

## CABINET REPORT

16 July 2013

**Cabinet member:** Cllr. Peredur Jenkins

**Subject:** Ensuring sustainable services in difficult times

**Contact Officer:** Dilwyn Williams, Corporate Director

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### **Required decision/purpose of the report**

To note the latest financial position and in the light of the fundamental changes outlined, that the Asset Management Plan should be re-visited to see whether there are opportunities to reduce the financial demands on the Council, and that we also re-visit the Strategic Plan in order to identify which schemes are absolutely necessary and which ones could be reconsidered.

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### **Local member's views**

Not a local issue

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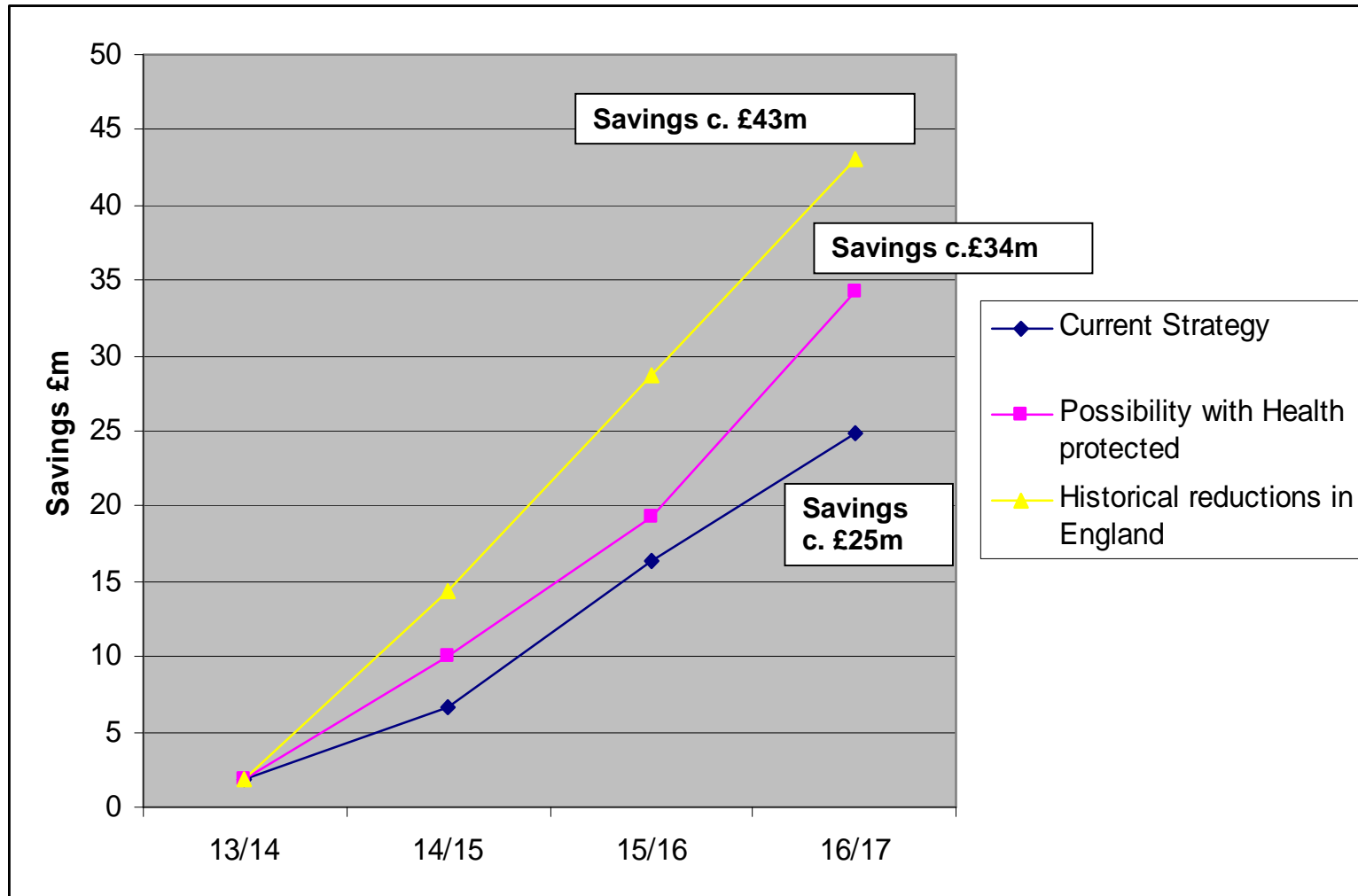
### **Introduction**

1. In February, the Council formulated its financial strategy for the 4 year period to come.
2. The essence of that strategy was that the financial picture facing the public sector was likely to be extremely challenging with local government grant falling in 2015/16 and 2016/17 which would mean that we would need to plan for savings of £25m over the period 2013/14 - 2016/17.
3. With this context as background, despite the gloomy prognosis, the Council wanted to ensure that we continue to deliver appropriate outcomes for the people of Gwynedd and in May, the Council approved its Strategic Plan which fleshed out how it would try and achieve its vision of supporting the people of Gwynedd to thrive in difficult times.
4. The Plan contains a number of priorities in order to achieve that vision.
5. We have now seen a significant change in the financial climate and the Cabinet needs to be made aware of these changes so that it can consider what action it wishes to take to deal with the situation.

## Recent changes

6. Over recent weeks, the Chancellor has announced his spending review and as a result, Welsh Government Ministers have suggested that there will be a change of direction in the prioritisation of resources within Welsh Government.
7. What became obvious in the Chancellor's budget in April was that economic growth was not as anticipated, and as a result, the austerity regime would have to continue for longer than anticipated and that the required cuts would also be deeper.
8. The recent spending review has given us details of where those expenditure cuts will fall and Welsh Government's share of those cuts in 2014/15 and 2015/16.
9. In addition, the Minister for Local Government and Welsh Government Business has noted that local government should plan on the basis of "funding reductions experienced by local government in England" for the period to come.
10. If we were to take this literally it would mean an average annual reduction in grant of 4% which is much more than we have planned for.
11. We do not know why reductions of such magnitude would be required in 2014/15 or 2015/16 as the Welsh Government's settlement from the Westminster Government doesn't point to the need for such reductions, but obviously, if they wish to give some element of protection for Health for instance, then services such as local government will have to be given less.
12. We will not know the exact implications until we receive the local government settlement in November, but one can be fairly certain that the situation will be worse than that for which we have planned.
13. On the next page is shown a graph which indicates the magnitude of savings which could be required on the basis of -
  - a) our current strategy;
  - b) a situation whereby the Welsh Government protected health by giving them an increase equivalent to inflation; and
  - c) a situation whereby we receive grant reductions equivalent to the historic average seen in England;

Projections of possible savings levels for Gwynedd Council 2013/14-2016/17



14. At its worst, the graph suggests that by the end of 2016/17 we could be faced with the prospect of having to take between £34m and £43m from the budget over the period.
15. We must be alive to the fact also that this projection does not include 2017/18, but we already know that the Government will have to continue with its savings programme at a level similar to that projected for 16/17.
16. When one considers that we spend £165m on education, social services, homelessness, benefits and precepts and only £71m on **all** other services (which also include some statutory elements) one can see what effect reductions of this magnitude could have on services if we are unable to find opportunities to transform our services, especially within Education and Social Services
17. Unless we do so we will be increasing the likelihood that we will have to face service cuts at a much deeper level than previously anticipated.
18. However we need to be aware of the vision expressed in the Strategic Plan, and whilst we might need to revisit the level of ambition outlined therein as a result of the new financial context, the vision of wanting to support the people of Gwynedd to thrive in difficult times is just as relevant now as it was previously.
19. We must also be aware of the challenges with which we will be faced as a result of the increased demands being placed upon us – some due to demographic factors and others due to the expectations of other agencies. The Council's ability to manage these demands will vary but we can be certain that there will be some which we cannot ignore.

#### **How do we intend to manage ?**

20. The Council already has arrangements in place to identify opportunities where further efficiency and demand management savings can be found and whilst the targets which we have set ourselves in these areas are extremely challenging, we have to ask ourselves whether we can aim higher in order to reduce the effect which service cuts would have on Gwynedd's people.
21. The need to transform services will play a key role if we are to achieve the original targets, let alone increasing that ambition.

22. There is now also an argument that we should look at the financial effects which our current policies generate in order to see whether we can reduce our current spending needs.
23. In the first place I would suggest that we re-visit the Asset Plan to see whether there are opportunities there to reduce spending demands and I would also suggest that we re-visit the Strategic Plan itself in order to identify those schemes which we deem absolutely essential in order to realise our vision and which ones could be reconsidered.

### **Reasons for recommending the decision**

24. Gwynedd Council has a history of planning ahead in order to cope with the financial constraints with which it has been faced in the past.
25. In the past this has reaped dividends as we have been able to take time to come to rational and inclusive conclusions and avoid rash actions.
26. By continuing to do so we can try and ensure that we maintain sustainable services for the people of Gwynedd, despite the challenges which the current financial climate brings.
27. As part of this planning process we must consider everything which places a financial burden upon us including examining the financial effects of our current policies.

### **Next steps and timetable**

28. If the Cabinet agrees with the recommendation, the Council will need to be informed of the change in the financial climate and of the need to re-visit the plans noted above (as they are the Council's Plans) and that will need to be done at its meeting in September.
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## **Views of the Statutory Officers**

### **Chief Executive:**

It is already known that this Council has been facing significant financial challenges since 2006/07. However as the report indicates, that challenge is set to intensify over the coming years. The world around us has now changed significantly and this calls for a re-think of the commitments the Council has made and also the pressures which will arise from cuts which now seem inevitable. I support the recommendations.

### **Monitoring Officer:**

Nothing to add in terms of propriety.

### **Head of Finance:**

As part 12 of the report says, the settlement figures will not be known until October but it is expected that the situation will be considerably worse than previously notified indicative amounts, and during the last two months a number of strong statements have been received from the Minister for Local Government in the Welsh Government, such that local authorities *“need to engage immediately in decisive and radical short-term financial and service planning so as to align public services quickly to the lower levels of resources available”* in 2014/15 and beyond, while *“in the longer term, the significantly lower levels of resource must drive deep transformational change”*. In the light of these warnings, I have discussed the possible Council responses with the Director and the relevant Cabinet Members and I agree that it would be prudent for the Council to prepare a flexible response and to re-visit the Asset Plan and the Strategic Plan.

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