

**2015/16 BUDGET and
2015/16 – 2017/18 FINANCIAL STRATEGY**

1 BACKGROUND

- 1.1 This detailed report notes the factors that influence the revenue budget proposed for 2015/16.
- 1.2 In addition, it updates the medium term financial strategy established last year for the period up to 2017/18 in the face of the continuing difficult financial climate.

2 WELSH GOVERNMENT GRANT

- 2.1 The Welsh Government has announced the final settlement for 2015/16, but without providing any indicative figures for the following year. The details are noted below in Table 1.

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

	Total Welsh Authorities	Gwynedd Council
*2014/15 Government Grant	£4,270,160,526	£175,270,718
2015/16 Government Grant	£4,124,709,257	£168,311,989
Reduction £	£145,451,269	£6,958,729
Reduction %	3.4%	4.0%

(the figure was adjusted to take into account the transfers into the settlement)*

- 2.2 It can be seen from the above table that Gwynedd Council faces losing nearly £7m grant next year which is a reduction of 4%, with the average reduction across Wales being 3.4%.
- 2.3 One of the reasons for the higher than average reduction is that the factors feeding the allocation formula have continued to go against us (reduction in the number of pupils, number of income support claimants under 65 years of age, etc).

3 COUNCIL REVENUE EXPENDITURE - 2015/16

- 3.1 Table 2 below shows the increase in the expenditure required in order to “stand still” in 2015/16.

Table 2
2014/15 Budget

	£'000
Base Budget 2014/15	231,620
Salary Inflation	1,957
Other Inflation	844
Precepts	(31)
Increments	39
Pensions	166
Teachers Pensions	521
Interest on Balances	(183)
Borrowing Costs	(67)
Demography	294
Miscellaneous	163
Income budget adjustments	232
Transfers into settlement	313
Pressures on services	876
Total requirement	<u>236,820</u>

- 3.2 **Base Budget 2014/15** – Although £232m is the net 2014/15 expenditure figure, it is important to note that the Council’s true expenditure is £370m as we receive a multitude of grants worth £87m and raise nearly £51m for services which we provide.
- 3.3 **Salary Inflation** – This year, contrary to the practice, the figure (an increase of 1%) which will be required for 2015/16 salary inflation is already known to us.
- 3.4 **Other inflation** – This figure represents a provision for general inflation of 1.25% but making specific provision where the inflation rate is likely to be different (e.g. a negative percentage to reflect the drop in fuel price). These inflation figures are significantly lower than what was added in previous years, because the increase in some inflation figures this year was less than what was forecast when preparing the budget, which means that less provision is required for 2015/16.
- 3.5 **Increments** – The increments figure is the increase that results from giving staff salary increments, net of staff turnover.
- 3.6 **Pensions** - Following the 2013 Pension Fund valuation, the Fund’s Actuary has noted that there is no need to increase contributions for 2015/16. However, the nature of the Local Government Pension Scheme changed which means that it will be necessary to provide for more employer contributions.
- 3.7 **Teachers Pensions** – The Westminster Government has announced that a significant and unavoidable increase in the level of employer pension contributions for teachers (into the national teachers’ pension scheme, separate from other staff). From September 2015 the employers contribution will rise from 14.1% to 16.4%.

- 3.8 **Interest on Balances** – By now, we expect marginal increases in interest rates, but they continue to be extremely flat, and rather than borrowing externally, we use more internal borrowing which reduces the amounts available to invest. Nevertheless, we will be receiving slightly more interest in 2015/16, and this can be reflected in the budget.
- 3.9 **Borrowing costs** – We will be paying slightly less in borrowing costs next year by not taking out new loans and internal borrowing.
- 3.10 **Demography** – By 2015/16, we acknowledge the increasing number of elderly clients we would expect to provide for, as a result of the ageing population, and the relevant increased demand for care. £460,000 will have to be added to the Adults Service’s budget to recognise the increase in numbers.

Against this increase, a decrease in the number of pupils in our secondary schools is forecast which results in a budgetary reduction in that sector, together with a reduction also in cases in the Childrens’ Service. This reduces the total net demography figure to £294,000.

- 3.11 **Miscellaneous** – The figure shown here is a collection of minor items which need to be adjusted in the different budgets, including the number of school days in the financial year, an increase in the number of elected members who choose to be a part of the pension fund, and a raft of other minor items.
- 3.12 **Adjustments to Income Budgets** – Income budgets are reviewed annually to assess trends, and it is now necessary to adjust the income budget for Gwynedd Consultancy to reflect the fact that the income attracted has decreased, due to a shortage of capital projects in the current economic climate. Also, the Economy Department’s target income needs to be reduced, following the disposal of a number of industrial units, together with reduced income in the Country Parks, and Human Resources because of the failure of the Printroom to reach income targets. The allocation for the Printroom is conditional on an assessment of the revised business case. However, a positive effect can be seen on some other income budgets to be set against this (Home Care, after raising the statutory maximum for client contributions from £55 to £60 per week, and also Planning fees). The effect on specific budgets can be seen below, figures in brackets show an increase in income and figures without brackets show a decrease –

➤ Gwynedd Consultancy:	£175,000
➤ Economy – Industrial Units, etc:	£82,000
➤ Human Resources – Printroom:	£80,000
➤ Adults – Home Care:	[£75,000]
➤ Regulatory – Development Management:	[£30,000]

- 3.13 **Transfers to the settlement** – As stated above, a number of grants for many functions are being transferred in and out of the local government settlement this year, as follows -

- **Integrated Family Support Service: £144,090**
A scheme to provide support for families where there is drugs / alcohol misuse by the parents. The present service is financed by a specific grant and is being run by Anglesey for Gwynedd / Anglesey jointly, there is agreement that it will be financed according to the amount which comes in the settlement. Therefore, the £144,090 is required in the budget in order to pay the same amount to Anglesey.

- **Autistic Spectrum Disorder: £40,000**
This has been a specific grant which in the past has been used to fund support and preventative activities and schemes, specialised resources in the field, post-diagnostic support, and further training for frontline staff.
- **Student Finance Wales: (£45,000)**
Responsibility for processing and administering student finance applications transferring from local authorities to Student Finance Wales (Welsh Government and Student Loans Company joint service). Although £106,800 is transferring out of the settlement, Gwynedd Council's expenditure on the service is nowhere near that amount, only £45,000. Although it is contrary to the "clean" way of subtracting (or adding) the exact sums in the settlement and dealing with any residue through bids (or cuts), an exception is made here as the entire function is transferring out and there will not be a budget left over to remove the rest of it.
- **Feed Safety Controls: (£20,550)**
The Food Standards Agency has conducted a review of enforcement of legislation pertaining to Animal Feed, and specifically, the use of funds transferred to local authorities in the settlement for this over the years (at different times between 2001/02 and 2007/08). As a result of this review, it was decided to take a portion of the money back. It's possible that this funding will be re-allocated in the form of a specific grant in future (but on a regional basis, rather than to individual authorities).
- **National Registration Service: (£10,250)**
The Welsh Government is withdrawing funding from the settlement in order to finance the establishment of the new National Adoption Service, which will be paid through the WLGA as a specific body. Therefore, the Adoption budget in the Children and Supporting Families Department will have to be cut.
- **21st Century Schools Borrowing Plan: £211,920**
On top of these transfers the Welsh Government states that there is £211,920 in the settlement to pay for the schools improvements (21st Century) borrowing plan. Although this is not actually a transfer to the settlement in the true sense of the word, it is a budget we must spend for specific purposes, therefore I have included it under this heading.

3.14 Pressure on Services

It is recommended to approve applications ("bids") worth £876,000 by the Council's Departments for additional funds to meet the unavoidable pressures on their services.

Every department 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 by the Corporate Management Team before being recommended and approved by the Cabinet. The total this year is significantly lower than what we have seen in the past.

Also in Appendix 1, it is mentioned that one-off "bids" worth £373,000 need to be approved in order to ensure continuation of service. This can be funded by allocating all of the contingency budget set aside for this purpose.

3.15 **Pay Policy**

Consideration is currently being given (see another report on the agenda of the Council meeting) to the pay of Council staff who are on the lowest grade, in order to continue addressing the call for a living wage to be given to the ones on those grades. This was reported to the Cabinet on 19 February, and a recommendation is before the Council.

If it is intended to act upon this recommendation, provision for this will have been set aside by using an element of the Council's senior management savings, in order to pay for this without increasing the Council Tax.

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% 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 year, this rule means that there is a need to ensure that schools receive an increase of +0.6%. 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 Welsh Government has prescribed a funding "promise" which ensures that schools will receive an increase in their budget which is 1% greater than what the Welsh Government itself has received (i.e. schools budgets to increase 0.6% in 2015/16). What complicates things is that schools will receive an increase of £521,000 for higher pension contributions for teachers, which will contribute towards the 0.6% increase, together with inflation of £532,000 which will, amongst other matters, such as a revenue contribution of £446,000 towards the costs of building 21st Century schools, more than satisfy the "promise".
- 4.5 By operating in the same way as many other authorities have done in 2014/15, it would be possible to secure £952,000 of savings from the schools budget and keep within the limits of the "promise".

4.6 Bear in mind also that the schools' budget will face the usual adjustments that arise from changes in pupil numbers, with some schools benefiting and others losing out, together with a reduction in grants given direct to schools by the Welsh Government, and pressure because of an increase in pupils with additional learning needs. I note that the Secondary sector will suffer reductions in the post 16 grant and the 14-19 network grant, as well as a reduction in allocation derived from pupil numbers (demography).

4.7 Regarding the Financial Strategy and schools' savings targets, the 07/10/2014 Cabinet resolved:

"To set a savings target of £4.3m for schools to be delivered over the next three years, and that the Cabinet Member for Education be requested to lead a joint piece of work with the Schools Finance Forum to develop the schemes to be implemented in order to deliver this target."

A working group, including school heads and governors, proceeded to deliver this work, with the Cabinet Member for Education and the Cabinet Member for Resources encouraging them to demonstrate how best to find £4.3m over 2015/16 – 2017/18 with the lowest impact on pupils' educational achievement.

4.8 The Working Group's discussions have reached a conclusion to cut the budget from September 2015 (school year), and to harvest more sustainable savings from reorganisation, but later in the 2015/16 - 2017/18 period.

4.9 I append below an outline of the Working Group and the Schools Budget Forum's conclusions for 2015/16, and a possible distribution of the £4.3m over the three years, which is to be discussed again.

Schools' Devolved Budgets: the Working Group / Forum's suggestions	Financial Year Saving 2015/16 £	Total 2015/16 – 2018/19 £
Primary Schools		
Energy	200,000	200,000
Reorganisation – schemes in progress 2018/19	0	345,000
Reorganisation – further possible schemes	0	198,000
School Meals – increasing meal price from £2.05 to £2.30 (including 10 pence towards inflation) September 2015 £2.20, September 2016 £2.30	40,833	105,000
Cleaning – savings target 6%	15,167	52,000
Weakening the pupil : teacher ratio on the basis of "Model B"	60,131	1,684,032
Secondary Schools		
Energy	150,000	150,000
Reorganisation – possible schemes	0	0
School Meals	36,458	94,000
Cleaning – savings target 6%	14,000	48,000
Weakening the pupil : teacher ratio on the basis of "Model B"	25,771	721,728
Special Schools		
Free Breakfast Scheme (Primary)	29,167	50,000
Alternative Curriculum (Secondary)	82,968	142,230
KS3 Raising Standards (Secondary)	112,163	192,280
KS2 Large Class Size Fund (Primary)	185,343	317,730
TOTAL	952,000	4,300,000

- 4.10 Regarding the savings element to come from schools' teaching staff allocation ("weakening the pupil:teacher ratio") over 2015/16 - 2017/18:
- primary school headteachers favoured "Model A" which would reduce the primary sector's teaching staff allocation by £1,406,480 (with a split of approximately 1:1 between the sectors), while
 - secondary school headteachers favoured "Model C" which would reduce the secondary sector's teaching staff allocation by £458,020 (with a split of about 4:1 between the primary and secondary sectors, respectively).
- Both sectors expressed concern about the educational impact of any reduction above these levels.
- 4.11 There was no final agreement between the sectors on any "Model" (A, B, or C, as presented) in respect of the teaching staff element in the medium term (2016/17 - 2017/18), and the total of "Model A" for the primary sector and "Model C" for the secondary sector would leave the Working Group £541,260 short of the £4.3m schools savings target. Therefore, it was agreed that the Working Group should continue to review education services and schools' organisation in order to find the balance of the savings target, and the Cabinet has asked them to continue to consider and recommend the best way to achieve the full £4.3m.
- 4.12 For 2015/16, it was noted that if schools' savings could be limited to the £952,000 mentioned above, there was an agreement in the Schools' Budget Forum for the Cabinet to exercise discretion, for now, on the basis of a compromise within the maxima in 4.10 above. It was decided to act according with "Model B" (which splits the teaching staff savings approximately 2.3:1 between the sectors) in 2015/16. This will reduce the primary sector's teaching staff allocation by £60,131, and reduce the secondary sector's teaching staff allocation by £25,771.
- 4.13 The £60,131 in the Primary sector will weaken the pupil : teacher ratio from the current 20.58:1 to 20.63:1, and the effect on individual schools budgets in the range of between no reduction and £2,300.
- 4.14 The £25,771 in the Secondary sector will weaken the average pupil : teacher ratio from the current 15.99:1 to 16.01:1, and the effect on individual schools budgets in the range of between no reduction and £4,200.

5 SUMMARY OF THE POSITION IN 2015/16

- 5.1 It can therefore be seen from the above, that the Council's expenditure needs for 2015/16 are £236.82m (an increase of 2.1%) and we will be receiving a grant of £168.31m from the Welsh Government (a reduction of 4%).
- 5.2 Since our assumptions for 2015/16 in February 2014, our figures have been modified for the Welsh Governments unfavourable settlement (£2.7m), which is counterbalanced by a lower level of inflation (£1.6m) mainly, and other factors (£1.1m net).
- 5.3 With an increase of 4.5%, it is expected that the income from Council Tax will be £57.86m, therefore we are facing a deficit of £10.65m in 2015/16.

6 DEALING WITH THE GAP IN 2015/16

- 6.1 In its medium-term strategy, the Council has established 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 The 2014/15 budget included one-off use of £1.7m of the Council's general balances in order to bridge and make time to prioritise inclusively.
- 6.3 Since then, there has been satisfactory progress with the efficiency savings programme, which means that it is possible to call upon £6.5m of savings which are already in progress in order to meet the financial gap.
- 6.4 The Strategic Review of Highways also presents an opportunity to contribute towards closing the gap in 2015/16. Although we will have to wait until a subsequent meeting of the Cabinet to consider the report on the review before coming to a final conclusion, for the purposes of financial planning, it is estimated that we could make a saving of £550,000 as an additional amount to the £6.5m savings.
- 6.5 We also anticipate that there will be savings available in 2015/16 by achieving £305,000 worth of "early cuts" in some support services and on some corporate budgets.
- 6.6 Regarding the other historical savings to be achieved in 2015/16 (projects from the £16m programme and the 1% Strategy), the latest analysis shows that "old" projects had been planned to save £614,210 during 2015/16, but the original target for many schemes will have to be adjusted, reducing the total by £336,040 as reported to the Achieving Savings Panel. Adjustments like these are inevitable, of course, when achieving so many challenging savings, and the £336,040 was because the following corporate projects had fallen slightly short of substantially higher targets:
- VOIP £118,550
 - RAISE £116,300
 - e-Procurement £11,580
 - Residual Gap £89,610
- 6.7 Therefore, taking all the above matters into account, including the £952,000 savings from schools, the savings will meet £8.63m of the £10.65m gap arising in 2015/16, leaving £2.02m to be found should we increase Council Tax by 4.5%.

7 THE COUNCIL TAX

- 7.1 In light of this gap, the key decision which needs to be made in the wake of the above considerations is to establish the exact level of Council Tax to be recommended to the Council for 2015/16.
- 7.2 In the assumptions made to date in our medium term financial strategy, a figure of 3.5% has been used, based on the average increase in Wales, but that average has now increased, with the Wales median likely to be 4.5% in 2015/16.
- 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 A 4.5% increase would produce £2.49m of additional income towards the gap, and this would equate to a Council Tax increase of £50 in a Band D property, or 96p a week (the tax raised by the community councils and the Police Authority would of course be additional to this).
- 7.5 Over 17% of households in Gwynedd receive some element of assistance towards their Council Tax, and over 60% of properties in Gwynedd are in bands lower than band D.
- 7.6 Every 0.1% under 4.5% would increase the financial gap we would need to find by around £55,370. Therefore, 0.5% would mean changing the financial gap by £276,854 whilst 1% would mean changing the financial gap by £553,700.
- 7.7 The increase in Gwynedd's Council Tax, together with the average increase across Wales since 2008/09 is shown below.

Year	Gwynedd	Wales
Total 2008-15	28.6%	25.2%
2014/15	3.9%	4.2%
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%
2008/09	3.8%	3.7%

- 7.8 We do not yet know what the exact average increase across Wales for 2015/16 will be, but the latest information I have is that only three authorities are planning to increase less than 3%, with 12 authorities considering an increase of 4.5% or higher. Therefore, the median across Wales would be 4.5%, and I consider that an increase of 4.5% is reasonable as a step towards addressing the massive shortfall that we are facing.
- 7.9 The choice between taxation and maintaining services is always difficult, of course, and it is a matter for all members to weigh up and arrive at the balance they consider to be appropriate.
- 7.10 Increasing the Council Tax level by 4.5% would leave a gap of £2.02m to be found. The only way to find this will be to have more savings, and as the Council is already maximising efficiency savings, this balance will have to be found by cutting service budgets in 2016/17.
- 7.11 These savings will not be available on 1 April 2015. Therefore, we will need to depend on use of balances to bridge the period until the decisions to implement cuts from April 2016.
- 7.12 Meeting the gap entirely from Council Tax would mean an increase of over 24%, which is obviously above a reasonable threshold.
- 7.13 **Therefore, a Council Tax increase of 4.5% is recommended, which is a weekly increase of 96p, or £50 annually, with a Band D tax of £1,161.07 for 2015/16, together with £2,018,590 use of balances.**

8 BALANCES

- 8.1 We foresee that the Council will have general balances of about £7m at the end of this financial year, representing about 2.2% gross revenue expenditure.
- 8.2 We have noted on more than one occasion that due to the turbulent financial environment we are facing in the years ahead, that it is appropriate to keep sums in reserve in order to deal with problems that could arise.
- 8.3 Nothing has happened in the meantime to change this opinion. In fact, in the absence of any statement from the Welsh Government about grants for the future, the risk has increased. Therefore, the need to ensure that we have appropriate balances to meet any financial shocks is more relevant.
- 8.4 However, in view of the funding gap which we face, and in order to give ourselves time to consider prioritising the cuts inclusively, it is recommended that we use £2.02m of general balances for bridging until we can discover the balance of the savings required in 2016/17.
- 8.5 We have a number of specific reserves established by the Council to meet specific expenditure needs. These are, of course, part of the Council's budget. In order to ensure that every Council member is aware of them, a breakdown is attached in Appendix 2.
- 8.6 I review the level of these reserves continually, of course, and after considering how much room there is for the Council to change its priorities within these reserves, noting where we will not spend to achieve some original intentions, and move any released resources to meet the need for resources to pay for redundancy payments.
- 8.7 In their report "Meeting the Financial Challenges facing Local Authorities in Wales" (issued 27 January 2014) the Wales Audit Office stated (in paragraph 1.8):
- "Councils can use reserves to help them to balance their budgets where savings plans do not achieve the expected results or where income is less than anticipated. However, financing recurrent expenditure from reserves would not normally be appropriate. A prudent level of useable reserves is a key element of financial stability; the minimum appropriate level will vary dependent on an authority's known and potential liabilities and its spending plans. There are signs that a few councils are over-relying on general reserves to deal with budget shortfalls, rather than seeking more sustainable approaches, which often involve making unpopular decisions."
- 8.8 Therefore, regularly financing recurrent expenditure from general balances (useable reserves) should be avoided. However, as long as Gwynedd Council makes its difficult decisions during 2015 in order to attain sustainability in the medium term, then the proposed use of a portion of general balances during 2015/16 will be good practice.

9 CAPITAL

- 9.1 Whilst local authority revenue budgets face constraints, capital budgets are also under pressure.
- 9.2 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 pressure on the revenue budget to pay for the borrowing costs), I have undertaken a light touch review of the Asset Strategy.
- 9.3 As a result, I have slightly adjusted what was agreed last year in order to reflect some necessary changes that have arisen, due to changes in the proposed profile for individual schemes. These are detailed in Appendix 3 which shows the proposed changes.
- 9.4 We will fund the programme as follows:

Table 3
Funding capital programme 2015/16 – 2016/17

	2015/16	2016/17
	£'000	£'000
Capital Requirements	19,179	21,270
To be funded through:		
Capital provision in the settlement	6,637	6,637
School grants	5,503	5,514
Capital receipts	930	230
Contribution from revenue	3,860	1,245
Prudential borrowing	2,249	7,644
Total to be financed	19,179	21,270

- 9.5 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 try to maximise the benefit we can obtain within the available resources.

10 A MEDIUM TERM PLAN TO ADDRESS THE FINANCIAL GAP 2015/16 - 2017/18

- 10.1 For a number of years, whilst establishing 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 little 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.
- 10.2 Gwynedd Council's practices have been used as an example of good practice in a national report on financial planning recently published by the Wales Audit Office.

- 10.3 In order to continue on this course, in addition to establishing a budget for 2015/16, an effort has also been made to project the financial situation for the following two years, so that we can set the 2015/16 position in its wider context and plan how we are going to meet the challenges ahead.
- 10.4 The grant figure we will receive from the Welsh Government is the most uncertain figure for 2016/17 onwards. As the grant represents around 75% 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 there is a challenging future ahead for local government in Wales.
- 10.5 The strategy for the next three years sets out a realistic picture of what could lie ahead for us, but neither the assumptions used nor the conclusions have changed since the projections presented in February and September 2014.
- 10.6 The table below shows the results of the projections made, noting those savings which are already being planned and delivered:

Table 4
Financial planning projection for the 3 years 2015/16 – 2017/18

	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m
Additional Spending needs	6.4	6.1	10.2	6.7	29.4
Grant loss (increase)	6.7	7.1	3.5	6.1	23.4
The Gap	13.1	13.2	13.7	12.8	52.8
Council Tax	-2.7	-2.5	-1.9	-2.0	-9.1
Planned Deficit	10.4	10.7	11.8	10.8	43.7
Old savings schemes	-8.6	-0.5	-0.2	0.0	-9.3
New savings schemes	0.0	-8.2	-2.7	-3.8	-14.7
Use of balances / savings to be found	1.8	2.0	8.9	7.0	19.7
					34.4

- 10.7 It was reported a year ago that we might be facing a financial gap of over £51m over the 4 year period 2014/15 – 2017/18 with projections for grant reduction responsible for £20m of this sum. By now, we've had an additional grant reduction of over £2.3m, therefore the gap has increased to around £53m.
- 10.8 If the Council was to increase the Council Tax by 4.5% in 2015/16 and 3.5% in 2016/17 and 2017/18, along with the steps intended to be taken together with the savings which are already being realised, this would still mean that we would need to look for additional savings worth around £34m in the three years from 2015/16 onwards.
- 10.9 For planning purposes, therefore, we still need to find around £34m over the next three years. During 2015, whilst prioritising cuts, 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 that finding such a large funding gap would have on our services?

10.10 We have already asked schools to shoulder £4.3m worth of the gap and are in the process of maximising the efficiency savings we can identify, but will have to fall back on cuts as a last resort (in order to ensure the least effect on the people of Gwynedd).

Table 5
Coping with a gap of £34m
Possible Scenarios 2015/16 – 2017/18

	Efficiency already approved	Additional efficiency	Leave all options open
Council Tax	-	-	£2m
Schools	£1m	£4m	£4m
Efficiencies	£13m	£17m	£17m
Cuts	£20m	£13m	£11m
	£34m	£34m	£34m

10.11 It is therefore recommended for now that all the options should be kept open and to work within the following framework:

Council Tax Policy	Consider increase in the Council Tax in the range of 3.5% - 5%
Schools Budget	Set a target of £4.3m for the schools budget
Efficiency Savings	Maximise the efficiency savings that can be achieved
Cuts	The balance remaining

10.12 Whilst bridging the 2015/16 deficit from the Council's general balances, we will have to ensure that we move forward in 2015 to establish priorities, as we will have to fall back on cuts in subsequent years.

10.13 We should be glad that the Council's forward planning arrangements mean that we are not yet in a position of having to face cuts – a position which is not necessarily replicated in every Council, but we must face the fact that we will be forced to cut services in the medium term, especially if the local government grant continues to reduce.

10.14 Therefore, it will be necessary for the Cabinet to take advantage of any opportunity that arises in the meantime to achieve savings, such as the "early cuts" mentioned above, the Strategic Review of Highways, etc.

11 EQUALITY IMPACT ASSESSMENT

11.1 The budget outlined above endeavours to continue to provide appropriate outcomes for all the county's citizens, but as the increase in our income is not enough even to meet inflation costs, we must find savings.

11.2 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 since 2010 has reminded local authorities of their duty to assess the effect of their financial decisions.

- 11.3 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 for the future.
- 11.4 Our aim is to ensure that our financial decisions conform with the requirements of the Equality legislation, namely:
- Eliminate 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 who do not.
 - Encourage good relations between those who share a protected characteristic and those who do not.

In assessing, 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.

- 11.5 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 results of the 2011 Census), monitoring services and engagement.
- 11.6 We have clear processes for finding any savings required which include a full assessment of any savings which could have a detrimental impact in equality terms. We will analyse each individual 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.
- 11.7 Despite the recent timing in presenting the schools savings proposals, the relevant impact assessments were also achieved before 19 February, when reports thereon were appropriately submitted to the Cabinet.
- 11.8 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 to greater demands from increasing numbers of clients, etc) are recognised in the budgetary decisions.
- 11.9 Each service has the right to submit a request for resources if it considers that additional funding is required to ensure that services continue. The sums seen under the "service pressures" heading is 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.
- 11.10 Full details are given in Appendix 1 and it can be seen that £658,000 of the total of £876,000 is going towards social care, and this is on top of the £460,000 demography provision made to recognise the need to provide for an increased number of elderly clients.

12 CONCLUSIONS

12.1 This report sets out the factors that should be considered when establishing the 2015/16 budget and confirms that the strategy to cope with the financial position facing the Council for the next three years should continue.

2015/16 BUDGET

12.2 It is recommended that we need to address a revenue expenditure requirement of £236.82m which includes a provision of £876,000 for pressures on services.

12.3 Provision is also made for one-off pressures of £373,000 by attributing the whole of the reserves for this purpose.

12.4 After receiving a grant of £168.31m from the Welsh Government and with Council Tax income of £55.37m without any increase, this will leave a gap of £13.14m to be found in 2015/16.

12.5 It will be possible to cope with this gap via a combination of steps, including a Council Tax increase of 4.5%, as follows:

2015/16 Expenditure requirements	£236,819,650
Less Government Grant income	£168,311,990
Less Council Tax income (4.5%)	<u>£57,862,480</u>
Deficit	£10,645,180
Savings which will be achieved	<u>£8,626,590</u>
Balance to be met from Balances	<u><u>£2,018,590</u></u>

12.6 The £2.02m remainder can be bridged from balances until we are able to prioritise cuts to meet it in 2016/17.

12.7 This will mean setting a net budget, after using balances, of £228,193,060 (£236.8m less savings of £8.6m). An analysis of the budget per service is given in Appendix 4.

12.8 It is also recommended that a capital programme of £19.18m should be established for 2015/16 together with £21.27m for 2016/17.

LONGER TERM STRATEGY

12.9 In relation to the position over the next three years, we should plan to address the £34m funding gap 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 we should continue to find the majority of the gap by maximising the efficiency savings that we can deliver.

12.10 An inclusive system should be established to prioritise where we would have to cut services. In the meantime, we must take advantage of any opportunity which arises to deliver savings.

BIDS TO BE APPROVED FOR 2014/2015

A. PERMANENT REVENUE BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
OED 1	Deprivation of Liberty Safeguards Arrangements A bid following the increase in the number of individuals requiring assessments, either in care homes or in the community, in order to authorise the steps taken to safeguard them. The bid includes the cost of a coordinator £48k, solicitor and administration £54k, legal costs £47k and medical assessment costs £37k.	£186,000	Recommend funding the following costs: £49k – solicitor; legal costs £47k and £47K medical assessment costs, to meet the huge increase in demand for assessments.	£133k
OED 2	Transfer responsibility for Learning Disabilities services Transfer responsibility for 3 care packages to Gwynedd from other authorities on the grounds of 'Ordinary Residence'.	£163,000	Recommend approving the bid to fulfil the responsibility.	£163,000
OED 3	Transition Age To fund care packages for 12 individuals transferring from the Children's Service to the Adult Learning Disabilities Service.	£242,000	Recommend approving the bid, but the net effect on the number of children receiving care within the Children and Families Department should be checked.	£242,000
OED 4	Whittlestone Case The Whittlestone court case determined that any hours spent 'sleeping-in' was part of a worker's weekly hours of work. Based on this, it is anticipated that the sleeping-in allowances currently paid will be insufficient, and it is estimated that this could lead to an additional cost of up to £688,000.	£688,000	While acknowledging that there is a risk arising from the court case, its impact is still unclear. Recommend not to fund the bid as further clarity is required on possible solutions.	

Ref	Bid Details	Amount	Recommendation	Recommended Sum
OED 5	Overspend in Home Care	£526,000	Recommend approving a sum of £120k, which is the deficit following the addition of the demography funding to the budget.	£120,000
SaG 1	Gwynedd and Anglesey Play Officer The Council has a statutory duty to ensure sufficient play opportunities for children. Anglesey Council has already refused to fund the post.	£28,000	Recommend not to fund the bid, although the Council must ensure that it meets its statutory requirements in this field.	
Cyll 1	Financial statements for joint committees and harbour authorities To fund the additional costs arising from the requirement to audit and support the accounting of the financial statements of joint committees and harbour authorities.	£33,000	Recommend refusing the bid, and note that the endless demands on the Finance Department could ultimately impact on other duties.	
Cyll 2	Strengthen the resources to support Information Technology A bid to fund more IT support to mitigate the risk to the Council in this field, arising from the requirement to fulfil its duties and the substantial increase in use. Since 2003 the number of devices that the infrastructure team supports has significantly increased, a 296% increase in computers, a 680% increase in servers, a 3,200% increase in data storage and 280% more of the Council's establishments connected to the broad band network. The technology used has also become far more complex. The situation has reached a crisis point, and there is a real risk to the Council in terms of its support to existing technology, and means that no support can be provided for any further technological developments. A business case outlines the proposed changes to posts.	£335,000	Recommend approving the bid partially, £156k only to start addressing the robustness of the service and to create 4 new posts.	£156,000

Ref	Bid Details	Amount	Recommendation	Recommended Sum
Priff 1	Cycle paths Undertake cleaning and maintenance and cut hedges on the County's cycle paths	£15,000	Recommend refusing the bid as this relates to an increase in service.	
Add 1	Net increase in the transport costs of pupils/students The current January 2015 contracts (on the basis of 188 days in the 2015/16 financial year) show a net deficit of £220k in the taxi/mini bus budget. Based on the current bus contracts, an underspend of £97k is forecast. The net effect of this is an increase of £123k, but following further challenge from the Finance Unit, the size of the bid has decreased to £62k	£62,000	Recommend funding the bid to meet the increase in the transport costs of pupils/students.	£62,000
Total		£2,278,000	Total	£876,000

B. CAPITAL BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
AD 1	<p>Security within school sites A bid to fund a feasibility study to identify essential works in Ysgol Dyffryn Nantlle, and general minor works.</p>	£60,000	Recommend refusing the bid as steps have already been taken to address the risk.	
Econ 1	<p>Voluntary Development Fund Funding to support capital projects by social and voluntary organisations and enterprises. The budget is managed under the successful banner of <i>Cist Gwynedd</i>. <i>Cist Gwynedd</i> includes a package of grants to support community and voluntary activities.</p>	£140,000	Further discussion in the Cabinet is required prior to a decision.	£140,000
Econ 2	<p>Tomen y Bala A bid for funding to rebuild the retaining wall which has fallen down in parts and poses a danger to the public. There is a need to confirm the requirements, develop a brief and obtain tenders, including the preparation of detailed plans and ensure that planning permission is in place. It should be noted that Cadw has already agreed, but input is required to the project. There is no budget for Tomen y Bala and it is totally dependent on central grants/funding to complete the work.</p>	£40,000	Recommend funding the bid even though the motte is on private land as the Council is responsible for the wall.	£40,000
Total		£240,000	Total	£180,000

C. ONE-OFF BIDS

Ref	Bid Details	Amount	Recommendation	Recommended Sum
SaG	<p>Performance Management Support System A bid to fund a new performance management system for the Council. The old system, Ffynnon, is no longer available for free from the Welsh Government.</p>	£150,000	Further discussion in the Management Group is required prior to a decision.	£150,000
SaG 2	<p>Maintain the 'Rhaeadr' e-newsletter Maintain the new development, known as 'Rhaeadr', to communicate the Council and Cabinet's work to the frontline elected members</p>	£35,000	Recommend funding the bid for a year, to allow the Service to consider alternative methods of provision.	£35,000
Add 1	<p>Maesgeirchen Transport A bid for funding to bridge the overspend arising from the continuation of the current transport arrangements until an alternative solution has been found.</p>	£120,000	Recommend funding the bid in order to allow time for the Regulatory Department to complete its review of public transport.	£120,000
Add 2	<p>Overspend on the Integration Budget It is estimated that the Integration budget of £5.8m (managed by schools) will have an overspend of approximately £750,000 in 2015-16, with the current administration arrangements leaving any overspend in the hands of the Education Department. Schools have not received any forewarning of the overspend and it is too late for them to implement a reduction in expenditure by the beginning of the Summer Term 2015. Approving the bid would allow schools time to plan to reduce expenditure from 1 September 2015.</p>	£312,000	Recommend that the Education Department meets the overspend in 2015/16 from its reserves.	

Ref	Bid Details	Amount	Recommendation	Recommended Sum
AD 1	<p>Occupational Health A one-year bid to continue to fund a post to maintain the Occupational Health Provision and Statutory Health Surveillance Programme for staff, in order to fulfil duties such as conducting health and well-being tests, processing retirement applications and undertaking basic consultations with staff. The Unit also provides statutory health surveillance for specific cohorts within the Council workforce such as expressway workers, recycling and refuse workers, land maintenance workers and any night-shift workers. The post has previously been funded from reserves.</p>	£31,000	Recommend approving the sum of £31k for 2015/16 in order to allow time for the Department to make arrangements for prioritising work.	£31,000
AD 2	<p>Shaw Trust Work Placements Contribute to the salaries of two individuals within the Council for one year only, in order to find a solution to the budget deficit following the Shaw Trust's decision to withdraw its financial support.</p>	£15,000	Recommend approving the sum of £15k for 2015/16 to allow the time for the Department to revisit the policy and identify other opportunities to fund the posts.	£15,000
AD 3	<p>The status of the Council's DBS posts A one-year bid to continue funding the status of the Council's DBS posts before restructuring the arrangements.</p>	£22,000	Recommend approving the sum of £22k for 2015/16 in order to allow time for the Department to implement new arrangements following the <i>Ffordd Gwynedd</i> exercise.	£22,000
Total		£685,000	Total	£373,000

EXTRACT FROM THE FINAL ACCOUNTS – EARMARKED RESERVES

The note below highlights the sums set aside in earmarked reserves in order to provide finance for liabilities which will be spent in future, together with the general balances.

Gwynedd Totals £'000	Categories of Reserves, together with summary explanations of their use
3,777	Schools Reserve - entirely under the local management of school governing bodies.
2,407	Capital Receipts - money received from sale of property, set aside to build/maintain other property, etc.
20,187	Capital Scheme Requirements - money set aside for approved schemes to build roads, bridges, and schools, including "21st Century Schools".
3,781	Renewals Funds - to replace 'depreciating' vehicles, etc, allowing us to ensure continuance of services for the benefit of our citizens.
8,017	Business Transformation fund - for transformation initiatives, schemes and interventions to achieve service reform and savings.
5,000	Invest to Save fund - to finance one-off expenditure to facilitate service improvements which will contribute towards total efficiency savings of £35m over 4 years.
7,255	Redundancy Cost Commitments – significant staff redundancies will be unavoidable due to continuing austerity, and must be financed.
2,015	Self-Insurance - the Council is sufficiently large to make savings by setting aside money to meet some claims, rather than paying premiums to companies.
7,823	Other specific service needs and requirements - money set aside in reserves for - Contributions held in respect of Partnerships including: <ul style="list-style-type: none"> • Joint Local Services Board (Gwynedd and Anglesey); • Special Educational Needs Joint Committee (with Anglesey); • Planning Policy Joint Committee (with Anglesey). One-off Revenue Schemes including: <ul style="list-style-type: none"> • Carbon Footprint Reduction Project; • To mitigate the impact of the Westminster Government's Welfare Reform Act; • To deal with severe weather and other emergencies; • Unitary Development Plan; • Homelessness Prevention Schemes; • Housing Environmental Warranty (required on LSVT). and others to ensure continuance of services in the county.
60,262	Total Earmarked Reserves
7,000	General Balances – set aside for general risks, unknown risks, potential overspending, bridging, etc.
67,262	Overall Reserves at 31 March 2014.

A complete detailed list of the individual reserves is in the Council's statement of accounts.

APPENDIX 3

CAPITAL PROGRAMME FOR 2015/16 – 2016/17

	2015/16	2016/17
	£'000	£'000
Buildings Repairs & Maintenance (dealing with the backlog and avoiding future deterioration)	3,096	2,553
Fire and Asbestos work	400	500
Carbon Management	0	400
Schools Organisation	11,820	13,796
Replacing temporary classrooms which have come to the end of their life	449	779
Street Lighting	50	50
Safety fences on roads	134	134
Dealing with flooding on roads	100	100
Playing fields	35	35
The Council's Waste Strategy	50	0
Vehicle renewals	0	58
Transport feasibility schemes	100	100
Cycle routes	20	20
Information Technology renewals	501	388
Electronic Documents and Records system	244	155
Housing Grants	2,000	2,000
To be distributed (capital "bids")	180	202
Total	19,179	21,270

APPENDIX 4

PROPOSED BUDGETS BY SERVICE 2015/16

Budget 2015/16	Base Budget 2014/15	Inflation	Precepts Increments and Pensions	Interest and Borrowing Costs	Demography Income and Various	Transfer to the Settlement	Service Pressures	Savings	Base Budget 2015/16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DEPARTMENTS									
Corporate Management Team	2,407	22	4	0	329	0	0	(663)	2,099
Strategic and Improvement	4,761	32	13	0	90	40	185	(399)	4,722
Finance	6,491	83	(5)	0	(4)	0	116	(514)	6,167
Human Resources	2,756	29	2	0	77	0	68	(270)	2,662
Trunk Roads	(87)	0	0	0	0	0	0	0	(87)
Highways and Municipal	23,307	(49)	13	0	66	0	0	(1,753)	21,584
Regulatory (Planning, Transport and PP)	8,690	(30)	13	0	(47)	(21)	(132)	(560)	7,913
Gwynedd Consultancy	54	7	0	0	171	0	0	(245)	(13)
Central Education	13,494	203	14	0	(202)	(45)	182	(175)	13,471
Schools Budget	69,796	578	(52)	0	119	0	(250)	(952)	69,239
Economy and Community	7,550	(14)	28	0	179	0	(65)	(436)	7,242
Adults, Health and Wellbeing	44,816	630	137	0	382	0	507	(1,963)	44,509
Children and Supporting Families	13,507	104	1	0	(112)	134	0	(895)	12,739
Departmental Total	197,542	1,595	168	0	1,048	108	611	(8,825)	192,247
Corporate and Capital matters	34,794	1,206	6	(250)	33	205	(246)	198	35,946
GROSS TOTAL =	232,336	2,801	174	(250)	1,081	313	365	(8,627)	228,193
Balances and Specific Reserves	(2,179)	0	0	0	160	0	511	0	(1,508)
NET TOTAL =	230,157	2,801	174	(250)	1,241	313	876	(8,627)	226,685