible savings programme to be implemented as soon as possible.

- 6.2 In order to establish a balanced budget, the first step that can be taken is to delete the current provision we have for salary increases higher than 1% which will save £1.61m within the budget. Of course this will increase the risk if the salary increase agreed for 2014/15 turns out to be greater. The Westminster Government has stated its intention to limit salary increases to 1% for an extended period but with the economy showing signs of getting stronger we must ask how long they can continue with this aspiration as the public sector workforce have seen the true value of their salaries falling over a number of years.
- 6.3 If the salaries increase more than the 1% allowed for in the budget, this risk can be managed by dealing with the situation if it arises and depending on balances to carry us over until we can adjust the budget in 2015/16.
- 6.4 However we should be aware that the Council will not then have a contingency budget for 2015/16 and balances will be the only means of protection against any other financial shocks.
- 6.5 The second step that can be taken is to delete the permanent budget we have for the Strategic Plan. This could restrict our ability to complete some elements of the Strategic Plan that require a permanent budget, but once again, if an issue which really needs a permanent budget is such a priority that other services should be cut to pay for it, this can be considered on a case by case basis during the year. This will save £0.87m.
- 6.6 In 2010/11 an element of the Council Tax increase was generated especially to protect us from having to make future savings in our budget, and therefore there is £0.38m in the budget that can be used to meet this gap.
- 6.7 There is also a free resource in the primary schools budget which hasn't yet been delegated, that could be made available to assist with the gap. In view of the fact that the primary sector is already seeing an increase in 2014/15 and the financial gap with which we are faced, it is suggested that we utilise this money which is worth £0.2m for the time being to try and close the gap until such time as the Council has had an opportunity to further consider its policy in this area.
- 6.8 We also have savings plans already being found for 2014/15 and we had originally forecast that this would amount to £6.2m.
- 6.9 The latest analysis shows that there will be problems in achieving one scheme.
- 6.10 **North Wales Procurement Unit Scheme** – A North Wales collaborative scheme which was successful in finding savings (a total of £3.1m) but

unfortunately, as those savings were found in areas where there were fewer opportunities for Gwynedd to take advantage compared with other authorities it will not be possible to deliver £257,910 of the earmarked sum for this scheme.

- 6.11 In addition however, it appears that there is a need to change the completion profile for some of the other schemes as there has been slippage in their delivery. An element of slippage is of course inevitable when finding so many savings. This analysis shows the need to move £450,000 worth of savings in 2014/15 to the following years and therefore, only £5.52m will be available to meet the gap in 2014/15.
- 6.12 This year however, we have delivered savings early to the value of more than £1m before they were required which means that there is a one off "fund" of savings available.
- 6.13 It is noted above that we intend to use £128,750 to fund one off bids and in view of the fact that we will have some savings delivered later, I suggest that we should use a further £450,000 from this fund to meet the gap.
- 6.14 Taking into account all the above therefore we will have met £9.03m of the gap of £12.22m that arises in 2014/15 leaving £3.19m left to be found.

7 THE COUNCIL TAX

- 7.1 In the light of this gap, the key decision required is the exact level of Council Tax to be raised for 2014/15.
- 7.2 In the projections made up to now in our medium term financial strategy, a figure of 3.5% has been assumed.
- 7.3 Of course the key to all of this is to strike an appropriate balance between the need to spend on services for the most vulnerable in our society and the appropriate increase to be levied on the residents of Gwynedd.
- 7.4 3.5% would produce £1.86m of income and this would equate to a Council Tax increase of £37.43 in a Band D property or a little under 72p a week. [The tax raised by the community councils and the Police Authority would of course be additional to this]. A little over 19% of households in Gwynedd receive some element of assistance towards their Council Tax, and 60% of properties in Gwynedd are in bands lower than band D.
- 7.5 Every 0.1% lower than 3.5% would increase the financial gap we would need to find by around £53,110 (and therefore 0.5% lower would

increase the financial gap by £531,150). The figures would be exactly the same for any increase above 3.5%.

- 7.6 The increase in Gwynedd's Council Tax together with the average increase across Wales since 2008/9 is shown below.

Year	Gwynedd	Wales
Total 08-14	24.7%	21.0%
2013/14	3.5%	3.1%
2012/13	3.5%	1.9%
2011/12	3.9%	3.1%
2010/11	3.9%	3.7%
2009/10	3.9%	3.9%
2008/9	3.8%	3.7%

- 7.7 We do not yet know what the average increase across Wales for 2014/15 will be but the latest information I have is that not many authorities will be increasing less than 3% with a substantial number considering an increase near the mid 3% and a number considering an increase higher than 4%.
- 7.8 The information the Director has obtained from conversations with officers from other authorities suggests that the estimated average across Wales will be about 3.9%.
- 7.9 The choice between taxation and retaining services is a difficult one and of course it is a matter for members to weigh up the appropriate balance they consider to be the right one.
- 7.10 In keeping to the projections made last year when establishing the present financial strategy, increasing the Council Tax by 3.5%, would leave a gap of £1.33m. The only way to find this would be by finding more savings.
- 7.11 These savings would not be available on 1st April and therefore we would need to depend on balances to bridge the period until the savings are available.
- 7.12 Meeting the gap entirely from Council Tax would mean an increase of 6% which is obviously above a reasonable threshold.

8 Pay Policy

- 8.1 Consideration is presently being given to the pay of staff on the lowest grades in order to start meeting the calls for those on lower grades to be given a living wage. The Cabinet will receive a report on this issue on

18 February.

- 8.2 The only way to fund this without adding to the savings that we are already facing would be to increase the Council Tax in order to pay for it.
- 8.3 If we intend to adopt such a policy it would be necessary to add 0.4% to the proposed increase specifically to pay for this policy.

9 BALANCES

- 9.1 It is forecast that we will have general balances of about £8m at the end of this financial year, representing about 2.2% gross revenue expenditure.
- 9.2 I have stated on more than one occasion that due to the turbulent financial environment we are facing in years ahead, that it is appropriate to keep sums in reserve in order to deal with any problems that could arise.
- 9.3 Nothing has happened in the meantime to change this opinion. In fact, as noted in paragraph 6.2 above, we will not now have any contingency budget and the risk has therefore increased. As a result, the need to ensure that we have appropriate balances in order to meet any financial shocks is more relevant.
- 9.4 However, in view of the funding gap which we face (even if we increase the Council Tax by 3.5%), and in order to give ourselves to consider where we should find this gap, it is recommended that we use £1.33m of balances until we can find the remaining necessary savings.
- 9.5 In addition to this £1.33m, the recommendation to assist the secondary education sector and pay for one off bids noted in paragraphs 3.13 and 4.15 above will mean that we are using a total of £1.7m from balances (along with £578,750 of the early savings fund) to underpin the 2014/15 budget.
- 9.6 We have a number of earmarked reserves that have been established by the Council to meet specific Council expenditure needs. These are of course part of the Council budget.
- 9.7 In order to ensure that every Council member is aware of them a copy of the relevant pages of the accounts are attached in Appendix 2.
- 9.8 It is of course important to continually review the level of these reserves and as I reported last year, the Head of Finance is conducting a review of these reserves.

- 9.9 The need to undertake the transformation of a number of services (including paying substantial redundancy costs) will certainly mean further one off expenditure requirements. In addition to this members will be aware of the contents of the Commissioners' Report on Governance and Delivery of Public Services published recently which suggests that there is a local government re-organisation on the horizon. This will also create a need to fund one off expenditure when preparing for such re-organisation.
- 9.10 On this basis, the Head of Finance is currently considering, rather than hold the usual review, he is investigating the potential for a reprioritisation within these reserves in order to use any released resources to meet the need for resources to transform and pay for redundancies along with any implications arising as a result of the Commission's report.

10 Capital

- 10.1 Whilst council revenue budgets face constraints, capital budgets are also under pressure.
- 10.2 Last year the Council established a capital programme for three years namely 2013/14; 2014/15 and 2015/16.
- 10.3 In the light of the revenue constraints we face and the fact that our Asset Strategy includes a significant element of prudential borrowing (which places pressures on the revenue budget to pay for the borrowing costs) the Council has decided that a review of the Asset Strategy should be undertaken.
- 10.4 For the time being therefore I recommend that we keep to the schemes set out last year without adding further schemes for 2016/17 in order to wait until the review has been completed.
- 10.5 It is forecast that this will be completed by May and the 2016/17 programme can be added then.
- 10.6 However, there is a need to adjust what was agreed last year in order to reflect some necessary changes that have arisen due to a change in the proposed profile for individual schemes. These are detailed in Appendix 3 which shows the changes required.
- 10.7 We will fund the programme as follows -

Table 3
Funding capital programme 2014/15 - 2015/16

£'000	2014/15	2015/16
Capital Requirements	16,193	17,974
To be funded through		
Capital provision in the settlement	6,630	6,630
School grants	724	5,503
Capital receipts	1,476	930
Contribution from revenue	1,988	2,860
Prudential borrowing	5,375	2,051
Total to be financed	16,193	17,974

10.8 One aspect of the financing proposals is the level of capital expenditure that continues to be funded compared with the specific support provided in the settlement. This shows the benefit of having a long term programme through the asset strategy which allows us to plan a long term programme and trying to maximise the benefit we can obtain from the available resources.

B) FOUR YEAR FINANCIAL STRATEGY 2014/15 - 2017/18

11 Plan to address the financial gap 2014/15 - 2017/18

11.1 For some years, in preparing its budget, Gwynedd Council has been planning ahead to prepare for what might be on the horizon. This has paid dividends, and in fact this is why we can buy a bit of time in order to decide where best to make savings in order to have the least impact on the people of Gwynedd. Not every Council is in a position to do this.

11.2 Gwynedd Council's practices have been used as a good example in a national report on financial planning published recently by the Welsh Audit Office.

11.3 In order to continue on this course, in addition to establishing a budget for 2014/15, an effort has also been made to project the financial situation for the following three years so that we set the 2014/15 position in its wider context and plan how we are going to meet the challenges ahead.

11.4 The strategy for the next 4 years gives a realistic picture of what could lie in store for us. Details of the projections used can be found in Appendix 4.

- 11.5 The grant figure we will receive from the Welsh Government is the most uncertain figure for 2016/17 onwards. Taking this year's experience into account there is also some doubt as to whether we can rely on the figure given for 2015/16. Since the grant represents about 80% of the Council's income, obviously this figure is key to the projections. We know from the Chancellor's statement and the statements made by Welsh Government Ministers that it will not be good news for Local Government in Wales and an attempt has been made to estimate the level of this grant on the basis of the public sector spending figures that are in the official Westminster Government public spending reports.
- 11.6 As we go further into the future there is more uncertainty regarding all the figures and we have therefore divided the strategy into two parts as set out below, with the first two years being more certain and the last two years representing planning targets.
- 11.7 The table below shows the results of the projections made, and notes the savings already planned or being delivered.

Table 4
Financial planning projections for the 4 years 2014/15 - 2017/18

£M	2014/15	2015/16	2016/17	2017/18	Total
Additional spending needs	6.4	7.7	10.2	6.7	31.0
Grant loss (increase)	6.7	4.4	3.5	6.1	20.7
Council Tax (*)	(2.7)	(1.8)	(1.9)	(2.0)	(8.4)
Planned deficit	10.4	10.3	11.8	10.8	43.3
Budgetary adjustments	(3.1)				(3.1)
Current Savings programme	(5.5)	(0.7)	(0.2)		(6.4)
Use of balances and early savings	(1.8)	1.8			-
To be found -	(-)	11.4	11.6	10.8	33.8

(*) based on an average yearly increase of 3.5%

- 11.8 It can be seen that we are projecting a funding gap of around £50m over the period, but with an assumed council tax increase of 3.5% and savings already being found, this will leave around £34m to be found. £14m of this funding gap arises due to the assumptions relating to the Government grant we will receive and is extremely sensitive to that figure.
- 11.9 Whilst there is of course a possibility that this reduction could be less (which would result in the gap being less) there is also a possibility that the reduction could be higher and therefore I think it is realistic for us to use a planned figure of £34m for the period ahead.
- 11.10 The projection also assumes an average increase of 3.5% Council Tax every year. It's a matter for the Council to decide on the Council Tax

increase every year but 3.5% is noted in the above projection in order to show the substantial gap that is left even after such an increase. If the Council wishes to see a higher or lower increase it will obviously affect the the financial gap stated.

11.11 In order to underline the seriousness of a £34m gap we must be alive to the fact that if we protected the whole of the schools budget, this would mean a reduction of 27% in the of every other service within the Council. I would invite members to look at the budget book and to choose any service and consider how they could reduce 27% costs from every other service. It will be a very difficult task.

11.12 Therefore, on the basis that we will need to find about £34m over the next four years, and in order to consider all the implications, we must come to a conclusion on –

- The probable increase in Council Tax for the years ahead. Are we going to keep to our strategy of increasing the Council Tax 3.5% or are we going to increase it further in view of the implications of finding such a large funding gap on our services?
- What element of this gap will we be asking schools to take on? With such a large gap it is unreasonable to consider that we can fully protect schools but we need to consider how much protection can be acheived.
- What amount of further efficiency savings will be able to find and be proactive to reduce demand for Council Services;
- Since any gap left after this will have to come from service cuts – how are we going to decide where these cuts fall.

11.13 What is obvious is that we have to ensure that we have maximised the sums obtained from efficiency savings and demand management activities and falling back on service cuts as a last resort. This is the way forward if we really want to ensure the least effect on the people of Gwynedd.

11.14 As the table below notes, even if we raised the Council Tax to 5% for the next four years, and we expected to get 6% from the schools budget, and assuming that we are able to discover £15m efficiency savings from reduced demand, this would continue to mean finding service cuts worth £9m.

Table 5
Projection of service cuts required in different scenarios

	Conservative efficiency	More ambitious efficiency	Leave all options open CT up to 5% Schools up to 6% Savings from the Commission
Council Tax	-	-	£2.5m
Schools	-	-	£4.3m
The Commission	-	-	£3.0m
Efficiencies	£15m	£20m	£15m
Cuts	£19m	£14m	£9.2m
	£34m	£34m	£34m

11.15 Taking a less optimistic attitude towards the Council Tax, the school budget and efficiency savings, it can be seen that the level of cuts would then increase to £19m which would be very difficult if not impossible to achieve considering the effect that this would have on the people of Gwynedd.

11.16 It is therefore recommended that all the options should be kept open until we see the effect and the implications of the decisions with which we will be faced to achieve savings. Working on any other basis will only place us in a position with which we may not be able to cope. This would mean working within the following framework -

Council Tax Policy	Consider increase in the Council Tax in the 3.5% - 5% range
Schools Budget	Consider setting a target for the schools budget based on what is practical
Commission on Public Service Governance and Delivery	Consider whether there will be any savings arising from reorganisation which we can depend upon and take into account
Efficiency Savings	Maximising the efficiency savings that can be achieved
Service Cuts	Figure remaining

11.17 Obviously whatever the final figures we achieve in the above equation, it will be necessary to try and maximise the sum that comes from efficiency savings and demand management.

11.18 We are currently considering all opportunities that are available to individual services in order to find further efficiency savings/demand

management savings and these figures will be used as a basis for efficiency savings/ demand management targets for the individual services to be approved in April.

- 11.19 Services will then be expected to establish schemes in order to achieve these targets and ensuring that the scrutiny process is part of the approvals process before they are presented to the Council Cabinet during 2014.
- 11.20 In achieving such savings, this will meet an element of the gap (but is unlikely to meet all of it).
- 11.21 As we will have to ensure that we have established our priorities if we are to implement service cuts, we will need an inclusive process to do so which will include all council members and considered engagement with the people of Gwynedd. I am currently discussing this matter with officers with a view to bringing forward a suitable regime in the early spring.
- 11.22 We should be glad that our previous forward planning activity has enabled us to ensure that we are not yet in a position of having to implement service cuts in our core budget – a position which is not necessarily replicated at some other authorities but we must face the fact that we will face an element of this in future, especially if the local government grant continues to reduce..
- 11.23 However, even if we do take advantage of the opportunity to plan carefully, bearing in mind that our priority is to look for efficiency savings ahead of service cuts, and bearing in mind that establishing and implementing such schemes takes more time than implementing service cuts, there is a danger that time will not allow us to deliver the above vision in its entirety.
- 11.24 It will therefore be necessary for the Cabinet to take advantage of any opportunity that arises in the meantime to achieve savings – including any opportunity that arises during the current year.

12 EQUALITY IMPACT ASSESSMENT

- 12.1 The budget outlined above endeavours to continue to achieve appropriate outcomes for all our citizens, but as our grant income is decreasing, and does not even meet inflation costs, we must find savings.
- 12.2 The greatest risk in terms of having a disproportionate effect upon those with protected characteristics is in the area of savings. The Equality and Human Rights Commission have already identified this

risk and have reminded local authorities of their duty to assess the effect of their Financial decisions.

12.3 We will continue to develop our arrangements for assessing the equality impact of our Financial decisions in conjunction with the Equality and Human Rights Commission and other local authorities, by sharing good practice and identifying effective steps which can be taken in future.

12.4 Our aim is to ensure that our financial decisions conform with the requirements of the Equality legislation, namely :-

- Get rid of illegal discrimination, harassment and victimisation and any other conduct prohibited by the Act.
- Promote equality of opportunity between people who share a relevant protected characteristic and those we do not.
- Encourage good relations between those who share a protected characteristic and those we do not.

In making our assessment we will try and identify how to make the best of any opportunity to improve equality in addition to trying to avoid or mitigate any negative effects to the best of our ability.

12.5 In planning our budgets consideration is given to equality on each level, by utilising data and evidence in relation to demography and trends at a strategic level, and in the same way (but more specifically) in coming to decisions on individual savings schemes. Data and evidence has already been collected for our Equality Strategic Plan and we will continue to build upon this information by analysing new data (such as the 2011 Census results), monitoring our services and engagement.

12.6 We have clear processes for finding any savings we may need which includes making a full assessment of savings which could have a detrimental impact in equality terms. We analyse each individual savings scheme noting if we consider that the department needs to conduct an impact assessment when developing the scheme. In accordance with the Equality and Human Rights Commission's request we will produce an annual report on this Process and publish it on our website.

12.7 However the budget does not just try and meet inflation costs, it also tries to ensure that unavoidable financial pressures being placed on services due for example to greater demands being placed upon them due to increasing numbers of clients and so on are recognised in the budgetary decisions.

12.8 Each Service has the right to submit a request for additional funding if it considers that this is required to ensure that the service continues and

these sums can be seen under the “Service Pressures” heading. The sums seen there are also a recognition that we must ensure sufficient funding to ensure that our financial arrangements do not have a detrimental impact on the level of service provided.

- 12.9 Full details are given in Appendix 1 and it can be seen that over £760,000 is going towards social care, and this is in addition to the £858,000 demography provision made to recognise the increased number of elderly clients.

13 Conclusions

- 13.1 This report sets out the factors that should be considered when establishing the budget for 2014/15 and a proposed strategy to cope with the Financial position facing the Council over the next 4 years.

2014/15 Budget

- 13.2 It is proposed that we need to recognise a revenue need to spend of £240.30m which includes a provision of £1.5m for pressures on services and includes provision for implementing a protection scheme for the secondary education sector in order to buy time for us to establish a more permanent solution.
- 13.3 Provision is also made for one off pressures on services of £558,000 by adding £128,750 of savings delivered early to the provision already in the budget along with £132,000 from balances.
- 13.4 After receiving grant of £174.97m from the Welsh Government and with Council Tax income of £53.11m (without any increase) this will leave a financial gap of £12.22m to be found in that year.
- 13.5 This funding gap can be found by a combination of reducing some budgetary headings £3.06m and using £5.52m of savings already being found, along with £0.45m of savings found early to recognise the fact that there has been some slippage in the savings programme, this will reduce the gap to £3.19m.
- 13.6 A 3.5% Council Tax increase is therefore recommended to produce £1.86m and bridging the remainder until we are able to find savings to meet it by using £1.33m from balances.
- 13.7 This will mean setting a net budget of £229,944,210 after using balances and other funds.
- 13.8 An analysis of the budget per service is given in Appendix 5.

- 13.9 It is also recommended that a capital programme of £16.193m should be established for 2014/15 together with £17.974m for 2015/16.

Longer Term Strategy

- 13.10 In relation to the position over the next 4 years, we should find the £34m funding gap projected for the period by keeping all options open (including the possibility of raising the Council tax by more than 3.5% and finding savings from the schools budget) and that we should find the majority of the gap by maximising efficiency savings and demand management we can deliver.
- 13.11 An inclusive system should be established in order to establish efficiency savings plans and prioritisation which needs to be made in order to establish where we should cut services.
- 13.12 In the meantime advantage must be taken of any opportunity to deliver savings even if it means not waiting for the regime in question so as not to lose the opportunity.

Bids to be approved for 2014/15

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Financial Recommendation	
			Permanent (£)	One off (£)			Permanent Recommendation	One off (£)
Social Services, Housing and Leisure Department								
GCTH1	Purchase of new Community Care Management System – a follow-up to RAISE	The contract with CareWorks for a care management system, namely Raise, is ending and a bid is being submitted for capital funding to procure a new system. The revenue bid funds the support required to input data in the new system, namely 1 x Programme Manager for 3 years £148,830; 1 x input support officer for 3 years £88,760; 2 x input support officers+G7 for a year £58,510. A total of 4 temporary posts. An additional contribution of £25k by Gwynedd to the Consortium (WSC) is also included towards project management costs for two years to manage the process.		321,000	Approve	Based on the uncertainty regarding the exact amount of the bid and the timetable, it is recommended to earmark the bid amount in a separate fund in order to fund the application and challenge the exact amount when definite information is available.		321,000
GCTH2	Business Manager and administrative support for the North West Wales Safeguarding Adults Board	The Gwynedd and Anglesey Safeguarding Adults Board includes senior officer representation from partner bodies such as Health and the Police. Much more work is required to stabilise the Board and enable it to provide clear guidance on developments and improvements within the field of safeguarding so that the Board can operate at the same status as the Gwynedd and Anglesey Safeguarding Children Board. Since safeguarding matters are led by local authorities, the work is a joint responsibility with Anglesey County Council according to the agreed formula of 60:40 - Gwynedd's contribution is £36,800 and Anglesey's contribution is £25,740. This is a bid to fund a post and administrative support.		38,600	Meet from within current resources	The Department is asked to secure support within the resources available.		
GCTH3	Transitional Care Packages 18+ Adults Service	A bid to fund the care of 13 young people who are almost 18 years old, or who have just turned 18 years old recently, and who need to have their care transferred to the Adults Service. The Children's Service currently funds their care until they are 18 years old. The aim is to collaborate with Gwynedd's Aftercare Services, the Education Department and the Betsi Cadwaladr University Health Board to plan arrangements to ensure that individuals will not continue to need care for college placements beyond 19 years old, and therefore reduce the need for costly out of county placements.	675,000		Approve	Following a review of packages within the Service, the bid amount has reduced to £270k.	405,000	
GCTH4	Operation Pallial	A temporary arrangement to fund a regional worker to lead on Operation Pallial will last longer than expected. The number of people requiring very intensive support has increased yet again. It is estimated that the cost of Gwynedd's contribution will be £10k.		10,000	Approve	The Department is obliged to fund it.		
GCTH5	Temporary closure of Bangor Swimming Pool	In order to carry out necessary maintenance work which includes disposing of asbestos, the Property Service has stated that Bangor Swimming Pool must be closed for six months to complete the work. The value of the project is £600k and a one-off bid is made for funding to compensate the Service for loss of income during the closure period, namely £40k.		40,000	Approve	Funding is obligatory.		40,000
Total for Social Services			675,000	409,600			405,000	361,000

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Permanent Recommendation	One off (£)
			Permanent (£)	One off (£)				
Strategic Safeguarding Panel								
PG1	Monitor the quality of safeguarding on a corporate level	The Strategic Safeguarding Panel was established in Gwynedd to ensure corporate ownership of the safeguarding agenda as a whole within the Council. Corporate safeguarding policy and guidance have now been produced and every department/service have produced their own policy/guidance. It was noted in the Panel's Action Plan that "there is a need to ensure an (independent) annual audit of the quality of procedures across the Council's departments and services by sampling safeguarding operational procedures" and reporting on the findings to the Strategic Panel with recommendations for further action. Additionally, as a result of the Winterbourne review (learning disability services specifically but it is relevant to other fields), the Action Plan notes that an independent expert must be employed "to ensure there are robust arrangements and procedures in place" for safeguarding adults "with a clear action plan". The amount includes a bid from the Education Department for £7,500.	22,500		Alternative funding method	Invoice departments for the work.		
PG2	Strategic Safeguarding Panel - Monitor the Quality of Residential Provision for children placed in Gwynedd	Again, in the Strategic Safeguarding Panel's action plan, it notes "the need to monitor the quality of the residential provision by external agencies / bodies / private agencies for children with additional needs or looked after children. These are residential provisions for children placed by another local authority, but Gwynedd has a responsibility to monitor their quality. The capacity to achieve this work is not currently available.	40,000		Refuse	The Business Unit is reprioritising work to address this requirement.		
PG3	Raise awareness of safeguarding policies and guidelines	In order to ensure corporate ownership of the safeguarding agenda as a whole, it is noted in the Strategic Safeguarding Panel's action plan that there is a need to raise awareness amongst staff, members and those working on behalf of the Council about the policies and guidelines. It was agreed that this should be done by producing relevant materials and arranging sessions for raising awareness.		10,000	Alternative Funding Method	Invoice departments for the work.		
Total for Strategic Safeguarding Panel			62,500	10,000				
Human Resources Department								
AD1	An Occupational Health Provision and a Health Surveillance Programme for Council staff	Since July 2009, the Occupational Health Unit has been employing an Occupational Health officer to carry out duties such as conducting basic health checks, implementing the health and well-being promotion programme, processing requests for retiring on the grounds of ill health and conducting basic consultations with staff. Recently, the Unit has been providing statutory health surveillance for specific cohorts amongst the Council's staff. This is a bid for funding to retain the post. In the past, this post was funded from reserves.	32,000		Alternative Funding Method	To be funded by the Department for a year and a request for the Department to prepare a business plan in the meantime.		
Total for Human Resources			32,000					
Regulatory Department								
Rh1	Grant cuts by the Government for Public Transport	Significant risk has been highlighted arising from the cut to the LTSG grant and from the system used by the Government to allocate subsidies to transport services. There has been a 25% cut for the year 2013-2014. There is potential for a further cut in 2014-2015 which will equate to an additional £224,000. LTSG Grant Deficit 2012/2013 = £62,350 LTSG Grant Deficit 2013/2014 = £152,961 Less BSOG grant = (£249,800) BSOG Commitments = £156,000 Estimated LTSG Grant Deficit 2014/2015 (a reduction of 25%) = £102,046 Net Deficit = £223,557 There has also been a cut to the fuel allowance for contractors which has affected the subsidy prices of some services. Further cuts in the grant received from the Government in 2015/16 and 2016/17 is a strong possibility but we cannot yet project the likely impact.	223,000		Refuse	The recommendation is based on the fact that a grant cut by the Government is what has led to this bid.		

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Permanent Recommendation	
			Permanent (£)	One off (£)			Permanent Recommendation	One off (£)
Rh2	Bus Service	There are changes worth £101,000 to current public transport journeys. There is an additional cost of £93,000 to the service following the rationalisation of area journeys, operational from 1 January 2014. £70,000 for three journeys that have not been awarded and the department is looking at many options, including abolishing the journeys completely.	264,000		Temporary funding	The recommendation is based on the fact that a grant cut for bus companies by the Government is what has led to this bid.		132,000
Total for Regulatory Department			487,000					132,000
Strategic and Improvement Department								
SG2	The performance management system for the whole Council is ending in June 2014.	Gwynedd Council is using the Ffynnon software system, which is provided and funded nationally, to manage performance. However, the agreement will expire at the end of June 2014 and the timetable for introducing the new national system, 'Pan', is slipping. Gwynedd makes considerable use of Ffynnon, therefore the risk to business continuity is high. There are a number of options under consideration, and one of those is to seek an agreement with Coactivia to extend the support for Ffynnon for a year. The bid would fund the extension but it is difficult to estimate the exact cost at present.		40,000	Alternative Funding Method	To be funded by the Department.		
Total for Strategic and Improvement				40,000				
Dept. Economy and Community								
Ec11	The Urdd Eisteddfod 2014	Gwynedd Council will be expected to ensure a presence on the Urdd Eisteddfod ground in Bala in 2014 and support activities. The E&C Department will try and target a number of grants and make use of sponsorship funding and funding programmes that are available to hold activities and competitions. But because the European funding period is ending in 2014, it is anticipated that there will be less grant money available for Bala. It is estimated that a budget will be needed for the cost of hiring a tent, transporting equipment and a contribution towards events.		25,000	Approve	Recommended to fund in accordance with the Council's priorities.		25,000
Total for Economy and Community Department				25,000				25,000
Finance Department								
C1	Ensure the continuity of the core service that administers benefits, as a result of a grant reduction and a transfer to the settlement	Benefits administration is funded directly by the DWP through the "Admin Subsidy" grant. £179,360 of it will transfer to the settlement by 2014/15. Also, there is a cut in the residual "Admin Subsidy", worth £130,307 namely £84,597 in 2014/15 and £45,710 in 2013/14.	130,310		Partly Fund temporarily	The Department will receive £179,000 as part of the transfer to the settlement, it is therefore recommended to fund the bid partially, namely £65,000 , as one-off bridging finance based on the lack of clarity regarding future arrangements in this field. However, the Department must fund £25k of the bid.		40,000
Total for Finance Department			130,310					40,000

Reference	Reason for the bid	Outline of the Matter	Finance		Category recommended	Recommendations/Observations	Permanent Recommendation	
			Permanent (£)	One off (£)			Permanent Recommendation	One off (£)
Highways and Municipal Department								
PB1	Waste	<p>(a) £205,000 – a reduction in the Sustainable Waste Management grant (£105k deficit 2013-14 & £100k estimated 2014-15)</p> <p>(b) £85,750 – further increase in landfill costs (have already obtained £222k through the budget process) because of a delay in the collection arrangement until October 2014</p> <p>(c) (£42,800) – savings of £31,490 with green waste and £11,310 IVC Penhesgyn</p> <p>(ch) £167,560 – a new category in 2013-14, namely dealing with sweepings that are treated through the "silt buster" procedure @ £50.50/t. It would go to landfill @ £80/t as well as disposal costs otherwise.</p> <p>(d) £93,260 – costs of dealing with timber. The department originally burnt the timber. Around £80k a year could be saved by returning to burning but it will affect the recycling targets as it would not be included in these.</p> <p>(dd) £49,140 – the costs of dealing with mattresses - £19k and carpets - £30,140 have increased because of the amount of tonnage.</p> <p>(e) £148,000 – part of the strategy, namely an increase in the food tonnage that is sent to GwyrAD £137,760 and way-leave - £10,240</p>	705,910		Approve	This bid is unavoidable to fund but the exact amount is dependent on the result of the waste review that is underway.	705,910	
PB2	Disposal Sites	<p>An increase is anticipated in the aftercare costs of Cilgwyn 2014-15 after capping the site. £40k will be required for the effluent treatment work together with the electricity to operate it.</p> <p>Also, a significant reduction was seen in the income generated from the site (royalties). The site could change following the capping but there is currently a deficit of £90k.</p> <p>It is anticipated that the effluent from Llwyn Isaf will be higher than the estimated £15k.</p>	145,000		Approve	This bid is unavoidable to fund but the exact amount is dependent on the result of the waste review that is underway.	145,000	
Total for Highways and Municipal			850,910				850,910	
Education Department								
Add 1	Taxis Overspend - £156,310.70 as a result of an increase in numbers. £58,400 overspend in the buses budget, again because of the numbers but re-tendering as well.	Taxis - anticipate an overspend on the current budget 2014/15 of £167,110.70	214,710		Approve	This bid is unavoidable to fund and it has already been agreed to hold a review of the Unit.	214,710	
Total for Education			214,710					
TOTAL			2,452,430	484,600			1,470,620	558,000

Additional Capital Bids

Reference	Reason for the bid	Outline of the Matter			Recommendations/Observations	Amount recommended
			Bid Amount	Category recommended		
Social Services, Housing and Leisure Department						
GC1	Purchase of new Community Care Management System – a follow-up to RAISE	The agreement for the RAISE system with CareWorks is ending in April 2016 and there is a need to invest in a new system. The bid includes the software licences, interface, data migration, training and project management costs of the supplier, and consulting on the new system following the tendering process. Since this process is underway, this is only an estimate of the actual costs.	572,500	Approve	It is recommended to earmark the amount in a separate fund in order to fund the bid when definite information is available.	572,500
Total			572,500			572,500
Human Resources Department						
AD1	A rolling programme of safety improvements inside school sites	This rolling programme was established to meet the requirements of a statutory notice by the HSE in 2004 to improve the traffic situation within the county's schools. For 2014/15 a programme of essential work worth £50k was identified within the boundaries of one school. The rest of the project is looking at options of increasing parking spaces in front of the school which will probably lead to further bids of £250k. A feasibility study at another school has identified the need to undertake work on the site in order to increase safety standards with respect to transport on the school grounds, which includes designating an area for car parking at the rear of the building. A bid for £40k is submitted for this. A bid of £20k is submitted for general work and for monitoring and maintaining the transport work programme at Gwynedd's schools.	110,000	Partly Approve	Recommend approving funds for essential work in one school, £50k. But request a specific report from the Head of Human Resources Department reviewing the risks and the relative expenditure in this field.	50,000
Total for Human Resources			110,000			50,000
Economy and Community Department						
Ec1	Cist Gwynedd	Gwynedd Council has been supporting the voluntary sector through this fund since 1996. The Welsh Office SDF used to be the original source of funding, but since 2001/02 the money has become part of the settlement. The annual budget is a total of £250,000, split into £110,000 revenue and £140,000 capital. The budget is managed under the successful brand of Cist Gwynedd. Cist Gwynedd includes a package of grants to support community and voluntary activities. The Voluntary Development Fund is funding specifically towards supporting capital projects by community and voluntary organisations and initiatives, which operate to serve the communities and residents of Gwynedd only.	140,000	Partly Approve	Recommend an amount of £70,000 with the Service's agreement.	70,000
Total for Economy and Community			140,000			70,000
TOTAL			822,500			692,500

Extract from the Final Accounts – Earmarked Reserves

The note below highlights the sums set aside from the General Fund in earmarked reserves in order to provide finance for liabilities which will be spent in future.

2012/13	Balance
	31
	March
	2013
	£'000
Renewals Reserves	1,716
Capital Reserves	14,286
Insurance Reserves	3,444
Services Fund	5,086
Objective 1 Fund	0
Convergence Programme Fund	1,602
Development Reserve	212
Redundancy Costs to Realise Savings Reserve	1,935
Central Training	336
Communication Centre Reserve	278
Schools Service Reserves	1,204
Economy and Community Reserves	113
Highways and Municipal Reserves	1,786
Waste Developments Reserve	426
Gwynedd Consultancy Reserves	290
Regulatory Reserves	791
Major Maintenance Work on County Roads Fund	0
Care - Other Reserves	127
Business Process Transformation Fund	244
Invest to Save Fund	1,497
Invest to Save Fund - Carbon Reduction Plan	1,521
Transforming Fund	7,105
Committed Revenue Grants Fund	168
Capital Reserve to Realise Savings	209
Contracts Tendering Fund	403
Housing Water and Sewerage Services Fund	1,337
Housing Environmental Warranty	480
Savings Programme Reserve	932
Information Technology Reserve	373
Restoration Fund	500
Preparatory Work for European Grant Funding Schemes	150
Various Other Reserves	1,343
Total	49,894

- (i) The Renewals Reserve is used by the Provider and Leisure Services, Highways and Municipal, Economy and Community and the Print Room to replace vehicles and equipment as required.
- (ii) The Capital Reserve represents resources already committed to finance part of the Council's Capital Programme.
- (iii) Gwynedd Council does not insure all risks with external insurers but instead it has established an internal reserve to meet those uninsured risks. The balance on the Insurance Reserve also includes an element relating to the relevant insurance requirements of the former Gwynedd County Council (pre 1996).
- (iv) The Services Fund represents the element of slippages and underspend that service departments have the right to carry forward for use in the subsequent financial year, other relevant specific budgets and one-off budgets that extend over more than one year.
- (v) Objective 1 - Fund was created for additional capital or revenue costs which arise from the requirements to develop plans for Objective 1.
- (vi) Convergence Programme Fund – amounts reserved for the Councils' proportional contribution in relation to capital and revenue plans under the Convergence Programme.
- (vii) The Development Reserve relates to specific projects already determined by the Council such as Affordable Housing and E-Government.
- (viii) Redundancy Costs to Realise Savings Reserve – provision for financing redundancy costs to realise budgetary savings.
- (ix) Central Training – relates to the management training development programme.
- (x) Communication Centre Reserve – sums set aside towards developing the Communication Centre.
- (xi) Schools Service Reserves – includes sums set aside to respond to related financial problems with 'Integration' requirements, changeable demands in 'Out of County – Special Educational Needs', 'Supporting Schools' and the 'Schools Loans Scheme'.
- (xii) The Economy and Community Reserves include a number of balances relating to schemes operating on a partnership basis mainly, where the scheme balances must be accounted for separately.
- (xiii) The Highways and Municipal Reserves include mostly sums set aside to protect situations of uneven expenditure – 'equalisation accounts' – and likely requirements from contracts.
- (xiv) The Waste Development Reserve is for relevant commitments and developments in the waste field including our commitment to the North Wales Waste Partnership.
- (xv) Gwynedd Consultancy Reserves – includes amounts set aside to protect against situations of uneven expenditure due to coastal protection works and possible employment requirements resulting from changes in the Consultancy Service's work programme.
- (xvi) Regulatory Reserves – include a number of balances relating to schemes operating mainly on a partnership basis, and where the scheme balances must be accounted

for separately, together with specific requirements relating to the Unitary Development Plan.

- (xvii) Major Maintenance Work on County Roads Fund – to support the cost of large maintenance work on county roads.
- (xviii) Other Care Reserves – includes amounts set aside to protect against possible situations of uneven expenditure due to contract requirements.
- (xix) Business Process Transformation Fund – A one-off fund to aid the business transformation process to realise savings for the Council.
- (xx) Invest to Save Fund – Provision for the investment in various plans to realise permanent financial savings, and further includes the requirements and resources of the Improving the Council Fund.
- (xxi) Invest to Save Fund – Carbon Reduction Plan – Partly funding the Carbon Reduction Plan programme of works to reduce carbon emissions whilst generating monetary revenue savings.
- (xxii) Transforming Fund – Provision for the change in the Council’s internal procedures to be more effective and more efficient.
- (xxiii) Committed Revenue Grants Fund – includes revenue grants received and committed for future use.
- (xxiv) Capital Reserve to realise savings – Provision to support capital plans that will realise permanent financial revenue savings.
- (xxv) Contracts Tendering Fund – in response to uneven spending situations as a result of the tendering process for transport contracts.
- (xxvi) Housing Water and Sewerage Services Fund – amounts reserved for requirements relating to sewerage procedures, water piping and sewage treatment work on old Council Housing Estates, which were not adopted by Welsh Water.
- (xxvii) Housing Environmental Warranty – reserved for possible implications as a result of giving environmental warranties to Cartrefi Cymunedol Gwynedd, in connection with specific and special circumstances that relate to environmental plans on the land of old Council Housing Estates.
- (xxviii) Savings Programme Reserve – strategic financing provision to assist and give the Council some flexibility with regards to the essential savings programme in the future.
- (xxix) Information Technology Reserve – renewals fund in order to respond to future uneven expenditure patterns.
- (xxx) Restoration Fund – provision towards the cost of the restoration work following the flood damage in November 2012, to roads, bridges, etc.
- (xxxi) Preparatory Work for European Grant Funding Schemes – provision towards the cost of preparing business cases to attract European funding sources and grants.
- (xxxii) Various Other Reserves – includes amounts set aside to meet a variety of other commitments.

CAPITAL PROGRAMME FOR 2014/15 - 2016/17

£'000	2014/15	2015/16
Buildings Repairs & Maintenance (dealing with the backlog and avoiding future deterioration)	4,501	2,096
Fire and Asbestos work	626	
Schools organisation	2,738	11,229
Replacing temporary classrooms which have come to the end of their life.		1,058
Road Maintenance (Borrowing Scheme)	3,780	
Street Lighting	50	50
Safety Fences on roads	14	134
Dealing with flooding on roads	100	100
Plying Fields	35	35
Waste Strategy	430	-
Vehicle renewals	186	407
Transport feasibility schemes	100	100
Cycle routes	20	20
Information technology renewals	592	501
Electronic Documents and Records system	328	244
Housing Grants	2,000	2000
To be distributed	693	-
Total	16,193	17,974
Compared to previous total	15,748	20,346

1. Schools Organisation figure has changed as a result of re-profiling the schemes - no change in the overall total for the schemes.
2. Replacing temporary classrooms figure changed due to being able to undertake the work at a lower cost.
3. Roads Maintenance figure reflects the amount which the Government grant allows us to borrow.
4. Waste Strategy figure reduced due to the business case to change the way we dispose of waste, obviating the need to construct new cells at Ffridd Rasus.
5. The "to be distributed" figure reflects the capital bids approved in Appendix 1.

4 year assumptions 2014/15 - 2017/18

£m	2015/16	2016/17	2017/18	Total
Additions to the budget				
Pay inflation	3.1	3.3	3.3	Based on 2% p.a. from 15/16
Other inflation	1.5	1.5	1.5	Calculation based on CPI predictions and its effect on Council inflation
Payroll costs	0.3	0.3	0.3	Previous experience
Precepts	0.2	0.2	0.2	Best estimate
Borrowing costs	0.1	(0.3)	-	Specific calculation
Interest	-	(0.1)	(0.1)	Best estimate
Demography	0.4	0.3	0.3	Specific calculation
Pressures on services	2.1	5.0	1.2	£1m a year for general pressures + known significant other pressures
Total additions	7.7	10.2	6.7	
Government Grant reductions	4.4	3.5	6.1	-2.5% in 15/16; -2% in 16/17 a -3.5% in 17/18
Total gap after grant	12.1	13.7	12.8	

APPENDIX 5

Proposed budgets by service 2014/15

2014/15 Budget											
	Base Budget	Inflation\	Precepts	Council Tax	Interest	Demography	Transfers	Presures	Savings	Base	
	2013/14		Increments	Reduction	and	Income and	into the	on		Budget	
	£'000	£'000	and Pensions	Scheme	borrowing	Miscellaneous	settlement	Services	£'000	2014/15	£'000
DEPARTMENTS											
Corporate Management Team	793	10	(11)	0	0	164	0	0	(3)	953	
Strategic and Improvement	4,364	52	14	0	0	14	0	0	(13)	4,431	
Finance	3,813	68	(5)	0	0	(5)	179	40	(46)	4,044	
Democracy and Legal	1,594	31	7	0	0	12	0	0	(9)	1,635	
Customer Care	7,329	120	(1)	0	0	26	0	0	(100)	7,374	
Human Resources	2,934	38	4	0	0	(26)	0	0	(43)	2,907	
Trunk Roads Agency	(87)	0	0	0	0	0	0	0	0	(87)	
Highways and Municipal	21,941	697	162	0	0	(60)	17	769	(227)	23,299	
Regulatory (Planning, Transport and PP)	6,895	142	8	0	0	(60)	0	(64)	(198)	6,723	
Gwynedd Consultancy	(63)	8	1	0	0	156	0	0	(24)	78	
Central Education	13,683	106	29	0	0	(25)	0	215	(509)	13,499	
Schools Budget	70,255	118	(93)	0	0	(464)	0	278	(245)	69,849	
Economy and Community	3,523	(4)	7	0	0	171	0	25	(216)	3,506	
Social Services	55,443	710	(1)	0	0	836	0	640	(995)	56,633	
Housing	1,543	25	2	0	0	(10)	0	0	(7)	1,553	
Leisure and Provider	1,898	158	47	0	0	19	0	(33)	(215)	1,874	
Total Departments	195,858	2,279	170	0	0	748	196	1,870	(2,850)	198,271	
Corporate and Capital items	37,569	463	(21)	203	(168)	(202)	1,218	140	(5,731)	33,471	
GROSS TOTAL =	233,427	2,742	149	203	(168)	546	1,414	2,010	(8,581)	231,742	
		0	0		0	0				0	
Balances and specific reserves	485	0	0	0	0	0	0	(129)	(450)	(94)	
NET TOTAL =	233,912	2,742	149	203	(168)	546	1,414	1,881	(9,031)	231,648	