

**REPORT TO THE CABINET**  
**14 February 2017**

**Cabinet Member:** Councillor Peredur Jenkins, Cabinet Member for Resources

**Subject:** 2017/18 Budget and 2017/18 - 2019/20 Financial Strategy

**Contact Officer:** Dafydd L Edwards, Head of Finance

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**Decision sought**

**(a)** Recommend to the Council (in its meeting on 2 March 2017) that:

1. A budget of £231,299,720 should be set for 2017/18, to be funded by £168,963,540 of Government Grant and £62,336,180 Council Tax income, with an increase of 2.8% (or a revised combination of figures after the Cabinet has considered the options).
2. Establish a capital programme of £12.015m in 2017/18 and £6.410m in 2018/19 to be funded from sources noted in clause 9.3 of the report.

**(b)** Note the Medium Term Financial Plan in Appendix 4, and adopt the strategy which is in part 15-17 of the Plan.

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**Summary**

1. The Council has to set a balanced budget for 2017/18.
2. In accordance with usual practice, the annual budget is presented (the following main report) within the context of a medium term financial strategy (Appendix 4), ensuring that the budget prepares for the position to come, rather than meeting the requirements of one year alone.
3. This year, the Council profits from last year's medium term planning, as we are able to balance the budget without making any new decisions which would cut services for our citizens.
4. Having consulted in a series of workshops during January/February, and with the Audit Committee (9 February), it is a matter for the Cabinet to consider the 2017/18 – 2019/20 financial strategy, recommending an appropriate budget to the Council for 2017/18.
5. The following report details the matters to be considered when establishing the 2017/18 budget, together the medium term strategy.

## A) 2017/18 BUDGET

6. The proposed budget for 2017/18 can be summarised as follows –

| <b>Establishing the 2017/18 Budget</b>          | £                  |
|---|--------------------|
| 2016/17 Base Budget                             | 227,227,120        |
| Use of Reserves Adjustment                      | 2,590,610          |
| Additional Expenditure Requirements             | <u>8,713,740</u>   |
| 2017/18 Expenditure Requirements before savings | 238,531,470        |
| less Grant Income                               | -168,963,540       |
| less Council Tax (2.8% increase)                | <u>-62,336,180</u> |
| 2017/18 Funding Gap                             | <u>7,231,750</u>   |

| <b>Addressing the Gap in 2017/18</b> | £                |
|--------------------------------------|------------------|
| Approved Efficiency Savings          | 3,290,460        |
| Schools Savings                      | 990,000          |
| Approved Cuts                        | 1,868,970        |
| Further Efficiency Savings           | <u>1,082,320</u> |
| Total Savings to close the Gap       | <u>7,231,750</u> |

| <b>Balanced Budget for 2017/18</b>              | £                  |
|---|--------------------|
| 2017/18 Expenditure Requirements before savings | 238,531,470        |
| 2017/18 Savings Total                           | <u>-7,231,750</u>  |
| 2017/18 Net Budget                              | <u>231,299,720</u> |

| <b>To be funded from -</b> |                    |
|----------------------------|--------------------|
| Grant Income               | 168,963,540        |
| Council Tax                | <u>62,336,180</u>  |
| 2017/18 Net Budget         | <u>231,299,720</u> |

7. By 2017/18, we will need to increase our expenditure to £238.5m in order to “stand still”, including £2.6m to meet pressures on the services’ budgets (details of the ‘bids’ are in Appendix 3). Consideration is given to development priorities separate to this, through the Strategic Plan. Presented here are the unavoidable commitments that the departments are facing now.
8. In order to meet the financial gap, it will be possible to attribute efficiency savings which were already in progress, together with £1.5m of additional savings for 2017/18, and increasing the Council Tax 2.8%.

9. Before completing a more thorough review of the Asset Strategy, we have established a programme on the basis of the minimum required for 2017/18, as noted in Appendix 2, which will mean a programme of £12.015m in 2017/18 and £6.410m in 2018/19. The programme continues to spend on capital schemes on a higher level than the resource we receive from the Welsh Government to support our capital programme, but it is not considered that the relevant level of borrowing will overstretch the Council.

## B) MEDIUM TERM STRATEGY

10. The revised forecast is now summarized in the table below:

| <b>Medium Term Plan</b>             |                |                |                |
|-------------------------------------|----------------|----------------|----------------|
| MODELLING THE MEDIUM SCENARIO       | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> |
|                                     | £'000          | £'000          | £'000          |
| Add back one-off use of reserves    | 2,591          |                |                |
| Additional Expenditure Requirements | 8,714          | 7,400          | 8,000          |
| Revenue Grant (Increase) / Decrease | -2,013         | 2,529          | 2,567          |
| Council Tax Increase                | -2,060         | -2,302         | -2,387         |
| Gap before savings schemes          | 7,232          | 7,627          | 8,180          |
| Current Efficiency Savings          | -3,291         | -944           |                |
| Schools' Efficiency Savings         | -990           | -263           |                |
| Cuts already decided upon           | -1,869         | -368           | -65            |
| Additional Efficiency Savings       | -1,082         | -2,296         | -267           |
| Balance from the funding gap        | 0              | 3,756          | 7,848          |

11. It is recommended that we should continue to work on the basis of the same range of possibilities as already agreed, namely:

|                    |   |
|--------------------|---|
| Council Tax Policy | Consider increase in the Council Tax similar to the Wales average.  |
| Schools Budget     | Continue with the target of £4.3m from the schools budget (but defer the 2017/18 element for the secondary sector). |
| Efficiency Savings | Maximise the efficiency savings that can be achieved (in order to avoid cuts in 2018/19)                            |
| Cuts               | Implement cuts only as necessary, in order to meet the remaining balance  |

12. The strategy to ensure more efficiency savings is already in hand, and I am convinced we can surpass the 2017/18 target so that an amount will be in hand by 2018/19. In the meantime, no doubt the members will be underlining the message to officers to maximise the efficiency savings which can be identified and realised during 2017/18.

### **Reasons for recommending the decision**

13. The strategy attempts to protect the services the Council provides for the people of Gwynedd whilst keeping the Council Tax increase to the minimum which is consistent with that aim. By ensuring savings, they are intended to be achieved in those areas which will have the least effect upon our citizens.

### **Relevant considerations**

14. It is possible to charge less or more Council Tax, and it is a matter for the Council to consider the budget to be set for 2017/18 on the basis of the issues noted in the following report, and consider whether they wish to change any element.

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### **Opinion of local member**

Not a local matter

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### **Views of the Statutory Officers**

#### **Chief Executive:**

The fact that the Cabinet member is able to submit a report like the one before us is testimony to the prudent financial planning which the Council has been doing for some time now, the tireless work to influence the settlement on the basis of evidence, and a definite focus on realising efficiency savings. This focus needs to continue for the future.

#### **Monitoring Officer:**

Although it is a matter for the Full Council to make a final decision on the budget, it is important that the Cabinet gives a clear recommendation to the Full Council regarding its spending plans and the draft budget, and this report achieves that. Once the Council has agreed on the funding sources, then the Cabinet will be responsible for the expenditure and prioritisation within that budget. The financial strategy on the other hand is a matter for the Cabinet to decide, but in doing so it would be desirable to be inclusive and to consult with the Council. I support the intention to do so.

#### **Head of Finance:**

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.