

REPORT TO THE CABINET
16 September 2014

Cabinet Member: Councillor Peredur Jenkins

Subject: 2014/15 – 2017/18 Financial Strategy

Contact Officer: Dilwyn Williams, Corporate Director

The decision sought

Decide whether or not any further steps need to be taken in response to the latest position that is becoming apparent.

Introduction

1. The Financial Strategy adopted by the Cabinet back in February of this year is based on projections of income and expenditure made at the time, as follows:-

£m	This year	15/16	16/17	17/18	Total
Expenditure increase	6.4	7.7	10.2	6.7	31.0
Loss of Grant	6.7	4.4	3.5	6.1	20.7
Council Tax Increase 3.5%	(2.7)	(1.8)	(1.9)	(2.0)	(8.4)
Savings already in the system	(8.6)	(0.7)	(0.2)	-	(9.5)
Gap to be found	1.8	9.6	11.6	10.8	33.8

2. Earlier in the summer the Council Leader attended a meeting of the Finance Sub Group of the Partnership Council of Wales where a warning was given by the Local Government Minister that the Welsh Government would not be able to keep to the indicative figures for 2015/16 published by them earlier in the year.
3. Later a letter was received from the Minister for Local Government and Government Business noting the pressures the Welsh Government were under and stating the possibility that the indicative figure of -1.5% given to local government for the 2015/16 Local Government Grant could have to be changed and suggesting that we should consider how we would react to a reduction of up to -4.5%. It was also noted that we should plan ahead for a range of challenging settlements beyond 2015/16.
4. If the figure of -4.5% manifested itself next year, this alone would mean that the financial gap for 2015/16 would increase from the £9.6m noted above to £13.1m.

5. Of course, this does not take into account any possible changes in the assumptions on expenditure where we already know that the above projections do not include the increase, which we have now been informed of, in the costs of teachers' pensions in 2015/16. Therefore it is unlikely that the expenditure figures could provide a salvation for the situation.
6. Assuming that we will see a wider gap in 2015/16 (and therefore the gap over the 4 years will also be bigger) the question arises of whether we as a Council should move away from our present course.
7. The Cabinet will recall that the original intention in planning to find the gap of £34m was to operate within the following principles -
 - Firstly maximise the efficiency savings that can be achieved;
 - Consider setting a target for the schools budget based on an assessment of what would be practically possible;
 - Consider whether there will be any savings that can be depended upon as a result of re-organisation;
 - Consider a Council Tax increase within the range 3.5% to 5%;
 - Service cuts for the remaining figure.
8. The fact that the Welsh Government intend to widen the gap will not change our ability to get more efficiency savings; all it means is that the extent of service cuts that we will have to make will increase.
9. Since efficiency savings take time to be developed and achieved this also of course increases the probability that we will need to implement service cuts in 2015/16.
10. It does however underline the need not to slow our attempts to find efficiency savings, and it is heartening to note that the most recent projection indicates that we will have efficiency savings worth over £15m to suggest to the members by the autumn.
11. However of course only a percentage of the sum can be realised by 2015/16 since efficiency savings take time to be achieved.
12. I have agreed, in consultation with the relevant officers, the arrangements for considering those areas where cuts could be made, and the Heads of Service will report on these areas between October and December with a view to undertaking an extensive consultation with the people of Gwynedd at the beginning of the calendar year, before asking all Council members to voice their opinion on the priorities which we should adopt.
13. What is disappointing about the Minister's statement is the fact that it suggests they will be changing the Local Government Grant figures again for 2015/16 after doing this already this year from the +0.9% originally indicated to the -3.8% that was actually seen. To some extent the reduction received this year was understandable due to the problems they faced within health, but in planning ahead and publishing a provisional settlement for 2015/16 we

would have expected the Welsh Government to take the Health service's requirements into consideration.

14. Changing once again this year raises questions as to how much genuine forward planning is carried out by the Government, and the question must be asked whether they actually only look at budgetary matters annually?

Conclusion

15. As noted above, whatever the final grant figure will be, this will not change our ability to find more efficiency savings. Therefore, since our present strategy already includes an attempt to maximise such savings, there is nothing different we can do to deal with any increase in the financial gap other than implementing more cuts.

16. In view of this, it should be noted that the probability of cuts in 2015/16 is now more likely than before.

Opinion of the Statutory Officers

Chief Executive:

Facing the kind of financial challenge that we had foreseen is exceptionally difficult. I therefore deplore the fact that the recent changes by the Government are changing our financial forecasts so significantly that we now have to reconsider our approach to and likely timing of implementing service cuts.

Monitoring Officer:

No observations in relation to propriety.

Head of Finance:

I have been involved in relevant discussions before the Cabinet Member for Resources (Councillor Peredur Jenkins) and the Corporate Director (Dilwyn O Williams) prepared this update to the financial strategy. I can confirm the accuracy of the revised assumption in part 4 of the report, as well as the reasonableness of the conclusions in paragraphs 15 and 16.

As we expect a second substantial grant reduction (4.5% for 2015/16 after 4% in 2014/15), it is essential that Members and officers adhere to our existing plans to achieve efficiency savings and to identify / prioritise potential budget cuts.