

<b>NAME OF SCRUTINY COMMITTEE</b>	CORPORATE SCRUTINY COMMITTEE
<b>DATE OF MEETING</b>	19 JULY 2012
<b>TITLE</b>	SAVINGS STRATEGY
<b>CABINET MEMBER</b>	Councillor Peredur Jenkins

## **1 BACKGROUND**

- 1.1 The Corporate Scrutiny Committee has stated that it wishes to scrutinize the savings strategy and has asked me to supply some background information for the benefit of the new members and also to explain the present position of the strategy.
- 1.2 Also I was asked to note what the funding gap we are facing is, and what has already been done to address this.
- 1.3 I have also been asked to answer the following questions –
- Is the work that has been approved on the savings programme “on track” or have any problems arisen in realising some plans? If so, what has been done to deal with this?
  - Up to now the emphasis in the savings programme has been on the efficiency plans. What assurances can the Cabinet Member offer that these efficiency savings have not affected the quality of the services in the areas where these efficiency savings have been made?
  - If the approved savings have led to job losses, what were those jobs and in which districts were these losses?
  - Looking at the future gap that remains to be filled in the savings programme, what is the intention between balancing efficiency savings on the one hand and cuts on the other?
  - If cuts have to be part of the programme for the future, when is this likely to happen, and how does the Cabinet Member intend to go about identifying those cuts and how inclusive will the process of identifying them be?
- 1.4 Attention is given to these issues in the remainder of the report.

## 2 BACKGROUND TO THE SAVINGS STRATEGY AND PROGRESS SO FAR

- 2.1 Gwynedd Council has a praiseworthy record for having robust financial plans. This is frequently highlighted by the District Auditor in his annual assessment of the Council. One result of this is that we establish medium term financial plans that run over a number of years rather than budgeting for one year at a time.
- 2.2 This enables us to logically plan for the future rather than having to find savings urgently. Very often, if savings have to be found urgently, the result is that services are cut without first eliminating any inefficiencies that lay within the Council, as it is often easier to implement cuts rather than eliminate inefficiencies.
- 2.3 At present, the Council, is in the middle of implementing its four year financial plan which started in 2011/12 and which extends until 2014/15.
- 2.4 The present plan is given below.

**Table 1**  
**Financial Projection for planning purposes 2011/12 - 2014/15**

	11/12	12/13	13/14	14/15	Total
Forecast Financial Deficit	8.6	8.4	9.6	10.6	37.2
Council Tax	(1.9)	(2.0)	(2.4)	(2.1)	(8.4)
£16m Savings	(4.9)	(3.8)	(1.3)	(0.9)	(10.9)
Changing budgetary policies	(1.2)	(0.4)	-	-	(1.6)
1% services efficiency	-	(1.5)	(1.8)	(2.0)	(5.3)
Further Efficiency	(0.5)	(0.7)	(1.4)	(2.0)	(4.6)
Income generation	-	(0.3)	(0.1)	-	(0.4)
Cuts	(0.1)	0.3	(2.6)	(3.6)	(6.0)

- 2.5 It can be seen above that we anticipate a financial deficit of around £37m over the four years and that we intend to fill this gap by slightly increasing Council Tax, together with a combination of several projects that will produce different sums.
- 2.6 It must of course be noted that the heading "Forecast Financial Deficit" is a projection calculated for planning purposes, based on the Council's projected expenditure requirements and the grant we receive from the Welsh Government. The position becomes less clear the furthest one looks into the future. This is addressed by revisiting the situation when preparing the annual budget.

- 2.7 The heading "*£16m Savings*" results from a programme of savings established by the previous Council back in 2009 to be delivered over the years 2010/11; 2011/12; and 2012/13. By now these savings extend ahead to 2014/15 due to our underestimation of the time required to deliver some of the plans in question. These plans were a combination of efficiency savings, increased income and a small element of cuts.
- 2.8 The "*Changing budgetary policies*" heading relates to limiting inflation on some discretionary headings and adjusting inflation figures on some others. It should be possible to do this without affecting our ability to deliver services since the limitation is only applied to discretionary headings, and therefore should not have any impact on services – especially if it is limited to say two years.
- 2.9 The heading "*1% services efficiency*" refers to the need for each service to find 1% efficiency savings for 2011/12, 2012/13, 2013/14 and 2014/15 (except the budget devolved to schools at present). A list of these schemes can be found in the agenda of the Gwynedd Council Board held on 13 December last year on the Council website at the following address –
- [http://www.gwynedd.gov.uk/ADNPwyllgorau/2011/Bwrdd%20y%20Cyngor/2011-12-13/cymraeg/06\\_02\\_Atodiad%201.pdf](http://www.gwynedd.gov.uk/ADNPwyllgorau/2011/Bwrdd%20y%20Cyngor/2011-12-13/cymraeg/06_02_Atodiad%201.pdf)
- 2.10 The "*Further efficiency*" line refers to any schemes which require a corporate solution or where a service cannot necessarily achieve them without corporate assistance. It can also include schemes not selected by services for their 1% target but were considered worth investigating further and where this was commissioned previously by the Board. This heading is a combination of schemes which have been completed; schemes which are awaiting cabinet approval; schemes in development and ideas to be researched further. The types of ideas which appear here are noted in Appendix 1.
- 2.11 The "*Income generation*" heading looks at possible opportunities to increase income where there is evidence that we are raising less income than other comparable authorities or where other possible opportunities become evident.
- 2.12 Following the election of the new Council, a new medium term financial plan will need to be drawn up which corresponds to the lifetime of the new Council (namely one which runs from 2013/14 until 2016/17), and as part of this planning work we will also draw up a new savings strategy.
- 2.13 It is foreseen that this work will be scheduled so that the Council can consider it later on in the year.

**3 Is the work that has been approved on the savings programme “on track” or have any problems arisen in verifying some plans? If so, what has been done to deal with this?**

- 3.1 With a savings programme worth about £29m over four years, obviously everything will not go smoothly.
- 3.2 What is important is that we carefully monitor the position and try to complete as many of the plans as we can whilst accepting that we have to be flexible in order to meet those issues that will arise that we cannot control.
- 3.3 For this purpose, there is a Project Board under the leadership of the Head of Strategy and Improvement which has the task of carefully monitoring each plan within the portfolio “**£16m Savings**”; “**1% Service Efficiency**” and “**Corporate Efficiencies**” in order to ensure they are implemented. The Project Board regularly report to me on progress.
- 3.4 With regards to last year’s plans, of the 126 plans expected to be completed, only 11 have not so far achieved the savings in full, resulting in a need to bridge £515,000. The delay in most of these schemes has been attributable to a dependency on external partners or because achieving the saving proved more complex than expected.
- 3.5 Regarding this year, of the 162 schemes concerned, 16 have slipped somewhat in achieving the saving (which could mean a delay in achieving around £676,000 of the savings) with 2 schemes likely to be unable to reach the projected sum (worth £75,000). The services in question will obviously have to bring alternative schemes forward to replace these schemes.
- 3.6 Of the 62 schemes to be achieved in 2013/14, 41 have already been categorised as ones which will be achieved fully and on time, with 17 assessed as ones where some risks exist to their completion and 4 where substantial risks remain to their completion. The Project Board will keep a close eye on these during the year to ensure that they are ready to achieve the saving on 1 April 2013.

**4 Up to now the emphasis in the savings programme has been on efficiency plans. What assurances can the Cabinet Member offer that these efficiency savings have not affected the quality of the services in the areas where these efficiency savings have been made?**

- 4.1 I have currently commissioned work to assess what has happened to performance measures in the areas where we have achieved efficiency savings. If the quality of services has been affected, then theoretically, we should see those measures worsening.

- 4.2 Of course, this is based on the presumption that the performance measures used by services reflect the impact on our citizens.
- 4.3 I expect this work to be completed by the end of this summer.
- 4.4 I will continue with this assessment throughout the savings realisation process.
- 5 If the approved savings have led to job losses, what were those jobs and in which districts where these losses?**
- 5.1 Whilst the main aim in filling the financial gap is trying to have the least possible impact on the people of Gwynedd, the Council is also an important employer in the county, and we also have a principle of trying to limit job losses to the minimum possible.
- 5.2 This therefore means, that the ideal savings scheme is an efficiency savings scheme which does not affect jobs. There are several examples of these in our savings plans.
- 5.3 It is important to keep a record of the jobs lost and the location of those jobs in order to ensure that they do not impact disproportionately on individual areas.
- 5.4 The latest analysis of the position is seen in Appendix 2.
- 6 Looking at the future gap that remains in the savings programme, what is the intention between balancing efficiency savings on the one hand and cuts on the other?**
- 6.1 Within the current programme Table 1 above shows this balance.
- 6.2 Having said that, it can be seen in Table 1 that we had originally projected that we might have to depend on cuts in 2013/14. However, at present, there is reason to believe that such steps will not need to be taken until 2014/15 at the earliest due to the freeze on pay increases for public sector staff during 2012/13. Since we have already provided for the worst scenario, this means that the 2012/13 budgetary deficit will not be as large as projected, which in turn will have a beneficial impact on the 2013/14 position.
- 6.3 Of course, as noted above, we will be revisiting and re-establishing the medium term financial strategy during this year. This will include establishing a revised figure for the financial gap for the four years ahead and a new savings strategy to meet that gap. In view of this the need for cuts will need to be considered anew.
- 7 If cuts are to be an essential part of the programme for the future, when is this likely to happen, and how does the Cabinet Member intend to go about identifying those cuts and how inclusive will the process of identifying them be?**

- 7.1 Since we have not yet established the revised strategy we cannot of course be definite about the need for savings.
- 7.2 However, should we be in such a position it will be essential that we assess where to cut after obtaining the opinion of our residents. At present, therefore, if we have to find savings, my intention would be to establish a long list of possible areas for achieving these cuts and then to bring this list to the people of Gwynedd by an extensive series of public sessions in different communities in order to obtain their views.
- 7.3 It would then be necessary to ensure arrangements for all members to be able to view the opinions gathered and to contribute their own views before conclusions are arrived at.

APPENDIX 1

Plans currently being considered under the heading "Further Efficiency Savings"

	£'000
<b>Completed Plans (or those that are nearly completed)</b>	
Savings in Job Advertising	95
Reduction in Pension Contributions	28
Reduction in Council Insurance costs	326
Reduction in Staff Travelling allowances	231
Merge Phone and Data Network	128
Procurement of information technology supplies	2
Present case to ensure repayment of landfill tax	795*
Members Allowance Savings	2*
Joint working Project to challenge single person's discount	180**
Strike Day Savings	200**
<b>Plans awaiting approval</b>	
Limiting inflation in Highways service	265
Limiting contribution towards Secondary inclusion strategy	350
<b>Plans or ideas being developed (estimate of possible figure)</b>	
Systems approach	370
Series of strategic reviews within specific fields	200
Joint working projects	375
Further savings on employment costs	570
Various projects relating to use of technology	325

\* One off sum only

\*\* Work continuing to establish exact sum

**Calculation of the number of jobs lost due to savings in 2010/11 and 2011/12.**

Noted below are the jobs lost due to the savings over the last two years -

**2010/11**

	<b>Total posts removed from budget (Full-time equivalent)</b>	<i>How achieved:</i>					<i>Split by area:</i>		
		<b>Redundancy</b>	<b>Delete empty posts</b>	<b>Retired</b>	<b>Reduction in hours</b>	<b>Transfer to other body</b>	<b>Arfon</b>	<b>Dwyfor</b>	<b>Meirionnydd</b>
Human Resources	3	2	1	0	0	0	3	0	0
Education	3	0	3	0	0	0	0	1	2
Finance	15.4	2	8.9	4	0.5	0	11.4	2	2
Provider and Leisure	7	0	7	0	0	0	2	2	3
Democracy and Legal	1.5	0	0.5	1	0	0	1.5	0	0
Economy and Community	38	2	1	0	0	35	36	2	0
Customer Care	2.5	0	2.5	0	0	0	2.5	0	0
Highways and Municipal	3	1	1	1	0	0	3	0	0
Regulatory	1	0	1	0	0	0	1	0	0
Strategic and Improvement	2.5	0	2.5	0	0	0	2.5	0	0
Housing and Social Services	3	0	3	0	0	0	1	1	1
Consultancy	1	0	1	0	0	0	1	0	0
	<b>80.9</b>	<b>7</b>	<b>32.4</b>	<b>6</b>	<b>0.5</b>	<b>35</b>	<b>64.9</b>	<b>8</b>	<b>8</b>



**2011/12**

	Total posts removed from the budget (Full-time equivalent)	<i>How achieved:</i>					<i>Split by area:</i>		
		Redundancy	Delete empty posts	Retired	Reduction in hours	Transfer to other body	Arfon	Dwyfor	Meirionnydd
Human Resources	1	1	0	0	0	0	1	0	0
Education	3.1	0	3	0	0.1	0	3.1	0	0
Finance	0	0	0	0	0	0	0	0	0
Provider and Leisure	1	0	1	0	0	0	0.5	0	0.5
Democracy and Legal	2.5	0	1.5	0.5	0.5	0	2.5	0	0
Community and Economy	10	7	1	2	0	0	4	3	3
Customer Care	9.5	5.5	4	0	0	0	6.5	0	3
Highways and Municipal	5	0	1	4	0	0	5	0	0
Regulatory	8.5	6.5	2	0	0	0	5.5	1.5	1.5
Strategic and Improvement	2	0	2	0	0	0	2	0	0
Housing and Social Services	1.1	0	1.1	0	0	0	1.1	0	0
Consultancy	0	0	0	0	0	0	0	0	0
	<b>43.7</b>	<b>20</b>	<b>16.6</b>	<b>6.5</b>	<b>0.6</b>	<b>0</b>	<b>31.2</b>	<b>4.5</b>	<b>8</b>