

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **18 NOVEMBER 2021**

TITLE: **FINANCIAL SUSTAINABILITY ASSESSMENT**

PURPOSE: **TO PRESENT AUDIT WALES' REPORT, AND ASK THE COMMITTEE TO CONSIDER THE CONTENT, TOGETHER WITH GWYNEDD COUNCIL'S RESPONSES TO THE RECOMMENDATIONS**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

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1. I enclose the **Financial Sustainability Assessment – Gwynedd Council** report. There have been similar reports **by Audit Wales** on all local authorities in Wales.
2. The final version was received on 5 October, and the relevant Lead Auditor from Audit Wales will be present at the Audit and Governance Committee on 18 November to present their findings.
3. The report contains four recommendations requiring responses from Gwynedd Council. Those responses are noted below –

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
<b>Medium Term Financial Plan</b>	
<p><b>R1</b> - The Council should update its Medium Term Financial Plan annually to support financial planning.</p>	<p>We agree and have updated our Medium Term Financial Plan.</p> <p>At the Cabinet meeting of 28 September 2021, the '2022/23 Budget Strategy' report was received which included the Council's Medium Term Financial Plan (for 2022-23 – 2024-25), whilst noting, in the current context, that financial planning is extremely challenging.</p> <p>It was agreed, when the Council faces less financial uncertainty, after the effect of the UK Government's Comprehensive Spending Review on core funding and future grants becomes clearer, the Finance Department will establish a more detailed medium term financial plan for the new Council.</p>

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
<b>Budget Setting</b>	
<p><b>R2</b> - The Council should further develop the use of activity data in setting its demand-led budgets.</p>	<p>When drawing up budgets, demographic statistics are used to set the level of budget allocations for the Education, Adult Care and Children's departments.</p> <p>Furthermore, the annual process of inviting bids gives departments an opportunity to secure additional resources to meet demand and additional pressures on services.</p> <p>For 2021/22, a number of bids resulting from additional demands were approved, including additional resources –</p> <ul style="list-style-type: none"> <li>- for the Children's Department, as a result of an increasing number requiring placements,</li> <li>- for the Adults' Department, for the increase in demand in the Learning Disability field, and</li> <li>- for the Education Department, for an increase in pupils requiring transportation by taxi to school.</li> </ul>

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
<b>Budget Review – Additional Grant Allocations and Transfers to Reserves</b>	
<p><b>R3</b> - The Council should include significant grant allocations at service levels in its budget review and mitigate the effect of any in-year transfer to reserves to allow the transparent reporting of the financial position.</p>	<p>In terms of grant allocation, of course 2020/21 was a truly exceptional year when no-one could have foreseen the impact of the Covid crisis and the extent of the financial assistance eventually received from the Welsh Government's hardship fund.</p> <p>With hindsight, we agree and adjusted the guidance for our accountants in order to include significant grant allocations at service levels in the 2021/22 budget review presented to the Cabinet on 12 October 2021.</p> <p>Any transfers to/from corporate reserves are reported transparently in budget reviews during the year.</p>

Audit Wales' Recommendation	Gwynedd Council's response to the recommendation
<b>Review Savings Schemes</b>	
<p><b>R4</b> - The Council should undertake at least annual reviews of historic savings schemes to ensure that they are still realisable.</p>	<p>We agree and have reviewed the historic savings schemes at the Cabinet meeting on 26 January 2021.</p> <p>The 'Savings Position' report was received, which reviewed individual schemes, moving the achievement profile for some schemes to 2022/23, and recognising that the situation had now changed so much that savings schemes worth £848,040 could not be achieved and removed them from the budget.</p> <p>We always intended to review the historic savings schemes again, and more importantly, the position of the schemes which slipped to 2022/23, before establishing the Council's budget by 2022/23.</p>

4. The Audit and Governance Committee is asked to note the contents of Audit Wales' report in relation to the Council's financial sustainability, consider the recommendations and the responses I have provided on behalf of the Council, and comment as necessary.

## Appendix

**Audit Wales' Report:** Financial Sustainability Assessment – Gwynedd Council