

REPORT TO THE CABINET

26 JANUARY 2021

Cabinet Member: Councillor Ioan Thomas, Cabinet Member – Finance

Subject: Revenue Budget 2020/21 – End of November 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 November 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, loss of income and a slippage in the savings programme, as the Council has given the utmost priority to safeguarding the health and lives of the people of Gwynedd in response to the crisis.
- Note that there is a significant overspend in the Adults, Health and Well-being Department and the Children and Families Department this year. The work of gaining a better understanding of these matters is ongoing.
- Approve the following recommendations and virements (as explained in **Appendix 2**).
 - In relation to Corporate budgets, that:
 - An underspend of (£478k) relating to capital costs is transferred to the capital programme fund.
 - The net underspend of (£1,312k) on Corporate budgets will go towards the Council's general balances to assist in facing the financial challenge ahead of the Council at the end of 2020/21, especially in light of the Covid19 crisis.
- Grant receipts from the Government to compensate for additional expenditure and income losses in relation to the Covid19 crisis will be allocated to the relevant departments in accordance with the details 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 November 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 and 13 October 2020, the financial impact of the Covid19 crisis is significant to the Council, with a combination of additional costs and a loss of income, to the value of over £13 million by the end of November. See the details in **Appendix 3**.

Welsh Government established a hardship fund towards compensating for costs and loss of income incurred by Local Authorities. In Gwynedd, monthly applications to a value of over £7.1 million have been submitted by the Accountants to Welsh Government, in order to compensate the Council for the additional expenditure for the period up to the end of November, with funds of almost £6 million having already been received.

In terms of the income losses, the value of the claims for the first half of the year was worth over £5.1 million, with £4.8 million having already been received from Welsh Government.

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

4. The Savings Situation

As we have warned in each review since the end of August 2019 (Cabinet 15 October 2019), realising savings has become more difficult, with clear signs that there is difficulty realising savings in certain fields, with a value of over £1.8 million in the Adults, Health, and Well-being Department, £811k in the Highways and Municipal Department and £688k in the Children and Families Department. In attempting to minimise the repercussions for the people of

Gwynedd by achieving efficiency savings, it is proving far more difficult than undertaking service cuts.

As we had already anticipated a problem with achieving savings, a corporate provision was made for this 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 arranged a meeting with all Cabinet Members and their Heads of Department to discuss the savings schemes in detail and consider how the task of achieving the savings could be resumed, so that the Council could move forward with the savings programme despite the crisis. The savings situation will be considered further in January.

5. Council Departments

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

5.1 Adults, Health and Well-being Department

Covid19 has had a significant impact on the Adults, Health and Well-being department this year, to the value of over £3 million up to the end of November, with grant funding of £1.7 million having already been received from Welsh Government and allocated to the Department towards the relevant additional costs, and a further £960k to be allocated as part of this review and likelihood of an additional grant for the remainder of the year. Without considering the impact of Covid19, an overspend of £3.3 million is anticipated for this year, with a failure to realise savings worth £1.8 million being a significant 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.

Following the work of responding to the crisis, the work of gaining a better understanding of the complex issues of adults care is receiving attention.

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 £2.5 million is anticipated for the Department. The failure to realise £688k of savings is a matter which 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. The situation of increased spending within the children's field is a cause for concern.

5.3 Highways and Municipal Department

The municipal field continues to overspend significantly, with overspend problems in the field of waste collection and disposal. The department is facing difficulty in realising savings in a number of areas, to the value of £811k. The department has also faced additional costs relating to complying with regulations as a result of Covid19, and Welsh Government has already compensated us for the initial months of the year, and it is anticipated that Welsh Government will continue to compensate us for the additional costs for the remainder of the year.

5.4 Corporate

Prudent assumptions when setting the 2020/21 budget are responsible for additional tax yields from Council Tax and also contribute to the underspend on Council Tax Reductions in addition to grant receipts. Advance savings and pressure on a number of budgets including capital costs, were not as much as anticipated this year.

6. Overall Conclusion

This year, the failure to realise savings coupled with Covid19 financial impact is very evident on the figures. Although **Appendix 1** totals suggest forecasts of a deficit of £4.7 million, further additional grant allocations are expected by the end of the year to be at least £3 million from the Welsh Government's Covid19 hardship fund. This together with the £1.3 million given to the Council's overall balances as part of this review, will address the majority of the financial gap faced by the Council this year.

7. Next steps and timetable

The Accountants will continue to claim for the additional costs and the income losses relevant to Covid19 from the Welsh Government.

To act on the recommendations submitted and present a follow-up report to the Cabinet in mid May 2021 regarding the situation at the end of the 2020/21 financial year.

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 departmental budgets' net positions

Appendix 2 - Details of budgets and the significant variances

Appendix 3 - Government Grant in light of the Covid-19 crisis