

REPORT TO THE CABINET

13 OCTOBER 2020

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

Subject: Revenue Budget 2020/21 - End of August 2020 Review

Contact officer: Ffion Madog Evans, Senior Finance Manager

1. Decision sought

The Cabinet is requested to:

- Accept the report on the end of August 2020 review of the Revenue Budget, and consider the latest financial situation regarding the budgets of each department/service.
- Note the financial impact of Covid19, which is a combination of additional costs, income losses and slippage in the savings programme, as the Council has given unfettered priority to protecting the health and lives of the people of Gwynedd in response to the crisis, and this has meant that it has not been possible to continue with the performance and savings challenge arrangements over the period of the crisis.
- Support the intention of the Chief Executive and Head of Finance to arrange to meet all Cabinet Members with their Heads of Department, to discuss how the delivery of the proposed savings can be re-addressed, so that the Council can move forward with a proportion of the savings programme despite the crisis.
- Note that there is significant overspend by the Adults, Health and Well-being Department this year, as complex details need to be clarified in Adult care; the Chief Executive has already commissioned work to obtain a better understanding and a clear response programme.
- Note that the Children's Budget Taskforce has been commissioned by the Chief Executive to address serious financial matters within the Children and Families Department so that it is possible to get to the root of the Department's overspend, with the intention of submitting a report to the Cabinet that will detail the response plan.
- Approve the following recommendations and virements (as outlined in **Appendix 2**).

- On Corporate budgets, that:
 - (£250k) relating to capital costs has been transferred to a capital programme fund.
 - the net underspend of (£1,127k) on Corporate budgets will go to the Council's general balances to assist in facing the financial challenge ahead of the Council, especially in light of the Covid19 emergency.
- Grants received from the Government to compensate for additional expenditure and loss of income in relation to the Covid19 emergency will be allocated to the relevant departments in accordance with what is noted in **Appendix 1**.

2. Introduction / Background

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets).

This end of August report is presented on the latest review of the Council's revenue budget for 2020/21, and a summary of the situation per Department is outlined in **Appendix 1**.

In **Appendix 2**, further details are provided relating to the main issues and the budget headings where significant variances are anticipated, along with specific recommendations where appropriate.

3. Covid19

As we already reported to the Cabinet on 19 May 2020, the financial impact of the Covid19 emergency is substantial to the Council, with a combination of additional costs along with loss of income.

Welsh Government established a hardship fund of up to £264 million towards compensating for costs and loss of income incurred by Local Authorities. In Gwynedd, monthly applications to a value of over £4.5 million have been submitted by the Accountants to Welsh Government, in order to compensate the Council for the additional expenditure up to the end of August, with funding of £3.6 million having already been received.

In terms of the loss of income, the application for the first quarter of the financial year was worth almost £3.7 million, with £3.3 million having already been received from Welsh Government. See the details in **Appendix 3**.

The impact of the additional costs and loss of income seen by departments is included in **Appendices 1 and 2**, the departmental over/underspend being reported with and without the Government grant support.

4. The Savings Situation

As we have warned in each report since the end of August 2019 (15 October 2019 Cabinet), realising savings has become more difficult, with clear signs now showing that there is difficulty realising savings in certain fields. Attempting to reduce the repercussions for the people of Gwynedd by achieving efficiency savings, is proving far more difficult than undertaking service cuts.

As we have already anticipated a problem with achieving savings, a corporate provision was provided for the purpose in the 2020/21 budget, with £1.6 million available to mitigate the situation.

With other priorities to protect the health and lives of the people of Gwynedd having been addressed over the period of the crisis and therefore the absence of normal arrangements to challenge performance and savings over the period, the Chief Executive and Head of Finance will arrange a meeting with all Cabinet Members with their Heads of Department to discuss how the task of achieving the savings can be resumed, so that the Council can move forward with the savings programme despite the crisis.

5. Council Departments

What is very clear this year is the substantial pressure facing the field of care and the field of waste. The main issues are as follows:

5.1 Adults, Health and Well-being Department

The impact of Covid19 has had a significant repercussion on the Adults, Health and Well-being department this year, with £2.2 million spent up to the end of August, and £1.722 million having already been received from Welsh Government towards the relevant additional costs up to the end of July. Before considering the impact of Covid19, an overspend of £1.886 million is anticipated for this year, with a failure to realise savings worth £1.751 million being a contributory factor to the situation.

This year, the department received bids to a value of over £1.8 million to address the increasing pressure on the 2020/21 budget, including for the fields of Learning Disabilities, Residential Care in the Provider Unit, and Older People's Residential and Nursing Care.

The Chief Executive has already commissioned work to obtain a better understanding of the matters and a clear response programme, in order to

obtain a better understanding of the complex details of the picture in adults' care.

5.2 Children and Families Department

Although almost £2 million of additional funding was allocated to the Children and Families Department in 2020/21 to meet the increasing pressures, an overspend of £2.8 million is anticipated for the Department. The failure to realise £688k of savings is a matter that continues to require a solution.

The latest statistics confirm that there has been a further increase in demand for services, especially in the fields of placements and Post-16. Although the situation of overspend in the children field is not unique to Gwynedd, as it is a picture seen across authorities, the situation is a cause for concern.

5.3 Highways and Municipal Department

The municipal field continues to overspend substantially, with overspend problems in the field of waste collection and disposal. The department has faced additional costs relating to complying with regulations because of Covid-19 but it is hoped that the Welsh Government will compensate us for the additional costs.

5.4 Corporate

There are favourable forecasts of additional Council Tax yield. Despite an increase in the number claiming Council Tax Reductions during the first quarter of 2020/21, the demand has been low over the past four years, creating underspend. There is a net underspend on corporate budgets that includes capital costs, returned bids, and savings realised beforehand.

6. Next steps and timetable

This year, failure to realise savings together with Covid19 financial impact is very evident on the figures. The Accountants will continue to claim for the additional costs and the relevant income losses to Covid19 from the Welsh Government.

To act on the recommendations submitted and present a follow-up report to the Cabinet on 19 January 2021 regarding the situation at the end of November 2020.

Local member's views

Not relevant

Views of the statutory officers**The Monitoring Officer:**

Nothing to add regarding propriety.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendices

Appendix 1 - Summary of the situation per Department

Appendix 2 - Details of budgets and the significant variances

Appendix 3 - Government Grant in light of the Covid19 emergency