

# GWYNEDD COUNCIL CABINET



## Report to the Cabinet

<b>Meeting Date:</b>	<b>22 May 2018</b>
<b>Cabinet Member:</b>	<b>Peredur Jenkins, Cabinet Member for Finance</b>
<b>Contact Officer:</b>	<b>Dilwyn Williams, Chief Executive</b>
<b>Item Title:</b>	<b>Preparing for the uncertain financial situation from 2019/20 onwards</b>

### Decision Sought

- a) That we agree to deal with the unclear financial situation with which we are faced from 2019/20 onwards by following the arrangements outlined in section 10 of this report.
- b) That arrangements be put in place so as to ensure that every department has looked in every nook and cranny for efficiency savings.
- c) To commission a review of the Council's management arrangements (with scrutiny to be included in the process) to be completed during the calendar year so as to ensure that our management arrangements are fit for purpose.

### Background

1. There is no sign at present that the financial constraints which the Government has set on Local Government is going to come to an end soon. This creates increasing problems for us as it does for every other Council in Wales as the money we receive is insufficient even to deal with inflation let alone the increased demands falling upon us.
2. This means that the need to look for savings in order to balance the books is going to continue but our ability to find those savings without detrimentally affecting the people of Gwynedd is diminishing.
3. The report presented by the Head of Finance to the Council when submitting our Financial Strategy for the future period notes that we could need savings of perhaps between £8.5m and £17.5m from 2019/20 onwards. This was the conclusion of the graph which calculated a host of different financial possibilities that could happen. So as to remind members, the graph is attached at Appendix 1.

4. Of course, we will not know the true financial situation until closer to the relevant financial year, but if we are to plan appropriately, we need to prepare for the worst.
5. The Chief Executive outlined a possible procedure that we would use to plan for this gap in a meeting of the full Council last October. That procedure suggested that we would soon have to identify possible options.
6. As the Cabinet Members are aware, over the last few months, we have undertaken informal discussions with the Heads of Department to see what opportunities are left to generate savings so that we could come to a conclusion on the potential targets which would be reasonable to set for each department.
7. What has become apparent at these informal discussions is that coming close to the upper end of £17.5m involves having to make very difficult decisions.
8. This has also highlighted a fundamental weakness in our proposed arrangements. In preparing for the worst case scenario, if we should say end up in the middle setoff possible circumstances, we would have had to identify saving schemes which will never see the light of day. Bearing in mind that we are now looking at “worse” implications than those faced during the “Gwynedd Challenge” arrangements, this would create unnecessary concern amongst Gwynedd’s citizens and amongst the Council’s staff.
9. The Chief Executive has discussed this with the Chairmen and Vice Chairmen of the Scrutiny Committees and they also saw that due to these undesirable side effects, we should perhaps look for an alternative way of dealing with the situation.

### **New Arrangement**

10. I have been discussing the situation with the Chief Executive and we agree, that rather than following our original course of action, we should now deal with the financial situation by implementing the following procedure:-
  - a. Heads of Department to continue considering where they could make savings should they need arise; paying attention to the possibilities identified within the graph and the need to produce schemes swiftly when required;
  - b. This to include being ready to provide a priority list according to the impact upon Gwynedd’s citizens;
  - c. When the Cabinet is made aware in the Autumn of what the financial gap will be, that a workshop for all Council members be held to consider those savings proposals which will have the least impact on Gwynedd’s citizens, with a view to the members expressing their opinion regarding what scheme should be incorporated in the Financial Strategy to close any financial gap;

- d. The Cabinet to consider the workshop recommendations and to include a list of savings in the Financial Strategy to be presented to the Council.
  - e. Repeat the procedure the following year.
11. I believe that following such a procedure would achieve the correct balance between ensuring that we do not overreact whilst ensuring that we are also ready to meet the range of financial possibilities that could arise in future.
  12. Of course, it will compress time in which to make decisions to less than that originally anticipated, but we could agree to deal with any side effects through bridging until the saving are available.

### **Nature of the Savings**

13. One issue that became apparent from the informal discussions with Heads of Department was that a number of departments would have to rely on a greater proportion of the savings coming from cuts, rather than being able to implement further efficiency savings, as they are finding it harder to find efficiency savings. This should not perhaps come as a surprise.
14. As we have stated on more than one occasion, over the last 12 years we have accomplished savings of £62m which equates to 25% of this year's net budget.
15. The vast amount of this sum is due to efficiency savings, which equates to having achieved efficiency savings of above 2% a year over a period of 12 years.
16. Having said that, I am not convinced that this well is yet completely dry and there could be opportunities to make further efficiency savings. Whilst some departments have revealed obvious opportunities in discussions with us, it is possible that the new techniques given to managers in the wake of the Ffordd Gwynedd training have not yet had the opportunity to take root, and more time is needed to find the "more difficult" efficiency savings.
17. What is apparent of course is that before moving to cuts, we must try to ensure that every grain of efficiency savings has been squeezed out, and in order to ensure that this is achieved, **I recommend** that we have a system in place so as to ensure that every Department has looked in every nook and cranny for efficiency savings.
18. This can progress between now and the Autumn.

### **Council Management**

19. One other aspect raised by members during discussions is the Council's management layer and the question as to whether there is scope for a reduction.

20. In the past, we have left Heads of Department to consider what is needed within their services. This is consistent with the principle that they are responsible for delivering services, but it has been noted that this could lead to some inconsistencies here and there.
21. At a time of financial crisis, we must at least consider whether we could cut back more on management roles. Having said that, we must also be alive to the fact that we are totally dependent on good managers to lead our staff through this difficult time.
22. **I therefore recommend** that the Cabinet commission a review (and to include Scrutiny in this process) so as to ensure that our management arrangements are fit for purpose. Although we should not make presumptions that we will be reducing, if any savings are identified, this could go towards the savings we require.
23. Due to the uncertainty it could create for key officers, a decision should be reached before the end of the current calendar year.
24. Throughout all of this, it is important to remember that we are preparing for the worst and hoping for the best – which is what we should be doing as a responsible Council. The exact savings we require depends on the size of the gap which we will need to address, which in turn depends on the grant we will receive from the Government.

#### **Views of the Statutory Officers:**

##### **Monitoring Officer:**

Reviewing the arrangements for preparing for a financial gap is an appropriate step to take as work develops. It allows for flexibility of response as the circumstances become clearer which is a way of giving more focused decisions.

##### **Head of Finance:**

I have collaborated with the authors in the preparation of this report and I confirm the content

Gwynedd Council possible funding gap up to 2020/21

