

Meeting: Cabinet

Date: 29 March 2022

Cabinet Member: Councillor Ioan Thomas, Cabinet Member for Finance, and
Councillor Gareth Thomas, Cabinet Member for Economic Development
and Community

Subject: The impact of Covid-19 on the 2022/23 Budget of Byw'n Iach Cyf

Contact Officer: Dewi Morgan, Head of Finance

DECISION SOUGHT:

The Cabinet is asked to authorise the Head of Finance to extend the period of assurance already given to Byw'n Iach Cyf until the end of the 2022/23 financial year.

Background

1. One of the side-effects of the Covid-19 pandemic is the loss of income and additional expenditure incurred by local authorities in an attempt to respond to the crisis.

Previous Decision

2. In its meeting on 19 May 2020, during the first few months of the pandemic, the Cabinet had to consider how to cope with the possible gap in the budget of both Gwynedd Council and Byw'n Iach Cyf due to significant income losses during the crisis.
3. However, whilst noting that Byw'n Iach Cyf would have financial losses as a result of the restrictions of the Covid-19 crisis, the Cabinet confirmed that it was willing to provide the necessary financial support to maintain the services of the Byw'n Iach company initially until the end of the 2020/21 financial year.
4. It was decided to authorise the Head of Finance, in consultation with the Head of Legal Services and the Head of Economy and Community, to provide a letter of assurance to the company. The letter also satisfied international auditing standards and allowed the External Auditors of the company to give assurance of the viability of the business as a "going concern". The Head of Finance sent the letter to the Chair of the Byw'n Iach Cyf's Board of Directors on 19 June 2020, confirming that Gwynedd Council would be supporting the company financially until at least 31/03/2021.
5. Furthermore, in the Cabinet on 9 March 2021, it was decided to extend the period of assurance that was given to the company for 2020/21 for the 2021/22 financial year, and confirm should the Covid-19 crisis continue that Gwynedd Council would be supporting the company financially until at least 31/3/2022.

Developments in 2020/21 a 2021/22

6. By now, we know of course that Welsh Government has contributed from their Hardship Fund towards local authority income losses in 2020/21 and 2021/22. Also, we have claimed money from HMRC's Furlough scheme whilst the Leisure centres were closed. Over £3m of support has been claimed in 2020/21 and a further £1.6m in 2021/22 on behalf of Byw'n Iach Cyf: £3.2m from the Welsh Government, as well as £1.4m from HMRC.

Expectations by 2022/23

7. Unfortunately, the side effect of the Covid-19 crisis is likely to continue in 2022/23. Byw'n Iach Cyf are facing a challenge to build the confidence of their customers whilst some of the uncertainty continues, and the company is committed to working very closely with the Council in moving forward during the year.
8. Practically, the opinion of Gwynedd Council no doubt remains that an arms-length company model is the most suitable to meet its aspirations in the leisure sector, and we will continue to maintain the close relationship with Byw'n Iach Cyf to ensure its continued financial viability.

Recommendation

9. Therefore, it is recommended that the Council extends the period of assurance that was presented to the company in 2020/21 and 2021/22 for the 2022/23 financial year also which would confirm that should the Covid-19 crisis continue that Gwynedd Council will financially support the company at least until 31/03/2023.
10. This assurance of financial support will enable the company to continue to trade lawfully from 1 April 2022 until the end of the financial year.

Financial Implications

11. Using 2021/22 as a basis, the loss of income was £1.6m. It is anticipated that the cost of keeping Byw'n Iach viable will be substantially lower than this amount in 2022/23 as the centres have been re-opened, although the number of users is lower than in March 2020, as the impact of the pandemic continues. However, it is fair to expect that the number of users will increase steadily as public confidence returns.
12. Welsh Government will not continue to compensate the Council for income losses in 2022/23 as the Hardship Fund will cease to exist after 31 March 2022.
13. As part of the 2022/23 budget report that was approved by the full Council on 3 March 2022, it was noted that the Council has provided resources of £1.4 million to establish a corporate fund to assist services to cope with the impact of Covid-19. It was explained then that it was not anticipated that the £1.4m will be sufficient in itself to deal with the pressure, however other funds are available to assist. A Covid Recovery Fund was established whilst closing the 2020/21 accounts for this purpose, and the Financial Strategy Fund can also be used if required.

Opinion of local member

Not a local matter

Views of the Statutory Officers**Monitoring Officer:**

There is provision in the contract with the Byw'n Iach company which allows the Council to adapt its contractual contributions. The recommendation allows for the extension of the warrant previously given in order to enable the company to maintain its activities which, as noted in the report, accord with the Council's strategic objectives.

Head of Finance:

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