

COUNCIL REPORT
28 February 2013

Cabinet Member : Councillor Peredur Jenkins

Subject : 2013/14 Budget and 2013/14 – 2016/17 Financial Strategy

Contact Officer: Dilwyn Williams, Corporate Director

Required Decisions

The Cabinet recommends to the Council -

- 1 That it should approve a revenue budget of £233.913m in 2013/14 to be distributed amongst the services as noted in Appendix 1 which will also mean depending upon savings of £1.921m in 2013/14.
- 2 That this budget should be financed by Welsh Government Grant of £181.633m and £52.28m from Council Tax which would entail a Council Tax increase of 3.5%.
- 3 As part of that budget, that the permanent bids noted in the report attached at Appendix 5 should also be approved.
- 4 That one-off bids of £394,250 noted in Appendix 5 should also be financed from the £268,050 performance improvement grant which is retained each year for one-off issues adding a further £126,200 from the Council Tax resource set aside for 2015/16.
- 5 In relation to the position for the next 4 years, that we should plan to find the projected financial deficit of over £32m for the next 4 years by planning to increase Council Tax by an average of 3.5% a year which will produce nearly £8m on top of the £8.7m savings for which we have already been planning.
- 6 That we should then aim to find the residue by establishing a further efficiency target of £6.4m and trying to manage demand for council services by being proactive to avoid creating demand with a view to finding a further £5m. Any residual sum would then have to be found from service cuts.

- 7 To approve a capital programme of £20.839m for 2013/14; £15.748m for 2014/15 and £20.346m for 2015/16 on the schemes noted in Appendix 3 (which also includes the capital bids highlighted in Appendix 5).
 - 8 That it agrees to delete the “Support for Members” savings scheme (£54,000) from the savings programme in accordance with the Democratic Services Committee’s recommendation.
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Introduction

1. The Council has to set a budget for the year to come (2013/14) by considering its spending needs. This must then be set against the available income and consideration given as to how any difference is to be found by weighing up the arguments for increasing the Council Tax or reducing spending.
2. Historically, and in accordance with best practice, the Council has established its annual budget in the context of a medium term financial plan in order to ensure that the budget prepares the Council for the period to come rather than merely trying to balance issues one year at a time.
3. This has proven to be very successful over the years as we have been able to plan any savings which we require in a rational way without having to take rushed decisions which tend to lead to incorrect decisions as far as the interests of our people are concerned.
4. It is a matter for the Cabinet to consider all of these issues and make appropriate recommendations to the Council. There is also a role for the Audit Committee to consider the proposals in order to assess the financial propriety of those recommendations.
5. The attached paper details the relevant factors which need to be considered in producing the medium term financial strategy and in setting the 2013/14 budget (including any increase in Council Tax).
6. In 2013/14, the grant which we receive from Welsh Government will increase by 1.1% to £181.63m but our assessment of the need to spend suggests that we need to increase spending by 2.1% to £235.83m.
7. Without any increase in Council Tax, it is anticipated that we will be able to collect £50.51m next year (which is £784,000 less than this year due to the

anticipated effect of the new council tax support scheme when setting the Council Taxbase). This means that we will have a funding gap of £3.69m to be found in 2013/14.

8. The strategy suggests that we should bridge this gap by increasing Council tax by 3.5% in order to generate £1.77m leaving £1.92m to be found from savings.
9. This would reduce our spending to £233.91m.
10. This will also include ensuring that schools receive a cash increase of 2.08% which will mean that, contrary to the position of every other council service, for the second consecutive year, they will not be facing the need to find savings (apart from meeting the effect of pupil numbers which can have a positive or negative effect depending upon the individual school's circumstances).
11. In 2013/14 primary schools will also benefit from the re-distribution of £200,000 released from the schools reorganization process.
12. Within the budget there are a number of significant risks (including any pay increase; the cost of the Council Tax Support scheme and any effect of the auto enrollment pension process) and these risks are covered by retaining the £1.6m contingency budget along with the fact that the collection rate for council tax collection in 2013/14 is likely to be better than anticipated when establishing the budget.
13. For the 4 year period 2013/14 – 2016/17 our analysis of the possible position shows that we could be faced with a financial deficit of over £32m for the period.
14. If the Council is willing to raise Council Tax by an average of 3.5% a year for the next 4 years, this would provide £7.8m towards the deficit and we also have a savings programme already in place which will generate £8.7m over the next two years (after taking into account two schemes which will not produce savings of the magnitude originally envisaged).
15. This means that we will need to find further savings of nearly £16m in the last two years.
16. The strategy suggests that we should meet this remaining deficit by finding more efficiency savings (giving ourselves a target of £6.4m for this aspect) and undertaking proactive efforts to avoid creating demand for

services (targeting a further £5m from this area). Any remaining sum would have to come from service cuts.

17. The whole position is summarised in the following table -

| £M | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total |
|---------------------------|--------------|------------|------------|------------|-------------|
| Additional spending needs | 17.2 | 7.0 | 9.4 | 9.0 | 42.6 |
| Grant loss (increase) | (13.6) | (0.5) | 2.7 | 1.4 | (10.00) |
| Council tax | (1.7) | (1.8) | (2.3) | (2.0) | (7.8) |
| Planned deficit | 1.9 | 4.7 | 9.8 | 8.4 | 24.8 |
| £16m schemes | (0.9) | (0.8) | (0.3) | | (2.0) |
| Income | (0.1) | | | | (0.1) |
| 1% Efficiency | (1.3) | (1.8) | (0.1) | | (3.2) |
| Corporate efficiency | (1.4) | (2.0) | | | (3.4) |
| To be found by - | (1.7) | 0.1 | 9.3 | 8.4 | 16.1 |
| Further efficiencies | | | (6.4) | | (6.4) |
| Demand management | | | (5.0) | | (5.0) |
| Cuts (balancing figure) | | | (4.7) | | (4.7) |

18. The strategy also recommends a capital programme as noted in Appendix 3 amounting to an investment of £20.839m in 2013/14; £15.748m in 2014/15 and £20.346m in 2015/16 which is much greater than the financial support provided by the Welsh Government to support our capital programme.

Reasons for the recommendation

19. The whole strategy tries to protect services which the Council provides to the people of Gwynedd whilst trying to keep council tax increases to the minimum consistent with that aim.

20. It also tries to spread the varying annual effect of the financial squeeze consistently over the years so that we do not see the Council Tax increase falling in one year only to have to increase it wildly in the following year.

21. However, taking the 4 year projections into account, it can be seen that even given an average council tax increase of 3.5% a year, we project that we could be faced with a deficit of nearly £25m over the 4 year period.

22. There is a strategy for finding this deficit but it appears that even then we could be faced with having to cut some services to the public.

23. However, with the proposed strategy of finding a substantial portion from further efficiency savings and taking proactive steps to try and avoid creating demand for services and managing expectations, there is a possibility that we can keep any service cuts to a minimum and protect as far as possible Gwynedd's citizens.
24. There will certainly be councils in Wales who will increase Council tax by less than 3.5% but equally there have been articles in the press recently which indicate proposals by some authorities for more significant increases, and the Council could also do one or the other if that was its wish. However it must be aware that the effect of reducing the proposed increase over the next 4 years would be to increase the service cuts which would be needed.

Relevant Considerations

25. As can be seen above, it is possible to have a greater or lesser Council Tax increase but it will affect the level of service cuts which we will need to find over the period.
26. We cannot change the level of grant which we receive from the Welsh Government (although officers and members are continually undertaking work to try and ensure that the distribution formula is fair) but in relation to the remaining equation, it is possible to change some of the spending figures, but there would be consequences to such actions of course.
27. We could take a less prudent approach to some elements of the budget but we should bear in mind that doing so would only increase the risk of having to find savings urgently and in doing so, taking rushed decisions.
28. In considering the financial direction for the future, every council member was given the opportunity to attend one of 4 sessions convened across the county to discuss the strategy in order to ensure a clear understanding and to give every member an opportunity to feed in to the debate any issue they would like the cabinet to take into account in forming these proposals.
29. It is heartening to note that of the 65 members who are not on the cabinet, 38 members (58%) were able to avail themselves of the opportunity.
30. A number of constructive observations were received in these sessions which will help us with the practical application of some of the strategy's proposals and in particular, the process of finding the funding gap.

- 31 The observations given at the sessions unanimously supported the strategy's general direction (including the plan to increase council tax by 3.5% for the next 4 years if we need to do so in order to try and reduce the level of service cuts with which Gwynedd's citizens would be faced)
 - 32 The Audit Committee also considered the strategy at its meeting on 14 February and the committee decided to accept that the financial strategy adequately covered the relevant risks and gave sufficient attention to the risks facing the Council for the next 4 years.
 - 33 As no other direction had been proposed for me to consider, having considered all of the above factors, the Cabinet confirmed the proposals outlined at the beginning of this report.
 - 34 It is a matter for the Council to consider all of the factors noted in the report and the attached paper and to consider whether they are willing to confirm the Cabinet's recommendations.
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Views of the Statutory Officers

Chief Executive:

The fact that we are facing a significant financial challenge is not news to the Council. However, the fact that we have together been preparing for this for some years is of significant benefit to us when facing up to the challenge. The success of that work means that if we can maintain our discipline in meeting the efficiency savings and maintain the level of council tax increase recommended in the report, it will be possible for us to get to 2015/16 or later before we have to look for service cuts.

Monitoring Officer:

Nothing to add in terms of propriety.

Head of Finance :

These observations form the Chief Finance Officer's report on the "robustness of estimates" and "adequacy of financial reserves" in accordance with s.25 of the Local Government Act 2003. The Council shall have regard to this, and associated risks identified by the Chief Finance Officer, when determining the annual budget and level of Council Tax.

I have been involved in relevant discussions as the Cabinet Member for Resources and the Corporate Director devised this financial strategy, and I can confirm the reasonableness of the forecasts contained in this report regarding the Council's spending needs for 2013/14 and beyond. Inevitably, there is some uncertainty regarding factors such as probable inflation, some unstable income budgets, and delivery of planned savings, but I believe that the assumptions in the Corporate Director's report are fair and that those assumptions produce financial figures with a measured and acceptable level of risk.

In order to mitigate the risk associated with the financial strategy in 2012/13, Cabinet Members, Heads of Department, service managers and accountants responsible for the Council's budgets have generally acted with discipline and diligence to manage expenditure and secure income. Such conscientious financial management will be required again in 2013/14.

Gwynedd Council's adherence to the medium term financial plan to achieve savings has put Gwynedd in a robust position to plan ahead, but there is danger that further rises in spending needs and real terms grant cuts must be dealt with in 2014/15, 2015/16 and 2016/17. Hence, we must be careful to safeguard the Council's general balances in 2013/14. I am convinced that what is recommended here, i.e. to uphold the current £8m level of balances (alongside adequate specific reserves), is prudent if the Council is planning ahead appropriately for the continuing national period of austerity.

Appendices

Paper entitled 2013/14 -2016/17 Financial Strategy and the 2013/14 Budget.