

SCRUTINY COMMITTEE	CORPORATE SCRUTINY COMMITTEE
DATE OF MEETING	5 SEPTEMBER 2013
TITLE	SAVINGS STRATEGY
CABINET MEMBER	Councillor Peredur Jenkins

1 BACKGROUND

- 1.1 The Scrutiny Committee has indicated that it wishes to scrutinise developments in the Council's financial circumstances and in particular the effect which the requirement for savings will have on the people of Gwynedd.
- 1.2 I should reiterate that which I noted in my letter to all Council members in July which is that we do not yet know exactly what the financial settlement for local authorities will look like, but that the prognosis is for a reduction in grant significantly greater than that seen so far.
- 1.3 As a result of this assumption, work is ongoing to try and establish a path through the coming storm which we are likely to face, which will try and protect the people of Gwynedd to the greatest extent possible from the worst effects of the financial constraints which will be placed upon us.
- 1.4 The best way of doing this of course is to take time to plan carefully but the speed and depth of the latest reductions could mean that such a luxury may not be available to us and we may be forced to take urgent action. I am currently discussing the matter with officers to see whether there is a way of avoiding such action.
- 1.5 This latest picture places a whole new context on that which we have been doing in the past, and it is certain that the types of activity that have taken us through the financial reductions seen in the past will no longer serve us in our journey through the coming storm. The new situation will require a fundamental change in the way we think of things.
- 1.6 In preparing this report I was asked to address a number of issues and the report is structured around those questions.

2 What are the proposals for dealing with the need to review the proposals contained in the Asset Plan and the Strategic Plan and what part will members in general play in the work involved in reviewing those plans ?

- 2.1 First of all, as both strategies are Council strategies, the Council itself will have to agree for us to review these documents.

- 2.2 Thereafter the Cabinet will have to consider which schemes we can recommend to the Council for removal from the Strategy in order to reduce the pressures on the Council.
- 2.3 Ultimately however, any decision to change the Strategic Plan and what should be changed will be a matter for the Council to decide and the cabinet will make its recommendations to the Council.

3 How will we balance the proposals made in the Strategic Plan and the Asset Strategy against the needs of core services ?

- 3.1 The Asset Strategy is a reflection of the capital requirements of the core services. When it was approved in the Autumn 2009, services noted their requirements at the time and the Council prioritised schemes according to the available resources.
- 3.2 We will need to revisit the plan as the resources required to fund it places significant pressure on the revenue budget (which has to fund the £23m which the Council decided to borrow in order to supplement the Asset Plan).
- 3.3 The Council could of course decide that all schemes being funded by this £23m are worth the savings which would have to be made to fund them – it is a matter of comparative prioritisation.
- 3.4 The Strategic Plan details those schemes which we would like to undertake in order to improve the lives of the people of Gwynedd. There are some where it wouldn't make sense not to undertake them as they lead to savings and therefore enable us to protect more services.
- 3.5 There are others where the magnitude of the benefits which would accrue to the people of Gwynedd mean that members would like to see them undertaken come what may.
- 3.6 There are other schemes where the benefits which would accrue may be less than some core services and where it would make greater sense to wait to see what would have to be taken from the Council's budget before thinking of undertaking them. These are the schemes which should perhaps be placed to one side now until such time as we know the price which we would have to pay to undertake the schemes.

4 How confident is the Cabinet about the Council's ability to realise the savings already agreed before starting to get to grips with this new challenge ?

- 4.1 Every two months I meet with appropriate officers to be updated on the performance of Council departments in delivering the savings we have asked them to achieve.

- 4.2 The latest report I received shows that between 2010/11 and 2013/14 we have had to identify schemes worth nearly £19.4m. In July, there were 15 schemes to the total value of around £1m where they have not yet fully delivered the required savings.
- 4.3 The most prevalent problem identified is one of timing and there is no concern that the majority of these schemes will deliver the identified savings in time.
- 4.4 In my view, the Council's record in this respect is commendable (especially as it comes on the back of over £11m of savings achieved between 2007/8 and 2010/11) and there is nothing to suggest that departments' efforts are going to be any less effective in future.
- 4.5 Having said as much, we must recognise that the task will get more difficult each year as the cumulative amount of savings increases.
- 4.6 We will have to have clear and unambiguous arrangements for finding the additional financial gap which will be placed upon us and I have asked officers to outline the options available to us.
- 4.7 It is not an option for us not to get to grips with the issue as we have a legal obligation to ensure that we have a balanced budget but we can be fairly confident from the above that the Council will be better placed than many an organisation to meet the challenge.
- 5 **What has been the effect of the current savings plans on the people of Gwynedd and how are you measuring that effect ?**
- 5.1 We estimate that the Council has saved over £30m since 2007/8 with around 88% of this sum being efficiency savings.
- 5.2 Theoretically, as efficiency savings continue to ensure outcomes for the people of Gwynedd for a lower cost, these should not have affected the people of Gwynedd. However, in an attempt to ensure that this is the case, officers are currently undertaking work to look at those services where performance measures have deteriorated over the past year to see whether they have arisen in areas where we have made efficiency savings.
- 5.3 Of course if we are unable to find savings by being more efficient the only other answer would be to cut services or facilities and that would certainly affect the people of Gwynedd.
- 6 **In view of the fact that the current Savings Strategy anticipates the possibility of service cuts, what do you foresee at the moment to be the possible consequences of the further savings which the Council will have to make in the light of this new challenge ?**

- 6.1 As I noted in my letter in July, we do not yet know what the actual effect of the messages received from Welsh Government will be and it would be spurious to and guess at this moment in time.
- 6.2 However I am currently discussing with the Corporate Director whether we will have to take emergency action to change our current plans or whether we can cope for 2014/15.
- 6.3 He is currently considering whether we can establish a plan which would allow us to continue to deliver our current savings plans and design a revised savings plan which would deal with any new requirement later.
- 6.4 This would allow us to take rational steps with a view to consulting all elected members before taking the additional steps required.
- 6.5 We will have developed this idea further during the next few weeks.
- 6.6 However there is a fairly simple equation at work here. Our original plans in February suggested that we needed to plan for a financial deficit of around £16m in addition to those plans already being planned (worth around £8.7m). We anticipated that we would find these savings as follows -
 - Further efficiencies £6.4m
 - Demand Management £5m
 - Service cuts £4.7m

As the amount which we will require is certain to be significantly more than the original projection, unless we can find more efficiencies or reductions in demand, the only other avenue open to us will be that service cuts will have to be higher.

- 7 **What proportion of the required savings are likely to be delivered by the demand management initiative to which the Strategic Plan refers ?**
 - 7.1 As noted above, the original target for the demand management initiative was £5m. As we have not yet come to a conclusion on the exact schemes which will deliver in relation to this initiative, we do not yet know whether this amount is achievable or whether there is more available.
 - 7.2 As we originally envisaged that we would not need these savings until 2015/16 and as such schemes are by their very nature likely to take some time to deliver, it is possible that we will not be able to come to a conclusion on these schemes for some time.
- 8 **Taking into account the importance of external funds such as the Rural Development Fund and Convergence Fund to a county such as**

Gwynedd, what do you consider to be the financial challenge in the council's ability to take advantage of such sources of funding ?

- 8.1 If taking advantage of such funds would bring benefits to the people of Gwynedd, that benefit would need to be balanced against the effect of any saving required to fund the match funding involved and the effect of those savings on the people of Gwynedd.
- 8.2 This of course is prioritising and the fact that the funding which is available to the Council may well be significantly less does not stop the Council from taking decisions based on comparative priorities such as this.

9 What arrangements will the Council have in place to prepare the people and communities of Gwynedd for the significant financial challenge which we are facing over the coming years ?

- 9.1 We will not be able to cope with the situation we are facing without taking the people of Gwynedd with us and we will have to ensure that we have a communication plan for the whole programme.
- 9.2 This new financial scenario is wholly different to that we have seen in the past and we will have to ensure that we convey to the people of Gwynedd that this is not a continuance of a gradual decline in our funding position but that it is completely different which requires radical answers.
- 9.3 As part of the work of preparing a programme to find the financial deficit which we will need to find, I shall also be discussing with officers a communication plan which will identify what we need to do to convey the appropriate messages to the people of Gwynedd and how are we going to get their views on their priorities in relation to future spending plans.