

2017/18 BUDGET and 2017/18 – 2019/20 FINANCIAL STRATEGY

1 BACKGROUND

- 1.1 This detailed report notes the factors that influence the revenue budget proposed for 2017/18, and outlines the main changes since 2016/17.
- 1.2 In addition, Appendix 4 updates the medium term financial strategy established last year for the period up to 2019/20.

2 WELSH GOVERNMENT GRANT

- 2.1 The Welsh Government has announced the settlement to finance local government for 2017/18, but has not provided any indicative figures for the following year. The details are noted below in Table 1.

Table 1
Revenue Support Grant 2016/17 & 2017/18

	Total Welsh Authorities £'000	Gwynedd Council £'000
2016/17 Government Grant (without amendment)	4,101,550	167,078
2016/17 Government Grant (amended)	4,103,632	167,155
2017/18 Government Grant	4,113,620	168,964
	Increase £	12,070
	Increase %	0.3%
		1.1%

- 2.2 It can be seen from the Welsh Government's figures which are in the above table that Gwynedd Council receives an increased grant of £1.9m by next year (after amending the 2016/17 figure to reflect the transfer into the settlement) which is an increase of 1.1%, with the average increase across Wales being 0.3%.
- 2.3 A number of factors feed the formula, namely the number of pupils, number of income support claimants, etc, and the higher increase in grant for Gwynedd and other rural authorities is because the (current) higher costs of running social services (care) in rural authorities has since been incorporated in the revised allocation formula, and also because population estimates have gone in our favour this year. It is fair to say that Gwynedd's officers have been prominent in providing the evidence to justify changing the formula to reflect the true cost of care in rural areas.
- 2.4 There was a further relatively small change of £127,000 due to a related tax base adjustment.

3 COUNCIL REVENUE EXPENDITURE - 2017/18

- 3.1 Table 2 below shows the increase in the expenditure required in order to "stand still" in 2017/18.

Table 2
Additional Expenditure Requirements

	£'000	£'000
2016/17 Base Budget		227,227
Salary Inflation (Staff)	1,882	
Increments net of Turnover	318	
Apprenticeship Levy	540	
Pensions (automatic enrolment)	342	
Other Inflation (Suppliers)	1,876	
Interest on balances	186	
Borrowing Costs	-318	
Levy (Fire Authority)	262	
Demography	414	
Services' Income Adjustments	29	
Miscellaneous	173	
Transfer to the Settlement	547	
Pressures on Services (bids)	<u>2,463</u>	
Net total of increase		8,714
Use of Reserves in 2016/17		<u>2,591</u>
Total 2017/18 expenditure requirements before savings		<u>238,532</u>

- 3.2 **Base Budget 2016/17** – Although £227m is the net 2016/17 expenditure, it is important to note that the Council's true expenditure is £379m as we receive a multitude of specific grants worth £89m and raise nearly £63m for services which we provide.
- 3.3 **Salary inflation £1.88m** – Provision has been made for a 1% salary increase for Council staff, in accordance with the national agreement, with a higher % for some staff on lower grades worth £360k to meet the 'living wage' requirements.
- 3.4 **Increments net of Turnover £318k** – Net amount which reflects a higher turnover level than the value of salary increments for all Council staff, but mainly £201k for school staff, and £108k for Care Provider staff.
- 3.5 **Apprenticeship Levy £540k** – A new additional cost which is similar to a 'tax' on large employers (0.5% of the total employment bill) following relevant legislation.

- 3.6 **Pensions – Automatic Enrolment £342k** – Because of Gwynedd Pension Fund’s excellent investment performance, we succeeded in not having to increase the Council’s employers pension contribution rates. Following the triennial valuation on 31/03/2016, we know that large employers’ pension contributions in some other pension funds will rise by 1% each year for the next 3 years. 3% of Gwynedd’s employment costs would have been worth around £5m. However, the effect of the automatic enrolment legislation means that more workers are joining the pension scheme, with employers’ contributions on those salaries being an additional cost.
- 3.7 **Other inflation £1.88m** – Net amount which includes provision for the effect of the ‘living wage’ (minimum pay) on the costs and fees of our private suppliers.
- 3.8 **Interest on Balances £186k** – Projection of a further reduction in interest rates receivable in 2017/18.
- 3.9 **Borrowing Costs (£318k)** – There will be a reduction in borrowing costs, at the period end of some old loans. At present, no additional borrowing is intended (see the Treasury Management report).
- 3.10 **Levies £262k** – In December 2016, North Wales Fire Authority decided to raise the levy 4% on the constituent authorities. With the population adjustment, this means an increase of 4.53% for Gwynedd Council.
- 3.11 **Demography £414k** – Net amount which reflects +£81k due to an increase in the number of pupils in Schools, +£33k due to an increase in the number of cases in the Childrens’ Service, +£300k due to an increase in the number of people receiving care from the Adults’ Service. The net figure of +£81k for schools hides different positions in different sectors, namely secondary -£383k, primary +£314k, and Special +£150k. Specific attention is given to the schools’ position in part 4 below.
- 3.12 **Adjustments to Services’ Income Budgets £29k** – Net amount which has adjusted services’ income targets, including -£119k Economy (mainly Hafan, Pwllheli), +£20k Highways (due to an increased use of the Crematorium), +£10k Corporate Support (Registration fees), and +£60k Regulatory to reflect an increase in parking income, land charges, etc.
- 3.13 **Miscellaneous £173k** – A total which reflects a significant number of minor adjustments in provisions across the Council.
- 3.14 **Transfer to the settlement £547k** – Transferring into the Council’s settlement in the Care services field, together with the relevant responsibilities, and thus to be reflected in the Adults Department’s budget, £106k from the former Transformation Delivery Grant (to help put the new Welsh social care law in operation), £199k to meet the increase in capital limit for assessing residential care fees, and £213k for the prevention of homelessness, together with other sundries. Also, there will be a transfer in for LGBI Education capital costs, whilst £49k will also transfer out of the Education budget, together with the responsibility for paying teachers’ registration fees.

- 3.15 **Pressures on Services £2,463k** – Unavoidable 'bids' – refer to **Appendix 1** for details of each individual 'bid'.

It is recommended to approve applications ("bids") worth £2,010k by the Council's departments for permanent additional resources to meet the unavoidable pressures on their services. It is also recommended to approve £453k worth of one-off bids.

Bear in mind that the Council's main priorities (developmental matters in order to make a difference) are being funded and commissioned separately, through the Strategic Plan. What is presented here through the "bids" are unavoidable commitments that the departments are facing now.

Every department has the right to identify any expenditure which the Council has to fulfil to ensure the continuation of basic services. This heading is not for new developments, but rather for continuation of current basic services.

Of course, an element of these applications are highlighted whilst reviewing this year's spending patterns. Others are a result of factors where there is a need for expenditure in order to protect outcomes for the public, or to meet statutory requirements. There is also an element of central government creating more pressure and expectations, and then we have to deal with the consequential effects.

These items have been subject to challenge by the Corporate Management Team and the Cabinet Member for Resources before being recommended to be approved by the Cabinet.

- 3.16 **Use of Reserves in 2016/17** – £2.6m from Reserves was used to bridge one-off in 2016/17, in order to reflect the profile of the savings that can be achieved. This has to be made good now by adding it to the 2017/18 gap.

4 SCHOOLS

- 4.1 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."

The Schools Finance Forum, which includes school heads and governors, have achieved this work with the Cabinet Member for Education and the Cabinet Member for Resources.

- 4.2 It has already been decided to profile the £4.3m savings to be implemented - £952k in 2015/16, £2,095k in 2016/17, **£990k in 2017/18**, and £263k in 2018/19. Therefore, the intention was to secure £990,000 of savings from the schools budget in 2017/18.
- 4.3 Bear in mind 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.

- 4.4 Further, in a meeting of the Schools Finance Forum on 29 November 2016, concern was noted that Secondary demography would reduce worth £383k in 2017/18, but that it would change direction in the following year. Although the positions of individual schools will vary, the Forum highlighted that it didn't make sense to reduce some secondary schools' budgets this year because of demography, and then to resurrect them the following year. This could mean unnecessary redundancy costs (to be financed centrally by the Council).
- 4.5 The Council's Cabinet saw the sense of the debate, but also noted that the Secondary sector was becoming more vulnerable, and there was a need to find a sustainable long-term solution for the sector. In order to buy time to assess the problem and establish a long-term solution for the sector, the Cabinet on 13 December 2016 decided that bridging money should be included in the 2017/18 budget for secondary schools receiving a lower allocation due to a reduction in pupil numbers, and freeze the implementation of the third part of the £4.3m savings in the Secondary sector – i.e. £298,990 – for two years, and to finance this from the Council's balances.
- 4.6 This is not removing the saving – only freezing it for two years in order to buy a little time for the secondary sector to come up with long-term proposals in order to respond to the problems which they are clearly facing.
- 4.7 Deferring the saving, together with the demography reductions, will be an additional expenditure of £756,290 in the 2017/18 budget, but to be financed one-off from the Council's balances. It is anticipated that by the end of this financial year (by 31/03/2017) the Council will have general balances of £5.5m, which represents approximately 1.5% of the Council's gross revenue expenditure. In the 2016/17 budget, I recommended keeping a minimum of £4.4m of general balances. This decision does not endanger those levels, although of course there will be less balances remaining for the Council to consider their use for any other purpose.
- 4.8 Generally, I would not plan to finance continuous regular spending from the Council balances. However, this is not the intention here. The one-off use of a portion of the balances, in order to bridge a unique situation in the secondary sector in 2017/18, will be good practice in order to avoid unnecessary redundancies, giving the secondary sector an opportunity to reach a more sustainable position in the medium term.

5 SUMMARY OF THE POSITION IN 2017/18

- 5.1 It can be seen from Part 3 above, that the Council's expenditure requirements (before deducting savings) for 2017/18 are £238.5m (an unavoidable increase of 5%) and we will be receiving a grant of £169m from the Welsh Government (an increase of 1.1%). This means a funding gap before tax of £69.5m.
- 5.2 Since our assumptions for 2017/18 in February 2016, our figures have been modified for the Welsh Government's more favourable than expected settlement (£3m), which is counterbalanced to some extent by higher expenditure requirements, including demography and higher inflation on some supplies, unavoidable developments in the field of social care, teachers increments, and low interest. We had foreseen other additional costs, namely the apprenticeship levy, the living wage, the waste strategy, etc, in February 2016.

- 5.3 With no increase in the Council Tax rate, the tax yield for 2017/18 would be £60.6m. With an increase of 3.97% (the assumption a year ago), the tax yield would be £63m, and we would be facing a gap of £6.5m in 2017/18. As the savings programme is likely to exceed that gap by 2017/18, a lower increase is being considered. With an increase of 2.8%, it is expected that the income from Council Tax will be £62.34m, and we would be facing a gap of £7.2m in 2017/18.

6 COUNCIL TAX

- 6.1 Therefore, there is a key decision to be made in the wake of the above considerations, namely to establish the exact level of Council Tax to be recommended to the Council for 2017/18. 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.
- 6.2 In the original assumptions made in our medium term financial strategy, a figure of 3.5% was used, as an estimate of the average increase in Wales. By 2016/17, it was decided to increase the tax 3.97%, in order to avoid implementing some cuts. By 2017/18, a further increase of 3.97% (as planned a year ago) would produce tax of £63.06m (£2.77m of additional income) towards the gap.
- 6.3 However, as a number of factors have gone in our favour this year, the 2017/18 budget can be balanced with a lower increase in the tax level. Therefore, it is recommended to increase the tax 2.8%, which would produce tax of £62.34m (£2.05m of additional income) towards the gap. This would equate to a Council Tax increase of £33.80 in a Band D property, or 65p a week. The tax raised by the community councils and the Police Authority would of course be additional to this, and higher than usual tax increases are expected in some communities by 2017/18.
- 6.4 Over 17% of households in Gwynedd receive some element of assistance towards their Council Tax, and over 61% of properties in Gwynedd are in bands lower than band D. Every additional 0.1% of tax would adjust the financial gap we would need to find by around £60,700. Therefore, 0.5% would mean adjusting the financial gap by around £303,500 whilst 1% would mean adjusting the financial gap by around £607,000.
- 6.5 The increase in Gwynedd's Council Tax, together with the average increase across Wales since 2008/09, is shown below.

Year	Gwynedd	Wales
Total 2008-17	37.1%	33.2%
2016/17	4.0%	3.7%
2015/16	4.5%	4.3%
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%

In 2016/17, Gwynedd Council's Band D Council Tax level was £1,207, while the average level of tax for the counties in Wales was £1,127.

- 6.6 We do not yet know what the exact average increase across Wales will be for 2017/18, but the latest information I have is that the average across Wales will be around 3%. Having increased 0.3% higher than the Wales average last year by 2016/17, this year by 2017/18 there is an opportunity to increase slightly less than the average, and adhere to the long-term policy.
- 6.7 The choice between maintaining services and taxation 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. However, **as a starting point for discussion, a Council Tax increase of 2.8% is recommended, which would be a weekly increase of 65p, or £33.80 annually, with a Band D tax of £1,240.96 for 2017/18.**
- 6.8 The Council decided in its meeting of 8 December 2016 to raise a "premium" of 50% on long-term empty properties and second homes from April 2018 onwards, and use a percentage of the money to provide housing for young people in the county's communities. The premium on these properties could attract considerable additional income for the Council by 2018/19, but it is not a consideration for 2017/18.

7 ADDRESSING THE GAP IN 2017/18

- 7.1 Increasing the Council Tax level by 2.8% would leave a gap of £7.2m to be found in 2017/18, and this can be found from savings.
- 7.2 In its medium-term strategy in March 2016, the Council drew up a considered and sensible savings and cuts programme to be implemented during the period 2016/17 – 2018/19. Since then, as reported to the full Council 8 December, there has been satisfactory progress with the savings achievement programme, which means that it is possible to call upon £5.1m of savings and cuts which are already in progress by 2017/18, together with the £990k schools saving, in order to meet the financial gap.
- 7.3 It is anticipated that we will achieve further efficiency savings in 2017/18, and I am convinced that the amount of these further savings will be more than sufficient to close the residual gap of around £1.1m, with any over-achievement then available for the more uncertain 2018/19 financial strategy challenge.
- 7.4 The following table summarises the relevant totals as the Council sets its budget and tax for 2017/18.

Establishing the 2017/18 Budget

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

Addressing the Gap in 2017/18

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

Balanced Budget for 2017/18

	£
2017/18 Expenditure Requirements before savings	238,531,470
2017/18 Savings Total	<u>-7,231,750</u>
2017/18 Net Budget	<u><u>231,299,720</u></u>
To be funded from -	
Grant Income	168,963,540
Council Tax	<u>62,336,180</u>
2017/18 Net Budget	<u><u>231,299,720</u></u>

8 BALANCES

- 8.1 It is foreseen that the Council will have general balances of £5.5m at the end of this financial year, representing around 1.5% of the Council's gross revenue expenditure.
- 8.2 We have noted on more than one occasion that due to the turbulent environment we will be 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, and the absence of any statement from the Welsh Government about future grant settlements for local government means that the risk continues. Therefore, the need to ensure that we have appropriate balances to deal with any financial shocks is still relevant (see Appendix 4 for the medium term Financial Strategy).
- 8.4 Having committed £1.1m from general balances, in order to have time to consider and resolve the secondary schools problem reasonably, it is recommended that we do not use any more of the general balances in 2017/18.
- 8.5 We have a number of specific reserves established by the Council to meet specific expenditure needs. These are also part of the Council's budget of course, and have been scrutinised annually. Attention was given to the specific reserves by the Cabinet on 7 June 2016 and the Audit Committee on 23 June 2016, when it was approved to transfer over £2m from reserves and provisions towards corporate priorities / requirements. I review the level of these reserves continually, and it is intended to hold another intensive review by June 2017, to consider how much scope there will be for the Council to change its priorities within these reserves.
- 8.6 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."
- 8.7 I am convinced that the one-off use of balances to overcome the secondary schools' temporary difficulties in 2017/18 is an appropriate use of the Council's balances in special circumstances.

9 CAPITAL

- 9.1 Whilst local authority revenue budgets face constraints, capital budgets are also under pressure, and there are revenue implications for capital expenditure which is not funded by specific grants.
- 9.2 In light of the revenue financial 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), a thorough review of the Asset Strategy is already underway and it is intended to report on proposals to a Cabinet meeting in March 2017.
- 9.3 However, before then, there have been adjustments and changes in the proposed profile for individual schemes presented in Appendix 2, and we will be funding the programme as follows:

Table 3
Funding capital programme 2017/18 – 2018/19

	2017/18 £'000	2018/19 £'000
Capital requirements	12,015	6,410
To be funded through:		
Capital provision in the settlement	6,675	5,907
School grants / borrowing	3,222	0
Capital receipts	835	0
Contribution from revenue	399	0
Prudential borrowing	<u>884</u>	<u>503</u>
Total to be financed	<u>12,015</u>	<u>6,410</u>

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 over-stretch the Council.

- 9.4 I note that 2017/18 is the final year of the current Asset Strategy and the new Council will have the opportunity to draw up a new one for the next 10 years. 2018/19 will be the first year of that strategy, and therefore (while the financial strategy sets a programme for 2018/19 in order to assist departments with planning) it is likely that there will be additions to it next year as a result of drawing up the new strategy, but we are guaranteeing the programme noted here as a minimum.

10 EQUALITY IMPACT ASSESSMENT

- 10.1 The budget outlined above endeavours to continue to provide appropriate outcomes for all the county's citizens, but as there was insufficient increase in our income to meet inflation, etc, we must implement the savings schemes agreed last year, and set targets for some additional schemes.
- 10.2 With savings, there is a possibility for us to have an impact which would disproportionately affect those with protected characteristics, but there were appropriate impact assessments regarding the financial decisions on the savings and cuts decided upon a year ago.
- 10.3 Our aim was 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 tried to identify how to make the best of every opportunity to improve equality in addition to trying to avoid or mitigate any negative effects to the best of our ability.
- 10.4 In planning our budgets, consideration is given to equality on every 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, monitoring services and engagement.
- 10.5 We have clear processes for finding savings, which include a full assessment of the impact of savings in terms of equality. We analyse each individual scheme, noting if the department needs to conduct an impact assessment when developing the project. This will be the procedure with further efficiency savings by 2017/18.
- 10.6 The recommended budget does more than meet inflation costs. It also attempts 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 (see the additional expenditure requirements in Part 3).
- 10.7 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 the Council provides sufficient funding to ensure that our financial arrangements do not have a detrimental impact on the level of services provided. Full details are given in Appendix 1 and it can be seen that a substantial part (£1.28m) of the total of £2,462,960 is going to social care.

11 CONCLUSIONS

11.1 This report sets out the factors that should be considered when establishing the 2017/18 budget and confirms that the strategy to cope with the financial position facing the Council for the next three years should continue.

2017/18 BUDGET

11.2 It is recommended to address a revenue expenditure requirement of £238.53m, having added £11.3m (which includes a provision of £2.46m for pressures on services).

11.3 After receiving a grant of £168.96m from the Welsh Government and with Council Tax income increasing 2.8% to £62.34m, this will leave a gap of £7.2m to be found in 2017/18.

11.4 It will be possible to address this gap via a combination of steps, as follows:

2017/18 Expenditure requirements	£238,531,470
Less Government Grant income	£168,963,540
Less Council Tax income	<u>£62,336,180</u>
Savings which will have been achieved	<u><u>£7,231,750</u></u>

11.5 **This will mean setting a net budget, after using balances, of £231,299,720 (£238.53m less savings of £7.23m). An analysis of the budget per service is given in Appendix 3.**

11.6 **It is also recommended that a capital programme of £12.015m should be established for 2017/18 together with £6.410m for 2018/19.**

LONGER TERM STRATEGY

11.7 Regarding the position over the next three years, it is recommended to plan to manage the funding gap by keeping all options open, and we should aim to continue to find the majority of the gap by maximising the efficiency savings that we can deliver.

APPENDIX 1

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
EDUCATION DEPARTMENT							
G.T.	ADD 1	<u>One Off Requirements to Establish Ysgol Bro Idris</u> Bid to finance staff time in order to prepare sound policies and procedures for the new school, and thus ensure that the school operates to its potential.	One Off Bid	105,530	105,530		Recommend finance the bid in full.
G.T.	ADD 2	<u>Moving Towards Education District Offices</u> Bid to finance the establishment of the education district offices model, in order to promote the "Gwynedd School" model and thus improve the quality of education in Gwynedd.	Permanent Bid	275,000	275,000		Cabinet have approved the Education District Offices model, and approved annual costs of up to £275,000 for three years. It's expected that the Department will find savings in order to supersede the bid by 2020.
Total Permanent Revenue Bids				275,000	275,000	-	
Total One Off Revenue Bids				105,530	105,530	-	
EDUCATION DEPARTMENT TOTAL				380,530	380,530	-	

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
ECONOMY DEPARTMENT							
M.R.	ECON 1	<u>Harlech and Ardudwy Leisure Initiative</u> Bid to finance Gwynedd Council's contribution towards a steady stream of income that is required to ensure that the initiative is viable. The 6 community council will increase their precept to meet the £50,000 that is needed.	Permanent Bid	6,000	6,000		Cabinet have approved a permanent budget of £6,000 from 2017/18 onwards, as part of the package with the local community councils.
Total Permanent Revenue Bids				6,000	6,000	-	
Total One Off Revenue Bids							
ECONOMY DEPARTMENT TOTAL				6,000	6,000	-	

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
ADULTS, HEALTH AND WELLBEING DEPARTMENT							
W.G.R.	OED 1	<p><u>Loss of Income due to the Welfare and Social Services (Wales) Act 2014</u> Bid in response to the Welfare and Social Services Act 2014 which states that we must charge for the first 8 weeks of respite/residential placement in accordance with the rules for charging for non-residential services. Under the new rules we can not charge no more than £60 a week, and in some cases charge nothing at all which has meant a significant loss of income.</p>	Permanent Bid	135,000	135,000		Recommend finance the bid in full.
W.G.R.	OED 2	<p><u>Change to the Capital Threshold to Self Finance Care Services from £24,000 to £30,000</u> Bid in response to the Welsh Government statement that they will be increasing the capital threshold used to determine whether individuals self finance their care/nursing placements from £24,000 to £30,000.</p>	Permanent Bid	200,000	200,000		Recommend finance the bid in full, to be held in a corporate contingency budget, until the exact amount is known.
W.G.R.	OED 3	<p><u>Learning Disabilities – Transition Age</u> To fund care packages for 6 individuals transferring from the Children’s Service to the Adult Learning Disabilities Service.</p>	Permanent Bid	243,720	243,720		Recommend finance the bid in full, but assign £30,000 to a corporate contingency budget.

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
ADULTS, HEALTH AND WELLBEING DEPARTMENT							
W.G.R.	OED 4	<p><u>Increase in Residential and Nursing Home Fees</u> Bid to ensure a consistent methodology between North Wales councils for awarding the fee levels that should be paid to providers of residential and nursing care.</p>	Permanent Bid	188,240	188,240		Recommend finance the bid in full, but assign to a corporate contingency budget.
W.G.R.	OED 5	<p><u>Established Safeguarding and Quality Assurance Team</u> Bid to address the concerns of the Care and Social Services Inspectorate Wales (CSSIW) on the Council's arrangements for safeguarding vulnerable adults. By establishing a team to carry out the new duties where there are no sufficient capacity at present.</p>	Permanent Bid	225,095	130,000	95,095	Recommend finance £130,000 of the bid, thus finance 2 DoLs officers and 1 officer for the "Escalating Concerns" regime. Department to prioritise their resources in order to fulfil other aspects.
		<p>One off element is for a period of two years, due to the need to deal with the DoLs backlog, to fund two social workers posts.</p>	One Off Bid	84,880	84,880		Recommend finance the bid in full.

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
ADULTS, HEALTH AND WELLBEING DEPARTMENT							
W.G.R	OED 6	<u>Operational Budget for Deprivation of Liberty Cases</u> Bid due to the increase in the number of individuals requiring assessment coupled with the complexity of such assessments. Additionally, Learning Disability cases (approximately 150 cases) are expected to start going through the process during 2016/17.	Permanent Bid	45,000	45,000		Recommend finance the bid in full.
I.T.	OED 7	<u>Renting Wise Wales</u> Bid in response to the Housing Act (Wales) 2014, which sets a new legal requirement for landlords and estate agents to register and license by 23/11/2016. This additional duty will be the responsibility of the Housing Enforcement Unit.	Permanent Bid	68,380		68,380	Recommend refusal of the bid for 2017/18, and request the Department to prioritise resources within the Housing Service.
Total Permanent Revenue Bids				1,105,435	941,960	163,475	
Total One Off Revenue Bids				84,880	84,880	-	
ADULTS, HEALTH AND WELLBEING DEPARTMENT TOTAL				1,190,315	1,026,840	163,475	

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
CHILDREN AND SUPPORTING FAMILIES DEPARTMENT							
M.R.	PLANT 1	<u>Children in Care Placements</u> Bid in order to deal with the increase in the number of new placements.	One Off Bid	160,000	160,000		Recommend finance the bid in full.
M.R.	PLANT 2	<u>Resources for the Operational Children's Team</u> Bid to finance two social workers and administrator in order to deal with the significant increase in demand for services.	Permanent Bid	120,000	50,000 (Permanent) ----- 50,000 (One Off)	20,000	Recommend finance one of the social workers post permanently and one social workers post temporarily for 2 years. With the Department to identify efficiency options within 2 years.
Total Permanent Revenue Bids				120,000	50,000	20,000	
Total One Off Revenue Bids				160,000	210,000	-	
CHILDREN AND SUPPORTING FAMILIES DEPARTMENT TOTAL				280,000	260,000	20,000	

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
HIGHWAYS AND MUNICIPAL DEPARTMENT							
J.W.J	PaB 1	<p>Waste Bid in order to deal with an increase in the Department expenditure following a reduction of approximately 6.7% in the Environmental and Waste Grant, reduction in landfill costs and disposal costs combined with an increase in tonnes of food to GwyrAD and to the housing stock.</p> <p>The Grant has changed over recent years, with one grant now for a range of services. If we remove all of the other services the grant funds - £101,500 Natural Resource Management (Floods) £56,750 - Local Environment Quality (Tidy Towns, dog fouling etc) the core waste balance to be funded by the Council would be £78,350.</p>	Permanent Bid	657,320	657,320		Recommend finance the bid in full, including the Waste Strategy element that has already been planned, as well as the other aspects where the Welsh Government has reduced the grant (for example floods, tidy towns, dog fouling etc).
JWJ	PaB 2	<p>Waste Finance the costs of Residual Waste Disposal, as the one off budget for Ffridd Rasmus has come to an end.</p>	One Off Bid	52,840	52,840		Recommend finance the bid in full.
Total Permanent Revenue Bids				657,320	657,320	-	
Total One Off Revenue Bids				52,840	52,840	-	
HIGHWAYS AND MUNICIPAL DEPARTMENT TOTAL				710,160	710,160	-	

2017/18 REVENUE BIDS

Cabinet Member	Ref	Details of the Bid	Permanent / One Off	Amount (£)	Recommendation		
					Finance (£)	Reject (£)	Comments
FINANCE DEPARTMENT							
P.J.	CYLL 1	<u>Implementation of Information Technology Strategy</u> Finance two Account Manager posts to ensure the implementation of the Information Technology Strategy, which has been approved by the Cabinet.	Permanent Bid	79,430	79,430		Recommend finance the bid in full.
Total Permanent Revenue Bids				79,430	79,430	-	
Total One Off Revenue Bids					-	-	
FINANCE DEPARTMENT TOTAL				79,430	79,430	-	
TOTAL PERMANENT REVENUE BIDS				2,243,185	2,009,710	183,475	
TOTAL ONE OFF REVENUE BIDS				403,250	453,250	-	
TOTAL BIDS				2,646,435	2,462,960	183,475	

2017/18 CAPITAL BIDS

Cabinet Member	Ref	Details of the Bid	Amount (£)	Recommendation		
				Finance (£)	Reject (£)	Comments
ECONOMY DEPARTMENT						
I.T.	ECON 1	Relocation of Criccieth Library Bid to finance the change in the library service in Criccieth, from being a library maintained by the authority to be a community library in collaboration between Adult Services and the Town Council.	26,720	26,720		Recommend finance the bid in full.
M.W-D.	ECON 2	Aberdyfi Foot Bridge Bid in order to finance a new footbridge in Aberdyfi, as the present bridge has come to the end of its useful life.	100,000			Recommend that further options appraisal are needed, therefore a further report should be submitted before the Council decides to commit its scarce capital money.
M.W-D.	ECON 3	Voluntary Development Fund Funding to support capital projects by social and voluntary organisations and enterprises. The budget is managed under the banner of Cist Gwynedd. Over the past 2 years, the Council has contributed £212,000 towards 25 project, with the total cost of these projects £926,000.	70,000	70,000		Recommend finance the bid in full.
ECONOMY DEPARTMENT TOTAL			196,720	96,720	-	
TOTAL CAPITAL BIDS			196,720	96,720	-	

APPENDIX 2

CAPITAL PROGRAMME FOR 2017/18 – 2018/19		
	2017/18	2018/19
	£'000	£'000
Buildings Repairs and Maintenance (dealing with the backlog and avoiding further deterioration)	2,553	2,477
Fire and Asbestos work	300	308
Schools Organisation	6,039	248
Street Lighting	50	50
Safety fences on roads	134	134
Dealing with flooding on roads	100	100
Playing Fields	35	35
Vehicle Renewals	0	93
Transport Feasibility Schemes	100	100
Cycle Routes	20	20
Information Technology Renewals	436	275
Electronic Documents and Records System	155	0
Housing Grants	2,000	2,000
To be distributed	93	570
Total	12,015	6,410

2017/18 PROPOSED BUDGETS BY SERVICES										
	Base Budget 2016/17	Inflation	Increments	Levy, Interest on Balances & Capital Charges	Demography & Transfer to the Settlement	Income Budgets	Various	Pressure, Apprenticeship & Pensions	Savings & Cuts	Base Budget 2017/18
DEPARTMENTS	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	2,052	18	3	0	0	0	(50)	0	(21)	2,002
Corporate Support	7,973	69	3	0	0	(10)	(30)	0	(408)	7,597
Finance	6,144	67	(9)	0	0	0	32	79	(263)	6,050
Trunk Roads	(87)	0	0	0	0	0	0	0	0	(87)
Highways and Municipal	20,559	210	(12)	0	0	(20)	78	726	(1,866)	19,675
Regulatory	6,947	83	5	0	3	(60)	83	(25)	(980)	6,056
Gwynedd Consultancy	318	1	(18)	0	0	0	(1)	0	(105)	195
Central Education	13,289	83	(30)	0	(1)	0	27	247	(415)	13,200
Schools Budget	69,147	689	196	0	34	0	(26)	791	(1,087)	69,744
Economy and Community	5,965	29	43	0	0	119	(14)	6	(873)	5,275
Adults, Health and Wellbeing	44,014	1,363	127	0	327	0	(114)	559	(1,937)	44,339
Children and Supporting Families	12,554	147	10	0	33	0	100	253	(340)	12,757
Departmental Total	188,875	2,759	318	0	396	29	85	2,636	(8,295)	186,803
Corporate and Capital Matters	43,202	999	0	381	565	0	88	781	1,063	47,079
TOTAL =	232,077	3,758	318	381	961	29	173	3,417	(7,232)	233,882
Less Community Council Precepts	(1,826)									(1,826)
TOTAL GROSS EXPENDITURE	230,251	3,758	318	381	961	29	173	3,417	(7,232)	232,056
Financed by: Balances and Specific Reserves	(3,024)	0	0	(251)	0	0	0	(72)	2,591	(756)
NET TOTAL =	227,227	3,758	318	130	961	29	173	3,345	(4,641)	231,300

A MEDIUM TERM PLAN TO ADDRESS THE FINANCIAL GAP 2017/18 - 2019/20

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 have been able to balance the 2017/18 budget without having to decide on any additional cuts which would have an impact on the people of Gwynedd. Not every Council is in a position to do this.
2. In order to continue on this course, in addition to establishing a budget for 2017/18, an effort has also been made to project the financial situation for the following two years, so that we can set the 2017/18 position in its wider context and plan how we are going to meet the challenges ahead.
3. The grant figure we will receive from the Welsh Government is the most uncertain figure for 2018/19 onwards. As the grant finances around 74% of the Council's net budget, clearly this figure is key to the projections. We know from the statement of the UK Government's Chancellor, and the statements made by Mark Drakeford, Cabinet Secretary for Finance and Local Government in the Welsh Government, that there could be a challenging future ahead for local government in Wales.
4. The strategy for the next three years sets out a realistic and prudent picture of what could lie ahead for us. The following tables show the results of the latest projections, noting those savings which have already been planned.
5. The financial strategy adopted by the Cabinet in February 2016 faced the financial gap between 2016/17 and 2017/18, while this report reviews the basis of those assumptions and attempts to look past that period up to 2020.
6. The 2017/18 grant settlement is used here for planning purposes, together with the budget (the latest estimates of the Council's requirements) for 2017/18, together with an outline estimate for 2018/19 and 2019/20.
7. Unlike some other authorities, assuming that we will be able to realise the additional efficiency savings, implementing the agreed savings schemes and cuts (adopted by the Council in March 2016) will be sufficient in order for Gwynedd Council to balance the budget with no additional cuts by 2017/18.
8. In the following illustration, slippage can be seen in the schedule of realising some savings from 2017/18 to 2018/19. This will, of course, assist us with next year's budget, and will receive attention in relevant Cabinet Members' performance reports.
9. The UK Government's expenditure will become clearer in March 2017, but for planning purposes, the 23/11/2016 autumn statement confirmed some previous figures regarding financing local government in Wales for 2018/19 and beyond.
10. By making reasonable assumptions about the position of the UK Government's relevant departments, the effect of the Barnett formula, and the Welsh Government's options (how much 'protection' is given to Health and other projects), 3 cases can be modelled forecasting how much could possibly be allocated to local government in Wales.

2017/18 - 2019/20 BUDGET

MODELLING THE WORST SCENARIO	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>CT 2.8%</u>	<u>CT3.5%</u>	<u>CT 3.5%</u>
	£'000	£'000	£'000
Add back one-off use of reserves	2,591		
Additional Expenditure Requirements	8,714	7,400	8,000
General Revenue Grant (Increase) / Decrease (+ adjustment)	-2,013	6,069	4,890
Council Tax Increase	-2,060	-2,302	-2,387
	<hr/>	<hr/>	<hr/>
Gap before savings schemes	7,232	11,167	10,503
Current Efficiency Savings	-3,291	-944	
Schools' Efficiency Savings	-990	-263	
Cuts decided to be achieved in the specific year	-1,869	-368	-65
Additional Efficiency Savings 'on track' to be achieved during the year	-1,082	-2,296	-267
	<hr/>	<hr/>	<hr/>
Balance from the funding gap	0	7,296	10,171
Previous year's gap			7,296
2 year gap			<hr/> <hr/> 17,467

2017/18 - 2019/20 BUDGET

MODELLING THE BEST SCENARIO	<u>2017/18</u> CT 2.8% £'000	<u>2018/19</u> CT 3.5% £'000	<u>2019/20</u> CT 3.5% £'000
Add back one-off use of reserves	2,591		
Additional Expenditure Requirements	8,714	7,400	8,000
General Revenue Grant (Increase) / Decrease (+ adjustment)	-2,013	6	-162
Council Tax Increase	-2,060	-2,302	-2,387
Gap before savings schemes	7,232	5,104	5,451
Current Efficiency Savings	-3,291	-944	
Schools' Efficiency Savings	-990	-263	
Cuts decided to be achieved in the specific year	-1,869	-368	-65
Additional Efficiency Savings 'on track' to be achieved during the year	-1,082	-2,296	-267
Balance from the funding gap	0	1,233	5,119
Previous year's gap			1,233
2 year gap			6,352

2017/18 - 2019/20 BUDGET

MODELLING THE MEDIUM SCENARIO	<u>2017/18</u> CT 2.8% £'000	<u>2018/19</u> CT 3.5% £'000	<u>2019/20</u> CT 3.5% £'000
Add back one-off use of reserves	2,591		
Additional Expenditure Requirements	8,714	7,400	8,000
General Revenue Grant (Increase) / Decrease (+ adjustment)	-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 decided to be achieved in the specific year	-1,869	-368	-65
Additional Efficiency Savings 'on track' to be achieved during the year	-1,082	-2,296	-267
Balance from the funding gap	0	3,756	7,848
Previous year's gap			3,756
2 year gap			11,604

11. The 'best' scenario on the previous pages reflects the position should the Wales Government provide inflation for Health and treat everything else equally. The 'medium' case is an update of our previous projections, while the 'worst' figures reflect more pessimistic forecasts which were more common across other local authorities in previous years. The true settlements could be outside the scenarios outlined above, but it is reasonable to presume it will be between the best and worst scenarios in the 3 tables.
12. As noted in the report on the 2017/18 budget, implementing the schemes which have already been agreed will be sufficient for Gwynedd Council to balance the budget without making any additional cuts by 2017/18. However, there is a range of over £11m between the 'best / worst' case positions we have speculated upon over the following two years (2018/19 and 2019/20), and it is also possible that the outcome will be outside our 'best / worst case scenarios'. If the 'central' case scenario happens, £3.8m of additional savings will be required by 2018/19 and a further £7.8m by 2019/20 (total of £11.6m).
13. Whatever the future grant figures will be, that will not change our ability to discover more efficiency savings. Therefore, we should keep to our present strategy which includes maximising such savings, and dealing with any additional funding gap (which will become clearer during 2017/18) by implementing cuts in 2018/19 and beyond, if totally necessary to do so at that time.

Medium Term Financial Plan for 3 years

14. Ideally, the Council would prefer to implement a financial strategy over 4 or 5 years. Unfortunately, that is totally unpractical, as the Welsh Government has provided a settlement for one year only, with no indicative figures for following years. Further, in the wake of the vote on Britain's membership in the European Union, considerable uncertainty continues regarding the UK Government's budget (not to mention the Council's priorities post-election).
15. Therefore, it is sensible to deal with the 2017/18 budget now, and then before drawing up a more detailed response plan for the following two years (2018/19 and 2019/20) when we will have identified the relevant gap with more certainty (during 2017/18).
16. In the meantime, 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 any remaining balance of the funding gap

17. 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.