

<b>MEETING</b>	COUNCIL BOARD
<b>DATE</b>	22 FEBRUARY 2011
<b>TITLE</b>	FINANCIAL STRATEGY FOR 2011/12 – 2014/15
<b>RECOMMENDATION</b>	To adopt the budget for 2011/12 including a recommendation to the Council regarding the level of Council tax increase and adopt the strategy for dealing with the financial deficit for the years to come.
<b>AUTHOR</b>	Dilwyn Williams, Corporate Director
<b>PORTFOLIO LEADER</b>	Councillor Sian Gwenllian

## 1 BACKGROUND

- 1.1 At its meeting on 14 December, the Board considered the probable budgetary position for the period 2011/12 – 2014/15.
- 1.2 In that report I reminded members of the fundamental equation that has to be satisfied each year -

$$\text{Expenditure} = \text{Assembly Grant} + \text{Council Tax}$$

- 1.3 In relation to expenditure, it was reported in December that our expenditure requirements would increase £8.2m in 2011/12 in order to meet the unavoidable increase in costs and priorities that would need to be financed and that the Assembly Government grant would reduce to £2m - which would mean that the equation would not be satisfied unless we reduce the level of expenditure or increase the Council Tax to find the £10.2m.
- 1.4 There was agreement in the Board regarding the assumptions made when establishing the strategy and also how we would deal with the identified risks.
- 1.5 Over the longer period of 4 years it was noted that we had projected that we could be facing a financial gap of £40m (based on specific assumptions regarding salary increases and inflation etc.).
- 1.6 A strategy was agreed which would enable us to discover next year's gap of £10.2m and £40m over a longer term based on the following strategy (but also noting a desire to ensure that we add to the level of efficiency savings and reduce the cuts element if at all possible) -

**Table 1**  
**Strategy for discovering £40m over 4 years**

	<b>£m</b>
Increase in Council Tax over 4 years	8.5
Remainder of the £16m savings plan	11.8
Changes to budgeting policies	1.5
Increase in service efficiency savings to 1%	6.6
Corporate efficiency plans	4.4
Increase income	0.6
Cuts	6.7
<b>Total</b>	<b><u>40.1</u></b>

- 1.7 In view of the statement made by the Assembly Government that they had restricted the reduction in the local authority grant in order to allow them to give an element of protection to schools budgets, the Board also decided that the established strategy should also ensure that such a policy was given effect.
- 1.8 Agreement was also reached on a process for establishing cuts and efficiency savings plans that would include establishing residents' opinion on priorities when considering cuts and allowing an opportunity for all Council members to have an input in the process for finding efficiency savings and cuts.
- 1.9 The figure for the increase in Council Tax was based on an increase of 4% per year in accordance with the planning assumptions given by the Board.
- 1.10 A full copy of the previous report which includes the arrangements to be followed in order to find the efficiency savings and cuts package can be seen on the Council's website at :-  
[http://www.gwynedd.gov.uk/ADNPwyllgorau/2010/Bwrdd%20y%20Cyngor/2010-12-14/english/05\\_02\\_2011-12%20-%202014-15%20Financial%20Strategy%20-%20Principal%20Scrutiny%20Committee%20Report.pdf](http://www.gwynedd.gov.uk/ADNPwyllgorau/2010/Bwrdd%20y%20Cyngor/2010-12-14/english/05_02_2011-12%20-%202014-15%20Financial%20Strategy%20-%20Principal%20Scrutiny%20Committee%20Report.pdf)
- 1.11 This report will be considered by the Principal Scrutiny Committee at its meeting on 17 February and its conclusions will be reported to the Board.
- 2 FINAL POSITION 2011/12**
- 2.1 Following the general strategic direction that was established in December, these are the latest budgetary figures for 2011/12 ( a comparison with the figures reported in December is noted) -

**Table 2**  
**Final budget 2011/12**

£'000	Reported in December	Final Budget	Difference
<b>Base Budget</b>	<b>217,202</b>	<b>217,202</b>	-
Salary inflation	534	534	
Other inflation	2,711	2,605	(106)
Precepts	(31)	(15)	16
Increments	233	254	21
Pensions	342	342	-
Interests on balances	240	100	(140)
Borrowing Costs	(406)	(406)	-
Demography - Elderly	245	-	(245)
Reduction in income budgets	-	4	4
Miscellaneous	(416)	(388)	28
Transfers into the settlement	406	563	157
Meeting pressures on services	1,765	1,355	(410)
Three Year Plan	800	800	-
Restricting Home Care income	840	854	14
Capital	800	-	(800)
<b>Total requirement</b>	<b>225,265</b>	<b>223,804</b>	<b>(1,461)</b>
<b>Revenue Support Grant</b>	<b>(167,889)</b>	<b>(168,026)</b>	<b>(137)</b>
<b>Council Tax (no increase)</b>	<b>(47,159)</b>	<b>(47,159)</b>	<b>-</b>
<b>Deficit to be found through -</b>	<b>10,217</b>	<b>8,619</b>	<b>(1,598)</b>
Council Tax increase	(2,400)	(1,906)	494
Savings from £16m programme	(4,610)	(5,047)	(437)
Change budgeting policies	(1,000)	(1,190)	(190)
Corporate efficiencies	(500)	(500)	-
<b>Bridging required until 2012/13</b>	<b>1,707</b>	<b>(24)</b>	<b>(1,731)</b>

2.2 The budget presented in December indicated that we would not have enough savings to meet the deficit of £10.2m and that we would have to defer savings of £1.7m until 2012/13 when more savings would be available to us. It was noted at the time that we would look at ways of postponing expenditure in order to avoid having to use balances to bridge the gap. We have managed to do this – see paragraphs 2.6 and 2.9 below.

2.3 It can be seen from the above table that there are several small differences that have arisen as a result of revisiting some of the figures and the reasons behind the main differences are highlighted below.

2.4 **Other inflation** – this figure has reduced due to revisiting the figures regarding tonnages entering landfill sites and the figure that needs to be provided for Landfill Tax increases has been reduced.

2.5 **Interest on Balances** – we have reviewed the figures behind the calculations and have reconsidered the projections regarding balances and reserves. It is therefore considered that interest on balances will not fall as much as our initial fears.

- 2.6 **Demography Elderly** – It is usual for us to add to the elderly budget in order to take account of the fact that the over 65 population is increasing, and one would expect the number of clients to increase as a result. As yet, the service has not reached the level of clients required in order to justify using the additional finance provided in the budget last year and the year before. Therefore, whilst accepting that we will be required to add to this budget in future years, I have postponed any addition to this budget this year.
- 2.7 **Transfers into the settlement** – this figure has increased as a result of the Assembly Government’s decision to increase the transfers into the settlement, but there is also a corresponding increase in the grants figure. Together therefore, they have an overall neutral effect on the overall budgetary position. These are schemes which were previously financed from specific grants but which are now to be part of the general settlement.

These are the items that have been transferred -

Service	Area	£
Strategic and Improvement	Administering the Cymorth scheme	250,000
Social Services	Workforce development and performance management	112,000
Social Services	Court Fees – Children	76,000
Social Services	Implement Children’s Act 2008	80,160
Social Services	Older people’s strategy	45,000
<b>Total</b>		<b>563,160</b>

With the first two, the Committee should be aware that the expenditure currently funded through specific grants is £326,000 and £222,980 but in transferring into the settlement the amount of grant has also been reduced. The Leadership Group considers that it is appropriate to insist that the relevant services contain their expenditure to the sum transferred **but members should be aware that this will entail the loss of some posts.**

- 2.8 **Meeting pressures on services** - it can be seen from the Head of Strategy and Improvement’s report that he recommends the approval of additional permanent budgetary provision of £2,008,870 to meet pressures on services which includes £853,980 to finance the income that Social Services will lose due to new regulations limiting fees that can be charged on those receiving non residential care.

These figures are about £389,000 less than the original projection being considered in December following further challenge given to the applications in order to ensure that they are kept to the absolute minimum.

Despite the fact that this amount has been reduced, it does include the addition of £200,000 to the contingency budget to protect ourselves against further threats which are becoming apparent. In the strategy

approved in December, I noted that we had a contingency budget to give limited assistance if we found that we would have to meet the cost of a white collar and blue collar pay award and as protection against an anticipated rise in energy and fuel costs over and above that for which provision was made in service budgets.

It is now apparent that there are other significant threats which are likely to hit us but for which there is no budgetary provision. There is a likelihood that there will be a reduction in our benefits administration subsidy; a likelihood that the Consultancy service will have to reduce its multiplier when tendering for work; and the possibility that the strategic waste management grant will also be reduced. When taken in aggregate, I consider that the contingency budget should be increased by say £200,000 to address these risks.

One threat for which we have not provided as we do not know whether it is going to have an effect upon us is the legal decision given recently in Pembrokeshire relating to care fees. The service is trying to establish whether or not there is a consequence for us, and if so then we will have to deal with it within the contingency budget or by using balances until next year when we can reflect any implication in the permanent budget.

It can also be seen from the Head of Strategy and Improvement's report that one-off bids of £1,071,920 need to be financed.

This one-off expenditure can be financed by using £310,550 of financing which already exists in the budget to meet on off expenditure (as it arises from the performance agreement grant which is itself uncertain); using the £474,970 which was sourced in 2010/11 by raising the Council Tax in order to assist with the financial deficit we are facing (which will not now be needed until 2013/14); and financing the remainder by using £286,400 of the money set aside to fund borrowing for the Asset Management Strategy which will not be needed until next year.

Members are reminded that the Council has not yet established which schemes it will wish to pursue as part of its Three Year Plan but we have included £800,000 in the budget in order to be able to make a start on any relevant schemes, with a view to adding any further requirements to future years' budgets once the Council's priorities have been established.

- 2.9 **Capital** – It was noted in the report that was presented in December that we were planning on the probability that we would need to fill the financial gap created due to the reduction of 20% in the capital resources received from the Assembly Government next year and also, provision is required in order to meet the Council's 30% contribution towards school refurbishment and building schemes.

A provision of £800,000 was made in the original budget to meet this requirement but having reviewed the way in which the loans are funded it is considered that this sum could be reduced slightly to £500,000 and moved to the following year – which means that it will not be required until 2012/13.

Further details on the capital programme can be seen in part 4.

2.10 **Revenue Support Grant** – more specific grants have been brought into the final settlement (see clause 2.7 above) but in general the situation has not changed significantly since I reported in December and our grant has reduced 1.4% in 2011/12 compared with 2010/11. the average reduction across Wales is 1.4%.

2.11 **Increase in Council Tax** - Although we have continued to use 4% as a planning assumption, this figure does not now include the additional amount raised by increasing the Council Tax in 2010/11 in order to assist with the funding gap as we will not now require it until 2013/14. Paragraph 2.8 above notes how it will be utilised in the meantime.

Further details regarding the choices in relation to Council Tax are given in part 6 below.

2.12 **£16m Savings** – We continue to plan on the basis that we will be achieving the original programme but there have been some changes to the timing of some scheme benefits.

In addition, whilst the Board has indicated a desire to put into effect the Assembly Government’s promise to give some protection to schools budgets over the next three years, this means that whilst schools will be better off over the 3 year period, most of their savings fall in 2011/12. I note more about this issue below.

Members will also recall that when the £16m programme was adopted, a number of schemes were allocated to a “C” category which required further work before they could be considered. I am leading a project group to ensure that these schemes are being pursued and I envisage that if such schemes are viable they will be presented to the Principal Scrutiny Committee and the Board in order to come to a final decision in the coming months.

### 3 **FOUR YEAR FORCAST 2011/12 - 2014/15**

3.1 As was stated in the December report, in view of the severity of the present position, and in order to ensure that we continue to prudently plan for the situation with which we are faced, we are now trying to project ahead for the next 4 years. Of course, the further we go from the present the more uncertain the projections become.

- 3.2 It has already been noted in part 1 above that we have currently been planning on the basis that we would face a funding gap of £40.1m and Table 1 above gives details of how we plan to find the gap.
- 3.3 The latest projections having updated the actual 2011/12 expenditure needs and the latest details on likely savings availability are noted in Table 3 along with a comparison of the position from table 1.

**Table 3**  
**Anticipated budgetary projections for planning purposes 2011/12 - 2014/15**

	2011/12	2012/13	2013/14	2014/15	Total	Table 1
Anticipated deficit	8.6	10.4	9.1	9.4	37.5	40.1
Council Tax	(1.9)	(2.0)	(2.5)	(2.1)	(8.5)	(8.5)
£16m savings	(5.0)	(5.7)	(1.0)	-	(11.7)	(11.8)
Changes to budgetary policies	(1.2)	(0.4)	-	-	(1.6)	(1.5)
1% service efficiencies	-	(1.5)	(1.5)	(2.2)	(5.2)	(6.6)
Corporate Efficiencies	(0.5)	(0.7)	(1.2)	(1.8)	(4.2)	(4.4)
Increasing Income	-	(0.3)	(0.3)	(0.2)	(0.8)	(0.6)
Service cuts	-	0.2	(2.6)	(3.1)	(5.5)	(6.7)

- 3.4 The projected financial deficit which we are facing has now reduced slightly from £40.1m to £37.5m following the fall of £860,000 in the 2011/12 expenditure requirements. [Table 2 shows a difference of £1.6m but £745,000 is the result of transfers into subsequent years.] It can also be seen from paragraph 2.9 above that the way in which we will now be meeting the gap in our capital programme means that we can reduce the capital requirement £1.7m over the life of the plan.
- 3.5 For the members' information, details of the assumed spending needs which make up the £37.5m figure are given in appendix 1.
- 3.6 Despite the fact that the financial deficit has now reduced by £2.6m over the period, it can be seen that in comparison with table 1, the need for service cuts has only reduced by £1.2m. This is due to the fact that the figure we now anticipate to be available from increasing the service efficiency target to 1% will only produce £5.2m as opposed to the original £6.6m
- 3.7 The reason for this is the fact that the original plan did not take into account the result of honouring the Assembly Government's promise to provide limited protection to schools budgets.
- 3.8 The nature of the Assembly Government's promise is that they expect the **cash** which goes to schools to reduce by no more than 0.33% in 2011/12 (any reduction due to falling pupil numbers is to be disregarded) and to ensure that there is a **cash increase** of 1.58% in 2012/13 and 2.08% in 2013/14 (again disregarding any increase or decrease in pupil numbers).

- 3.9 However from this **cash** sum, schools are then expected to meet all additional pressures on budgets such as inflation, increments, and any other spending requirement (apart from the increase / decrease due to pupil numbers which was exempted from the promise).
- 3.10 I note below the practical effect of honouring this promise on schools budgets over the next three years in comparison with the original strategy implicit in the Council's plan to find £16m, and that which would have happened if schools were required to find efficiency savings of 1% as is the case for every other council service.

**Table 4 - Reduction in schools budgets 2011/12 - 2013/14**

	2011/12	2012/13	2013/14 (*)	Total
Original plan when looking for £16m	(659)	(793)	(293)	(1,745)
Original plan but efficiency savings of 1%	(952)	(1,086)	(586)	(2,624)
Protect schools in accordance with the Board's wishes	(1,314)	(21)	(226)	(1,561)

(\*) The original £16m plan anticipated that the need to find 0.5% efficiency savings would continue beyond 2012/13

- 3.11 It can be seen from the above that we now anticipate that the schools budget will now only be required to contribute £1.56m towards the costs of inflation and service pressures over the next three years which is less than the amount originally anticipated when we established the £16m savings plan (schools contribution - £1.74m) and it is much lower than the amount which would be expected if schools were required to contribute 1% efficiency savings towards the financial deficit as other services are expected to contribute (£2.6m).
- 3.12 We must also be alive to the fact that even after increasing the efficiency target for other Council services to 1% we still anticipate a need to find corporate efficiency savings, increase income and find service cuts amounting to a further £10.5m, and depending upon the position in the final year, there is a strong likelihood that the major part of this amount will have to be found from the other services as we will not be able to call upon schools for a further contribution.
- 3.13 Whilst it appears that we have managed to find the savings we will need to ensure a balanced budget in 2011/12 and 2012/13, it is certainly the case that the proactive stance taken by the Council has paid dividends, but we must ensure that we do not now take the foot off the pedal as we must ensure that various schemes which are chosen are implemented to achieve the targets noted above.

#### **4 CAPITAL**

- 4.1 In the report that was presented in December it was noted that the Council would need to review its Asset Management Strategy in the light of a substantial reduction in the resources available to finance

capital and the need to recognise the financial commitment which falls upon the Council in refurbishing and building schools.

- 4.2 The first step in this process is for the Task group that was established by the Principal Scrutiny Committee to meet to consider the options and to make recommendations regarding reducing the calls on the strategy or to increase the available resources. This group will be meeting in the next few weeks.
- 4.3 In the meantime, the Council has already established a capital programme worth £18.642m for 2011/12 and therefore with one or two small changes I recommend that we adhere to this programme and wait until the scrutiny committee has had the opportunity to review the asset strategy before committing further funds for the years to come.
- 4.4 The Asset Strategy earmarked £500,000 every year to finance issues that were not apparent at the time the strategy was prepared or for issues which were outside its scope.
- 4.5 It can be seen from the Head of Strategy and Improvement's report that it is proposed that capital expenditure worth £956,200 be committed in 2011/12 (with one scheme extending over the following four years).
- 4.6 Assuming that the members wish to agree to this recommendation, I recommend that the remaining amount over the £500,000 already contained in the strategy be financed from the resources set aside to finance prudential borrowing but which will not be required in 2011/12.
- 4.7 One other issue that requires attention is the need to reprofile capital expenditure on the waste strategy.
- 4.8 In the original profile, it was noted that we needed to spend £2.98m in 2010/11 and 0.19m in 2011/12 and these amounts appear in the programme for the two years, with a further £4.5m to be spent in years to come. However, due to the need to cap and develop cells at Ffridd Rasmus and Llwyn Isaf earlier than previously thought, capital expenditure of £1.4m will need to be brought forward to 2012/13.
- 4.9 This will not affect the asset strategy as this is merely a question of timing of expenditure already contained in the strategy.
- 4.10 It is therefore recommended that we add the above two amendments to the capital programme for 2011/12 and as a result, increase the programme from the original £18.642m noted above to £20.498m to be funded as follows -

**Table 5**  
**Financing the 2011/12 Capital Programme**

£'000	2011/12
<b>Capital requirement</b>	<b>20,498</b>
<b>To be financed by -</b>	
Capital support in the settlement	7,890
Contribution from earmarked reserves	424
Capital receipts	2,117
Contribution from revenue	2,349
Prudential Borrowing	7,718
<b>Total financing</b>	<b>20,498</b>

**5 BALANCES**

- 5.1 As noted in the December report, it is anticipated that we will have general balances of around £8m at the end of this financial year, but in view of the volatile financial circumstances with which we are faced in the years to come, and the likelihood that we will have to fund redundancy costs which could be significant, I did not recommend that we use these balances at the current time.
- 5.2 Nothing has happened in the meantime to change that view. Indeed, in view of the circumstances outlined in clause 2.8 above in relation to threats for which no provision has been made, this rationale is even stronger.

**6 COUNCIL TAX**

- 6.1 The Committee will need to determine whether it is satisfied with the general construction of the budget and future plans, and assuming that it is satisfied with the strategy it would result in revenue budgets for services as shown in appendix 2.
- 6.2 The budget proposals shown result in an increase in the Social Services budget of 3.8%; a slight decrease in schools budgets of 0.8% and a decrease for all other budgets averaging 3.3%.
- 6.3 The decision that then needs to be made is the actual level of Council Tax increase for 2011/12.
- 6.4 In the assumptions made above, a planning assumption of 4% was used, in accordance with the instructions given by the Board in December.
- 6.5 4% would be equivalent to an increase of £38.43 or 74p a week in the Council Tax for a Band D property. [The tax raised by community councils and the Police Authority would be in addition to this amount of course].

- 6.6 For the Committee's information, it is noted in the table below how many houses pay Council Tax in each band and how many receive benefit to assist in paying those bills -

**Table 6**  
**Number of properties where Council Tax is paid and who receive benefit**

	Number receiving invoice	Number receiving element of benefit	Number receiving full benefit
Band A	8,331	773	1,987
Band B	14,702	1,517	2,853
Band C	11,493	844	1,312
Band D	9,901	328	585
Band E	7,795	234	350
Band F	3,750	67	80
Band G	1,234	9	11
Band H	175	1	2
Band I	73	-	1
<b>Total</b>	<b>57,454</b>	<b>3,773</b>	<b>7,181</b>

- 6.7 We are not yet aware of what the average increase will be across Wales but I hope to be in a position to report on the position at the meeting.
- 6.8 An increase of 4% produces about £1.9m for us (with every 1% producing £476,400). Lowering to a little below 4% is unlikely to make a significant difference to the strategy.
- 6.9 The equation of course is a very simple one - for each 0.25% **lower** than the 4% we set the Council Tax then, if all the assumptions that have been made for the following years are correct, over the 4 years of the strategy we add a little over £100,000 to the service cuts of £5.5m we may need. Although it may not seem a lot in the overall scheme of things - it would mean £100,000 less of a service and that someone somewhere would lose something.
- 6.10 Coming down to a Council Tax of 3% would therefore mean an additional £476,400 of service cuts.
- 6.11 Increasing over the 4% would of course mean that the converse would be true - namely for every 0.25% **higher** than 4% the Council Tax increases you reduce the cuts required by £100,000.
- 6.12 The balance between providing services and taxation is a difficult one of course and it is a matter for the Committee to weigh the pros and cons and reach what they think is the appropriate decision .

## **7. DECISIONS TO BE CONSIDERED BY THE BOARD**

7.1 The Board needs to decide on the following :-

- a. Considering the budget given in part 2 of the report and the further comments made regarding financial risks that have been provided for, is the Board content with the proposed budget and the proposals to ensure a balanced budget for 2011/12 ?
- b. Is the Board still comfortable with the strategy to find savings for the 4 year period outlined in part 3 bearing in mind the changes that have been incorporated regarding reducing the schools contribution and does it agree to the revised profile of savings to be achieved in the various areas ?
- c. Does the Board agree with the capital programme recommendations for 2011/12 identified in part 4?
- d. What is the Board's view regarding the Council Tax that should be raised in 2011/12?

**Figures behind the projected deficit of £37.5m over 4 years**

	2011/12	2012/13	2013/14	2014/15
Workforce salaries (except teachers)	-	3.4	3.5	3.6
Teachers Salaries	0.5	-	1.0	1.7
General inflation	2.3	1.9	1.9	1.6
Landfill Tax	0.3	0.2	0.3	-
Pensions	0.3	0.4	0.4	-
Salary Increments	0.3	0.4	0.4	0.4
Precepts	-	-	0.1	0.3
Cost of capital borrowing	(0.4)	0.2	-	-
Interest on Balances	0.1	(0.5)	(0.3)	-
Demography	-	0.5	0.5	0.4
Miscellaneous	(0.2)	-	-	-
Pressures on services	3.0	3.4	2.8	3.0
Additional Capital (schools etc.)	-	0.5	0.2	0.1
Transfers	0.5	-	-	-
Loss of (increase) in Assembly Grant	1.9	-	(1.7)	(1.7)
<b>Total deficit</b>	<b>8.6</b>	<b>10.4</b>	<b>9.1</b>	<b>9.4</b>

**Total deficit over 4 years = £37.5m**

## Proposed Revenue Budget by Service 2011/12

	Base Budget 2010/11 £'000	Transfer to settlement £'000	Inflation £'000	Pay Increments and pensions £'000	Precepts, Interest and Borrowing costs £'000	Adjustments to income budgets £'000	Miscellaneous £'000	Other adjustments £'000	Bids £'000	Savings £'000	Budget 2011/12 £'000
<b>Services</b>											
Leadership Group	1,033	0	(2)	2	0	0	4	(264)	0	(9)	764
Strategy and Improvement	2,267	250	(6)	19	0	0	5	197	164	(109)	2,787
Finance	3,930	0	(23)	11	0	0	1	(19)	0	(270)	3,630
Democracy and Legal	3,344	0	(26)	12	0	14	10	(43)	7	(82)	3,236
Customer Care	6,491	0	43	43	0	0	0	264	35	(409)	6,467
Human Resources	3,277	0	(13)	11	0	0	0	(246)	41	(92)	2,978
Trunk Roads	(90)	0	27	(2)	0	0	0	0	0	(24)	(89)
Highways and Municipal	22,507	0	591	60	0	(10)	(57)	(82)	448	(770)	22,687
Regulatory (Planning, Transport and Public Prot.)	7,253	0	112	42	0	0	4	(172)	0	(386)	6,853
Gwynedd Consultancy	555	0	(63)	22	0	0	(1)	13	0	(268)	258
Central Education	17,622	0	330	33	0	0	167	(723)	50	(301)	17,178
Schools Budget	63,740	0	509	266	0	0	(368)	496	0	(1,422)	63,221
Economy and Community	3,571	0	(11)	9	0	0	21	25	500	(294)	3,821
Social Services	51,182	313	577	2	0	0	(1)	(293)	1,713	(372)	53,121
Housing	1,542	0	3	(12)	0	0	(14)	(2)	122	(1)	1,638
Provider Services and Leisure	2,398	0	(95)	77	0	0	(86)	91	0	(390)	1,995
<b>Total Services</b>	<b>190,622</b>	<b>563</b>	<b>1,953</b>	<b>595</b>	<b>0</b>	<b>4</b>	<b>(315)</b>	<b>(758)</b>	<b>3,080</b>	<b>(5,199)</b>	<b>190,545</b>
Corporate and capital items	27,138	0	1,186	0	(320)	0	(73)	542	(71)	(1,055)	27,347
<b>Total Gross</b>	<b>217,760</b>	<b>563</b>	<b>3,139</b>	<b>595</b>	<b>(320)</b>	<b>4</b>	<b>(388)</b>	<b>(216)</b>	<b>3,009</b>	<b>(6,254)</b>	<b>217,892</b>
<b>Balances and earmarked reserves</b>	<b>(558)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>216</b>	<b>0</b>	<b>0</b>	<b>(342)</b>
<b>Net Total</b>	<b>217,202</b>	<b>563</b>	<b>3,139</b>	<b>595</b>	<b>(320)</b>	<b>4</b>	<b>(388)</b>	<b>0</b>	<b>3,009</b>	<b>(6,254)</b>	<b>217,550</b>

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**A. Views of the Local Member:**

Not a local issue.

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**B. The View of the Statutory Officers:**

**1. Chief Executive:**

Deciding upon the financial strategy is always difficult due to the need to strike the appropriate balance, but the current strategy is even more challenging than usual due to the financial environment with which we are faced. I am satisfied that the strategy attempts to strike the appropriate balance and commend it to the Board.

**2. Monitoring Officer:**

Nothing to add regarding propriety

**3. Chief Finance Officer:**

I have been involved in relevant discussions as the Corporate Director devised this financial strategy for 2011/12 – 2014/15, and our accountants have adhered to professional costing conventions while prudently setting the Council's departments' budgets. Generally, I am convinced that the budget recommended is prudent and fair, and it is based on proper estimates of spending needs for 2011/12 and beyond.

The assumptions upon which the budget is based must be robust, and I am convinced that they are, but there are unavoidable risks regarding planned savings – if the level of cash to be saved is attainable, if it is possible to achieve the outcomes, and if the detailed intention is eventually acceptable to members. To date, this Council has a good record of achieving savings, but considerable perseverance and difficult decisions will be necessary over the next few years.

It is inevitable that a measured risk is involved in the development of the financial strategy for 2011/12 – 2014/15 as there remains some uncertainty regarding probable inflation on certain items including pay awards, energy, fuel costs, etc. Also, a number of the Council's departments continue to be uncertain regarding the future (value and existence) of some specific grants. The strategy (part 2.7 refers) does justice to some grants which transfer in to the general settlements. However, other elements of the Council's expenditure are financed by specific grants which could reduce or even disappear before April 2011.

Further, as I explained to the Board on 14/12/2010, increasing the assumed council tax collection rate from 98% to 99% has assisted the Council to bridge the funding gap, but involves a greater degree of budgeting risk. By adopting this bolder budgeting policy for 2011/12, only the contingency budget (part 2.8 of the report) will be available to assist in the event of any overspending. Clearly, this contingency budget will be under more pressure during these uncertain times.

Hence, in the face of all these risks to the Council, I agree with the content of part 5.1 of the Corporate Director's report, and believe that the £8m in general balances should be retained to meet probable redundancy costs and to support the Council through any unforeseen difficulties. As noted in part 2.8 of the report, one unforeseen cost has emerged recently, a potential financial risk regarding care fees, which has arisen purely due to events outside this Council. This will be reported upon further at the Board meeting.

I recommend that members support the financial strategy submitted, so that we will be able to continue to keep Gwynedd Council's finances under control for 2011/12. Further to the measures already taken by the Council (identification of savings in

order to respond to the challenging circumstances facing us over the next four years), I believe that this financial strategy is appropriate and prudent. However, with some risk being inevitable, the integrity of this financial strategy depends upon the Portfolio Leaders and the departments' heads achieving their planned savings and continuing to control their expenditure in a disciplined manner in order to live within the limits of their budgets for 2011/12.