

## REPORT TO THE CABINET

12 OCTOBER 2021

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

**Subject:** Revenue Budget 2021/22 - End of August 2021 Review

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

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### 1. Decision sought

The Cabinet is requested to:

- Accept the report on the end of August 2021 review of the Revenue Budget, and consider the latest financial situation regarding the budgets of each department / service.
- Note that the financial impact of Covid continues in 2021/22, which is a combination of additional costs, income losses and a slippage in the savings programme, as the Council has given priority to safeguarding the health and lives of the people of Gwynedd in response to the crisis.
- Note that the Welsh Government's Covid support system via the hardship fund is continuing, but that it does not address overspend due to a slippage in the savings programme.
- Note that there is a significant overspend in the Adults, Health and Well-being Department and the Highways and Municipal Department this year, whilst there is a significant improvement in the projections of the Children and Families Department.
- Approve the following recommendations and virements (as explained in **Appendix 2**).
  - On Corporate budgets, that:
    - An underspend of (£285k) relating to capital costs is earmarked to a fund to finance the capital programme.
    - A net underspend of (£1,957k) on Corporate budgets goes to the Financial Strategy Support Fund to assist with the financial challenges facing the Council, particularly due to the Covid crisis.

## 2. Introduction / Background

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

This end of August report is submitted on the latest review of the Council's revenue budget for 2021/22, and a summary of the position per Department is outlined in **Appendix 1**. The current projections suggest that the Adults, Health and Well-being Department and the Highways and Municipal Department will overspend at the end of the year, whilst the remainder of the Council's departments operate within their budget.

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. Covid

As we have already reported to the Cabinet, the financial impact of the Covid crisis has been substantial to the Council, with a combination of additional costs along with loss of income, to the value of over £20 million in 2020/21 and £5.6 million so far this year. See the details in **Appendix 3**.

After the Welsh Government established a hardship fund to compensate Local Government costs and income losses, in Gwynedd, monthly applications worth over £4.3 million have been submitted to the Welsh Government to compensate the Council for the additional expenditure for the period up to the end of August, with over £3.1 million already received.

In terms of income losses, the value of the application for the first quarter exceeded £1 million, with £0.8 million already received from the Welsh Government.

## 4. The Savings Situation

In January 2021, the savings schemes were reviewed to assess what historic schemes were now unachievable, and an amended programme of savings was drawn up for 2021/22 after steps were taken to delete, slip and re-profile the savings schemes.

Following a review of the savings situation, it appears that over £32.7 million, namely 94% of the amended savings schemes since 2015, have now been

realised. Without a doubt, a delay was seen in the realisation of some savings schemes as a result of the Covid crisis.

It was seen that the delay in realising the savings was most prominent in the Adults, Health and Well-being Department with schemes to the value of £855k, whilst the Highways and Municipal Department had £673k.

## **5. Council Departments**

What is very obvious this year is the substantial pressures facing the adults care field and the waste field, whilst the allocation of additional resources and removal of savings schemes result in a projected balanced financial position for the Children and Families Department. The main issues are as follows:

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

An overspend of £1.4 million is anticipated for this year, with a failure to realise savings worth £855k being an obvious factor of the overspend. The main overspend fields are the older people, learning disabilities and community care services. The effect of Covid19 has had a substantial impact on the Adults, Health and Well-being Department again this year, with over £1.3 million already claimed from the Welsh Government for the increased pressure up to the end of August.

The Cabinet Members will recall approving bids to the value of over £1.6 million for the increasing pressure on the 2021/22 budget, including in the Learning Disabilities, Older People and Physical Disabilities field.

### **5.2 Children and Families Department**

After the Council allocated £1.8 million in additional funding to the Children and Families Department in the 2021/22 funding cycle in order to meet the increasing pressure, as well as abolish savings schemes to the value of £1.1 million that were not delivering, the current financial projections are very promising.

The latest statistics confirm that the pressure in different fields is lower than the 2020/21 levels, but that overspending continues in the Post-16 and Specialist/Derwen fields.

### **5.3 Highways and Municipal Department**

The municipal field continues to overspend, with the most prominent 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 £673k. The department

has also faced additional costs relating to complying with regulations as a result of Covid, and the Welsh Government has already compensated us for the initial months of the year, and it is anticipated that the Welsh Government will continue to compensate us for the additional costs for the remainder of the year.

#### **5.4 Byw'n lach**

During 2020/21, Byw'n lach felt the implications of the crisis, with a significant financial loss amounting to almost £2.7 million for the financial year. The financial loss was recovered in full by claiming through the Welsh Government's Hardship Fund, as well as the Furlough Scheme.

In terms of this year's projections, claims to the value of around £1.2 million will be submitted to the Government for the first half of the financial year. It seems likely that the Government's financial support will continue for the remainder of the financial year. Therefore, although a report was submitted to the Cabinet on 9 March 2021, which noted that the Council was underwriting the losses incurred by Byw'n lach, it does not appear that the loss will fall upon the Council this year.

#### **5.5 Corporate**

Prudent projections when setting the 2021/22 budget were responsible for additional tax outputs and responsible for the underspend on Council Tax Reductions. The pressure on a number of budgets, including capital costs, is not as much as projected for this year.

### **6. General Conclusion**

Again this year, the financial impact of Covid is very obvious on the figures, with a failure to realise savings a prominent factor in both departments that are overspending most, namely the Adults, Health and Well-being Department and the Highways and Municipal Department. The Council's financial position is balanced as a result of an underspend by the majority of departments, as well as Corporate budgets.

### **7. Next steps and timetable**

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

Act on the recommendations submitted and present a follow-up report to the Cabinet on 18 January 2022 regarding the situation as at November 2021.

**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 - 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