

## REPORT TO THE CABINET

18 MAY 2021

**Cabinet Member:** Councillor Ioan Thomas, Cabinet Member – Finance

**Subject:** Final Accounts 2020/21 – Revenue Out-turn

**Contact officer:** Ffion Madog Evans, Senior Finance Manager

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### 1. The decision sought / purpose of the report

#### The Cabinet is requested:

- 1.1 To consider and note the final financial position of the Council's departments for 2020/21.
- 1.2 **To approve the amounts to be carried forward** (the "Revised Over/(Under) Spend" column of the summary in **Appendix 1**), namely -

DEPARTMENT	£'000
Adults, Health and Well-being	(100)
Children and Families	0
Education	(100)
Economy and Community	(100)
Highways and Municipal	0
Environment	(100)
Gwynedd Consultancy	(64)
Housing and Property	(75)
Corporate Management Team and Legal	(100)
Finance	(86)
Corporate Support	(100)

- 1.3 To approve the following recommendations and virements (as outlined in **Appendix 2**) –
  - The Children and Families Department to receive one-off financial assistance of £1,261k to cancel the overspend entirely, given the exceptional circumstances involving the crises this year. To allow the department to move on to face the challenges of 2021/22.
  - In accordance with the Financial Regulations, it is recommended that the usual practice is adhered to in order to allow the Education Department to keep (£100k) of its underspend, and to move (£159k) which is the sum above (£100k), to be used to support the department that has overspent in 2020/21.

- To allow the Housing and Property Department to transfer (£848k) relating to corporate maintenance to the repair and maintenance fund to fund the expenditure in future.
- In accordance with the Financial Regulations, it is recommended that the usual practice is adhered to in order to allow the Corporate Management Team to keep (£100k) of its underspend, and to move (£6k) which is the sum above (£100k), to be used to support the department that has overspent in 2020/21.
- On Corporate budgets:
  - use (£926k) of the Corporate net underspend to assist the Children Department that has overspent in 2020/21.
  - that (£2,047k) of capital schemes that are to be funded from revenue to be transferred to a fund to allow the re-profiling of the resource.
  - that £600k is released from the Council's General Balances.
  - that (£4,000k) is allocated to the Council's Transformation fund to support transformational and one-off work.
  - that (£2,519k) is allocated to a fund for recovery arrangements post Covid19.

1.4 To approve the virements from the specific reserves as outlined in **Appendix 4** following a review of the funds, harvesting (£170k) from funds to assist the Children Department that has overspent in 2020/21.

## 2. Introduction / Background

2.1 A summary of the final position of all departments has been outlined in **Appendix 1**, with the amounts to be carried forward (subject to Cabinet approval) in the '2020/21 Revised Over/(Under) Spend' column. At the end of the year, five departments are overspending before allocating the compensation grants for Covid19 from Welsh Government, leaving only one department overspending finally, namely the Children and Families Department.

2.2 In **Appendix 2**, further details are provided relating to the main issues and the fields where there were significant variances to what was reported previously, along with several specific recommendations. Those recommendations have been highlighted for consideration in 1.3 above.

2.3 In the last review of the revenue budget undertaken on the end of November position, it was noted that a £4.7 million shortfall was forecast but that further additional Covid grant allocations were expected by the end of the year of over £3 million, which reduced the financial deficit to £1.7 million. Since then, the Council has received many substantial grants including:

- £7.3 million from Welsh Government's Hardship Fund and the Furlough Scheme
- £1.8 million School Maintenance
- £1.3 million Supporting Learning Recovery and School Continuity
- £1.04 million Digital Transformation
- £1.04 million Failing to Realise Savings
- £1.2 million towards Council Tax losses
- £840 k Administrating Business Grants

2.4 As a result of receiving the above grants, together with other numerous grants, the financial position of 2020/21 has been transformed.

2.5 **The Cabinet is asked to approve the 2020/21 final financial situation in order for the Finance Department to proceed to produce, certify and publish the statutory financial statements.**

### 3. Covid19

3.1 As we already reported to the Cabinet on 26 January 2021, 19 May 2020 and 13 October 2020, the financial impact of the Covid-19 crisis is significant to the Council, with a combination of additional costs and a loss of income, to the value of over £20 million by the end of the financial year. See the details in **Appendix 3.**

3.2 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 £11.6 million have been submitted by the Accountants to Welsh Government, in order to compensate the Council for the additional expenditure for the year, with funds of over £9.8 million having already been received.

3.3 In terms of the loss of income, the value of the claims for the year was worth £7.3 million, with the Council already fully compensated by Welsh Government.

3.4 The Furlough Scheme is worth over £1.5 million for the year, with the Council claiming over £1.1 million for Byw'n Iach and £0.4 million for Gwynedd Council, with the full amount claimed for the year already received by the Council.

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

3.6 As well as the hardship fund and the furlough scheme, the six main additional grants listed in point 2.3 above were received, worth over £7.2 million, with many other grants also received.

#### **4. The Savings Situation**

- 4.1 We had already anticipated a problem with achieving savings, particularly in fields such as Care and Highways, a corporate provision was provided for the purpose in the 2020/21 budget, with £1.6 million available to mitigate the situation. In the Cabinet on 26 January 2021, the budget was allocated to allow schemes to the value of £1 million to slip and cancel £0.8 million.

#### **5. Council Departments**

- 5.1 What is very clear by the end of this year is the impact of the Covid crisis on the financial situation. Grant receipts late in the year also managed to transform the financial situation. Substantial pressures remain in the Children field. The main issues are as follows:

##### **5.2 Adults, Health and Well-being Department**

A substantial improvement was seen in the department's financial situation by the end of the year following savings worth £1 million that would not have been possible to achieve being deleted and slipped as well as general grant receipts in the final months of the year. The effect of Covid-19 has had a substantial impact on the Adults, Health and Well-being Department this year, which is worth over £4.5 million by the end of the year.

##### **5.3 Children and Families Department**

A reduction in the overspend to £1.3 million following savings worth £688k that would not have been possible to achieve being deleted as well as receiving Covid grants. The main fields of overspend at the end of the year included out-of-county placements, in-house fostering and the Post-16 service. Almost £2 million of additional funding has been allocated to the Children and Families Department in 2020/21 and a further £1.8 million for 2021/22 to meet the increasing pressures.

##### **5.4 Highways and Municipal Department**

Improvement in the financial position by the end of the year which is a combination of several factors including reducing expenditure, Covid grant and general grants received and savings deleted. The Municipal field and specifically waste, remain the main pressures on the department. The department has faced substantial additional costs relating to complying with regulations as a result of Covid-19 as well as loss of income in the commercial waste field, which is worth £2.4 million in total for the year.

##### **5.5 Corporate**

Grant receipts and prudent assumptions when setting the 2020/21 budget are responsible for additional tax yields from Council Tax and also contribute to underspend on Council Tax Reductions. Slippage on the capital programme means that revenue funding need to be slipped and pressure on many budgets was not as much as anticipated this year.

- 5.6 **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, that will approve the sums to be carried forward.** Financial Procedure Regulation 16.3.1 details the arrangements for sums to be "carried forward" at the end of the year. There is one request for the Cabinet to cancel the departmental deficit, and two departments with an underspend position that is above the £100,000 threshold at the closure of 2020/21 accounts, and therefore, with underspend to harvest.
- 5.7 Generally, where departments have underspent, that position would be for one time in 2020/21 only.
- 5.8 Appropriate consideration was given to the budgets that are under pressure in the 2021/22 budgetary cycle, and most of those permanent matters have already been addressed in the financial strategy for 2021/22 (by management action to halt the trend and/or by amending the budget).

## **6. Schools**

- 6.1 A section of **Appendix 2** details the budgetary position of schools, where a statute has presented delegated powers for governing bodies to carry balances forward at the end of a financial year. The county total of schools' balances has increased from £4.3m in 2019/20 to £10.7m in 2020/21. There was a significant increase in the schools' balances as a result of Covid and various grant receipts, with a decrease in the balances of three primary schools only. We will soon be publishing detailed information on the balances of individual schools in a 'Section 52 Statement'.
- 6.2 The Education Department has arrangements to challenge individual schools to justify the need for their balances, and they are asking headteachers and the relevant schools' governing bodies to explain their intention to use their balances (particularly those with balances exceeding 5% of their budget). Clearly, this year has been exceptional and this will need to be considered when discussing with the schools.
- 6.3 No school has a deficit at the end of the 2020/21 financial year. I confirm that the relevant Finance Unit will also ensure that headteachers and governing bodies of the schools which have financial deficits deal with them.

## **7. Corporate Budgets and Reserves**

- 7.1 For many reasons, there has been one-off underspend on several Corporate budgets headings this year, as outlined in the last part of **Appendix 2**.
- 7.2 The adequacy of the Council's specific reserves was reviewed by the Head of Finance Department once again at the closure of this year's accounts, in accordance with the policy approved some years ago. This review managed

to harvest £170k of resources, as outlined in **Appendix 4**. The £170k is to be used to assist to fund the overspend position by the Children and Families Department.

- 7.3 With the Cabinet's support, if the underspend is used as recommended in part 1.3 above, and the £170k used from harvested reserves, it will be possible to clear the Children and Families Department's overspend of £1,261k.
- 7.4 It is suggested that £600k of the Council's general balances should be used, transferring £4 million to the Council's Transformation fund to support transformational and one-off work, with £2.519 million allocated to the fund for recovery arrangements post Covid19.

## **8. Next steps and timetable**

- 8.1 In accordance with the Accounts and Audit (Wales) Regulations 2018, and the CIPFA Code of Practice, the Chief Finance Officer must certify the Council's statutory 2020/21 financial statements before 31 May, which is an earlier timetable than previous years. I wish to thank everyone who has contributed to the process of completing the work sooner and under very challenging circumstances this year in light of the Covid-19 crisis.
- 8.2 The purpose of this report is to elaborate on the out-turn position in terms of the underspend or overspend of individual departments, and Council expenditure in its entirety in 2020/21. We will consider the information as a result in order to reflect the position in the final accounts.
- 8.3 The latest position and information are reflected here, and in bringing the process to a close, there may be further changes. However, no substantial change to the general situation is anticipated.
- 8.4 The Finance Department will produce 2020/21 statutory financial statements to be certified by the Head of Finance Department before the statutory date of 31 May.

**Local member's views**

Not relevant

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**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.

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**Appendices**

Appendix 1 - Final underspend / overspend position of each department

Appendix 2 - Main budgetary matters and fields where there were significant variances

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

Appendix 4 - Harvested resources following a review of reserves