



# Complete Agenda

Democratic Services  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

## **AUDIT AND GOVERNANCE COMMITTEE**

Date and Time

**10.00 am, THURSDAY, 11TH FEBRUARY, 2021**

Location

**Virtual Meeting**

Contact Point

**Lowri Haf Evans**

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(DISTRIBUTED 04/02/21)

# **AUDIT AND GOVERNANCE COMMITTEE**

## **MEMBERSHIP (19)**

### **Plaid Cymru (10)**

#### Councillors

Aled Ll. Evans  
Berwyn Parry Jones  
Paul John Rowlinson  
Vacant Seat

Aled Wyn Jones  
Peredur Jenkins  
Gethin Glyn Williams

Huw Gruffydd Wyn Jones  
W. Gareth Roberts  
E. Selwyn Griffiths

### **Independent (5)**

#### Councillors

John Brynmor Hughes  
Dewi Wyn Roberts  
Angela Russell

Richard Medwyn Hughes  
John Pughe Roberts

### **Llais Gwynedd (1)**

Councillor  
Alwyn Gruffydd

### **Gwynedd United Independents (1)**

Vacant Seat

### **Individual Member (1)**

Councillor  
Sion W. Jones

### **Lay Member**

Mrs Sharon Warnes

### **Ex-officio Members**

Chair and Vice-Chair of the Council

# **A G E N D A**

## **1. APOLOGIES**

To receive apologies for absence.

## **2. DECLARATION OF PERSONAL INTEREST**

To receive any declaration of personal interest.

## **3. URGENT ITEMS**

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

## **4. MINUTES**

5 - 10

The Chairman shall propose that the minutes of the meeting of this committee, held on 30<sup>th</sup> November 2020, be signed as a true record.

## **5. WELSH AUDIT ANNUAL REPORT**

11 - 18

To consider the report

## **6. REVENUE BUDGET 2020/21 - END OF NOVEMBER 2020 REVIEW**

19 - 46

To receive the information, consider the risks arising from the forecast expenditure against the budget, and scrutinise the Cabinet's decisions regarding budget management by the Council and its departments

## **7. CAPITAL PROGRAMME 2020/21 – END OF NOVEMBER 2020 REVIEW**

47 - 58

To receive the information, consider the risks regarding the Capital Programme, and scrutinise the Cabinet's decisions

## **8. THE SAVINGS POSITION**

59 - 69

To receive the information, consider the general risks arising from slippages, and scrutinise the Cabinet's decisions regarding the savings position

## **9. 2021/22 BUDGET**

70 - 110

To scrutinise the information before the Cabinet recommends the 2021/22 budget to the full Council

## **10. CAPITAL STRATEGY 2021/22 (INCLUDES INVESTMENT AND BORROWING STRATEGIES)**

111 - 150

Due to relevant national regulations, a decision by the full Council on the

annual Capital Strategy is required. Further to the presentation by officers from Arlingclose, the Council's Treasury Management Consultants, members of the Audit and Governance Committee are asked to receive the report, note the relevant information and risks, and support the Cabinet Member for Finance's intention to submit the strategy to full Council for approval.

**11. OUTPUT OF THE INTERNAL AUDIT SECTION** 151 - 159

To receive the report, comment on the contents and support the actions that have already been agreed with the relevant services

**12. INTERNAL AUDIT PLAN 2020-2021** 160 - 165

To give the committee an update on progress against the 2020/21 audit plan

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## AUDIT AND GOVERNANCE COMMITTEE 30/11/2020

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**Present:** Councillor John Brynmor Hughes (Chair)  
Councillor John Pughe Roberts (Vice-chair)

Councillors: Selwyn Griffiths, Alwyn Gruffydd, Peredur Jenkins, Aled Wyn Jones, Berwyn P Jones, Huw W Jones, Dewi Roberts, W Gareth Roberts, Paul Rowlinson, Angela Russell and Gethin Glyn Williams.

Sharon Warnes (Lay Member)

**Officers:**

Dafydd Edwards (Head of Finance Department), Dewi Morgan (Assistant Head - Revenue and Risk), Luned Fôn Jones (Audit Manager), Delyth Jones-Thomas (Investment Manager) and Lowri Haf Evans (Democratic Services Officer)

**Others invited:**

Councillor Ioan Thomas (Cabinet Member – Finance)  
Councillor Edgar Owen (Council Chairman)  
Morwena Edwards (Corporate Director)  
Alan Hughes (Wales Audit)

**1. APOLOGIES**

Apologies were received from Councillor Aled Evans and Councillor Medwyn Hughes

**2. DECLARATION OF PERSONAL INTEREST**

No declarations of personal interest were received from any members present.

**3. URGENT ITEMS**

None to note.

**4. MINUTES**

The Chair signed the minutes of the previous meeting of this committee held on 15 October, 2020 as a true record.

**5. LETTERS FROM THE AUDITOR GENERAL FOR WALES**

Submitted - the report of the Head of Finance Department, drawing members' attention to two letters submitted by the Auditor General for Wales following receipt of post-audit comments on local extracts, on residential and nursing care in north Wales (specifically in Conwy and Denbighshire councils). It was highlighted that although the reviews discussed the local arrangements in Conwy and Denbighshire, Audit Wales had concerns regarding the north Wales region's pragmatic solution to the challenge of creating a pooled budget for care home placements for older people. It was explained that the regional pooled fund was a partnership between the six north Wales councils and Betsi Cadwaladr University Health

Board (BCUHB). The regional partnership had concerns regarding the accountability of a broader pooled fund, and had established a low risk system, however, Audit Wales had noted that the current system did not offer value for money and did not deliver any of the intended benefits of a pooled fund.

The Audit Wales Representative noted that the Fund had been established in response to the requirements of the Social Services and Well-being Act (Wales 2014) with Denbighshire leading on the administration of the Fund. It was reiterated that the fund's administration costs were approximately £20k, and that transferring money back and forth between the regional partners did not benefit the service user and was not a good use of public money.

In response, the Head of Finance Department noted that the arrangement allowed the local authorities to comply with the requirements of the Act and to identify the scale of relevant action across the region. He highlighted that he was satisfied that the arrangement minimised the risk, and that broader benefits derived from the contribution to Denbighshire's role. He added that the region's treasurers along with the BCUHB treasurer would meet on 30/11/20 to discuss the matter further.

The Corporate Director reiterated that including the regional requirements in the Act was a misjudgement, and that extending the pooled fund would not deliver benefits for the services users. She suggested that local funds would be the best method, with flexibility to respond to the need in Gwynedd, whilst the regional procedures should focus on frameworks and structures.

The Cabinet Member reiterated that extending the pooled fund arrangements would maximise the risk of losing control and there was a need to safeguard Gwynedd taxpayers.

Members expressed their thanks for the report.

In response to a question regarding the implications of not complying with the requirements of the Act, it was noted that the north Wales region had decided to limit the implementation while complying with the Act.

In response to a question about the role of the Health Board, it was explained that BCUHB made a contribution across the region to the nursing care budget.

During the discussion, members raised the following matters:-

- The Act was not the best tool for governing the money
- That the legislation was an example of the Government's inability to listen to the comments / opinions of local authorities
- That officers were doing the minimum they could to comply with an unnecessary arrangement
- The Government had not stated clearly what its intention was in pooling the budget or the intended benefits
- Any legislation should focus on developing fields where collaboration and joint commissioning was needed - pooling should happen on planning matters, but not on finance matters.
- That the situation was unfortunate.
- There should be a mandate to change the arrangement - need to reconsider the Act - the Government had not listened- a suggestion was made to correspond with the Government and ask it to amend the act to have a firm arrangement in place
- That the dissatisfaction of the Committee regarding the regional discussions should be conveyed

**DECISION:**

**To accept the report, noting the Auditor General's letters and the viewpoint of the region's local authorities and the Health Board.**

**6. 2019/20 TREASURY MANAGEMENT – MID YEAR REVIEW**

Submitted - the report of the Head of Finance Department in response to the CIPFA Code of Practice which recommended that a report should be produced on the Council's actual Treasury Management activity during the current financial year. It was reported that despite the impact of covid 19 between 1 April and 30 September 2020, that the Council's borrowing activity had remained within the constraints originally set. It was noted that there were no banks where the Council had deposited money that had failed to repay. It was estimated that the Council's actual investment income was lower than the expected income in the 2020/21 budget.

Reference was made to the Borrowing Strategy, as well as providing a brief update on the certainty rates of the Public Works Loan Board (PWLB). It was reiterated that the PWLB was launching a broad consultation in response to significant policy changes. In the context of investment activity, it was reported that the Council, since April, had received money from Welsh Government to support small and medium sized businesses during the pandemic through grant schemes. £62m had been received, temporarily invested in short-dated liquid instruments such as call accounts and money market funds. £59m had been disbursed by the end of September. During the six months, the Council's investment balance had ranged between £49.6 and £110.4 million due to timing differences between income and expenditure. It was reiterated that the Council's main objective was to invest the money prudently and to strike a balance between risk and return.

It was reported that the economic outlook for interest rates had changed completely with the global pandemic. The average interest rate received on short term balances had been 0.07% during the six month period to 30th September 2020, with more recent investment being made as low as 0.01% This indication had been set when the base rate was 0.75% and therefore it was reasonable that there was such an impact due to a 1% rise, and it demonstrated the severe impact that the pandemic had had on investment returns.

It was explained that the medium term global economic outlook was weak. While the strict initial lockdown restrictions had eased, coronavirus had not been suppressed and second waves had prompted more restrictive measures on a regional and national basis. These restrictions would continue to impact normal activity until an effective vaccine was produced and distributed.

The members expressed their thanks for the report and for the work in managing the treasury during a challenging and uncertain time.

In response to a question regarding the possibility of having to pay banks to manage our funds, it was noted that this was a possibility, but although the situation had been avoided thus far, negative bank rates should not be ruled out in the future.

**RESOLVED to accept the report**

## 7. COUNTER-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY ARRANGEMENTS

A report was submitted by the Assistant Head of Finance (Revenue and Risk) which updated the Committee on the Council's anti-fraud and anti-corruption arrangements and progress on the work programme for the next three years. The Members were reminded of the fact that Gwynedd Council's Anti-fraud, Anti-corruption and Anti-bribery Strategy 2019 - 2022 work programme had been adopted by the Committee on 14 February 2019. It was noted that the Strategy included eight actions that should be delivered during the three years to strengthen the Council's anti-fraud arrangements within available resources.

It was emphasised that Council officers were not currently investigating allegations of fraud against it.

Reference was made to identifying new risks drawing attention to the action of undertaking regular workshops with relevant officers to discuss issues that arose, apparent risks and to share good practice. A plan had been submitted to the Committee in July which included specific audits that responded to areas that could be subject to fraud in the wake of the pandemic.

It was reported that one of the impacts of the crisis was the increase in opportunities for fraud and scams, and that we were becoming more aware of these matters while working from home by experiencing the number of fraudulent phone calls being made to our homes. In seeking to investigate Council Tax reduction fraud, it was noted that although it was intended to hold fraud interviews, the circumstances this year had not allowed for further steps to be taken as expected as the public health emergency had not allowed formal interviews etc. to be held.

In the context of data use, reference was made to assessing the possibility of improved use of data in order to identify and investigate fraud. It was noted that Gwynedd Council was working with Datatank to provide a rolling review of the single person discount applied to Council Tax accounts. False claims for this discount was amongst the most common fraud committed nationally.

Members expressed their thanks for the report.

In response to a question about furlough payments, it was noted that a number of fake furlough applications had been submitted across Britain. It was reiterated that the Audit Unit would investigate matters relating to any fraudulent applications submitted to the Council.

### **RESOLVED:**

**To accept the report as an update on the anti-fraud and anti-corruption steps the Council is taking.**

## 8. RISK MANAGEMENT ARRANGEMENTS

A report was submitted by the Assistant Head of Finance (Revenue and Risk) to update the Committee on developments in risk management arrangements, the implementation steps and to consider whether the response addressed the matters raised in the Auditor's letter. Members were reminded that one of the Committee's statutory responsibilities was to review and assess the authority's risk management, internal control and corporate governance arrangements, in accordance with part 81(1)(c) of the Local Government Measure (Wales) 2011.

It was explained that the risk register was a live document and was updated appropriately to reflect the Council's actual position. It was acknowledged that in the past actions had only been

taken occasionally in response to updating the register, however, by now the matter was being addressed much more regularly which was an indication that Managers were beginning to view updating the register as a natural part of their work. It was also reiterated that the contents of the risk register and the progress achieved in addressing the matters requiring attention would play a central role in future performance review meetings.

The members thanked the department for the report and expressed that the register highlighted the positive message that there was an arrangement in place.

In response to an observation regarding logging the pandemic as a new risk and that the lessons learnt from the crisis should be identified, it was noted that the register was a tool for prioritising, and an observation was made that this should be highlighted in the report.

**To accept the report as an update on the steps the Council is taking to ensure there is a complete risk register in place.**

## **9. INTERNAL AUDIT PLAN 2020/21**

Submitted - the report of the Audit Manager updating the Committee on the current situation in terms of completing the 2020/21 Internal Audit Plan. It was highlighted that 38 individual audits had been scheduled for the year and the actual achievement for 31/10/20 was 18.42% - out of the 38 audits, 7 had been released in a finalised version / completed. In response to the COVID-19 crisis, it was noted that some of the Audit Unit officers had been transferred to the Revenue Service to support the service to administrate Welsh Government business grants.

Members expressed their thanks for the report.

In response to a question regarding the implications of completing fewer audits than had been planned, the Audit Manager noted that there was a need to amend the way in which audits were being carried out. It was accepted that conducting audits was difficult in the current climate, however, there was a trend among services of not implementing steps due to the additional requirements related to the crisis. It was reiterated that there was a need to instruct officers to cooperate, but to emphasise that the work would not affect key officers.

In response to a question about how the Unit was overcoming the restrictions related to going on-site, it was expressed that the Unit was seeking to avoid investigations where there was a need to go on-site and a number were now being conducted through Teams and evidence being received by e-mail. It was expressed that there was a risk of failing to provide assurance and it was expressed that the Unit was seeking to work with services to try to make things as easy as possible for officers to act.

### **RESOLVED**

- **To accept the report, and note the content as an update of progress against the 2020/21 audit plan.**
- **To support the Audit Unit in using reasonable persuasion with the Departments so that it can continue to undertake the work appropriately in the circumstances.**

## **10. REPORT OF THE REGULATORY IMPROVEMENT WORKING GROUP**

Submitted - a report by the Chair of the Committee reporting on a meeting that had been held on 10/11/2020 to discuss the 'Overtime' audit in response to the Committee's decision (30/07/20) to call the Head of Highways and Municipal Department to a meeting of the Controls

Improvement Working Group to discuss the matter further. There were controls in place, however, it was accepted that improved compliance with the controls and/or introducing new controls was necessary to reduce the risks the service was vulnerable to.

The Audit Manager expressed that the current policy was not sensible in terms of paying overtime - overtime could be paid for planned work but not for unplanned work. She reiterated that if a Manager was aware of any planned work, there was no reason as to why this could not be scheduled into the service's normal work programmes and that overtime payments should be made for emergencies only.

It was reported that the Human Resources Advisory Services Manager had noted that the policy had been established some time ago and there was a need to revisit the policy and the overtime arrangements on a corporate level. It was stated that a project was already underway.

As a consequence of the meeting, the Head of Highways and Municipal Department had revisited the action plan and updated it in terms of dates of implementation.

It was noted that the discussion had been beneficial.

**RESOLVED to accept the information.**

## **11. OUTPUT OF THE INTERNAL AUDIT SECTION**

Submitted- for information the report of the Audit Manager updating the Committee on the internal audit work for the period up to 31 October 2020. It was noted that 10 of the plan's audits had been completed.

In addition, work had been undertaken on the 'Employment Statements' audit. The purpose of the audit was to verify that a clause on statutory training such as safeguarding had been included in the employment statements of all Council staff to strengthen the importance that the responsibility applied to all of us. A sample of 40 members of staff from across the Council who were new in post since January 2020 had been selected and their employment statements and training records had been checked. It was found that the clause had not been included in any of the selected employment statements. The Human Resources Service (Corporate Support Department), and the Human Resources Advisory Services Manager confirmed that work had not been completed to include the clause as the circumstances of Covid-19 had impacted this work. To this end, it had been decided not to allocate a level of assurance and that the Internal Audit Service would revisit the subject during quarter 4 2020/21, and select a new sample of staff. The findings would be reported to the Committee.

**RESOLVED**

**To accept the report on the work of the Internal Audit Section for the period 1 April 2020 to 31 October 2020 and to support the agreed actions that have already been presented to the managers of the relevant services.**

The meeting commenced at 10.00 and concluded at 12.00pm.

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**CHAIR**

# Agenda Item 5

<b>COMMITTEE</b>	Audit and Governance Committee
<b>DATE OF MEETING</b>	11 February 2021
<b>ITEM</b>	Gwynedd Council Annual Audit Summary 2020
<b>HEAD OF DEPARTMENT</b>	Geraint Owen, Head of Corporate Support
<b>CABINET MEMBER</b>	Councillor Dyfrig Siencyn
<b>AUTHOR</b>	Dewi W. Jones, Council Business Support Service Manager
<b>PURPOSE</b>	Accept the Report

## 1. BACKGROUND

- 1.1. The Gwynedd Council Annual Audit Summary 2020 by the Auditor General summarises the audit work undertaken in the Council by Audit Wales since the publication of the last report in August 2019.
- 1.2. It should be noted that this report is not a full review of all the Council's arrangements or Services.
- 1.3. In order to fulfil the Auditor General's duties Audit Wales completes work each year attached to the following duties – Audit of Accounts, ensuring Value for Money, make Continuous Improvements and comply with the Sustainable Development Principles.
- 1.4. Specific projects are completed whilst also using information gathered from other regulators such as Care Inspectorate Wales and Estyn. A summary of the findings and conclusions for the work completed in the last year can be found in the summary document.
- 1.5. Clearly the Covid-19 pandemic has affected the audit work over recent months and as a result the planned programme of work had to be re-examined whilst also looking at new ways of working.
- 1.6. Officers from Audit Wales will give a presentation on the key points to the Members and there will be an opportunity ask questions in relation to the Report's content.

## 2. RECOMMENDATION

- 2.1. Members are asked to accept the Report.

## Gwynedd Council

### Annual audit summary 2020

This is our audit summary for Gwynedd Council. It shows the work completed since the last Annual Improvement Report, which was issued in August 2019. Our audit summary forms part of the Auditor General for Wales' duties.

More information about these duties can be found on our [website](#).



## About the Council

### Some of the services the Council provides



#### Key facts

The Council is made up of 75 councillors who represent the following political parties:

- Plaid Cymru 39
- Independent 21
- Llais Gwynedd 6
- Gwynedd United Independents 3
- Welsh National Party 2
- Individual Member 1
- Labour 1
- Liberal Democrat 1
- Vacant seat 1

The Council spent £250.1 million on providing services during 2019-20, the 11th-lowest spend of the 22 unitary councils in Wales.

As at 31 March 2020 the Council had £71.1 million of usable financial reserves. This is equivalent to 28% of the Council's annual spend on services, the second-highest percentage of the 22 unitary councils in Wales.

## Key facts

Gwynedd has two (3%) of its 73 areas deemed the most deprived 10% of areas in Wales, this is the sixth-lowest of the 22 unitary councils in Wales<sup>1</sup>.

Gwynedd's population is projected to increase by 5.3% between 2020 and 2040 from 124,670 to 131,314, including a 0.4% increase in the number of children, a 0.9% increase in the number of the working-age population and a 20.8% increase in the number of people aged 65 and over<sup>2</sup>.

## The Auditor General's duties

### We complete work each year to meet the following duties

- **Audit of Accounts**  
Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.
- **Value for money**  
The Council has to put in place arrangements to get value for money for the resources it uses, and the Auditor General has to be satisfied that it has done this.
- **Continuous improvement**  
The Council also has to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General has to assess whether the Council is likely to (or has) met these requirements.
- **Sustainable development principle**  
Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

<sup>1</sup> An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

<sup>2</sup> Source: Stats Wales



Since the Spring of 2020, the ongoing pandemic has affected our audit work. We recognise the huge strain on public services and have reshaped our work programme and found new ways of working to reduce its impact on public bodies' response to COVID-19, while still meeting our statutory duties.



**To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.**

## What we found

### Audit of Gwynedd Council's 2019-20 Accounts

Each year we audit the Council's financial statements.

#### For 2019-20:

- The Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 5 November 2020, 25 days ahead of the statutory deadline.
- The Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- The quality of the draft statements presented for audit on 3 June 2020 was generally good.
- A number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in October 2020.
- In addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. Our work to date has not identified any significant issues.
- The Auditor General issued the certificate confirming that the audit of accounts for 2019-20 has been completed.
- Key facts and figures from the 2019-20 financial statements can be accessed [here](#).

## Well-being of Future Generations Examination – Delivering Care Services with Five Area Teams (January 2020)

The examination that we undertook in 2019-20 considered the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to Delivering Care Services with Five Area Teams. We concluded that the Five Area Teams' aim naturally aligns with the sustainable development principle, but by embedding the five ways of working within the Council's Ffordd Gwynedd approach, it could take fuller advantage of the opportunities offered by the Well-being of Future Generations (Wales) Act. The report can be viewed [here](#).

## Continuous Improvement

The Auditor General certified that the Council has met its legal duties for improvement planning and reporting and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21.

## Financial Sustainability (March 2020)

During 2019-20 we examined the financial sustainability of each council in Wales. We concluded that the Council is currently in a relatively strong financial position and its overarching financial strategy has supported financial resilience well; however, some services have significant annual overspends and not all savings are realised, posing a risk to financial sustainability in the longer-term. The report can be viewed [here](#).

## National Fraud Initiative

In October 2020, the Auditor General published his report on the findings of the latest National Fraud Initiative (NFI) data-matching exercise in Wales. The exercise helped public bodies in Wales, including the 22 unitary authorities, identify fraud and overpayments amounting to £8 million. The report can be accessed on our website [here](#). NFI continues to be developed and in the forthcoming NFI exercise (NFI 2020-2022), local authorities will have access to matches designed to help identify potential fraudulent applications for COVID-19 business support grants.

## Other Inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response.

CIW published their local authority performance review letter 2019/20 in August 2020. The report is [here](#).

Estyn have undertaken a number of inspections as well as publishing thematic reports. There were no other Gwynedd Council inspections in this period, but as usual Estyn inspected local schools, and services that are registered with CIW in Gwynedd were subject to regular review.

## **Local Government Studies**

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report we have published the following reports:

### **The effectiveness of local Planning authorities (June 2019)**

We reviewed progress of local planning authorities in delivering their new responsibilities. We conclude that Planning Authorities are not resilient enough to deliver long-term improvements because of their limited capacity and the challenge of managing a complex system. The full report can be viewed [here](#).

### **The 'Front Door' to Social Care (September 2019)**

We considered the effectiveness of the new 'front door' to social care, looking specifically at services for adults. We found that whilst councils are preventing social-care demand, information, advice and assistance are not consistently effective. The full report can be viewed [here](#).

### **Review of Public Services Boards (October 2019)**

We inspected how Public Service Boards are operating; looking at their membership, terms of reference, frequency and focus of meetings, alignment with other partnerships, resources and scrutiny arrangements. We concluded that Public Services Boards are unlikely to realise their potential unless they are given freedom to work more flexibly and think and act differently. The full report can be viewed [here](#).

### **Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act (November 2019)**

We examined how the new duties and responsibilities of the Violence against Women, Domestic Abuse and Sexual Violence (Wales) Act are being rolled out and delivered. We found that victims and survivors of domestic abuse and sexual violence are often let down by an inconsistent, complex and fragmented system. The full report can be viewed [here](#).

### **Rough Sleeping in Wales – Everyone's Problem; No One's Responsibility (July 2020)**

We looked at how well public services are responding to the issue of rough sleeping. Overall, we found that responding to COVID-19 is an opportunity for public bodies to start addressing long standing weaknesses in partnership working which has stopped them from tackling rough sleeping in the past. The full report can be viewed [here](#).

### **Better Law Making (September 2020)**

This report draws on five reports published between 2019 and today looking at how local authorities are responding to the challenge of implementing new legislation. Implementation is a complex task which needs to be fully thought through by the Welsh Government and the Senedd whenever they bring forward and make any new legislation. The paper highlights the

difficulties faced by local authorities and their public sector partners in implementing their new responsibilities. The full report can be viewed [here](#).

## **Commercialisation in Local Government (October 2020)**

Councils have conducted commercial activity for a long time, and many councils are exploring additional commercial opportunities to mitigate against the financial pressures they face. Our report is specifically targeted at helping elected members and senior officers to examine and judge the potential impact on their organisations when considering whether to undertake commercialisation. It will also help councils to demonstrate how well they are discharging their value for money responsibilities. The full report can be viewed [here](#).

## **Planned work for 2020-21**

We also looked at the key challenges and opportunities facing the Council. These risks could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle, the use of its resources and continuous improvement.

The most significant risk and issue facing councils and the wider public sector during 2020-21 is the COVID-19 pandemic. We have shaped our work to provide assurance and challenge in a way which helps to support the Council through this period. Our work undertaken in 2020-21 includes:

- Recovery planning in response to the COVID-19 pandemic
- COVID-learning project – helping to identify and share learning from the way in which public bodies have responded to the pandemic
- Assurance and risk assessment
- A review of the Council's financial sustainability
- A review of Ffordd Gwynedd
- North Wales Economic Ambition Board
- Commissioning Older People's Care Home Placements – North Wales Councils and Betsi Cadwaladr University Health Board

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the Senedd.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Senedd Commission and National Health Service bodies in Wales.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions, as described above. Audit Wales is not a legal entity.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

# Agenda Item 6

**MEETING:** **AUDIT AND GOVERNANCE COMMITTEE**

**DATE:** **11 FEBRUARY 2021**

**TITLE:** **REVENUE BUDGET 2020/21 –  
END OF NOVEMBER 2020 REVIEW**

**PURPOSE:** **Monitoring Report on the Latest Financial Position**

**ACTION:** **Receive the information, consider the risks arising from the forecast expenditure against the budget, and scrutinise the Cabinet’s decisions regarding budget management by the Council and its departments.**

**CABINET MEMBER:** **COUNCILLOR IOAN THOMAS**

**CONTACT OFFICER:** **FFION MADOG EVANS, SENIOR FINANCE MANAGER**

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1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters, including budget monitoring reports, as appropriate.
2. The attached report (Revenue Budget 2020/21 – End of November 2020 Review) was submitted to the Cabinet on 26 January 2021.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is requested to note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s decisions and comment as necessary.

**Appendices:**

Cabinet Decision Notice 26/01/2021

Cabinet report 26/01/2021: Revenue Budget 2020/21 – End of November 2020 Review

## GWYNEDD COUNCIL CABINET DECISION NOTICE

<b>Date of Cabinet Meeting:</b>	26 January 2021
<b>Date decision will come into force</b> and be implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution	10 February 2021

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### SUBJECT

Item 10: REVENUE BUDGET 2020/21 - END OF NOVEMBER 2020 REVIEW

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### DECISION

- The report on the end of November 2020 review of the Revenue Budget was accepted, and the latest financial situation regarding the budgets of each department / service was considered.
- The financial impact of Covid-19, which is a combination of additional costs, income losses and a slippage in the savings programme, was noted as the Council had given the utmost priority to safeguarding the health and lives of the people of Gwynedd in response to the crisis.
- It was noted that there was 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.
- The following recommendations and financial virements (as outlined in Appendix 2) were approved.
  - On Corporate budgets, that:
    - An underspend of (£613k) relating to capital costs was transferred to the capital programme fund.
    - The net underspend of (£1,177k) 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 Covid-19 crisis.
- That grant receipts from the Government to compensate for additional expenditure and loss of income in relation to the Covid-19 crisis will be allocated to the relevant departments in accordance with what is noted in Appendix 1.

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### REASONS FOR THE DECISION

It is the Cabinet's responsibility to take action, as necessary, to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets) and to allow the formal final accounts to be completed.

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### DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS

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### APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

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### ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

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## 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

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### 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

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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

**Revenue Budget 2020/21 – Summary of the situation per Department**

	End of November Review				COVID-19 Crisis		Estimated Position at end of August £ '000
	Proposed Budget 2020/21 £'000	Estimated Gross Over / (Under) Spend 2020/21 £ '000	Recommended Adjustments £'000	Estimated Adjusted Over / Under Spend 2020/21 £ '000	* Allocation of Government compensation Grant to Departments £ '000	Estimated Adjusted Over / Under Spend 2020/21 £ '000	
Adults, Health and Well-being	53,754	4,218	0	4,218	(960)	3,258	1,886
Children and Families	16,800	2,593	0	2,593	(142)	2,451	2,779
Education	95,196	388	0	388	(482)	(94)	(311)
Economy and Community	4,892	60	0	60	(160)	(100)	153
Highways and Municipal	25,056	1,283	0	1,283	(637)	646	837
Environment	3,758	572	0	572	(203)	369	304
Gwynedd Consultancy	(227)	10	0	10	(110)	(100)	102
Housing and Property	6,638	428	0	428	(288)	140	357
Corporate Management Team and Legal	1,764	(56)	0	(56)	0	(56)	(31)
Finance (and Information Technology)	6,580	(71)	0	(71)	(7)	(78)	(85)
Corporate Support	7,284	9	0	9	(61)	(52)	51
Corporate Budgets <i>(Variances only)</i>	*	(3,434)	1,790	(1,644)	(49)	(1,693)	(2,066)
<b>Totals (net)</b>	<b>221,495</b>	<b>6,000</b>	<b>1,790</b>	<b>7,790</b>	<b>(3,099)</b>	<b>4,691</b>	<b>3,976</b>

\* Allocation of the Welsh Government's Covid19 expenditure/loss of income compensation grant to the above Departments, in addition to the £4.5m allocated at the last review at the end of August 2020 (Cabinet 13 October 2020).

**REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW**

<b>Adults, Health and Well-being Department</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	Use of Other Sources or Other Recommended Adjustments	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Adults Services</u></b>						
Older People's Services						
Residential and Nursing - Homes	15,077	15,347	270	0	270	457
Domiciliary Care	7,100	7,277	177	0	177	(289)
Others	(249)	866	1,115	0	1,115	1,214
	21,928	23,490	1,562	0	1,562	1,382
Physical Disabilities Services	2,374	2,471	97	0	97	(31)
Learning Disabilities Services	19,562	19,601	39	0	39	(438)
Mental Health Services	3,554	3,424	(130)	0	(130)	(130)
Other Services (Adults)	3,095	3,116	21	0	21	(69)
<b><u>Adults Services Total</u></b>	<b>50,513</b>	<b>52,102</b>	<b>1,589</b>	<b>0</b>	<b>1,589</b>	<b>714</b>
<b><u>Provider Services (shows net budget)</u></b>						
Residential Care	96	(152)	(248)	0	(248)	(28)
Day Care	14	103	89	0	89	240
Community Care	69	695	626	0	626	539
Others	22	49	27	0	27	43
<b><u>Provider Services Total</u></b>	<b>201</b>	<b>695</b>	<b>494</b>	<b>0</b>	<b>494</b>	<b>794</b>

**REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW**

<b>Adults, Health and Well-being Department</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	Use of Other Sources or Other Recommended Adjustments	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
<b>Other Services</b>						
Departmental Central Services ( <i>including Department savings</i> )	3,040	3,496	456	0	456	378
Covid-19 expenditure in the Adults Care field		1,908	1,908	0	1,908	0
Use of the Department's Underspend Fund		(229)	(229)	0	(229)	0
<b>Other Services Total</b>	<b>3,040</b>	<b>5,175</b>	<b>2,135</b>	<b>0</b>	<b>2,135</b>	<b>378</b>
<b>Adults, Health and Well-being Total</b>	<b>53,754</b>	<b>57,972</b>	<b>4,218</b>	<b>0</b>	<b>4,218</b>	<b>1,886</b>
<i>Grant Receipt from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				(960)	(960)	
<b>Adults, Health and Well-being Adjusted Total</b>					<b>3,258</b>	

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

**Older Peoples Services** - increase in demand for domiciliary care packages and pressure on the residential and nursing care provision. Within the 'Others' heading, a failure to realise £1,144k worth of savings and an overspend of £323k on Supported Accommodation, with the costs of the Hafod y Gest scheme responsible for a substantial proportion of the relevant overspend. Grant receipts reduce the reported overspend.

**Physical Disabilities Service** - increased demand, particularly in Domiciliary Care.

**Learning Disabilities Service** - three new expensive cases in residential and nursing and the impact of Covid19 contributed to additional expenditure by the service, but also a reduction in the demand for support plans this year.

**Mental Health Services** - less pressure on the support plans provision along with staff turnover.

**Provider Services** - staffing above the budget level are issues within Community Care and Day Care. Additional costs associated with Covid19 in particular in Residential Care, with the expectation that the Government will compensate the Council for the cost.

**Departmental Central Services** - increasing cost of the Telecare scheme and a slippage in realising £563k worth of savings schemes.

**2020/21 Budget** - 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.

**Covid19 Expenditure / Grant** - Covid19 has had a significant impact on the Adults, Health and Well-being department this year, with £3 million spent up to the end of November, and a Covid hardship grant of £1.722 million has already been allocated to the department towards the relevant additional costs for the first quarter and a further £960k is to be allocated as part of this review for the second quarter.

**Savings** - without considering the impact of Covid19, a failure to realise savings worth £1.8 million is a significant factor of the overspend. The Chief Executive has already commissioned work to obtain a better understanding of the matters and a clear response programme, to better understand the complex details of the situation in adults' care.

**REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW**

<b>Children and Families Department</b>	<b>Proposed Budget 2020/21</b>	<b>Estimated 2020/21 Position</b>	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	<b>Use of Other Sources or Other Recommended Adjustments</b>	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	<b>Estimated Over/(Under) Spend August 2020 Review</b>
<b>Field:-</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Service Management	590	599	9	0	9	(6)
Operational	2,161	2,195	34	0	34	39
Placements						
Out-of-County Placements	2,965	4,573	1,608	0	1,608	1,591
Fostering through an Agency	1,179	1,534	355	0	355	447
Fostering – Internal	2,161	2,573	412	0	412	374
Support Services and Others	1,824	1,665	(159)	0	(159)	(47)
	8,129	10,345	2,216	0	2,216	2,365
Post-16	1,055	1,460	405	0	405	414
Specialist/Derwen	1,839	2,075	236	0	236	239
Youth Justice	253	192	(61)	0	(61)	(38)
Early Years	157	93	(64)	0	(64)	(52)
Youth	896	735	(161)	0	(161)	(164)
Others	1,720	1,699	(21)	0	(21)	(18)
<b>Children and Families Total</b>	<b>16,800</b>	<b>19,393</b>	<b>2,593</b>	<b>0</b>	<b>2,593</b>	<b>2,779</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				<b>(142)</b>	<b>(142)</b>	
<b>Children and Families Adjusted Total</b>					<b>2,451</b>	

## Children and Families

**Placements** - despite additional funding of £1.8m having been allocated to this field for 2020/21 in order to meet the increasing pressure, the overspend continues, with an anticipated overspend of £2.2m by the end of the financial year. Within the heading, there are savings to the value of £688k which are yet to be realised and which now look unlikely to be realised.

A significant proportion of the overspend derives from eight new out-of-county placements and the impact of a full year of seven cases that commenced during 2019/20, with the average number of placements having increased to 21.6 from 18.1 for 2019/20. Fostering through an agency: three new cases this year and the impact of a full year of 12 cases that commenced in 2019/20. Overspend deriving from the impact of full year increase in the number of internal fostering placements last year (166 on 31.3.20, 139 on 31.3.19). Following a review of the out-of-county commitments, it became apparent there had been a change in the type of cases in recent years and, therefore, to the associated costs.

**Post-16** - this year's high initial support costs derive from three new cases since the start of the financial year, along with the full year impact of two cases from last year.

**Specialist/Derwen** – the impact of the increased demand for support schemes and specialist support over the past years is responsible for the overspend, but this has been reduced by underspend on travel costs as a result of Covid19 restrictions.

**Youth Justice** - staff turnover and use of contributions to replace core funding means that there is an underspend under this heading.

**Early Years** – the use of grants funded core expenditure, with the receipt of grants in the childcare field responsible for the underspend.

**Youth** – the receipt of grants was higher against core expenditure for this year, along with underspend following the remodelling of the service.

Despite the Covid19 crisis, the Children's Budget Task Force has resumed its work of focussing on the department's complex financial matters.

**REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW**

Education Department	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Estimated Over/(Under) Spend August 2020 Review
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Devolved Schools	80,371	80,371	0	0	0	0
Secondary School Meals Income (Devolved)	0	76	76	0	76	0
Schools Quality Services	(628)	(929)	(301)	0	(301)	(219)
Infrastructure and Support Services			0			
Transport	4,906	4,731	(175)	0	(175)	(449)
Ancillary Services	574	1,722	1,148	0	1,148	534
Others	3,156	3,048	(108)	0	(108)	(141)
	8,636	9,501	865	0	865	(56)
Leadership and Management	2,281	2,217	(64)	0	(64)	(60)
Additional Learning Needs and Inclusion	4,536	4,348	(188)	0	(188)	24
<b>Education Total</b>	<b>95,196</b>	<b>95,584</b>	<b>388</b>	<b>0</b>	<b>388</b>	<b>(311)</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				(482)	(482)	
<b>Education Adjusted Total</b>					<b>(94)</b>	

## Education

**Secondary School Meals Income** - loss of income from school meals as a result of the Covid19 crisis, Welsh Government has compensated the Council to the value of half the year, but the allocation for the second quarter has yet to be allocated to the department.

**Schools Quality Services** - a combination of receiving grants, staff turnover, reducing expenditure and a decrease in demand for certain budgets over the lockdown period is responsible for the anticipated underspend.

**Transport** - contrary to the usual trend of overspending, an underspend of (£175k) is anticipated for transport this year, following the closure of schools over the summer term with an underspend of (£173k) on school buses and (£119k) on taxi and train transportation, but is reduced by a deficit of £177k in Post-16 Transport ticket sales during the lockdown period.

The Transport field has been the subject of a strategic review to try to control the increase in expenditure, with the need for further work by the Education Department and the Environment Department, so that it is possible to take advantage of efficiency opportunities.

**Infrastructure and Support Services - Ancillary Services** - loss of income from school meals and the care element of the breakfast clubs as a result of the crisis, along with an increase in the numbers who claim free school meals. Furthermore, there was additional expenditure on school cleaning due to requirements associated with Covid19 that came into effect in September. It is anticipated that the Government's Covid grants will address the relevant additional costs.

**Infrastructure and Support Services - Others** - reduced demand on various budgets, especially during lockdown.

**Leadership and Management** - receipt of grant funding and underspend on various headings within the budget.

**Additional Learning Needs and Inclusion** - a mixed picture that is a combination of vacant posts and underspend on a number of various headings, while circumstances relating to one specific centre continues and is responsible for an overspend of £191k.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Economy and Community Department</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Estimated Over/(Under) Spend August 2020 Review
Field:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	356	347	(9)	0	(9)	(6)
Community Regeneration and Support Programmes	367	366	(1)	0	(1)	0
Maritime and Country Parks	16	144	128	0	128	271
Leisure Contracts	1,447	1,452	5	0	5	(39)
Sports Programmes	59	33	(26)	0	(26)	(26)
Economic Development Programmes	(83)	(83)	0	0	0	0
Marketing and Events	260	264	4	0	4	3
Gwynedd Libraries	1,613	1,550	(63)	0	(63)	(93)
Gwynedd Museums, Arts and Archives	857	879	22	0	22	43
<b>Economy and Community Total</b>	<b>4,892</b>	<b>4,952</b>	<b>60</b>	<b>0</b>	<b>60</b>	<b>153</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				<b>(160)</b>	<b>(160)</b>	
<b><u>Economy and Community Adjusted Total</u></b>					<b><u>(100)</u></b>	

## **Economy and Community**

**Maritime and Country Parks** - a loss of income as a result of the Covid19 crisis has had a significant impact on this field, contributing to an overspend of £107k on Maritime and £21k on Country Parks. The most evident loss of income is to be seen at Hafan, Pwllheli, and the harbours. It is anticipated that the Covid grants will cover a significant proportion of the overspend.

**Leisure Contracts** - the Leisure provision was transferred to the Byw'n Iach Company on 1 April 2019, but responsibility for the running costs of premises remained with the Council. With the centres having been closed for part of the year as a result of Covid19, a one-off reduction in the leisure centres' running costs is anticipated for this year with funding to compensate for the additional Covid costs due from the Welsh Government.

**Gwynedd Libraries** - a number of vacant posts, receipt of grants and a reduction in expenditure while the libraries were closed over the lockdown period.

**Museums, Arts and Gwynedd Archives** - problems continue in Storiel with a predicted deficit of £68k by the end of the financial year, which is a combination of overspend in staff costs and income deficit. The work of renovating Neuadd Dwyfor has commenced and as a result there is no possibility of generating income this year, while the impact of Covid19 has led to a loss of income at the Lloyd George Museum. Expenditure cuts have led to underspend by the Arts and Archives. Acceptance of Covid grants, Arts Council Grants and Furlough scheme has reduced the reported overspends.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Highways and Municipal Department (including Trunk Roads)</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	Use of Other Sources or Other Recommended Adjustments	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk roads)	9,728	9,601	(127)	0	(127)	(101)
Engineering Services	383	461	78	0	78	60
Municipal Services						
Waste	11,025	11,828	803	0	803	481
Others	3,920	4,449	529	0	529	397
<b>Highways and Municipal Total</b>	<b>25,056</b>	<b>26,339</b>	<b>1,283</b>	<b>0</b>	<b>1,283</b>	<b>837</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				(637)	(637)	
<b>Highways and Municipal Adjusted Total</b>					<b>646</b>	

**Highways and Municipal (including Trunk roads)**

**Highways Services** - Covid19 restrictions during the early months of the year have caused underspend on the roadworks budget for this year; vacant posts and underspend on various headings also contributed to the anticipated underspend situation.

**Engineering Services** - a delay in realising the savings scheme, but discussions are ongoing to find a solution.

**Waste** - a number of matters are responsible for the overspend anticipated, but the overspend has mainly due to waste and recycling collection. Although the department had taken action to reduce costs by changing shifts and waste collection circuit arrangements, there was a delay in implementation. The new arrangements have now come into force in Dwyfor and more recently in Arfon but there was a further slippage in the timetable to implement the new system in Meirionnydd, this being pushed back to March 2021; there were therefore transitional costs associated with staffing and sickness costs this year.

The service faced additional costs and loss of income as a result of Covid19, and a significant reduction was also seen in the prices received for selling recycling materials. The department is also struggling to realise savings.

**Other Municipal Services** - the effects of Covid19 have also led to loss of income, including within the commercial waste field, as businesses were closed during the lockdown period. Additional requirements and changes to working arrangements in order to comply with Covid19 regulations and social distancing have led to additional costs. A failure to realise savings also contributes to the situation.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Environment Department</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	Use of Other Sources or Other Recommended Adjustments	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	419	328	(91)	0	(91)	(88)
Planning and Building Control Service	490	660	170	0	170	148
Street Works and Transport Services						
Network Management (Transport)	693	463	(230)	0	(230)	(146)
Parking and Parking Enforcement	(1,786)	(1,368)	418	0	418	114
Integrated Transport	1,684	1,955	271	0	271	293
	591	1,050	459	0	459	261
Countryside and Access	654	652	(2)	0	(2)	(15)
Public Protection	1,604	1,640	36	0	36	(2)
<b><u>Environment Total</u></b>	<b>3,758</b>	<b>4,330</b>	<b>572</b>	<b>0</b>	<b>572</b>	<b>304</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				(203)	(203)	
<b><u>Environment Adjusted Total</u></b>					<b>369</b>	

## Environment

**Management** - general underspend and the department's advance savings have led to one-off savings under the Management heading.

**Planning and Building Control Service** - the general trend of income loss continues again this year, though mitigated somewhat by staff underspend and lower spending on various budgets including statutory notices and appeals.

### **Street Works and Transport Services**

**Network Management (Transport)** - a combination of vacant posts, underspend on a number of budget headings including works in Forward Planning, but a loss of income from streetworks fees and fees on road adoption contracts.

**Parking and Parking Enforcement** - the significant impact of Covid19 restrictions is responsible for a lack of parking income of over one million for the first half of the financial year; Welsh Government have already compensated the Council by £874k for the value of the loss in the first quarter of the year, with a further £198k received for the second quarter, but yet to be allocated. Further income losses are anticipated for the remainder of the year, but these are reduced by underspend on various budgets.

**Integrated Transport** - overspend on public bus contracts; although the department is in the process of conducting a review of public transport, with the University already having been commissioned to review the provision, this has been delayed due to the Covid19 crisis.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Consultancy Department</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	Use of Other Sources or Other Recommended Adjustments	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(699)	(711)	(12)	0	(12)	66
Sustainable Urban Drainage Systems Unit (SuDS)	2	2	0	0	0	0
Flood Risk Management Unit	486	486	0	0	0	0
Building Service	(16)	6	22	0	22	36
<b>Consultancy Total</b>	<b>(227)</b>	<b>(217)</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>102</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				(110)	(110)	
<b>Consultancy Adjusted Total</b>					<b>(100)</b>	

### **Consultancy**

**Roads and Engineering Services** - income levels recovered after income during the first months of the financial year was hindered due to the impact of Covid19 with the net loss of £140k for the first months of the year now having been compensated by the Welsh Government. The service continues to apply for work and therefore attracts further income on various schemes by external organisations, such as other councils and the Welsh Government.

**Building Service** - income deficit reduced by staff underspend.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Housing and Property Department</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Management	232	216	(16)	0	(16)	20
Housing Services			0			
Homelessness	1,082	1,636	554	0	554	493
Private Sector Housing	433	435	2	0	2	(30)
Others	440	399	(41)	0	(41)	(51)
	1,955	2,470	515	0	515	412
Property Services						
Property	4,449	4,361	(88)	0	(88)	(50)
Care-taking, Catering and Cleaning	2	19	17	0	17	(25)
	4,451	4,380	(71)	0	(71)	(75)
<b>Housing and Property Total</b>	<b>6,638</b>	<b>7,066</b>	<b>428</b>	<b>0</b>	<b>428</b>	<b>357</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>				(288)	(288)	
<b><i>Housing and Property Adjusted Total</i></b>					<b>140</b>	

### Housing and Property

**Management** - An alternative savings scheme has now replaced a historic scheme that did not achieve the savings, and an underspend on staff and training costs.

**Housing Services** - significant pressure on the Temporary Accommodation budget within Homelessness, with a substantial proportion of this as a result of the crisis and the need to take homeless people off the street. £194k to compensate for the additional relevant expenditure for the first quarter has already been received from the Welsh Government, with the expectation that the application for £260k for the second quarter will also be successful. Underspend on staff costs in the Homelessness Unit and underspend in the Gypsies and Travellers field under 'Others', which helps mitigate the overspend reported for the Housing Service.

**Property Services** - vacant posts and secondments are mainly responsible for the underspend anticipated as well as a combination of additional costs and a loss of income in the area of cleaning.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Central Departments</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	<b>Estimated Gross Over / (Under) Spend 2020/21</b>	Use of Other Sources or Other Recommended Adjustments	<b>Adjusted Estimated Over / Under Spend 2020/21</b>	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,764	1,708	(56)	0	(56)	(31)
Finance (and Information Technology)	6,580	6,509	(71)	0	(71)	(85)
Corporate Support	7,284	7,293	9	0	9	51
<b>Central Departments Total</b>	<b>15,628</b>	<b>15,510</b>	<b>(118)</b>	<b>0</b>	<b>(118)</b>	<b>(65)</b>
<i>Grant received from Welsh Government to compensate for expenditure/loss of income due to the Covid-19 crisis</i>						
<i>Finance (and Information Technology)</i>				(7)	(7)	
<i>Corporate Support</i>				(61)	(61)	
<b>Central Departments Adjusted Total</b>					<b>(186)</b>	

### Central Departments

**Corporate Management Team & Legal** - the latest projections suggest an underspend of (£56k), with a proportion of the underspend on the vacant Corporate Director post being diverted to fund improved well-being provision in Council offices. Although the impact of the crisis led to a reduction in the income received by the Legal Unit at the beginning of the crisis, the income levels have now recovered.

**Finance (and Information Technology)** – a combination of reasons responsible for the underspend, including one-off underspend due to vacant posts, secondments, income and grants received in several fields. Additional costs were incurred by the department as a result of the crisis in terms of business grant administration and also in the area of information technology.

**Corporate Support** - Covid19 restrictions have led to a loss of income, mainly in the field of marriage registrations. The impact of Covid19 has also had negative implications for the internal income of the Printroom, with a deficit of £123k anticipated by the end of the financial year. A number of vacant posts and an underspend on services and provisions across the department.

<b>REVENUE BUDGET 2020/21 - END OF NOVEMBER REVIEW</b>						
<b>Corporate (Reflects variances only)</b>	Proposed Budget 2020/21	Estimated 2020/21 Position	Estimated Gross Over / (Under) Spend 2020/21	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Over / Under Spend 2020/21	Estimated Over/(Under) Spend August 2020 Review
<b>Field:-</b>	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(277)	277	0	0
Council Tax Reductions	*	*	(303)	303	0	0
Capital Costs	*	*	(613)	613	0	0
Interest Received	*	*	320		320	300
Provision for realising corporate savings	*	*	(1,644)		(1,644)	(1,644)
Advance Savings	*	*	(148)	148	0	(75)
Others including Budgets and Bids returned by Departments	*	*	(769)	449	(320)	(225)
Grant receipts from Welsh Government to compensate expenditure/loss of income due to COVID-19 not allocated to the Departments	*	*	0		0	(422)
<b>Corporate Total</b>	*	*	<b>(3,434)</b>	<b>1,790</b>	<b>(1,644)</b>	<b>(2,066)</b>
Grant receipts from Welsh Government to compensate expenditure/loss of income due to COVID-19 not allocated to the Departments					<b>(49)</b>	
<b>Corporate Adjusted Total</b>					<b>(1,693)</b>	

## Corporate

**Council Tax and Council Tax Premium** - in light of the Covid19 crisis and therefore in order to avoid possible financial hardship, all recovery actions on unpaid Council Tax bills were suspended for three months until the start of July. Up to the end of November, the Valuation Office permitted 342 properties to transfer from Council Tax to Non-domestic Rates (397 in 2019/20, 453 in 2018/19). The Council has planned to receive £2.7m of Council Tax Premium during 2020/21, which is to be allocated to be considered for the Housing Strategy. Notwithstanding this, we anticipate a favourable situation of additional tax to the value of (£277k) on Council Tax due to prudential assumptions in setting the 2020/21 budget.

**Council Tax Reductions** - although there was an increase of 3% in the numbers claiming the reduction in Gwynedd during this financial year as a result of the Covid19 crisis, an underspend of (£303k) is anticipated following receipt of a specific grant and setting prudential estimates.

**Capital Costs** - (£478k) of capital costs to be funded from revenue, but will now slip to the next year due to Covid19, to be transferred to a fund to enable the resource to be re-profiled. Additionally, an underspend of (£135k) as a result of current treasury management policy which means that external borrowing can be avoided.

**Interest Received** - following the impact of Covid19 on the financial markets, a reduction in the expected interest received is anticipated.

**Provision for realising corporate savings** - following the failure of certain departments to realise savings in some fields, a corporate provision has been set up for the purpose, which is available for appropriate distribution.

**Others including Budgets and Bids returned by Departments** - the pressure across a number of budgets not as much as anticipated and, therefore, underspending this year.

**It is recommended** that (£478k) capital schemes that are to be funded from revenue should be transferred to a fund to enable re-profiling the resource, with the remainder of the net underspend on Corporate budgets, a sum of (£1,312k) being transferred to the Council's balances to assist in addressing the financial challenge facing the Council at the end of 2020/21, especially in light of the Covid-19 crisis.

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		Welsh Government Hardship Fund					Furlough				
		Compensation for Additional Expenditure		Cais	Compensation for Loss of Income		Contribution towards Wages				
Month	Claim	Application Value	Grant Received		Application Value	Grant Received	Claim	Application Value		Grant Received	
		£'000	£'000	£'000	£'000	Byw'n lach		Rest Of Council	Byw'n lach	Rest Of Council	
		£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	
March	1	20	20	1	3,675	3,523	1	133	5	133	5
April	2	508	425				2		12		12
May	3	904	887				3	119	31	119	31
June	4	1,118	1,068				4	124	32	124	32
July	5	1,171	1,165	2	1,436	1,304	5	128	26	128	26
August	6	830	826				6	106	20	106	20
September	7	866	825				7	59	11	59	11
October	8	792	781	3			8	43	7	43	7
November	9	898					9	41	3	41	3
<b>TOTAL</b>		<b>7,107</b>	<b>5,997</b>		<b>5,111</b>	<b>4,827</b>		<b>753</b>	<b>147</b>	<b>753</b>	<b>147</b>

**Overview of all applications:**

	Claim Value £'000	Grant Received £'000
<b>TOTAL</b>	<b>13,118</b>	<b>11,723</b>
Byw'n lach Element	1,892	1,881
<b>Rest of Council</b>	<b>11,226</b>	<b>9,842</b>

*Note: The amount shown in Appendix 1 includes loss of additional income and expenditure of a departmental nature, with amounts on corporate issues and specific schemes (for example Furlough and free school meals) have already been allocated to the relevant departments.*



**GWYNEDD COUNCIL CABINET  
DECISION NOTICE**

<b>Date of Cabinet Meeting:</b>	26 January 2021
<b>Date decision will come into force</b> and be implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution	10 February 2021

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**SUBJECT**

Item 11: CAPITAL PROGRAMME 2020/21 - END OF NOVEMBER REVIEW (30 NOVEMBER 2020 POSITION)

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**DECISION**

- To accept the report on the end of November review (30 November 2020 position) of the capital programme.
  - To approve the revised financing as shown in part 4 of the report, namely:
    - an increase of £2,000 in the use of borrowing,
    - an increase of £3,019,000 in the use of grants and contributions,
    - no change in the use of capital receipts,
    - an increase of £313,000 in the use of revenue contributions,
    - no change in the use of the capital reserve, and
    - a decrease of £14,000 in the use of renewal and other reserves.
- 

**REASONS FOR THE DECISION**

It is the Cabinet's responsibility to take action, as necessary, to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets) and to allow the formal final accounts to be completed.

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**DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE**

No declarations of personal interest or relevant dispensations were received.

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**ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION**

The Statutory Officers were consulted to seek their views, which have been included in the report.

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**REPORT TO THE CABINET**  
26 JANUARY 2021

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

**Subject:** Capital Programme 2020/21 –  
End of November Review (30 November 2020 position)

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

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**The decision sought**

- To accept the report on the end of November review (30 November 2020 position) of the capital programme.
  - Approve the revised financing as shown in part 4 of the report, that is:
    - an increase of £2,000 in the use of borrowing,
    - an increase of £3,019,000 in the use of grants and contributions,
    - no change in the use of capital receipts,
    - an increase of £313,000 in the use of revenue contributions,
    - no change in the use of the capital reserve, and
    - a decrease of £14,000 in the use of renewal and other reserves.
- 

**1. Introduction / Summary**

This technical report is presented as part of the 2020/21 budget review procedure. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3 and 4 of the report, with the recommendations in part 6:

Part 3: Analysis by Department of the £103.646m capital programme for the 3 years 2020/21 – 2022/23.

Part 4: The sources of finance for the net increase of approximately £3.320m since the previous review.

Part 5: Detail on additional grants since the previous review.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the proposed programme (part 3) and financing (part 4).

The remainder of the report is for information.

## 2. Main Findings

The main findings that arise from the revised position are:

- There are firm schemes in place to invest approximately £42.3m in 2020/21 on capital projects, with £18.9m (45%) of it being financed by attracting specific grants.
- The effect of the Covid19 emergency and the lockdown period on the capital programme can be seen in the reported figures in Appendix C, with only 31% of the budget having been spent by the end of November this year compared to 51% for the same period last year.
- An additional £4.8m of proposed expenditure has been re-profiled from 2020/21 to 2021/22 and 2022/23, but no loss of funding was caused to the Council where schemes have slipped.

## 3. Capital Programme 2020/21 to 2022/23

See below the revised proposed capital programme as at the end of November 2020.

DEPARTMENT	END OF NOVEMBER REVIEW				INCREASE / (DECREASE) SINCE THE PREVIOUS REVIEW £'000
	2020/21	2021/22	2022/23	TOTAL	
	£'000	£'000	£'000	£'000	
Education	8,833	15,061	4,630	28,524	13
Environment	3,911	1,009	199	5,119	243
Corporate Support	13	106	-	119	-
Finance	714	1,477	768	2,959	496
Economy and Community	1,212	1,662	245	3,119	87
Housing and Property	11,600	9,017	5,052	25,669	454
Adults, Health and Wellbeing	2,768	3,263	1,450	7,481	120
Children and Supporting Families	1,367	250	250	1,867	-
Highways and Municipal	7,885	4,296	4,765	16,946	391
Consultancy	2,954	6,568	287	9,809	2,000
Corporate	1,034	500	500	2,034	(484)
<b>TOTAL</b>	<b>42,291</b>	<b>43,209</b>	<b>18,146</b>	<b>103,646</b>	<b>3,320</b>

#### 4. Changes to the Sources of Finance

The budget for the three year programme shows an increase of £3.320m since the opening budget position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF NOVEMBER REVIEW				INCREASE / (DECREASE) SINCE THE PREVIOUS REVIEW £'000
	2020/21	2021/22	2022/23	TOTAL	
	£'000	£'000	£'000	£'000	
Supported Borrowing	8,116	6,610	6,610	21,336	-
Other Borrowing	914	5,159	11	6,084	2
Grants and Contributions	18,889	10,023	3,277	32,189	3,019
Capital Receipts	615	227	13	855	-
Departmental & Corporate Revenue	1,843	508	-	2,351	313
Capital Fund	352	5,145	-	5,497	-
Renewals & Other Funds	11,562	15,537	8,235	35,334	(14)
<b>TOTAL</b>	<b>42,291</b>	<b>43,209</b>	<b>18,146</b>	<b>103,646</b>	<b>3,320</b>

#### 5. Additional Grants

Since setting the original budget at the end of March, the Council succeeded in attracting the following additional grants totalling £3,060k. A number of adjustments including a reduction in schemes lower than the original forecast brings the total movement to £3,019k (see Appendix A for more information) :

- £1,700k Welsh Government Grant towards a Land Drainage Scheme in Rhostryfan
- £496k HWB Schools Infrastructure Grant provided by Welsh Government for schools' IT equipment
- £477k Circular Economy Capital Investment Fund grant towards improvements in recycling and waste prevention
- £182k Sustainable Landscapes grant from Welsh Government
- £86k Heritage Lottery Fund grant towards the 'LleCHI' scheme
- £69k Surge Capacity (Covid) grant to support developments in adult care establishments
- £25k Safe Routes in Communities (SRiC) grant from Welsh Government
- £25k Wales Council for Voluntary Action grant towards environmental developments

## **6. Recommendations**

**The Cabinet is asked to:**

- **accept the 2020/21 to 2022/23 revised programme, and**
- **approve the relevant sources of finance (part 4 above).**

## **7. Reasons for Recommending the Decision**

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the Cabinet must approve the capital programme and its sources of funding.

Incorporating funding via grant is a point of order, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of capital receipts and contributions.

These are recommendations to ensure definite sources of funding for the 2020/21 – 2022/23 capital schemes.

## **8. Relevant Considerations**

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

## **9. Next Steps and Timetable**

To implement the recommendations to finance the programme.

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**View of the Local Member**

Not relevant.

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

No observations to add from a propriety perspective.

**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 A: Main changes per source of finance
  - Appendix B: Movement from 2020/21 to 2021/22
  - Appendix C: First 8 months' expenditure in 2020/21
-

## Details of Main Changes

See below the relevant schemes that have caused the main changes to the sources of finance since the previous review :

	2020/21	2021/22- 2022/23
	£'000	£'000
<b>Grants and Contributions</b>		
<ul style="list-style-type: none"> <li>Heritage Lottery Fund grant towards the 'LleCHI' scheme'- Heritage-led Regeneration in the valleys of the Slate Landscape of Wales World Heritage Nomination (<i>Economy and Community Department</i>).</li> </ul>	4	82
<ul style="list-style-type: none"> <li>Surge Capacity (Covid) Grant to support developments in residential homes and day care facilities (<i>Adults, Health and Wellbeing Department</i>).</li> </ul>	69	
<ul style="list-style-type: none"> <li>Circular Economy Capital Investment Fund grant towards improvements to the Bangor Recycling Centre, Community Food Share schemes and Cartgylchu (<i>Highways and Municipal Department</i>).</li> </ul>	477	
<ul style="list-style-type: none"> <li>Welsh Government grant towards a Land Drainage Scheme in Rhostryfan (<i>Consultancy Department</i>).</li> </ul>	1,530	170
<ul style="list-style-type: none"> <li>Safe Routes in Communities (SRiC) grant from Welsh Government - route to Ysgol Godre'r Berwyn, Bala (<i>Environment Department</i>).</li> </ul>	25	
<ul style="list-style-type: none"> <li>Sustainable Landscapes grant from Welsh Government (<i>Environment Department</i>).</li> </ul>	182	
<ul style="list-style-type: none"> <li>Wales Council for Voluntary Action grant towards environmental developments (<i>Environment Department</i>).</li> </ul>	25	
<ul style="list-style-type: none"> <li>Underspend on the Targeted Regeneration Investment Grant (TRIP) schemes from Welsh Government (<i>Housing and Property Department</i>).</li> </ul>	(31)	
<ul style="list-style-type: none"> <li>HWB Schools Infrastructure Grant – capital element of the direct funding provided by Welsh Government for schools' IT equipment (<i>Finance Department</i>).</li> </ul>	496	
<b>Departmental Revenue</b>		
<ul style="list-style-type: none"> <li>Match funding towards a Land Drainage Scheme in Rhostryfan (<i>Consultancy Department</i>).</li> </ul>	270	30

**Renewals and Other Funds**

- Vehicles Renewals (*Highways and Municipal Department; Environment Department*) 74
- Waste Management Schemes including skips and recycling carts (*Highways and Municipal Department*) (100)

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### Details of Budget Re-profiling

See below the main schemes that have been re-profiled since the original budget:

	2020/21 £'000	2021/22 £'000
Schools' Schemes (21 <sup>st</sup> Century and Other) ( <i>Education Department</i> )	(3,007)	3,007
Caernarfon Town and Coast Regeneration ( <i>Economy and Community Department</i> )	(174)	174
Maritime and Country Parks' Schemes ( <i>Economy and Community Department</i> )	(382)	382
Neuadd Dwyfor Investment Scheme ( <i>Economy and Community Department</i> )	(729)	729
Adults Residential Establishments' Schemes ( <i>Adults, Health and Wellbeing Department</i> ).	(294)	294
Adults Day Care Establishments' Schemes ( <i>Adults, Health and Wellbeing Department</i> ).	(569)	569
LED Street Lighting Scheme ( <i>Highways and Municipal Department</i> )	(258)	258
Bridge Schemes ( <i>Highways and Municipal Department</i> )	(1,102)	1,102
Vehicles Renewals ( <i>Highways and Municipal Department; Consultancy Department</i> )	(599)	599
Flood Alleviation Schemes ( <i>Consultancy Department</i> )	(1,178)	1,178
Aberdyfi Quay ( <i>Consultancy Department</i> )	(1,748)	1,748
Transport Schemes ( <i>Environment Department</i> )	(353)	353
Car Park Resurfacing ( <i>Environment Department</i> )	(219)	219
Vehicle Charging Points ( <i>Environment Department</i> )	(198)	198
Environment Department Specialist IT Systems ( <i>Environment Department</i> )	(72)	72
Office Adaptation Schemes ( <i>Housing and Property Department</i> )	(153)	153
Council's Carbon Management Schemes ( <i>Housing and Property Department</i> )	(1,167)	1,167
Asbestos Removal Schemes ( <i>Housing and Property Department</i> )	(580)	580

Economic Stimulus Schemes ( <i>Housing and Property Department</i> )	(925)	925
IT Equipment Renewals ( <i>Finance Department</i> )	(240)	240
Health and Safety Schemes ( <i>Corporate Support Department</i> )	(106)	106

**Note:**

The above re-profiling will not result in any loss in grant.

There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that the services have to cope for longer with current assets which have not been improved.

## Capital Expenditure First 8 Months 2020/21

<b>SUMMARY</b>	<b>CAPITAL PROGRAMME FULL YEAR (reviewed November) 2020/21 £'000</b>	<b>ACTUAL EXPENDITURE FOR THE 8 MONTHS TO 30/11/2020 £'000</b>
Education	8,833	3,961
Environment	3,911	726
Corporate Support	13	5
Finance (and Information Technology)	714	341
Economy and Community	1,212	447
Housing and Property	11,600	3,243
Adults, Health and Wellbeing	2,768	921
Children and Supporting Families	1,367	355
Highways and Municipal	7,885	2,471
Consultancy	2,954	550
Corporate	1,034	-
<b>TOTAL</b>	<b>42,291</b>	<b>13,020</b>

**Note:**

The percentage that has been spent this year is 31%, which is lower than the position this time last year (amount spent in 8 months in 2019/20 was 51%).

# Agenda Item 8

**MEETING:** AUDIT AND GOVERNANCE COMMITTEE

**DATE:** 11 FEBRUARY 2021

**TITLE:** THE SAVINGS POSITION

**PURPOSE:** Report on the latest position

**ACTION:** Receive the information, consider the general risks arising from slippages, and scrutinise the Cabinet's decisions regarding the savings position

**CABINET MEMBER:** COUNCILLOR IOAN THOMAS

**CONTACT OFFICER:** DAFYDD L EDWARDS, HEAD OF FINANCE

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1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters as appropriate.
2. The attached report (The Savings Position) was submitted to the Cabinet on 26 January 2021.
3. The Cabinet Member for Finance, and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the savings position, consider the Cabinet's decisions and comment as necessary.

**Appendices:**

Cabinet Decision Notice 26/01/2021

Cabinet report 26/01/2021: The Savings Position

## GWYNEDD COUNCIL CABINET DECISION NOTICE

<b>Date of Cabinet Meeting:</b>	26 January 2021
<b>Date decision will come into force</b> and be implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution	10 February 2021

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### SUBJECT

Item 12: THE SAVINGS POSITION

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### DECISION

- i. To accept the conclusions of the Chief Executive on the individual schemes as noted in Appendix 1 and 2.
  - ii. In accordance with what was noted in Appendix 1, to move the delivery profile for schemes valued at £1,012,750 to 2022/23 and to recognise that the situation had now changed so much that it was not possible to deliver savings schemes valued at £848,040 and to eliminate them from the budget.
  - iii. To use the £1.6m provision set aside in the 2020/21 budget in order to do so, and to achieve the residual gap with the first use of savings planned for 2021/22.
  - iv. When preparing the 2021/22 budget, to agree that the delivery profile for schemes valued at £511,250 should be moved to 2022/23 and to recognise that the situation had now changed so much that it was not possible to deliver savings schemes valued at £595,450 and that £705,930 in savings should be used for the budget as noted in Appendix 2.
- 

### REASONS FOR THE DECISION

At its meeting in October, the Cabinet considered a report which noted the composite position in delivering the savings, which included savings for the 2020/21 financial year. Risks associated with schemes valued at £3.4m were highlighted, and in light of the priority given to dealing with the Covid crisis, there was a risk of failing to close this gap in a short period.

It was noted that the Chief Executive and the Head of Finance Department had met Cabinet Members and the Heads of Department to discuss how it would be possible to resume the procedure of delivering the proposed savings. The report noted the findings and recommendations that derived from these meetings.

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### DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

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No declarations of personal interest or relevant dispensations were received.

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### ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

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# GWYNEDD COUNCIL CABINET



<b>Date of meeting</b>	<b>26 January 2021</b>
<b>Cabinet Member</b>	<b>Councillor Ioan Thomas, Cabinet Member - Finance</b>
<b>Contact Officer</b>	<b>Dafydd L Edwards, Head of Finance</b>
<b>Title of Item</b>	<b>THE SAVINGS POSITION</b>

## Decision sought

- i. To accept the conclusions of the Chief Executive on the individual schemes as noted in Appendix 1 and 2;
- ii. In accordance with what is noted in Appendix 1, to move the delivery profile for schemes valued at £1,012,750 to 2022/23 and to recognise that the situation has now changed so much that it is not possible to deliver savings schemes valued at £848,040 and to eliminate them from the budget.
- iii. To use the £1.6m provision set aside in the 2020/21 budget in order to do so, and to achieve the residual gap with the first use of savings planned for 2021/22.
- iv. When preparing the 2021/22 budget, to agree that the delivery profile for schemes valued at £511,250 should be moved to 2022/23 and to recognise that the situation has now changed so much that it is not possible to deliver savings schemes valued at £595,450 and that £705,930 in savings should be used for the budget as noted in Appendix 2.

## Background

1. At its meeting on 13 October 2020, the Cabinet considered my report which noted the composite position in delivering the savings we had expected departments to achieve up to, and including, the 2020/21 financial year.
2. While a total value of over £32m of savings schemes have been realised between 2015/16 and 2020/21, we reported that there was a risk associated with schemes valued at £3.4m, and in light of the priority given to dealing with the Covid crisis, there was a real risk of us failing to close this gap in a short period and for it to become problematic.

3. Therefore, it was reported that the Chief Executive and Head of Finance Department intended to meet each Cabinet Member with their Head of Department, to discuss how it would be possible to resume the procedure of delivering the proposed savings.
4. Those meetings were held and this report notes the subsequent findings and recommendations.

### **Savings that already form part of the budget**

5. In Appendix 1, those savings that are part of budgets up to, and including, 2020/21 are noted, along with the conclusions of the Chief Executive on what was highlighted in the discussions.
6. With many of the proposed savings, the requirement to address the threats from Covid has obviously affected the ability of departments to pay attention to some of the proposals, or has affected the opportunity to do so.
7. However, this is a matter of timing and as we are able to give time to address them, it is noted in the Chief Executive's assessment that it is not unreasonable for savings schemes valued at £1,735,960 to be delivered by or during 2021/22.
8. However, some proposals will need considerably more time to realise (a value of £1,012,750) and, therefore, **it is recommended** that these schemes are re-profiled to 2022/23 or beyond. This will give the departments responsible the opportunity to realise them, and avoid creating a financial problem for the Council when setting the 2021/22 budget. There is also a question mark regarding how much financial product will derive from some of these schemes, and this time will also give us an opportunity to consider this.
9. There are other schemes where the Chief Executive has been convinced that the situation has now changed so much that there is real doubt whether or not the savings (a value of £848,040) can be realised and, therefore, **it is recommended** that we remove these savings schemes from the budget. The Chief Executive can explain the logic behind his conclusions verbally in the meeting.
10. When preparing the 2020/21 budget in February / March 2020, we were aware of the likelihood of failure to deliver some savings schemes, and £1.6m was provided in recognition of this.
11. What is recommended in 8 and 9 above would have an impact of £1.86m on the budget, and when using the £1.6m provision there would be a need to provide for

the extra £0.26m now, when preparing the 2021/22 budget. In doing so, we would bring the budget closer to the reality of the Council's position.

### **Anticipated savings in 2021/22**

12. When undertaking the work, the Chief Executive and the Head of Finance Department also examined the savings that we had planned for 2021/22. A list of these schemes is provided in Appendix 2.
13. Of the £1,922,630 already planned for delivery in 2021/22, it is considered that there are schemes valued at £511,250 which will take considerably longer to deliver and schemes valued at £595,450 where the situation has now changed so much that there is a real doubt whether or not the savings could be realised.
14. However, as already reported to the Cabinet on 13 October 2020, the Housing and Property Department were able to deliver energy savings, and there are £150,790 remaining. Therefore, together, **it is recommended** that the Cabinet approves the actions noted in paragraph 13 above, and accepts that a total of £705,930 in net savings will be available to support the 2021/22 budget.

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### **Views of Statutory Officers**

#### **Monitoring Officer**

Inevitably, as circumstances and needs change, it has to be ensured that the practical implementation or impact on services of savings is reviewed. The report sets forward a practical review of the position in relation to savings plans.

#### **Head of Finance**

I have collaborated with the Cabinet Member for Finance and the Chief Executive in the preparation of this report and I confirm the content.

Department	Title of Scheme	Sum to be realised up to 2020/21 £	Observation	Slippage but no financial adjustment £	Slippage but need to move profile to 2022/23 £	Delete £
<b>EDUCATION</b>	Ffordd Gwynedd – Salaries and Contracts Unit	<b>28,680</b>	Awaiting IT work to be able to achieve	<b>28,680</b>	<b>0</b>	<b>0</b>
<b>ENVIRONMENT</b>	Achieve savings by buying cheaper (e.g. office equipment and IT)	40,000	Substantial slippage as we do not set contracts. There will be opportunities there when activities increase	40,000		
	Increase the fee to assess water quality in order to reflect the cost of providing the service	12,500	Fee has been changed but the activity has reduced : awaiting for it to recover in due course.	12,500		
	Increase the number of pay and display car parks, and increase parking fees whilst also considering whether to keep the cost of parking for residents at the same rate, or even lower	120,000	Task group examining this - should be operational in 2021/22	120,000		
	Rationalising and Integrating the back office of the Environment Department	23,120	This is likely to realise itself six months after returning to offices	23,120		
	Substantial increase in the fees charged on Statutory Undertakers etc. for closing roads/traffic orders	2,500	Less activity due to Covid - this should restore itself	2,500		
	Substantial increase in the fees charged on Statutory Undertakers etc. for closing roads/traffic orders	15,000	Less activity due to Covid - this should restore itself	15,000		
	Reduce the resource within the Road Safety Unit	2,500	No problem to achieve this	2,500		
	Reduce the resource within the Countryside Service	15,000	No problem to achieve this	15,000		
	Staff Travel	118,000	Achieved	118,000		
	Building Control - fees for providing advice beforehand	4,000	Slippage: it will be possible to realise this but not at present as we are not available to consult etc.	4,000		
	Streetworks - cut half a post	15,000	Achieved	15,000		
<b>Environment Total</b>		<b>367,620</b>		<b>367,620</b>	<b>0</b>	<b>0</b>
<b>CORPORATE SUPPORT</b>	Merging the Learning and Development Unit and the Workforce Development Unit	<b>12,000</b>	Achieved	<b>12,000</b>	<b>0</b>	<b>0</b>
<b>FINANCE</b>	Electronic payslips for all	<b>3,750</b>	Slippage - no problem with it.	<b>3,750</b>	<b>0</b>	<b>0</b>

Department	Title of Scheme	Sum to be realised up to 2020/21 £	Observation	Slippage but no financial adjustment £	Slippage but need to move profile to 2022/23 £	Delete £
<b>ECONOMY AND COMMUNITY</b>	Reconcile parking fees through introducing parking fees for sites (e.g. the Glyn area)	40,000	A meeting had been held with Environment to find a solution: Environment will include them in changes to the traffic order following a conversation with Economy on what needs to be done. A risk that it will be some months into 2021/22 before it is operational as it is one county order.	40,000		
	Establish parking fees on Dinas Dinlle beach and increase launching fees across Gwynedd beaches from £10 to £15	45,000		45,000		
	Review Storiell parking fees and implementation arrangements	20,000		20,000		
	Invest in improvements that would make Neuadd Dwyfor more efficient while preparing to find an alternative model for the future	25,000	A question mark regarding the saving total available here (Savings scheme anticipates £100,000 over 5 years). This element should be able to be realised but it will slip considerably		25,000	
	Abolish a post and change the management arrangements of the Community Regeneration Service (20% reduction)	5,000	Department to find the deficit	5,000		
	Abolish 1 post from the Tourism and Marketing Service (reduce staffing by 25%)	25,000	Slippage while awaiting for the opportunity to realise it to present itself naturally.	25,000		
	<b>Economy and Community Total</b>		<b>160,000</b>		<b>135,000</b>	<b>25,000</b>

Department	Title of Scheme	Sum to be realised up to 2020/21 £	Observation	Slippage but no financial adjustment £	Slippage but need to move profile to 2022/23 £	Delete £
ADULTS	Automate the Department's financial processes	64,000	Slippage but no detail in terms of amended profile - new profile requested	64,000		
	Improve efficiency of field workers	113,000	This is unlikely to realise itself as there is a need for the resource to implement the Integrate and Transform Scheme			113,000
	Increase income and reduce other costs	30,000	Achieved : fee has been increased but impact of covid suggests that it may not produce as much	30,000		
	Integrating and transforming Older People Services	510,000	These are the same Scheme. Unclear what is planned for indicating whether or not it is being realised. Progress certainly slower than anticipated for various reasons. Chief Executive (CE) has held a meeting to establish arrangements in order to obtain appropriate data to be able to show whether or not it is achieving savings. CE will then arrange another meeting to review the project management arrangements.	210,000	300,000	
	Extend the principles of the Alltwen Pilot Scheme across the service	534,000			534,000	
	Review the operational arrangements within the Adults Department	101,250			101,250	
	Collaborate with the third sector to secure a new provider to take over the day care provision in Cricieth and Blaenau Ffestiniog	100,000	Covid has caused a delay : therefore, a slippage. It should be realised in 2021/22	100,000		
	Review physical disabilities care packages and meet the objectives in an alternative manner	100,000	Review packages : it should be achieved in 2021/22	100,000		
	Review Continuous Health Care packages	150,000	Work undertaken but Health not responding. Details requested in order to escalate the matter.	150,000		
	Restructure the Business Service and reduce the support provided to integrated community resource teams. Also, adapt and further reduce the support provided to front-line teams of the Adults and Children's Department	49,360	Slippage only - in hand	49,360		
	Merging the Learning and Development Unit and the Workforce Development Unit	18,000	Yet to realise the alternative scheme	18,000		
<b>Adults, Health and Well-being Total</b>		<b>1,769,610</b>		<b>721,360</b>	<b>935,250</b>	<b>113,000</b>

Department	Title of Scheme	Sum to be realised up to 2020/21 £	Observation	Slippage but no financial adjustment £	Slippage but need to move profile to 2022/23 £	Delete £
CHILDREN	End to End Review	688,160	Unlikely that this will deliver more than what has already been found.	0	0	688,160
MANAGEMENT AND LEGAL TEAM	Savings in the Coroner's budget	13,800	This is dependent on the retirement of the Coroner : this has just occurred, achievement likely in 2021/22.	13,800	0	0
HOUSING AND PROPERTY	Review the current structures and locations of the Housing Service	7,000	Realised	7,000		
	Reduce the dependency on temporary accommodation by investing in purpose built accommodation	25,000	Slippage - It should be realised once the PODS have been constructed	25,000		
	<b>Housing and Property Total</b>	<b>32,000</b>		<b>32,000</b>	<b>0</b>	<b>0</b>

Department	Title of Scheme	Sum to be realised up to 2020/21 £	Observation	Slippage but no financial adjustment £	Slippage but need to move profile to 2022/23 £	Delete £	
HIGHWAYS AND MUNICIPAL	Close 50 out of the 73 public toilets in the County	26,880	The toilet closure scheme has produced as much as possible - a question mark regarding the ability of this to deliver more without reopening further disputes.			26,880	
	Rationalise Highways on-duty / on-call system	15,000	Slippage only - this to be realised in 2021/22	15,000			
	Transfer Playing Fields to others	52,500	Covid has caused a substantial delay - will not produce savings until 2022/23 at the earliest		52,500		
	Review of implementation arrangements within the Highways field	37,500	Being implemented : will be delivered by the end of the year	37,500			
	Increase street enforcement income by fining more individuals who drop litter	20,000	A paper will be submitted to the Cabinet on how a rational scheme can be realised in this field : the likelihood of a saving is very optimistic			20,000	
	Garden Waste: producing more income or reducing costs	66,000	Will realise itself in 2021/22	66,000			
	Charge an additional fee for cremation on the same day as the service	10,000	The Cabinet has prevented the Department from charging fees for a period : it can be realised in 2021/22 if the Cabinet agrees	10,000			
	Increase the cremation fee in the Crematorium from £520 to £550	22,500		22,500			
	Increase fees for collecting waste from businesses	25,000	Fees will be charged but a question mark regarding the length and breadth of the business we will have post-Covid	25,000			
	Barmouth Bridge - to not pay Network Rail for the right of way over the bridge	8,750	Slippage only - confident that it will happen in 2021/22	8,750			
	Fleet Arrangements (Edge Review)	133,000	Operational from the beginning of the new financial year - therefore, only a slippage	133,000			
	Municipal On-duty	7,000	Being realised	7,000			
	Restructure the Department	50,000	Achieved	50,000			
	Cilgwyn Closure Scheme	35,000	Realised	35,000			
	Trees - no sorting	12,000	Waiting for the Government to establish a Trees Centre : Therefore, a slippage	12,000			
	<b>Highways and Municipal Total</b>		<b>521,130</b>		<b>421,750</b>	<b>52,500</b>	<b>46,880</b>
	<b>TOTAL</b>		<b>3,596,750</b>		<b>1,735,960</b>	<b>1,012,750</b>	<b>848,040</b>

Department	Title of Scheme	2021/22	Slippage but need to move profile to 2022/23	Delete
		£	£	£
<b>EDUCATION</b>	Schools' Additional Savings	65,000		
	<b>Education Total</b>	<b>65,000</b>	<b>0</b>	<b>0</b>
<b>ENVIRONMENT</b>	Achieve savings by buying cheaper (e.g. office equipment and IT)	20,000		
	Increase the number of pay and display car parks, and increase parking fees whilst also considering whether to keep the cost of parking for residents at the same rate, or even lower	15,000		
	Provide electric car charging points in car parks	37,500		
	Reduce the budget for the Traffic Orders Unit by 33%	1,250		
	<b>Environment Total</b>	<b>73,750</b>	<b>0</b>	<b>0</b>
<b>CORPORATE SUPPORT</b>	Transfer to a new customer contact back office system	17,250		
	Abolish one human resources officer post and one human resources advisor post (staffing reduction of 20%) by changing our implementation model	60,000		
	Abolish the Organisational Development Service	40,500		
	<b>Corporate Support Total</b>	<b>117,750</b>	<b>0</b>	<b>0</b>
<b>FINANCE</b>	Generate income by selling a fleet tracking system	5,000		
	Generate income through fraud prevention	20,000		
	Attract additional income via an Internal Collection Agency	75,000		
	<b>Finance Total</b>	<b>100,000</b>	<b>0</b>	<b>0</b>
<b>ECONOMY AND COMMUNITY</b>	Invest in improvements that would make Neuadd Dwyfor more efficient while preparing to find an alternative model for the future		25,000	
	In the long term, aim to reduce the subsidy by 20% to the new Leisure Company that will be established		116,250	
	<b>Economy and Community Total</b>	<b>0</b>	<b>141,250</b>	<b>0</b>
<b>ADULTS</b>	Develop 3 other Extra Care Housing projects in Gwynedd (Pwllheli, Ffestiniog, South Meirionnydd Areas)		100,000	
	Better service co-ordination with the Children and Families Department at the time of transition age	45,000		
	Review the operational arrangements within the Adults Department	33,750		
	<b>Adults, Health and Well-being Total</b>	<b>78,750</b>	<b>100,000</b>	<b>0</b>
<b>CHILDREN</b>	End to End Review			460,450
	Reducing the Subsistence Scheme Allowance budget	23,170		
	<b>Children and Families Total</b>	<b>23,170</b>	<b>0</b>	<b>460,450</b>

Department	Title of Scheme	2021/22	Slippage but need to move profile to 2022/23	Delete
		£	£	£
<b>HOUSING AND PROPERTY</b>	Salix Scheme	33,380		
	Abolish a post from the Property Safety Service	22,500		
	Increase fees for inspecting and licensing houses in multiple occupation from £140 to £180 per room	20,380		
	Reduce the dependency on temporary accommodation by investing in purpose built accommodation	75,000		
	<b>Housing and Property Total</b>	<b>151,260</b>	<b>0</b>	<b>0</b>
<b>HIGHWAYS AND MUNICIPAL</b>	Transfer some public toilets to others			37,500
	Transfer Playing Fields to others		157,500	
	Rationalise Fleet workshops from 3 to 2 in the county			97,500
	Change Closed Circuit Television where staff monitor screens to a system 'without staff'	105,000		
	Change waste collection working arrangements to shorter shifts and circuits (which potentially involves changing collection days for residents)		112,500	
	Increase fees for collecting waste from businesses	75,000		
	Barmouth Bridge - to not pay Network Rail for the right of way over the bridge	26,250		
	<b>Highways and Municipal Total</b>	<b>206,250</b>	<b>270,000</b>	<b>135,000</b>
<b>TOTAL</b>		<b>815,930</b>	<b>511,250</b>	<b>595,450</b>
Housing and Property Energy Savings		150,790		
		<b>966,720</b>		
Additional provision for savings up to 2020/21		260,790		
<b>2021/22 Net Savings</b>		<b>705,930</b>		

# Agenda Item 9

MEETING: **AUDIT & GOVERNANCE COMMITTEE**

DATE: **11 FEBRUARY 2021**

TITLE: **2021/22 BUDGET**

PURPOSE: **To submit the budget which the Cabinet intends to recommend to the Council for scrutiny by the Audit and Governance Committee**

ACTION REQUIRED: **To scrutinise the information before the Cabinet recommends the 2021/22 budget to the full Council**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS**

CONTACT OFFICER: **DAFYDD L EDWARDS, HEAD OF FINANCE**

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1. At its meeting on 16 February, the Cabinet will consider the attached report and come to a conclusion regarding the budget to be proposed to the Council, which will include a recommendation regarding the Council Tax increase for 2021/22 (see the decision sought on the front of the attached Cabinet report).
2. Following thorough consideration in a series of members' workshops, the budget will include a programme of savings schemes presented in Appendix 3, together with 'bids' added to the budget which are listed in Appendix 2.
3. A number of the financial risks, and relevant actions to ensure that the budget estimates are robust, are considered in Appendix 10.
4. The Cabinet will give consideration to the report soon after the meeting of the Audit and Governance Committee, and following this scrutiny, we will report to the Cabinet on the conclusions of the Committee.
5. The Audit and Governance Committee is hereby given the opportunity to consider the financial propriety of the proposals and relevant risks, and to submit comments to the Cabinet on the options.

**Appendix:**  
2021/22 Budget (Cabinet report 16/02/2021)

**Meeting:** Cabinet

**Date:** 16 February 2021

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

**Subject:** 2021/22 Budget

**Contact Officer:** Dafydd L Edwards, Head of Finance

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## **2021/22 BUDGET**

### **Decision sought**

Recommend to the Council (in its meeting on 4 March 2021) that:

1. A budget of £271,751,360 should be set for 2021/22, to be funded by £194,793,140 of Government Grant and £76,958,220 Council Tax income, with an increase of 3.7%.
  2. Establish a capital programme of £47,085,960 in 2021/22 to be funded from the sources noted in Appendix 4 of the report.
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### **1. INTRODUCTION**

- 1.1 The Council has to set a balanced budget for 2021/22.
- 1.2 This year, for 2021/22, the Council has received a grant increase which addresses inflation, and is a fairer settlement than those in the years before 2020/21. Nevertheless, some decisions must be made to finance nearly unavoidable increases in the cost of some core services and increasing the Tax by 3.7%.
- 1.3 It is recommended that the Tax is increased by 3.7% in 2021/22 in order to protect essential services for the people of Gwynedd, as it would be impractical to implement additional savings schemes this year.
- 1.4 Having consulted with the majority of Council members in a series of workshops in January, and with the Audit and Governance Committee (11 February), it is a Cabinet function (16 February) to recommend an appropriate balanced budget to the Council (4 March) for 2021/22.
- 1.5 By 2021/22, we would need to increase our expenditure by £10.6m in order to "stand still" (details in part 3 below), including £3.6m to meet pressures on the services' budgets (details of individual 'bids' are in Appendix 2).
- 1.6 In order to address the financial gap, it is estimated that £725k can be harvested in 2021/22 from the savings schemes already planned (details in part 4 below and the individual schemes are listed in Appendix 3), but then Council Tax will have to be increased 3.7% (details in part 5 below, and in Appendix 6).
- 1.7 There was a thorough review of the Asset Strategy in 2019, which was revised in 2020, and this year we propose establishing a capital programme worth £47,085,960 in 2021/22, as set out in Appendix 4.

- 1.8 It is intended to model the Medium Term Financial Strategy (for 2021/22 – 2023/24) during the summer of 2021, following the UK Government Chancellor’s Comprehensive Spending Review, as there’s a risk of a fundamental change in the Government’s plans. It is possible that flexible procedures will be required in order to realise more savings in subsequent years, but it is intended to consider that after receiving more information.
- 1.9 The 2021/22 budget attempts to protect services the Council provides for the people of Gwynedd, and recommends a 3.7% increase in Council Tax to achieve that aim this year. Savings schemes previously planned were selected in those areas which will have the least effect upon our citizens, but by now it is more challenging to identify and achieve savings.
- 1.10 It is a matter for the full Council to consider the budget and set the Council Tax for 2021/22 on the basis of the issues noted in the following report. The detailed report notes the factors that influence the proposed revenue budget for 2021/22, and outlines the main changes since 2020/21.

## 2. WELSH GOVERNMENT GRANT

- 2.1 The Welsh Government has announced the indicative settlement to finance local authorities for 2021/22. The details, as announced officially ‘like-for-like’ by Welsh Government, are noted in the table below, together with the real “cash” figures:

<b>Revenue Support Grant 2020/21 – 2021/22</b>	<b>Total Welsh Authorities £</b>	<b>Gwynedd Council official £</b>	<b>Gwynedd Council “cash” £</b>
2020/21 Government Grant	4,479,570,160	188,409,170	187,579,040
2021/22 Government Grant	4,651,494,400	194,793,140	194,793,140
Increase £	171,924,240	6,383,970	7,214,100
Increase %	+3.8%	+3.4%	-

Further details are available here –

[Local government revenue and capital settlement: provisional 2021 to 2022 | GOV.WALES](#)

- 2.2 The Welsh Government’s official figures in the table above notionally show that Gwynedd Council receives an increase in the grant of £6.4m by next year (after amending the 2020/21 comparative figure to reflect transfers into the settlement), which is a 3.4% increase, with the average across Wales being 3.8%.
- 2.3 A number of factors feed the local government grant allocation formula, such as the population, the number of pupils, and the number of income support claimants. This year, there has been a greater increase in these numbers for other authorities..
- 2.4 Also, we received a significant “cash” increase due to a taxbase adjustment, which re-distributes grant between Welsh local authorities. This was due to a relative reduction in council tax properties in Gwynedd (compensating us for the effect of ‘holiday homes’ migrating to the business rates list), compared with the usual general increase in council tax properties across other Welsh local authorities.

- 2.5 The Welsh Government will publish the final grant settlement for local authorities on the 2nd of March, together with the Welsh Government's own final budget, and there will be a Senedd debate thereon on the 9th of March. Having discussed with Welsh Government officials, no significant change is expected from the 'indicative' grant figures in the draft settlement.
- 2.6 If the grant figure changes up or down on publication of the Final Settlement, so late in the 2021/22 budget and tax setting cycle, it would be too late to change the figures for Council Tax. Hence, we will either use the Council's general balances to reconcile a reduction in grant funding, or make a contribution to general balances to reconcile an increase in grant funding.
- 2.7 Prima facie, the 2021/22 settlement for Welsh local authorities is quite reasonable, but that has been counterbalanced by additional costs. In short, as discussed in the members' workshops this year, the grant increase is sufficient to meet inflation, but insufficient to also address the increased demand for Council services.

### 3. COUNCIL REVENUE EXPENDITURE - 2021/22

- 3.1 The table below shows the increase in expenditure required in order to "stand still" in 2021/22.

#### **Additional Expenditure Requirements**

	£	£
Base Budget		261,837,750
Staff Salary Inflation	3,498,200	
Other Inflation (suppliers)	2,560,210	
Levies (Fire, SNPA & NRW)	334,870	
Demography	250,280	
Bids – Pressures on Services	3,587,520	
Various Budget Adjustments	232,550	
Borrowing Costs / Interest on Balances	<u>174,910</u>	
Net total of increases		<u>10,638,540</u>
Total 2021/22 expenditure requirements before savings		<u>272,476,290</u>

#### 3.2 **Base Budget 2020/21**

Although £262m is the net 2020/21 expenditure, it is important to note that the Council's true expenditure is £430m, as we receive a multitude of specific grants worth £109m and raise nearly £59m of sundry income for services which we provide.

#### 3.3 **Salary inflation £3.5m**

Despite the UK Government Chancellor's desire for a 'pay freeze', provision is made for a pay increase of £250 pro rata to staff on salaries of £ 24,000 or less, together with prudent provision for all Council staff, just in case there'll be a compromise on national pay agreements which will be effective from April 2021.

Further, provision is made for a 3.1% salary increase for Gwynedd's school teachers for the period April – August 2021 (full-year effect of the September 2020 pay deal).

Also included here is the cost of increments net of turnover which this year involves allocating an additional £116,500 to primary schools, and an additional £96,000 to secondary schools (total £212,500).

#### 3.4 **Other Inflation £2.6m**

Net amount which includes provision for the effect of the 'living wage' (minimum wage) on the costs and fees payable to our private suppliers (including £305k for independent residential care homes, and £328k for non-residential care companies), together with a significant increase in inflation on fuel and energy budgets (£182k) and increase in re-tendering prices (school taxis £207k, and insurance £229k).

#### 3.5 **Levies £335k**

In December 2020, North Wales Fire Authority decided to raise the levy on constituent authorities by 3.15% for 2021/22, which increases the requirement from Gwynedd Council by £233k. For the first time in several years, there is an increase of £96k in the Snowdonia National Park Authority levy, and also an estimated £6k increase in the special drainage levy to 'Natural Resources Wales'.

#### 3.6 **Demography £250k**

Total amount which reflects +£187k due to a net increase in the number of pupils in schools, +£30k for the Adult Care Department to address the increasing number of people who will need care in an ageing population, and +£33k due to an increase in the number of children receiving care from the Children and Families Department. The net figure of +£187k for schools hides different positions in different sectors, namely secondary +£447k and primary -£260k.

#### 3.7 **Pressures on Services £3.6m**

Unavoidable 'bids' – refer to Appendix 2 for details of each individual 'bid', including £3.59m revenue and £296k capital.

It is recommended to approve applications ("bids") worth £3.59m submitted by the Council's departments for permanent additional resources to meet the unavoidable pressures on their services.

It is also recommended to approve 'one-off' bids worth £1,348,500 and to finance these from a Corporate budget (around £1m specifically earmarked for one-off expenditure in the 2020/21 budget), with the balance (£345k) to be financed in 2021/22 from the Council's general balances.

Bear in mind that many of the Council's main priorities (developmental matters in order to make a difference) are being funded and commissioned separately (individually by Cabinet decisions), via the 'Council Plan' (to be funded from the Council's Transformation Fund).

What is presented in these "bids" in Appendix 2 are unavoidable commitments that the departments are facing now.

Every department is given the opportunity to identify any expenditure which the Council must fulfil in order to ensure the continuation of basic services. This procedure is not for desirable new developments, but rather for continuation of current basic services.

Of course, an element of these bids are revealed whilst reviewing the current year's spending patterns. Others are a result of factors where there is a need for expenditure in order to protect outcomes for the public, or to meet statutory requirements.

There is also an element of central government creating more pressure and expectations, and then the Council having to deal with the consequential effects.

The items presented here in Appendix 2 have been challenged thoroughly by the Leadership Team before being recommended to be approved by the Cabinet. Further, all these 'bids' were discussed when they were presented on slides at the series of 'Budget Workshops' on 25-28 January 2021, where most of the Council members reached a consensus that the expenditure was unavoidable.

### **3.8 Various Budget Adjustments £233k**

A total which reflects a significant number of adjustments to different budgets across the Council, but mainly adjustments to reduce the Maritime Service's fees and charges income target .

### **3.9 Borrowing Costs and Interest on Balances £175k**

Projection of a reduction (£145k) in interest payable on loans in 2020/21, as old long-term loans come to an end, together with a decrease £320k in returns from investing the Council's balances and cash flow.

### **3.10 Covid-19**

In the 2020/21 Revenue Budget Review report to the Cabinet meeting on 26 January 2021, it was noted that the Welsh Government had already compensated Gwynedd Council with grant claims worth £12m from their Hardship Fund in the first 9 months, with the total Government support from the Covid19 crisis expected to be in the region of £20m by the end of 2020/21. Having noted the allocation of funding in the Welsh Government's 2021/22 budget for Covid19, and the supportive attitude of Ministers and officials to Welsh local authorities, it is a reasonable budgeting assumption that the Welsh Government will continue to compensate for additional costs and loss of income in the next financial year. Therefore, in Gwynedd Council's 2021/22 budget, we have ceased to include additional provision to cope with costs and losses from the continuation of the crisis, assuming (apart from un realised savings) the Welsh Government will continue to fund this.

## **4. SAVINGS**

4.1 Covid19 has contributed to slippage in the savings program, as the Council has given priority to protecting the health and lives of the people of Gwynedd. Since 2015/16, over £30m of savings schemes have been realised by Gwynedd Council, but it is estimated that £3.3m worth of savings will not be realised.

4.2 On 13 October, Cabinet noted that financial planning was extremely challenging, and therefore if there is a funding gap to balance the 2021/22 budget, the Council will use reserves to mitigate short-term resource losses, rather than rush to find additional new savings schemes in the midst of the crisis.

4.3 Following consideration of the 'Savings Overview 2020/21' and 'Budget Strategy 2021/22' reports by Cabinet on 13 October 2020, the Chief Executive and Head of Finance met each individual Cabinet Member with their heads of department to discuss how to proceed with their planned savings, despite the crisis.

4.4 On 26 January 2021, the meetings with departments were reported back in a 'Savings Situation' report to Cabinet, where it was decided to defer or eliminate unrealisable historic savings - as outlined in the 'Defer / Delete' table below (more details are in Appendix 3, and in the Cabinet report of 26 January).

<b>Savings</b>	<b>Defer to 2022/23 £</b>	<b>Delete £</b>
2017/18 - 2020/21 Schemes	1,037,750	848,040
2021/22 Schemes	511,250	595,450
<b>TOTAL</b>	<b>1,549,000</b>	<b>1,433,490</b>

4.5 Therefore, £1,106,700 of originally planned savings by 2021/22 will no longer contribute to closing the 2021/22 budget gap. Furthermore, £1.6m of budget provision has been used to fund the £1.9m of unrealised historic schemes, with the residual gap of £242,790 to come from the savings planned for 2021/22.

4.6 Following the above adjustments to the savings program, all individual schemes to be implemented by departments in 2021/22 are listed in Appendix 3 for information, and the departmental totals are summarized in the following table.

<b>Savings to cope with 2021/22 Funding Gap</b>	
	<b>£</b>
Education Departments and Schools	65,000
Children and Families Department	23,170
Adult, Health and Wellbeing Department	78,750
Housing and Property Department	302,050
Corporate Support Department	117,750
Finance Department (& I.T.)	100,000
Environment Department	73,750
Highways and Municipal Department	206,250
<b>Total Approved Previous Savings 2021/22</b>	<b>966,720</b>
Less: Finance balance of deferring and deleting schemes	<b>-241,790</b>
<b>Net savings available to reduce budget gap 2021/22</b>	<b>724,930</b>

4.7 To meet the 2020/21 budget funding gap, £967k of savings already approved could be harvested, but it has already been decided to use £242k of this to fund the cost of delaying and deleting 2017/18 - 2020/21 historic savings schemes that could not be realised.

4.8 With the exception of the cheaper energy procurement efficiency saving (£150,790) approved by Cabinet during 2020, all proposed schemes are to be realised in 2021/22 (with the savings to be deducted from the budgets of the relevant departments) have already been approved by the Council in previous years.

4.9 As a result, there will be a net total of £725k of savings to be used to reduce the 2020/21 budget funding gap.

## **5. 2021/22 FUNDING GAP AND THE COUNCIL TAX**

5.1 It can be seen from part 2 above, that the Council's expenditure requirements (before deducting savings) for 2021/22 are £272.5m. It is noted in part 2 above that the Welsh Government's grant will be £194.8m.

5.2 As explained in part 4 above, a total of £725k of savings to be used to reduce the funding gap.

<b>Establishing the 2021/22 Budget</b>	
	£
2020/21 Base Budget	261,837,750
Additional Expenditure Requirements	<u>10,638,540</u>
2021/22 Expenditure Requirements before Savings	272,476,290
less Welsh Government Revenue Grant Income	<b>-194,793,140</b>
less Total Savings to close the Gap	<b><u>-724,930</u></b>
Funding Gap from Council Tax	<u>76,958,220</u>

5.3 This means that there is a remaining gap of £77m, and it is recommended to meet that gap with Council Tax. The Tax would need to be raised by 3.7% in order to produce sufficient income.

5.4 Background information and the context for setting the Tax level (together with details of the Premium on second homes and empty properties) is presented in Appendix 6.

5.5 Therefore, it is recommended to increase the tax by 3.7%, which will generate £77m of tax by 2021/22, including £2.7m of additional income towards the gap. This would equate to a Council Tax increase of £52.92 for a Band D property, or £1.02 a week. The tax levied by the Police Authority (increase of 5.14% in 2021/22) and the community councils (various %) will of course be in addition to this.

5.6 In 2020/21 the Band D level for Gwynedd was £1,430, while the average tax rate for the Welsh counties was £1,354. However, that is for historical reasons, as the increase in Gwynedd Council Tax since 2014/15 was an average of 4.2%, which is less than the 4.4% increase seen on average across Wales during the same period period.

5.7 Should the Council members want an increase less than 3.7% in the level of Tax, then less will have to be spent on Services. The option discussed at the members' workshops was not to fund some of the permanent 'Category 2' revenue bids contained in Appendix 2b. The 'Category 1' bids are almost inevitable, but there is slightly more discretion with the 'Category 2' bids. The right-hand column in Appendix 2b sets out how much Council Tax for 2021/22 would be reduced by not approving the individual 'Category 2' bids.

5.8 The choice between maintaining services and taxing is, of course, still a difficult one, and there were several discussions about this at members' workshops this year. For 2021/22 the average tax increase of the other local authorities across Wales is likely to be around 4.1%, and the proposal to increase the tax by 3.7% is similar to most authorities in North Wales.

**6. CONCLUSIONS / 2021/22 BUDGET**

6.1 This report and the appendices set out the factors that should be considered when establishing the 2021/22 budget and despite an adequate grant increase to meet inflation this year, it confirms that historic savings must continue to be harvested and increase the level of tax in order to address the financial situation facing the Council.

- 6.2 It is recommended to address a revenue expenditure requirement of £271.8m, having added £10.6m, which includes providing £3.6m in order to meet the demand for services.
- 6.3 After receiving a grant of £194.8m from Welsh Government and depending on £725k of savings, the level of Council Tax will need to increase 3.7% to yield £77m of income in order to close the 2021/22 funding gap.

<b>Balanced budget for 2021/22</b>	
	£
2021/22 Expenditure Requirements before Savings	272,476,290
2021/22 Savings Total	<u>-724,930</u>
2021/22 Budget	<u>271,751,360</u>
<b>To be funded from -</b>	
Grant Income	194,793,140
Council Tax (yield after raising 3.7%)	<u>76,958,220</u>
2021/22 Budget	<u>271,751,360</u>

- 6.4 This will mean setting a net budget of £271,751,360. An analysis of the budget per service is given in Appendix 1.

**7. CAPITAL**

- 7.1 The 2019/20 – 2028/29 asset strategy was established by the full Council on 7 March 2019. The new asset strategy is operational for the period 2019/20 until 2028/29. It will be incorporated as part of the Capital Programme, and we are adding to it for 2021/22. Details are in Appendix 4.
- 7.2 The 2 tables in Appendix 4 reflect the capital requirements, together with the funding, for setting the 2021/22 to 2023/24 budget, and to establish a total programme of £47,085,960 in 2021/22, to be funded from the sources analysed in Appendix 4.
- 7.3 In the table in Appendix 4 it is noted that £500k is available to fund Capital Bids annually, for 2021/22, £296k is the total of the 6 related capital bids as detailed in Appendix 2ch. The remaining £204k will be added to the provision available for 2022/23 towards funding capital bids.

**8. LONGER TERM STRATEGY**

- 8.1 In some previous years, the Medium Term Financial Strategy has been included with the budget report. This year, as last year there is more uncertainty about the future before the Westminster Government Chancellor's comprehensive spending review in summer 2021.
- 8.2 Welsh local authorities must also forecast Welsh Government's policy / intent, and of course the local authority grant settlement for 2022/23 and beyond will depend on the outcome of the Senedd election on 6 May 2021.
- 8.3 It is as yet unclear when we may get an indication of the results of the Spending Review.

- 8.4 Therefore, I will be presenting the Medium Term Financial Strategy to a subsequent meeting of the Cabinet during the summer, in order to consider the risk of the need of a savings strategy for the future.

## **9. OTHER CONSIDERATIONS AND VARIOUS ASSESSMENTS**

- 9.1 This budget recommends the use of £345k of the balances to fund the residual amount of the one-off revenue bids. The current level of the Council's overall balances is £8m, and having used the above £345k and address the impact of Covid-19 on the 2020/21 end of year accounts, it is considered that the level of balances will be appropriate to retain for practical cash flow and unexpected expenditure. Detailed information about the balances and reserves are presented in Appendix 7.
- 9.2 Appendix 5 'Dealing with the School's Budget in 2021/22' explains Gwynedd's schools' fair budget 'deal' in detail.
- 9.3 When deciding on a budget, the Cabinet and the Council must consider the effects of their decisions from an equality perspective in accordance with the Council's statutory duties through the 2010 Equality Act. This will be lighter this year, as we are not introducing any additional new savings plans. However, in accordance with normal practice, Appendix 8 deals specifically with the duty, and also includes the statutory finance officer's comments on the whole budget from an equality perspective.
- 9.4 The Council implements the Wellbeing of Future Generations (Wales) Act 2015 and the recommendations in the report are based and developed in accordance with the Council's statutory duty under Section 3 to undertake sustainable development in all its activities. In accordance with normal practice, more detailed information about the Wellbeing Act and relevant findings are in Appendix 9.
- 9.5 The statutory finance officer must express an opinion on the robustness of the estimates. An assessment of risks and appropriate confirmation are presented in Appendix 10.

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### **Opinion of local member**

Not a local matter

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### **Views of the Statutory Officers**

#### **Monitoring Officer:**

Although it is a matter for the full Council to make a final decision on the budget, it is important that the Cabinet gives them a clear recommendation regarding its expenditure plans and the draft budget, and this report achieves that. Once the Council has agreed on the financing sources, then the Cabinet will be responsible for the expenditure and the priorities within that budget.

#### **Head of Finance:**

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content. Having considered all the risks outlined in Appendix 10 to the report, and the actions taken in mitigation, I am of the opinion that the Council's Budget for 2021/22 is robust, sufficient, and achievable.

## **APPENDICES**

- 1 Proposed Budgets
- 2 Bids Summary
- 2a Permanent Revenue Bids Category 1
- 2b Permanent Revenue Bids Category 2
- 2c One-off Revenue Bids
- 2ch Capital Bids
- 3 Savings
- 4 Capital
- 5 Dealing with the Schools' Budget in 2021/22
- 6 Council Tax
- 7 Balances
- 8 Equality Impact Assessment
- 9 Wellbeing of Future Generations (Wales) Act 2015
- 10 Robustness of Estimates



	<b>Bid Title</b>	<b>Permanent (£)</b>	<b>One Off (£)</b>	<b>Capital (£)</b>
<b>EDUCATION</b>				
Bid 1	Free School Meals	124,080		
Bid 2	School Taxi and Train Transport	145,440		
<b>Bid 15</b>	<b>Strengthen Early Years ALN provision</b>	<b>225,740</b>		
One Off 1	School Taxi and Train Transport		145,000	
One Off 2	Band B Departmental Support		42,500	
<b>CHILDREN AND SUPPORTING FAMILIES</b>				
Bid 3	Looked After Children Placements	1,620,000		
Bid 4	Supported Accommodation for young people who leave care	100,000		
Bid 5	Independent Children's Reviewing and Protection Officer	54,000		
<b>Bid 16</b>	<b>Leaving Care Strategy</b>	<b>50,000</b>		
One Off 3	Social Work Trainee Scheme		72,000	
<b>ENVIRONMENT</b>				
One Off 8	Public Transport Overspend (Bus Service)		128,000	
<b>ECONOMY AND COMMUNITY</b>				
One Off 9	The Lloyd George Museum		27,000	
Cap 4	Community Support Fund (Cist Gwynedd)			50,000
<b>CONSULTANCY</b>				
Cap 5	Flood Prevention match funding for the Tremadog Scheme			45,000
Cap 6	Flood Prevention match funding to fund an opportunity that will arise to undertake minor improvements across the county			45,000
<b>HIGHWAYS AND MUNICIPAL</b>				
Bid 13	Waste Strategy	62,000		
Bid 14	Ash Dieback	105,220		
One Off 10	Ash Dieback		150,000	
One Off 11	The Council's response to damage to Bridge and Retaining Wall assets after flooding		90,000	
Cap 2	Flare to deal with gases on the Cilgwyn landfill site			60,600
Cap 3	Dolgellau Workshop Inspection Pit			65,000
<b>ADULTS, HEALTH AND WELL-BEING</b>				
Bid 6	Learning Disabilities Training / Care Quality Officer	39,250		
Bid 7	Learning Disability Social Work Team	46,300		
Bid 8	Strengthen the Occupational Therapy Service (Learning Disabilities)	23,150		
Bid 9	Transition Age: Learning Disabilities Young Adults	514,340		
Bid 10	Supporting a vulnerable individual	98,500		
<b>Bid 17</b>	<b>Additional resources in order to establish the 'Manual Handling' Team</b>	<b>229,500</b>		
One Off 4	Adult Care Services Workforce Plan		390,000	
One Off 5	Strengthen the Occupational Therapy Service		50,000	
One Off 6	Future Workforce Development Programme (Trainees)		222,000	
One Off 7	Galw Gofal Higher Costs		32,000	
Cap 1	Renewal of WCCIS National Hardware			30,000
<b>CORPORATE</b>				
Bid 11	North Wales Economic Ambition Board	50,000		
Bid 12	Borrowing Costs of North Wales Economic Ambition Board	100,000		

## 2021/22 PERMANENT REVENUE BIDS - CATEGORY 1 ALMOST UNAVOIDABLE

	Bid Title	Details of the Bid	Recommended Amount (£)
<b>EDUCATION</b>			
Bid 1	Free School Meals - Increased number of claimants	Increase in the number of children who are eligible for free school meals, an increase of 1,060 is anticipated between September 2019 and September 2021.	124,080
Bid 2	School Taxi and Train Transport	Latest contracts based on the number of days in the 2021/22 budget, indicate an expenditure of £2,681,460 against a budget of £2,391,020 (including a £100k contribution from the Education Improvement Grant towards the costs of Language Centres taxis), which leaves a deficit of £290,440. The overspend is associated with a deficit of £160,240 in the bid submitted for the 2020/21 financial year. (A bid of £310,240 was submitted and £150k was received). Note that the budget this year (2020/21) has reduced by £104,160 as a result of re-tendering the Meirionnydd area contracts in April 2020.	145,440
<b>CHILDREN AND SUPPORTING FAMILIES</b>			
Bid 3	Looked After Children Placements	Increase in the number of foster placements with a family, a demand for agency foster placements due to a lack of internal capacity and intensive and complex cases that make an out-of-county residential placement unavoidable. Funding - Out-of-county placements £1.07m. Agency Foster Placements £380k. Internal Foster Placements £170k.	1,620,000
Bid 4	Supported Accommodation for young people who leave care	In recent years, there has been an increase in the number of looked after children and one side effect of this is an increase in the number of young people who become eligible for a post-care service. Specifically, there is an increase in the number of young people with higher needs who leave care and, inevitably, this has meant providing higher level and expensive support packages for them.  Over the past two years, expenditure on this field has increased and there is now substantial overspend. An overspend of £378k is anticipated by the end of 2020/21.	100,000
Bid 5	Independent Children's Reviewing and Protection Officer - create an additional full-time post	According to the 2014 Act, there are expectations on the Local Authority to allocate an officer for every looked after child to review the Authority's care of him/her and to ensure their rights. There is an increase in the number of looked after children, therefore, officers cannot achieve their duties effectively. The post-holder will be responsible for reviewing looked after children and retaining the role of chairing Child Protection Conferences from time to time.	54,000

<b>ADULTS, HEALTH AND WELL-BEING</b>			
Bid 6	Learning Disabilities Training / Care Quality Officer	Historically, the post has been funded through grants. The post has enabled us to develop the workforce and establish a culture of Active Support / Positive Behaviour Support. Also, it means that we can provide in-house training without having to purchase external training (cost of up to £1k per day).  Application in order to fund the post permanently rather than using grants.	39,250
Bid 7	Learning Disability Social Work Team	The demand on the Learning Disability Service has substantially increased; 535 individuals on the register in 2010/11, it has now increased to 647 individuals. Not only has the number of cases increased, but the complexity of the needs of individuals on the register has also transformed.  Application to fund three social worker posts in temporary posts as permanent posts. These posts were not on the Department's staffing structure and, therefore, it has contributed towards the Department's overspend.	46,300
Bid 8	Strengthen the Occupational Therapy Service (Learning Disabilities)	Change a post from being a part-time post to a full-time post within the Learning Disabilities Service, as it is not possible to fill the part-time post and this is the only Occupational Therapy post within the Service.	23,150
Bid 9	Transition Age: Learning Disabilities Young Adults	Individuals who have received a service from the Children and Families Department will start receiving a service from the Adults Service in 2021/22. There will be a need to meet the needs of the individuals and their families in accordance with the needs assessment, in order to meet with specific well-being outputs.	514,340
Bid 10	Supporting a vulnerable individual	To pay for a suitable out-of-county placement to provide specialist care to a young individual with profound physical and mental conditions, which means that they are very dependent on others to meet their physical care needs.  The Adults Service has funded the cost but there are continuous discussions with different departments of the Health Board to request support.	98,500
<b>CORPORATE</b>			
Bid 11	North Wales Economic Ambition Board	Gwynedd Council's Contribution towards the North Wales Economic Ambition Board.	50,000
Bid 12	Borrowing Costs of North Wales Economic Ambition Board	Borrowing Costs of North Wales Economic Ambition Board.	100,000

<b>HIGHWAYS AND MUNICIPAL</b>			
Bid 13	Waste Strategy	Reduction in the Sustainable Waste Management grant, which is allocated across the Local Authorities by Welsh Government.	62,000
Bid 14	Ash Dieback	Continue the Council's response to treat trees suffering from the disease. It should be noted that the experience of other authorities suggests a period of at least 5 years to take control of the situation. With annual staffing costs of £181,550 (appointment of 4 staff) and annual tree felling costs.	105,220
<b>TOTAL PERMANENT REVENUE BIDS - CATEGORY 1</b>			<b>3,082,280</b>

## 2021/22 PERMANENT REVENUE BIDS - CATEGORY 2 DEPENDENT ON INCREASING COUNCIL TAX BY 3.7%

	Bid Title	Details of the Bid	Recommended Amount (£)	% on the tax
	<b>EDUCATION</b>			
Bid 15	Strengthen Early Years ALN provision in preparation for the new ALN legislation	The new Additional Learning Needs and Education Tribunal (Wales) Act 2018 will place a responsibility on the Authority to provide assistance to children aged between 0 and 25 years (current duty is for children aged between 3 and 19 years). A request is made to create the following posts in order to address the new requirements: * Specialist Teacher * Specialist Classroom Assistant * 9 Classroom Assistants for 0-3 year olds	225,740	0.30%
	<b>CHILDREN AND SUPPORTING FAMILIES</b>			
Bid 16	Leaving Care Strategy	Fund a second post within the Edge of Care Service that will work with those cases identified as suitable to carry out further work to work towards abolishing Care Orders or to ensure a long-term placement for the child without a legal status of being looked after. And, therefore, avoid a situation of having a waiting list to complete the work and in turn, to assist the Department to take action sooner on appropriate cases.	50,000	0.07%
	<b>ADULTS, HEALTH AND WELL-BEING</b>			
Bid 17	Additional resources in order to establish the 'Manual Handling' Team	Establish a Manual Handling Team - * 1 Senior Practitioner to lead the service, * 2 professionals either an OT / Area Nurse or Physiotherapist, * 2 social workers, practitioner roles with 1 member in each Community Team area, to ensure appropriate guidance and equipment is provided to minimize risk of harm to vulnerable individuals and carers.	229,500	0.31%
	<b>TOTAL PERMANENT REVENUE BIDS CATEGORY 2</b>		<b>505,240</b>	

ONE OFF 2021/22 REVENUE BIDS

	Bid Title	Details of the Bid	Recommended Amount (£)
	<b>EDUCATION</b>		
One Off 1	School Taxi and Train Transport	Latest contracts based on the number of 2021/22 financial year days, showing expenditure of £2,681,460 against a budget of £2,391,020 (including a contribution of £100k from the EIG Education Improvement Grant towards the cost of Language Center taxis) leaving a deficit of £290,440. The overspend relates to a deficit of £160,240 in the bid submitted for the financial year 2020/21. (Bid for £310,240 submitted and £150k received). Note that this year's budget (2020/21) has reduced by £104,160 as a result of the re-tendering of Meirionnydd area agreements in April 2020.	145,000
One Off 2	Band B 21st Century Schools Programme Departmental Support	Ensure that an appropriate resource is available to continue with the specialist support (Human Resources, Legal and Finance) to realise the work of the Band B 21st Century Schools Programme for 2021/22.	42,500
	<b>CHILDREN AND SUPPORTING FAMILIES</b>		
One Off 3	Social Work Trainee Scheme	To support two in-house employees to complete the Social Work degree course through the Open University for a two-year period, in order to respond to the insufficient supply of social workers to fill social work posts in Gwynedd.  £36k would be needed in 2021/22 and a further £36k in 2022/23.	72,000

	ADULTS, HEALTH AND WELL-BEING		
One Off 4	Adult Care Services Workforce Plan	There is a need to increase the size of the care workforce in the Adults field in response to the workforce shortage to ensure the continuation of the service in the short term, and to be able to plan to respond to the second wave of the Covid-19 virus. At its meeting on 13/10/20, the Cabinet approved one-off expenditure of up to £390k for the Department.	390,000
One Off 5	Strengthen the Occupational Therapy Service	Fund a temporary officer and van in order to transport equipment to South Gwynedd and an additional officer will be available on two days to assist with the task of moving heavy equipment. In addition, fund two part-time officers (2 and 3 days) in order to reduce the waiting list, with one officer focusing on the Meirionnydd area and the other to work across Gwynedd.	50,000
One Off 6	Future Workforce Development Programme (Trainees)	A bid for permanent funding for forward planning and workforce development is dependent on our priorities and the gaps will emerge over the years. Should the bid be successful the investment for the next two years would be allocated to three professional trainee posts in line with identified gaps: <ul style="list-style-type: none"> <li>• Social Worker specializing in Mental Health,</li> <li>• Two Occupational Therapists to work across services.</li> </ul>	222,000
One Off 7	Galw Gofal Higher Costs	The Council's contribution has increased significantly this year, as a result of the change in the use of partners and the agreement in place to serve Flintshire has come to an end.  The Department has increased the Telecare basic package weekly fee in 2019/20 from £3.30 per week to £4.50. Our contribution to Galw Gofal was considered as part of setting this new fee at the time but there is an anticipated increase of £32k in addition to the work undertaken in this regard.	32,000

ENVIRONMENT			
One Off 8	Public Transport Overspend (Bus Service)	<p>Two public transport reviews were undertaken during the year 2019/20, the first being a review of the Gwynedd Public Transport network - in conjunction with the Welsh Government, but unfortunately due to the Covid crisis it is not feasible to begin the work of expanding the TrawsCymru service.</p> <p>The second review of subsidized travel in Gwynedd was undertaken in collaboration with Bangor University. Again, due to Covid, it was not possible to continue the consultation with the passengers.</p> <p>The crisis has prevented the Department from completing the task of restructuring the Bus Service and therefore it is vital that we continue with the services currently being provided.</p>	128,000
ECONOMY AND COMMUNITY			
One Off 9	The Lloyd George Museum	<p>The future of the Museum remains uncertain since the £27k budget was cut in 2016 as a result of Gwynedd Challenge. Since then, a grant was received from Welsh Government to fill the gap for three years, and the Council filled the gap in 2020/21.</p> <p>The Heritage Lottery Fund is looking at evaluating options for the future of the museum but there has been considerable delay in the work as a result of Covid-19. Without this money, it will not be possible to open the museum and there will be costs associated with closing and maintaining the building for an indefinite period as the favoured option is developed.</p>	27,000

HIGHWAYS AND MUNICIPAL			
One Off 10	Ash Dieback	Continue with the Council's response to treat trees that have the disease. It should be noted that the experiences of other authorities suggest a period of at least 5 years to gain control of the situation. With annual staffing costs of £181,550 (appointing 4 staff members) and annual tree felling costs.	150,000
One Off 11	The Council's response to damage to Bridge and Retaining Wall assets after flooding	Application for £490k over a five year period, in accordance with the profile below: 2021/22 £90k 2022/23 £100k 2023/24 £100k 2024/25 £100k 2025/26 £100k in order to respond to damage to bridges and retaining walls after flooding. In the first year, it is estimated that £90k would be required to review all structures as part of level 1 assessments. With a level 2 review cost estimate of £5k per structure, depending on the complexity of the construction work.	90,000
<b>TOTAL ONE-OFF REVENUE BIDS</b>			<b>1,348,500</b>

## 2021/22 CAPITAL BIDS - TO BE FUNDED FROM THE BUDGET WITHIN THE ASSET MANAGEMENT PLAN

	Bid Title	Details of the Bid	Recommended Sum (£)
	<b>ADULTS, HEALTH AND WELL-BEING</b>		
Cap 1	Renewal of WCCIS National Hardware	There is a need to renew the WCCIS national infrastructure in accordance with the contract. This includes servers, CRM licences etc. Every Authority and Health Board that uses the system must contribute towards the amount of £1.93m based on a formula, with Welsh Government contributing over £600k.	30,000
	<b>HIGHWAYS AND MUNICIPAL</b>		
Cap 2	Flare to deal with gases on the Cilgwyn landfill site	For the past 15+ years, the site's landfill gas control was contracted externally, by now the gas control is managed internally again. The volume and standard of gas has reduced to a level where only a low calorific gas flare has the ability to sufficiently control the remaining gas.  It is intended to purchase specific equipment to burn poor quality landfill gas - this is the best technique available to control and deal with poor land quality / volume of landfill gas effectively.	60,600
Cap 3	Dolgellau Workshop Inspection Pit	Vehicle inspection facilities have deteriorated substantially at the Depo, which creates a risk of injury and service continuation in the Meirionnydd area. Therefore, an application is made to purchase two specific inspection pits for the workshop in order to safeguard our staff and to ensure service continuation.	65,000
	<b>ECONOMY AND COMMUNITY</b>		
Cap 4	Community Support Fund (Cist Gwynedd)	CIST Gwynedd provides revenue and capital grants to voluntary groups across the county to develop and realise community projects.	50,000

CONSULTANCY			
Cap 5	Flood Prevention match funding for the Tremadog Scheme	Reduce the flood risk to over 30 properties in Tremadog by providing new measures such as gravel traps and new screens. Includes the gravel trap and tree work before it enters the culvert and work to install flood doors in properties in Tremadog.  £45k would assist us to fund work valued at up to £300k.	45,000
Cap 6	Flood Prevention match funding to fund an opportunity that will arise to undertake minor improvements across the county	Welsh Government has lifted budgetary limits on small scale schemes and, therefore, we can apply for a number of unlimited schemes with a value of up to £100k each.  After flooding in March 2020, approximately 80 properties have been affected and the risk can be reduced to many with minor improvements (such as repairing culverts, screens, coastal floodgates, flap valves). It is intended to complete the work in the following areas: Caernarfon, Bangor, Clynnog Fawr, Llandygai, Blaenau Ffestiniog and Llanberis. Improvements will also be undertaken to Council assets in Waunfawr, Penisarwaun and Tal y Bont. Work in the above areas will reduce flood risk to approximately 150 properties.  £45k would assist us to fund work valued at up to £300k.	45,000
<b>TOTAL CAPITAL BIDS</b>			<b>295,600</b>

## **APPENDIX 3**

### **SAVINGS**

1. Since 2015/16, over £30m of savings schemes have been realised by Gwynedd Council, but it is estimated that £3.3m worth of savings will not be realised.
2. On 13th of October 2020, the Cabinet considered a 'Savings Overview' report setting out progress towards realising the 2020/21, 2019/20 and previous years savings schemes.
3. It was noted that the impact of Covid19 had contributed to slippage in the savings program, as the Council had given an unfettered priority to protecting the health and lives of the people of Gwynedd in response to the crisis, which has meant that some of the savings arrangements have not been able to continue over the period of the crisis.
4. The intention of the Chief Executive and Head of Finance to arrange to meet all Cabinet Members with their Heads of Department, to discuss how the proposed savings procedure could be re-established, was supported, so that the Council could move on with a portion of the savings program despite the crisis.
5. The Cabinet also considered on 13 October 2020 a 'Budget Strategy' report which sought to predict the financial situation we will face in 2021/22.
6. The 2021/22 Budget setting process and schedule have been approved, whilst noting that financial planning is extremely challenging, and therefore if there is a funding gap to balance the 2021/22 budget, the Council will use budgets and reserves to mitigate resource losses in the short term, rather than rushing to find additional new savings schemes in the midst of the crisis.
7. Of course, this follows previous years when the grant we had been receiving from the Welsh Government was not sufficient to meet inflation, and as demands in various areas such as adult and children's care were also increasing, we had been in a continuous cycle of having to find savings.
8. Because of that, while there would be limited opportunities to try to find more efficiency savings, we had now reached a position where any need for significant savings were likely to mean cuts to services.
9. On 26 January 2021, following the meeting of the Chief Executive and Head of Finance with the relevant Cabinet Member and their Heads of Department, the Cabinet considered a 'Savings Position' report in which it was decided to postpone or eliminate historic savings that could not be achieved - as outlined in the 'Defer / Delete' table below.

10. Reference is made here to the savings originally selected for meeting an element of the additional demands for Council services when setting the 2021/22 budget. Of the savings schemes to be realised in 2021/22, it was agreed that the delivery profile worth £511k of them should be moved to 2022/23, and recognizing that the position has now changed so much that £595k of the 2021/22 savings schemes cannot be achieved.

<b>Savings</b>	<b>Defer to 2022/23 £</b>	<b>Delete £</b>
2017/18 - 2020/21 schemes	1,037,750	848,040
2021/22 schemes	511,250	595,450
<b>TOTAL</b>	<b>1,549,000</b>	<b>1,433,490</b>

11. Clearly, £1,106,700 of savings originally planned for 2021/22 will no longer contribute to closing the 2021/22 budget gap.

12. Among a number of smaller schemes, the most obvious defer and delete decisions made by the Cabinet on 26 January 2021 were:

- delete worth £1,128k of savings of the 'End to End' scheme from the Department for Children budget (£668k deleted from the 2017 - 2021 schemes, and a further £460k from the 2021/22 schemes), and
- defer the 'Transforming Adult Services' 2017 - 2021 plan worth £935k of savings from the Adult Department budget.

13. In setting the 2020/21 budget, provision had been set aside to deal with the risk of failure to realise the savings schemes (in hindsight this was a wise move).

14. To fund the unrealised historic schemes, £1.644m of this provision was used, and it was decided to address the residual gap by first using £241,790 of the savings planned for 2021/22.

<b>Defer</b> Savings to 2022/23	£1,037,750
<b>Delete</b> Savings	£848,040
<b>TOTAL</b>	<b>£1,885,790</b>
Less:	
<b>Provision</b> in 2020/21 budget for the failure to realise 2017–21 savings	£1,644,000
<b>Balance to be financed in 2021/22</b>	<b>£241,790</b>

15. The savings to be drawn from departmental budgets in **2021/22** have been approved in previous years and have already been approved by the Council. Of course, they have also followed appropriate statutory processes, but those are listed below **for information**.

<b>Savings</b>	<b>Sum £</b>
<b>EDUCATION DEPARTMENT AND SCHOOLS</b>	
Schools' additional savings	65,000
<b>CHILDREN AND SUPPORTING FAMILIES DEPARTMENT</b>	
Reducing the Subsistence Scheme Allowance budget	23,170
<b>ADULT, HEALTH AND WELLBEING DEPARTMENT</b>	
Better co-ordination with the Children and Families Department at the time of transition age	45,000
Review the operational arrangements within the Department	33,750
<b>TOTAL</b>	<b>78,750</b>
<b>HOUSING AND PROPERTY DEPARTMENT</b>	
Salix Energy Saving Scheme	33,380
Abolish a post from the Property Safety Service	22,500
Increase fees for inspecting and licensing houses in multiple occupation	20,380
Reduce the dependency on temporary accommodation by investing in purpose built accommodation	75,000
Energy savings	150,790
<b>TOTAL</b>	<b>302,050</b>
<b>CORPORATE SUPPORT DEPARTMENT</b>	
Transfer to a new customer contact back office system	17,250
Abolish one Human Resources officer post and one Human Resources advisor post	60,000
Abolish the Organisational Development Service	40,500
<b>TOTAL</b>	<b>117,750</b>
<b>FINANCE (&amp; I.T.) DEPARTMENT</b>	
Generate income by selling a fleet tracking system	5,000
Generate income through fraud prevention	20,000
Attract additional income via an Internal Collection Agency	75,000
<b>TOTAL</b>	<b>100,000</b>

<b>ENVIRONMENT DEPARTMENT</b>	
Achieve savings by buying cheaper	20,000
Increase the number of pay and display car parks and increase parking fees	15,000
Provide electric car charging points in car parks	37,500
Reduce the budget for the Traffic Orders Unit	1,250
<b>TOTAL</b>	<b>73,750</b>
<b>HIGHWAYS AND MUNICIPAL DEPARTMENT</b>	
Change Closed Circuit Television where staff monitor screens to a system 'without staff'	105,000
Increase fees for collecting waste from businesses	75,000
Barmouth Bridge – to not pay Network Rail for the right of way over the bridge	26,250
<b>TOTAL</b>	<b>206,250</b>
<b>TOTAL SAVINGS</b>	<b>966,720</b>
Less: Finance balance of deleting schemes 2017 - 2021	-241,790
<b>TOTAL</b>	<b>724,930</b>

16. The realisation of the schemes identified in the above list will generate a net savings contribution of £725k in 2021/22. I note again that these savings plans have already been approved in previous years, and therefore not subject to a decision this year. The full Council decided that in setting the 2020/21 budget on 5 March 2020, these "efficiency" savings should not have a significant impact on Gwynedd residents.

## APPENDIX 4

### CAPITAL

1. Whilst local authority revenue budgets face constraints, capital budgets are also under pressure, and there are revenue implications for capital expenditure which is not funded by specific grants.
2. A proposed programme for schemes for the next three years is set out below:

<b>CAPITAL PROGRAMME</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Council Asset Plan :</b>			
21st Century Schools	2,987	1,303	3,854
Housing Schemes	2,525	2,225	1,300
Penygroes Health and Care Hub	1,750	1,000	0
Adults' Homes/Centres	1,493	450	625
Highways, Bridges and Municipal	896	1,145	1,640
Other Schemes	4,768	2,215	1,573
Capital Bids	500	500	500
<b>Other Schemes:</b>			
Additional General Capital Grant Resource to be apportioned	1,554	0	0
Highways Maintenance Grant 2021/22	1,323	0	0
Housing Strategy – Council Tax Premium Fund	0	0	2,550
Housing Strategy – Buy to Let	1,000	2,880	2,880
Schemes already Approved :			
21st Century Schools (WG)	12,051	3,327	0
Coastal Flood Protection	4,796	0	0
Housing Schemes/Strategy	2,550	2,550	0
Property Schemes	2,406	0	0
Departmental Vehicles	1,396	3,081	0
Other	5,091	350	0
<b>PROGRAMME TOTAL</b>	<b>47,086</b>	<b>21,026</b>	<b>14,922</b>

3. We will be funding the programme as follows:

<b>CAPITAL PROGRAMME FUNDING</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supported Borrowing	4,077	4,077	4,077
Other Borrowing	6,159	2,891	2,880
Grants and Contributions	15,433	5,810	2,533
Capital Receipts	227	13	0
Corporate Revenue	508	0	0
Capital Fund	5,145	0	0
Renewals and Other Funds	15,537	8,235	5,432
<b>PROGRAMME FUNDING TOTAL</b>	<b>47,086</b>	<b>21,026</b>	<b>14,922</b>

4. The new asset strategy from 2019/20 was approved by the Council on 7 March 2019. The new asset strategy is operational for the periods 2019/20 to 2028/29. It is incorporated as part of the Capital Programme.
5. A three year profile from 2019/20 was set by the Cabinet on 2 April 2019, with the subsequent years profiled in the capital programme from 2022/23 onwards.
6. The above table therefore reflects the general capital requirements (together with the funding) for setting the 2021/22 to 2023/24 budget, whilst the individual scheme details were established by the Council in the 10 year asset strategy, 2019/20 to 2028/29.
7. The 2021/22 General Capital Grant in the Financial settlement from Welsh Government is higher than anticipated when the asset strategy was established. The intention is to present a follow up report to the Cabinet to revise the Asset Plan and ensure the use of this additional resource.
8. Therefore, the full Council is asked to establish a total programme worth £47,085,960 for 2021/22, to be funded from the sources noted in the table under part 3 above.

## APPENDIX 5

### DEALING WITH THE SCHOOLS' BUDGET IN 2021/22

1. **Background:** It was reported to the 25 January 2021 meeting of the Schools Finance Forum on relevant elements of the Council's draft budget for 2021/22, where it was noted that there would be a normal increase in the quantum of Gwynedd schools this year, as the Council (unlike some local authorities) would honourably fund inflation, salary increments, and demography.
2. **Inflation:** While the Chancellor of the Westminster Government is urging a pay freeze for staff in other services from April 2021, the schools' budget will increase this year by **£1.1m** by adding provision for teacher's pay inflation. This will cover the cost of an average increase of 3.1% for the 5 months April - August, being the full year effect of the September 2020 pay agreement. Of course, schools' allocations for energy will also rise with the relevant level of inflation.
3. **Staff Salary Increments:** £262k is added to the Council's budget for 2021/22 due to net increments of staff turnover. **£212,500** of this addition will go to school budgets: £116,500 for the Primary sector and £96,000 for the Secondary sector.
4. **Demography (pupil numbers):** The schools budget will increase this year due to the usual "demography" adjustments, resulting from changes in pupil numbers. The actual September 2020 pupil numbers will be used to calculate the 2021/22 allocations. The situation differs from school to school, but on the whole the effect of increasing pupil numbers means that the overall schools budget would rise by **£187k**, which includes a reduction -£260k for the Primary sector and an increase of +£447k for the Secondary sector.
5. **Bids Recommended for Approval:** It can be seen in the bids section (Appendix 2) of this report that there is a recommendation to agree funding of 2021/22 permanent 'bids' for the Education Department to the total value of **£495k**, to fund the higher cost of taxi and trains transport for pupils (£145k permanent and a further £145k one-off), free school meals (£124k) and to strengthen early years additional learning needs provision (£226k).
6. **Additional Requirements for Additional Learning Needs (ALN):** I understand that the Education Department is considering consulting schools on the possibility that the delegated cash quantum funds **£163,080** worth of departmental budget for the ALN field, being £63,580 for a 'Co-ordinator / ALN Quality Officer', and £99,500 for 'ALN Resolving Disagreements'. £163,080 is equivalent to about 0.2% of the delegated cash quantum, so by 2020/21 there should be no significant change to the current pupil:teacher ratio in the school budget allocation formula as a result of this.

7. **No New Savings:** Once again this year, in developing the Council's budget for 2021/22, a way forward was agreed to avoid asking Gwynedd's schools for additional new savings. Between 2015/16 and 2021/22, Gwynedd Council will have realised £31m of savings schemes, of which £4.3m (14% of the savings) has been harvested from the schools (which represents 30% of the Council's net expenditure).
8. **Historical Savings:** Among £966,720 (gross total) of historic savings that the Council hopes to realise in 2020/21, the Education Department has **£65,000** of 'further organisation savings' to come out of the 2021/22 schools budget. This £65k contributes to the £4.3m savings decided upon in 2016 as a financial strategy for the three years 2016/17 - 2018/19. These savings were based on the priorities set out in the 'Gwynedd Challenge' public consultation, when Gwynedd, like most councils in Wales, faced a significant funding gap. Rather than cutting all school allocations, in 2016 this element of the £4.3m savings was allowed to be deferred until after 2018/19, to be harvested now when the organisational efficiency is available. This £65,000 efficiency saving now stems from the modernisation of schools in the Bala area.
9. **Post-16 Grant:** By 2021/22, generally, there will be quite a significant increase in post-16 grant allocations to Gwynedd secondary schools with 6<sup>th</sup> forms. The Welsh Government has been funding the 6<sup>th</sup> form directly for some time now, and Gwynedd's favourable increase this year follows some recent years when these grant allocations have been less favourable to our relevant secondary schools.
10. **Education Specific Grants:** It appears that specific Welsh Government grants will continue in Education in 2021/22 at a similar level to 2020/21.
11. **General Conclusion:** Having taken all the above factors into consideration, the schools budget will be significantly higher in 2021/22 than the 2020/21 'cash' level, but quite similar in 'real' terms.

**APPENDIX 6**

**COUNCIL TAX**

- 1. It is a key decision for the full Council’s members to make, in light of the considerations presented here, to establish the exact level of Council Tax for 2020/21. The key to all of this is to strike an appropriate balance between the need to spend on services for the most vulnerable in our society, and the appropriate tax increase to be levied on the residents of Gwynedd.
- 2. In historical assumptions made in our medium term financial strategy, a figure of 3.5% was used, as an estimate of the average increase in Wales. For 2019/20, the Welsh Government’s grant settlement was disappointing, and the tax had to be increased 5.8%.
- 3. This year, by 2021/22 it is recommended to increase the tax 3.7%, which would yield tax of £77m, including £2.7m of Premium yield and £2.7m of additional income towards the gap. This would equate to a Council Tax increase of £52.92 in a Band D property, or £1.02 a week. The tax levied by the Police Authority (increase of 5.14% in 2021/22) and the community councils (various %) will of course be in addition to this.
- 4. Over 15.6% of households which are liable to pay tax in Gwynedd receive some element of assistance towards their Council Tax, and over 60% of properties in Gwynedd are in bands lower than band D. Every additional 0.1% of tax would adjust the funding gap we would need to find by around £74,210. Therefore, 0.5% would mean adjusting the funding gap by around £371,060 whilst 1% would mean adjusting the funding gap by around £742,120.
- 5. The increase in Gwynedd’s Council Tax, together with the average increase across Wales since 2014/15, is shown below.

<b>Year</b>	<b>Gwynedd</b>	<b>Wales</b>
2020/21	3.9%	4.6%
2019/20	5.8%	6.2%
2018/19	4.8%	5.0%
2017/18	2.8%	3.1%
2016/17	4.0%	3.7%
2015/16	4.5%	4.3%
2014/15	3.9%	4.2%
Total 2014-21	29.7%	31.1%
Average 2014-20	4.2%	4.4%

In 2020/21, Gwynedd Council’s Band D Council Tax level was £1,430, while the average level of tax for the counties in Wales was £1,354.

<https://gov.wales/sites/default/files/statistics-and-research/2020-03/council-tax-levels-in-wales-april-2020-march-2021-942.pdf>

6. We do not yet know what the exact average increase across Wales will be for 2021/22, but the latest information I have is that the average across Wales will be around 4.1%. Therefore, the proposal made here to increase the tax 3.7% is going to be lower than the Wales average for 2021/22, and therefore will comply with our long-term policy.
7. Should the Council members want an increase less than 3.7% in the level of Tax, then less will have to be spent on Services. The option discussed at the members' workshops was not to fund some of the permanent 'Category 2' revenue bids contained in Appendix 2b. The 'Category 1' bids are almost inevitable, but there is slightly more discretion with the 'Category 2' bids. The right-hand column in Appendix 2b sets out how much Council Tax for 2021/22 would be reduced by not approving the individual 'Category 2' bids.
8. The choice between maintaining services and taxation is always difficult, of course, and it is a matter for all members to weigh things up and find a balance they consider to be appropriate. However, further to many informal conversations in the members' workshops, **a Council Tax increase of 3.7% is recommended, which would be a weekly increase of £1.02, or £52.92 annually, with a Band D tax of £1,483.23 for 2021/22.**

#### **COUNCIL TAX PREMIUM YIELD ON EMPTY PROPERTIES AND SECOND HOMES**

9. **The main report on the Councils Budget together with the above extract of this Council Tax Supplement has been prepared based on a scenario where the 50% premium on second homes and on properties that have been empty for 12 months or more continues for 2021/22.**
10. However, at the full Council meeting on 3 December 2020, a decision on granting discounts and charging a premium was deferred, asking the Cabinet to consider the appropriateness of increasing the level to up to 100%.  
<https://democracy.gwynedd.llyw.cymru//ielistdocuments.aspx?cid=130&mid=4214&ver=4&>
11. Following a decision at the Cabinet meeting 15 December 2020, a public consultation was held on the proposal to increase the Premium on Second Homes and Long Term Empty Properties to up to 100% for the 2021/22 financial year.  
<https://democracy.gwynedd.llyw.cymru//ielistdocuments.aspx?cid=133&mid=4168&ver=4>
12. Having considered the response and the relevant factors, there is a further report on the agenda for the Cabinet meeting of 16 February 2021, with a view to making a relevant recommendation to the full Council on 4 March 2021. The Council may decide to continue for 2021/22 with the premium of 50% on second homes and empty properties, or convert it to any level between 0% up to 100%.
13. Should the Council decide to continue with a 50% premium, it is estimated that the Council will receive £2.7m of income in 2021/22 from the premium tax yield, and it was decided that the money would be put into a fund to implement the Housing Strategy, which aims to provide housing for young people in our communities. The Housing Strategy was approved at the Cabinet meeting of 15 December 2020.
14. Should the Council decide to increase the premium on second homes and empty properties to 100%, all income and related expenditure would need to be incorporated into the 2021/22 budget. However, for the purpose of setting the Council's 2021/22

Budget, for the time being, the additional tax yield will be ring-fenced, for further consideration by Cabinet in relation to the expansion of the Housing Strategy.

15. Therefore, **following a possible decision by the full Council on 4 March 2021 to increase the premium on second homes and empty properties to 100%, the key figures in the decision sought and the following paragraphs in the main report would have to be adjusted** for the Council's 2021/22 Budget.

### **ADJUSTMENTS BY INCREASING THE COUNCIL TAX PREMIUM TO 100%**

16. Reference is made here to paragraph numbers in the main report on the Council's 2021/22 Budget, and the **figures changing** have been highlighted with a **yellow background**.

#### **Decision Sought**

To recommend to the Council (at its meeting on 4 March 2021) that:

1. Establish a budget of **£275,669,610** for 2021/22 to be funded through a Government Grant of £194,793,140 and **£80,876,470** of Council Tax income with an increase of 3.7%.

### **3. COUNCIL REVENUE EXPENDITURE - 2021/22**

- 3.1 The table below shows the increase in expenditure required to "stand still" in 2021/22.

#### **Additional Spending Requirements**

	£	£
Base Budget		261,837,750
Staff Salary Inflation	3,498,200	
Other Inflation (suppliers)	2,560,210	
Levies (Fire, SNPA and NRW)	334,870	
Demography	250,280	
Bids - Pressure on Services	3,587,520	
Miscellaneous Budget Adjustments	232,550	
Borrowing Cost / Interest on Balances	174,910	
<b>Earmark the Council Tax premium increase to a Fund</b>	<b><u>3,918,250</u></b>	
Net total of additions		<b><u>14,556,790</u></b>
Total 2021/22 spending requirements before savings		<b><u>276,394,540</u></b>

## 5. 2021/22 FUNDING GAP, AND COUNCIL TAX

The figures throughout part 5 of the report would change in line with the figures in the table below (part 5.2 of the report):

<b>Establish 2021/22 Budget</b>		
	<b>Council Tax Premium 50%</b>	<b>Council Tax Premium 100%</b>
	£	£
Base Budget 2020/21	261,837,750	261,837,750
Additional Spending Requirements	10,638,540	14,556,790
2021/22 Expenditure Requirements before Savings	272,476,290	276,394,540
less Welsh Government Revenue Grant Income	-194,793,140	-194,793,140
less Total Savings to Close the Gap	-724,930	-724,930
Residual Council Tax gap	<u>76,958,220</u>	<u>80,876,470</u>

## 6. CONCLUSIONS / BUDGET 2021/22

The figures throughout part 6 of the report would change in line with the figures in the table below (section 6.3 of the report):

<b>Balanced budget for 2021/22</b>		
	<b>Council Tax Premium 50%</b>	<b>Council Tax Premium 100%</b>
	£	£
2021/22 Expenditure Requirements before Savings	272,476,290	276,394,540
2021/22 Savings Total	-724,930	-724,930
2021/22 Budget	<u>271,751,360</u>	<u>275,669,610</u>
<b>Is funded through -</b>		
Grant Income	194,793,140	194,793,140
Council Tax (yield after raising 3.7%)	76,958,220	80,876,470
2021/22 Budget	<u>271,751,360</u>	<u>275,669,610</u>

## APPENDIX 7

### BALANCES

1. Local authorities need a prudent level of 'working capital' to maintain adequate cash flow and meet unforeseen expenditure. It is foreseen that the Council will have general balances of about £8m at the end of this financial year, representing around 1.8% of the Council's gross revenue expenditure.
2. We have noted, on more than one occasion, that due to the turbulent circumstances we will be facing in the years ahead, that it is appropriate to keep sums in reserve in order to deal with problems that could arise.
3. Nothing has happened in the meantime to change this opinion, with the continuous increase in demand for care services, the significant challenge of the Covid-19 crisis and uncertainty due to Westminster Government's ongoing comprehensive spending review, mean that the risk continues. Therefore, the need to ensure that we have appropriate balances to deal with any financial shocks is still relevant.
4. Having been able to fund around £1m of the one-off bids within the budget provisions, **it is recommended that £344,500 of balances be used to fund the remainder of the 2021/22 one-off revenue bids.**
5. **The Council has a number of specific reserves** established to meet specific expenditure needs. These are also part of the Council's budget of course, and have been scrutinised annually. Attention was given to the specific reserves by the Cabinet on 16 June 2020 and also the Audit and Governance Committee on 28 June 2020, when it was approved to transfer £825k from reserves and provisions to assist the departments that were overspending in 2019/20. I review the level of these reserves continually, and **it is intended to hold another review by May/June 2021**, to consider how much scope there will be for the Council to change its priorities within these reserves.
6. In their report "Meeting the Financial Challenges facing Local Authorities in Wales" (2014), the **Wales Audit stated** (in paragraph 1.8):

*"Councils can use reserves to help them to balance their budgets where savings plans do not achieve the expected results or where income is less than anticipated. However, **financing recurrent expenditure from reserves would not normally be appropriate.** A prudent level of useable reserves is a key element of financial stability; the minimum appropriate level will vary dependent on an authority's known and potential liabilities and its spending plans. There are signs that a few councils are over-relying on general reserves to deal with budget shortfalls, rather than seeking more sustainable approaches, which often involve making unpopular decisions."*

7. This message was echoed in recent meetings with Audit Wales, which has reported in October 2020 on the financial sustainability of Welsh local authorities as a result of the Covid-19 pandemic. While Gwynedd Council's usable reserves are in the upper quartile of the range of Welsh local authorities (in terms of the size of their usable reserves), **Audit Wales' opinion is that:**

*"(9) some councils were much better placed than others to weather a financial challenge such as the pandemic. This is most clearly illustrated by the varying levels of usable revenue reserves held by councils" and (18) **that "the level of usable reserves available to a council is one of the key indicators of financial resilience and sustainability"**.*

[Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic \(wao.gov.uk\)](https://wao.gov.uk/financial-sustainability-of-local-government-as-a-result-of-the-covid-19-pandemic)

8. I am convinced that the Council's use of balances to fund £344,500 of the 2021/22 one-off revenue bids and the Cabinet use of the Transformation Fund to finance one-off requirements as they arise is a totally appropriate action.
9. Of course, the 2021/22 financial position could have been different. This year, in the midst of a crisis, the Council's balances have been a key instrument which allowed us to wait in order to see the grant settlement situation, before even asking the Council services to identify additional new savings plans. Gwynedd services were able to focus on responding to the Covid-19 crisis, which is different to the situation in some other local authorities.
10. As well as giving us the confidence to act unfettered in the face of the costs of the crisis, the existence of our balances 'bought time' and avoided 'scaremongering' for additional cuts that were not required by 2021/22. As a relatively low proportion of the balances we have had to use this year, we will have kept the bulk of the balances in reserve again, in case they are needed to 'bridge' until additional savings plans have been approved and implemented by the 2022/23 budget.

## APPENDIX 8

### EQUALITY IMPACT ASSESSMENT

1. The budget outlined here endeavours to continue to provide appropriate outcomes for all the county's citizens, but as our grant increase is insufficient to meet the demand for services as well as inflation, we must implement the 'historical' savings schemes in Appendix 3. Apart from the Energy procurement saving approved by Cabinet during 2020, all of the proposed schemes to be realised in 2021/22 have already been approved by full Council in previous years.
2. With savings, there is a possibility for us to have an impact which would disproportionately affect those with protected characteristics, but the departments responsible for the savings have proposed efficiency savings schemes rather than cuts. Also, the individual savings schemes have been the subject of appropriate impact assessments in previous years which support the financial decisions presented here.
3. Our aim was to ensure that our financial decisions conform with the requirements of the Equality legislation, namely:
  - Eliminate illegal discrimination, harassment and victimisation, and any other conduct prohibited by the Act.
  - Promote equality of opportunity between people who share a relevant protected characteristic and those who do not.
  - Encourage good relations between those who share a protected characteristic and those who do not.

In assessing, we had attempted to identify how to make the best of every opportunity to improve equality as well as trying to avoid or mitigate any negative impacts to the best of our ability.
4. In planning our budgets for the continuation of the Council's services, our accountants have given consideration to equality on every level, by utilising data and evidence in relation to demography and trends by planning at a strategic level. In the same way (but more specific) when coming to decisions on individual savings schemes in previous years, the Council's heads of department have analysed the impact of schemes on services, and monitored the impact appropriately.
5. The recommended budget does more than meet inflation costs. It also attempts to ensure that unavoidable financial pressures being placed on services (due to greater demands from increasing numbers of clients, pupils, etc) are also addressed by making conscientious and reasonable budgetary decisions (see the additional expenditure requirements, including 'demography', in part 3 of the report).
6. Each service has the right to submit a bid for resources if it considers that additional funding is required to ensure that services continue. The sums seen under the "service pressures" heading is recognition that the Council provides sufficient funding to ensure that our financial arrangements do not have a detrimental impact on the level of services provided. Full details are given in Appendix 2 and it can be seen that a substantial part (£2.8m) of the total sum of permanent revenue bids (£3.6m) is going to social care (including £1.6m for looked after children placements and £514k for young adults with learning disabilities), and the majority of the remainder (£495k) will go towards schools (including free school meals for pupils from low income families, taxi transport for ALN pupils, and strengthen early years ALN provision).

## APPENDIX 9

### WELLBEING OF FUTURE GENERATIONS (WALES) ACT 2015

1. The work of planning and preparing the recommendations has taken place within the context of the above Act's requirements. Although the recommendations are derived from difficult financial choices, the Council has acted on the basis of the principle of acting in a way that addresses the statutory duty in Section 3 to undertake sustainable development and achieve the Council's Wellbeing Objectives. This is addressed by identifying and evaluating options for savings, but also in decisions and choices from the perspective of providing sufficient resources in order to support an appropriate level of services.
2. This budget reflects the following five ways of working that the Council is required to consider when applying sustainable development.
  - Looking to the long term - The budget plans for the future, identifying future needs and demand for services, taking a strategic approach to ensure services are sustainable.
  - Understanding issues and preventing them – The budget process facilitates an understanding of the financial position, so that issues can be tackled at the source. Also, the series of Members' Workshops have aided an understanding of the financial strategy.
  - Taking an integrated approach – Gwynedd Council's policies and budgeting practices, and this year's budget proposals have been considered from the perspective of all well-being goals.
  - Working in a collaborative way – Where better services can be provided by collaboration and working with partners, the budget process and savings strategy encourages this, internally and externally, where that is more sustainable.
  - Including the population in decisions – Part of the budget process and long-term savings strategy included engagement with residents, customers and partners.
3. Main conclusions for the 2020/21 budget regarding the 7 well-being goals:
  - Prosperous – Neutral (add to the resources of services which put an end to poverty)
  - Resilient - Positive (prudential long-term approach to funding services and enable the Council's Plan)
  - Healthier – Positive (funding additional 'care' service requirements)
  - More Equal - Positive (taxing in order to fund 'welfare' services)
  - Cohesive Communities – Neutral (continue to fund services that protect people)
  - Culture and Language – Positive (by funding bilingual services)
  - Globally Responsible – Neutral (continue to fund digital, environmental and cooperative projects)
4. Regarding specific financial savings schemes, as part of the corporate and departmental savings regime in previous years when the savings schemes were approved, where appropriate there was a specific wellbeing assessment for each individual scheme, and consideration thereof in the scrutiny committees organised to consider them and to prioritise savings to be implemented.
5. Generally, coupled with the Council's Plan and Wellbeing Objectives, this budget supports the Council to realise strategic objectives.

## APPENDIX 10

### ROBUSTNESS OF ESTIMATES

1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of budget estimates and the adequacy of the proposed financial reserves. Appendix 7 outlines the position of the balances and reserves, while this appendix confirms the robustness of the budgetary estimates which are the basis of the budget.
2. Budget estimates are based on assumptions of future expenditure and income and contain an element of assumption risk. The impact of this risk can be mitigated through contingency plans, contingency budgets and financial reserves.
3. The robustness of budget estimates is not simply a question of whether they are correctly calculated. In practice, many budgets are based on estimates or forecasts, and there will be an element of risk as to whether plans will be delivered and targets achieved. Different risks to the budget are considered below:
4. **Inflation Risk** – This is the risk that actual inflation could turn out to be significantly different to the assumption made in the budget. For 2020/21, inflation has been allowed based on the latest information about pay awards and prices, but there is a risk that inflation will rise again during 2020/21, and uncertainty over the probable rise. A rise in inflation may add to the Council's costs, but that could be alleviated through the use of a contingency budget, if necessary.
5. **Interest Rate Risk** - Interest rates may affect the budget through the interest earned - i.e. an interest rate rise would increase income. In accordance with the Council's Investment Strategy (in a subsequent item on this meetings' agenda), the budget is not dependent on excessively high returns. Interest rates continue at a historical low and are not likely to increase until at least 2022/23. Therefore, the interest rate risk is considered low and would compensate for the risk of inflation as one is likely to increase with the other.
6. **Specific Grants Risk** - There are risks attached to the large number of specific grants from Welsh Government, and other bodies which support a proportion of Council expenditure. Some of these could be reduced, or be cut altogether, and we don't have a complete picture as the financial year begins. When the grant ceases, so must the associated expenditure, but contract terms may mean that expenditure cannot be cut as quickly as the grant, or severance costs may need to be funded. Further, the activity funded may be so important to the delivery of the Council's own priorities that the Council decides to continue with the expenditure. We will mitigate this risk by ensuring that we have the best information available about grants, but the funding bodies (Government, etc) control this position.
7. **Income Risks** – The budget is based on securing a specific increase in fees which is equal in value to the increase in the relevant service costs. If demand for Council services falls, and income targets are not achieved, that may cause overspending on service budgets. The actual budget position will require careful monitoring during the year and, if necessary, spending may need to be cut back to match reduced income. This will not be possible with some large corporate budgets, where estimated income must be set at a prudent level.

8. **Covid-19 Risk** - By the end of 2020/21, due to the Covid-19 crisis, it is expected that the Welsh Government's Hardship Fund will have compensated Gwynedd Council with grant assistance worth around a total of £20m. Therefore, in Gwynedd Council's 2021/22 budget, we have ceased to include additional provision to cope with costs and losses from the continuation of the crisis, assuming (apart from unrealised savings) that the Welsh Government will continue to fund this. There is a possibility that there will be significant costs and losses attached to a continuation of the crisis, but having identified a significant allocation of funding in the Welsh Government's 2021/22 budget for Covid-19, and the supportive attitude of Ministers and officials there to the relevant position of Welsh local authorities, it is a reasonable budgeting assumption (and therefore an acceptable risk) that the Welsh Government will continue to compensate us for additional costs and loss of income in the next financial year. In 2020/21, prior to the confirmation of grant aid in the face of significant costs early in the crisis, the existence of Council balances had given us the confidence to act freely in the interest of the people of Gwynedd. Ultimately, we would have had to use a relatively low proportion of the balances this year, and the bulk of the balances could be held back again (around £8m at the end of this financial year), in case we would need to shoulder a proportion of additional costs and income losses from the continuation of the crisis in 2021/22.
9. **Savings Risks** – Although the Council has deleted or deferred £2.9m worth of savings during 2020/21, one significant risk in the current circumstances is that the Council continues to be over-optimistic regarding realising savings schemes. If these projects should run into difficulties and fail to achieve the savings taken out of the budget, significant overspendings could occur. In accordance with normal practice, we will mitigate this risk by ensuring that savings schemes are owned by departments and Cabinet members, and by monitoring relevant progress regularly. Also, by 2021/22, we have made a prudent estimate of the value (£967k) of previous years' approved savings that we will be able to harvest.
10. **Staff Redundancy Costs** – Some services restructure their staff in order to achieve savings, with staff being released through redundancy. There won't be many cases this year, but where appropriate, the cost of redundancies is funded from a central contingency reserve, and an appropriate sum has been earmarked for this purpose, which mitigates the risk.
11. **Council Tax Premium** – When deciding on the Tax Base, a prudent assessment was made of the number of second homes and empty properties to include in the calculation. There is a risk that the number of properties subject to the premium have been over estimated and that the income collected is lower than the amount estimated (due to properties transferring to the business rates list). We are managing this risk by employing inspectors who check the facts, and by not committing all of the possible tax yield from the Premium until the position becomes clearer. Further, should the full Council on 4 March 2021 increase the level of the Premium on second homes and empty properties to 100%, we would manage the risk that more properties transfer to the business rates list by earmarking, rather than committing, an element of the additional tax yield from the higher Premium.
12. **The Statutory Finance Officer's Opinion** – Having considered all the risks noted above and the mitigating actions, the Head of Finance (Section 151 Officer) is of the opinion that the budgets are robust, sufficient and achievable.

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>11 FEBRUARY 2021</b>
<b>SUBJECT:</b>	<b>CAPITAL STRATEGY 2021/22 (INCLUDES INVESTMENT AND BORROWING STRATEGIES)</b>
<b>PURPOSE:</b>	<b>TO EXPLAIN AND SCRUITINISE THE PROPOSED CAPITAL STRATEGY FOR 2021/22</b>
<b>ACTION:</b>	<b>Receive the information, consider any risks arising from the strategy before it is presented to the Full Council for adoption.</b>
<b>RESOLUTION SOUGHT:</b>	<b>Due to relevant national regulations, a decision by the full Council on the annual Capital Strategy is required. Further to the presentation by officers from Arlingclose, the Council's Treasury Management Consultants, members of the Audit and Governance Committee are asked to receive the report, note the relevant information and risks, and support the Cabinet Member for Finance's intention to submit the strategy to full Council for approval.</b>
<b>CONTACT OFFICER:</b>	<b>DAFYDD L EDWARDS, HEAD OF FINANCE</b>
<b>CABINET MEMBER:</b>	<b>COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER</b>

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## **INTRODUCTION**

1. This capital strategy report for 2021/22, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
2. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

## CAPITAL EXPENDITURE AND FINANCING

3. Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, with some low value assets charged to revenue in year. All assets and schemes are assessed and charged on their own merits.

- Further explanation of the Council's policy on capitalisation can be seen in the Policy Notes of the Council's Statement of Accounts for 2019/20, see:

<https://www.gwynedd.llyw.cymru/en/Council/Documents---Council/Performance-and-spending/Statement-of-accounts-2019-2020/1-Statement-of-Accounts-2019-20-Final-10.11.20.pdf>

4. In 2021/22, the Council is planning capital expenditure of £47m as summarised below:

*Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions*

	<b>2019/20 Actual £m</b>	<b>2020/21 Forecast £m</b>	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>
General Fund Services	29.1	42.3	47.1	21.0	14.9
General Fund Leasing *	0.0	0.0	0.0	5.0	0.0
<b>TOTAL</b>	<b>29.1</b>	<b>42.3</b>	<b>47.1</b>	<b>26.0</b>	<b>14.9</b>

\* Capital Expenditure for 2022/23 includes £5m due to a change in the accounting for leases.

5. The main General Fund capital projects in 2021/22 include:
- 21<sup>st</sup> Century Schools - £15.0m
  - Coastal Flood Protection - £6.3m
  - Housing Schemes/Strategy - £6.1m
  - Property Schemes - £3.1m
6. **Governance:** The Council has a 10 year Asset Strategy, a plan of the Council's capital spending priorities based on the requirements of departments. Part of the strategy includes an unallocated sum. From this amount departments are able to bid annually for funding for capital schemes. Bids are collated by the Finance Department. The Cabinet appraises all bids based on priorities and makes

recommendations. The capital bids and asset strategy are presented to Cabinet and to full Council annually.

- For full details of the Council’s capital programme, refer to **Appendix A**.

7. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative (PFI)). The planned financing of the above expenditure is as follows:

*Table 2: Capital Financing in £ millions*

	<b>2019/20 Actual £m</b>	<b>2020/21 Forecast £m</b>	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>
External Sources	20.1	23.0	15.4	5.8	2.5
Own Resources	3.0	14.3	21.5	8.2	5.4
Debt *	6.0	5.0	10.2	12.0	7.0
<b>TOTAL</b>	<b>29.1</b>	<b>42.3</b>	<b>47.1</b>	<b>26.0</b>	<b>14.9</b>

\* Debt for 2022/23 includes £5m due to a change in the accounting for leases.

8. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

*Table 3: Replacement of Debt Finance in £ millions*

	<b>2019/20 Actual £m</b>	<b>2020/21 Forecast £m</b>	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>
Own Resources	7.6	7.8	7.6	8.4	8.4

- The Council’s full Minimum Revenue Provision Statement is available in **Appendix B** to the Capital Strategy Statement.

9. The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £2.6m during 2021/22. Based on the

above figures for expenditure and financing, the Council's estimated CFR is as follows:

*Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions*

	<b>31.3.2020 Actual £m</b>	<b>31.3.2021 Forecast £m</b>	<b>31.3.2022 Budget £m</b>	<b>31.3.2023 Budget £m</b>	<b>31.3.2024 Budget £m</b>
General Fund Services *	176.8	174.0	176.6	180.1	178.6

\* The Capital Financing Requirement for 2022/23 and subsequent years includes a £5m increase due to a change in the accounting for leases.

10. **Asset Management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy. A new Asset Strategy for the 10 year period from 2019/20 to 2028/29 has been developed and was approved by the full Council on 07/03/2019, see Item 11 on the agenda :

<https://democracy.gwynedd.llyw.cymru/ielistdocuments.aspx?cid=130&mid=2457&ver=4>

11. **Asset Disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive capital receipts as indicated in the table below:

*Table 5: Capital Receipts in £ millions*

	<b>2019/20 Actual £m</b>	<b>2020/21 Forecast £m</b>	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>
Asset Sales	0.5	0.1	0.1	0.1	0.1

## TREASURY MANAGEMENT

12. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital

expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

13. Due to decisions taken in the past, the Council currently has £112.6m borrowing at an average interest rate of 5.3% and £77.4m treasury investments at an average rate of 0.6%.
14. **Borrowing Strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.1%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).
15. Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement (see above).

*Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions*

	<b>31.3.2020 Actual £m</b>	<b>31.3.2021 Forecast £m</b>	<b>31.3.2022 Budget £m</b>	<b>31.3.2023 Budget £m</b>	<b>31.3.2024 Budget £m</b>
Debt (incl. PFI and leases)	127.8	106.8	105.4	103.1	104.9
Capital Financing Requirement	176.8	174.0	176.6	180.1	178.6

16. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.
17. **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is forecast to increase due to the requirement to borrow for the North Wales Economic Ambition Board.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2020 Actual £m	31.3.2021 Forecast £m	31.3.2022 Budget £m	31.3.2023 Budget £m	31.3.2024 Budget £m
Outstanding Borrowing	124.9	104.2	103.0	162.2	216.7
Liability Benchmark	109.2	126.9	136.7	205.7	262.1

18. The table shows that the Council expects its borrowing to remain below its liability benchmark. This is because cash outflows to date have been lower than expected due to the negative working capital position. The figures increase from 2022/23 onwards due to the expected new long term borrowing for the North Wales Economic Ambition Board.

19. **Affordable Borrowing Limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt in £m

	2020/21 Limit £m	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m
Authorised Limit – total external debt	200	200	260	320
Operational Boundary – total external debt	190	190	250	310

The authorised Limit and Operational Boundary for 2022/23 and subsequent years include a £6m increase due to a change in the accounting for leases, and takes account for the future borrowing needs from the NWEAB

- Further details on borrowing are in the Treasury Management Strategy in **Appendix C**.

20. **Treasury Investment Strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

21. The Council's policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

*Table 9: Treasury Management Investments in £millions*

	<b>31.3.2020 Actual £m</b>	<b>31.3.2021 Forecast £m</b>	<b>31.3.2022 Budget £m</b>	<b>31.3.2023 Budget £m</b>	<b>31.3.2024 Budget £m</b>
Near-Term Investments	25	10	10	10	10
Longer-Term Investments	10	10	10	10	10
<b>TOTAL</b>	<b>35</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

- Further details on treasury investments are in the Treasury Management Strategy in **Appendix C**.
22. **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.
23. **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Finance and staff, who must act in line with the Treasury Management Strategy approved by Full Council. Half year and full year reports on treasury management activity are presented to the Audit and Governance Committee. The Audit and Governance Committee is responsible for scrutinising treasury management decisions. An annual seminar is held for the members of the Audit and Scrutiny Committee by Arlingclose, our investment advisors and was held on 27 January 2021 for the 2021/22 financial year.

## INVESTMENTS FOR SERVICE PURPOSES

24. The Council can make investments to assist local public services, including making loans to local small businesses to promote economic growth and to support the housing strategy. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.
25. **Governance:** Decisions on service investments are made by the relevant Head of service in consultation with the Head of Finance. Most loans are capital expenditure and would therefore also be approved as part of the capital programme.

## LIABILITIES

26. In addition to debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £245m). It has also set aside £8m to cover risks of provisions, of which 96% relate to Waste Sites. The Council is also at risk of having to pay for contingent liabilities relating to the capping and aftercare requirements for the Authority's landfill Sites, and also a potential insurance liability relating to the insurance arrangements of its predecessor authorities and the closure of the Municipal Mutual Insurance (MMI) Fund. In accordance with the accounting requirements, no money has been set aside for such contingent liabilities.
27. **Governance:** Decisions on incurring new discretionary liabilities are taken by Heads of Services in consultation with the Head of Finance. The risk of liabilities crystallising and requiring payment is monitored by the Finance Department. New material liabilities are reported to the Audit and Governance Committee.
  - Further details on liabilities are on page 12 of the 2019/20 Statement of Accounts  
<https://www.gwynedd.llyw.cymru/en/Council/Documents---Council/Performance-and-spending/Statement-of-accounts-2019-2020/1-Statement-of-Accounts-2019-20-Final-10.11.20.pdf>

## REVENUE BUDGET IMPLICATIONS

28. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, National Non-Domestic Rates and general government grants.

Table 10: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream

	2019/20 Actual	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget
Financing Costs * (£m)	£13.0m	£13.2m	£13.0m	£13.8m	£13.7m
Proportion of Net Revenue Stream(%)	5.2%	5.1%	4.8%	5.0%	4.9%

\* Financing costs for 2022/23 and subsequent years includes a £0.7m increase due to a change in the accounting for leases.

- Further details on the revenue implications of capital expenditure are included in the 2021/22 Budget:

<https://democratiaeth.gwynedd.llyw.cymru//ielistmeetings.aspx?cid=133&year=0&>

29. **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for 50 years and over into the future. The Head of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable in the long term.

## KNOWLEDGE AND SKILLS

30. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance is a qualified accountant with a number of years' experience, and the Head of Housing and Property is a chartered surveyor and member of the Royal Institute of Chartered Surveyors. The Council has qualified staff and pays for junior staff to study towards relevant professional qualifications including CIPFA, ACCA and AAT.
31. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
32. The relevant staff attend CIPFA and Arlingclose training events to ensure that we are aware of the latest developments, and that knowledge and skills are kept up to date.

**CAPITAL**

1. Whilst local authority revenue budgets face constraints, capital budgets are also under pressure, and there are revenue implications for capital expenditure which is not funded by specific grants.
2. A proposed programme for schemes for the next three years is set out below:

<b>CAPITAL PROGRAMME</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Council Asset Plan :</b>			
21st Century Schools	2,987	1,303	3,854
Housing Schemes	2,525	2,225	1,300
Penygroes Health and Care Hub	1,750	1,000	0
Adults' Homes/Centres	1,493	450	625
Highways, Bridges and Municipal	896	1,145	1,640
Other Schemes	4,768	2,215	1,573
Capital Bids	500	500	500
<b>Other Schemes:</b>			
Additional General Capital Grant Resource to be apportioned	1,554	0	0
Highways Maintenance Grant 2021/22	1,323	0	0
Housing Strategy – Council Tax Premium Fund	0	0	2,550
Housing Strategy – Buy to Let	1,000	2,880	2,880
Schemes already Approved :			
21st Century Schools (WG)	12,051	3,327	0
Coastal Flood Protection	4,796	0	0
Housing Schemes/Strategy	2,550	2,550	0
Property Schemes	2,406	0	0
Departmental Vehicles	1,396	3,081	0
Other	5,091	350	0
<b>PROGRAMME TOTAL</b>	<b>47,086</b>	<b>21,026</b>	<b>14,922</b>

3. We will be funding the programme as follows:

<b>CAPITAL PROGRAMME FUNDING</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supported Borrowing	4,077	4,077	4,077
Other Borrowing	6,159	2,891	2,880
Grants and Contributions	15,433	5,810	2,533
Capital Receipts	227	13	0
Corporate Revenue	508	0	0
Capital Fund	5,145	0	0
Renewals and Other Funds	15,537	8,235	5,432
<b>PROGRAMME FUNDING TOTAL</b>	<b>47,086</b>	<b>21,026</b>	<b>14,922</b>

4. The new asset strategy from 2019/20 was approved by the Council on 7 March 2019. The new asset strategy is operational for the periods 2019/20 to 2028/29. It is incorporated as part of the Capital Programme.
5. A three year profile from 2019/20 was set by the Cabinet on 2 April 2019, with the subsequent years profiled in the capital programme from 2022/23 onwards.
6. The above table therefore reflects the general capital requirements (together with the funding) for setting the 2021/22 to 2023/24 budget, whilst the individual scheme details were established by the Council in the 10 year asset strategy, 2019/20 to 2028/29.
7. The 2021/22 General Capital Grant in the Financial settlement from Welsh Government is higher than anticipated when the asset strategy was established. The intention is to present a follow up report to the Cabinet to revise the Asset Plan and ensure the use of this additional resource.
8. Therefore, the full Council is asked to establish a total programme worth £47,085,960 for 2021/22, to be funded from the sources noted in the table under part 3 above.

### ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2021/22

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Welsh Government's *Guidance on Minimum Revenue Provision* (the WG Guidance) most recently issued in 2018.
2. The broad aim of the WG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
3. The WG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
  - For capital expenditure incurred before 1<sup>st</sup> April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31<sup>st</sup> March 2008, incorporating an "Adjustment A" of £1.9m.
  - For unsupported capital expenditure incurred after 31<sup>st</sup> March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
  - For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
  - For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the Capital Financing Requirement (CFR) instead.

4. Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.
5. Based on the Council's latest estimate of its Capital Financing Requirement (CFR) on 31<sup>st</sup> March 2021, the budget for MRP has been set as follows:

	<b>31.03.2021 Estimated CFR £m</b>	<b>2021/22 Estimated MRP £m</b>
Capital expenditure before 01.04.2008 and supported capital expenditure after 31.03.2008	132.3	5.2
Unsupported capital expenditure after 31.03.2008	39.1	2.1
Leases and Private Finance Initiative	2.6	0.3
<b>Total General Fund</b>	<b>174.0</b>	<b>7.6</b>

## Treasury Management Strategy Statement 2021/22

### 1. Introduction

- 1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Welsh Government (WG) issued revised Guidance on Local Authority Investments in November 2019 that requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the WG Guidance.
- 1.3 In accordance with the WG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, change in the Council's capital programme or in the level of its investment balance, or a material loss in the fair value of a non-financial investment identified as part of the year end accounts preparation and audit process.

### 2. External Context

#### 2.1 Economic background

The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union (EU), will remain major influences on the Authority's treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in December 2020 and Quantitative Easing programme at £895 billion having extended it by £150 billion in the previous month. The Monetary Policy Committee (MPC) voted unanimously for both, but no mention was made of the potential future use of negative interest rates. In the November Monetary Policy Report (MPR) forecasts, the Bank expects the

UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast. By the time of the December MPC announcement, a COVID-19 vaccine was approved for use, which the Bank noted would reduce some of the downside risks to the economic outlook outlined in the November MPR.

UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month. Core inflation, which excludes the more volatile components, fell to 1.1% from 1.5%. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9% while the employment rate fell to 75.2%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In October, the headline 3-month average annual growth rate for wages were 2.7% for total pay and 2.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up by 1.9% while regular pay was up 2.1%.

GDP growth rebounded by 16.0% in Q3 2020 having fallen by -18.8% in the second quarter, with the annual rate rising to -8.6% from -20.8%. All sectors rose quarter-on-quarter, with dramatic gains in construction (41.2%), followed by services and production (both 14.7%). Monthly GDP estimates have shown the economic recovery slowing and remains well below its pre-pandemic peak. Looking ahead, the BoE's November MPR forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in November, the fourth successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time but expanded its monetary stimulus in December 2020, increasing the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

The US economy contracted at an annualised rate of 31.4% in Q2 2020 and then rebounded by 33.4% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.

Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

## **2.2 Credit outlook**

After spiking in late March as coronavirus became a global pandemic and then rising again in October/November, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 and 2021 may be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

## **2.3 Interest rate forecast**

The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the first quarter of 2024. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the new EU trading arrangements. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold and maintained this position in December. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.60% and 0.90% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is attached in **Appendix 1**.

- 2.4** For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 0.01% and that the Council will not need any new long-term loans in 2021/22.

### **3. Local Context**

- 3.1** On 31<sup>st</sup> December 2020, the Council held £112.6m of borrowing and £77.4m of investments. This is set out in further detail at **Appendix 2**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

**Table 1: Balance sheet summary and forecast**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Forecast £m</b>	<b>31.3.22 Budget £m</b>	<b>31.3.23 Budget £m</b>	<b>31.3.24 Budget £m</b>
<b>CFR</b>	<b>176.8</b>	<b>174.0</b>	<b>176.7</b>	<b>180.1</b>	<b>178.6</b>
Less: Other debt liabilities *	(2.9)	(2.6)	(2.4)	(1.4)	(5.4)
<b>Loans CFR</b>	<b>173.9</b>	<b>171.4</b>	<b>174.2</b>	<b>178.7</b>	<b>173.2</b>
Less: External borrowing **	(124.9)	(104.2)	(103.0)	(101.7)	(99.5)
<b>Internal borrowing</b>	<b>49.0</b>	<b>67.2</b>	<b>71.2</b>	<b>77.0</b>	<b>73.7</b>
Less: Usable reserves	(78.0)	(57.5)	(50.3)	(45.3)	(44.1)
Add: Working capital	0.4	0.4	0.4	0.4	0.4
<b>Investments</b>	<b>28.6</b>	<b>(10.1)</b>	<b>(21.3)</b>	<b>(32.1)</b>	<b>(30.0)</b>

\*PFI liabilities

\*\*shows only loans to which the Council is committed and excludes optional refinancing

- 3.2** The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

- 3.3** Table 1 shows that the Council will need to borrow during the next three years. If this is the case, short term borrowing will be used to reduce the interest rate.

- 3.4** CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2021/22.

#### 4. Liability benchmark

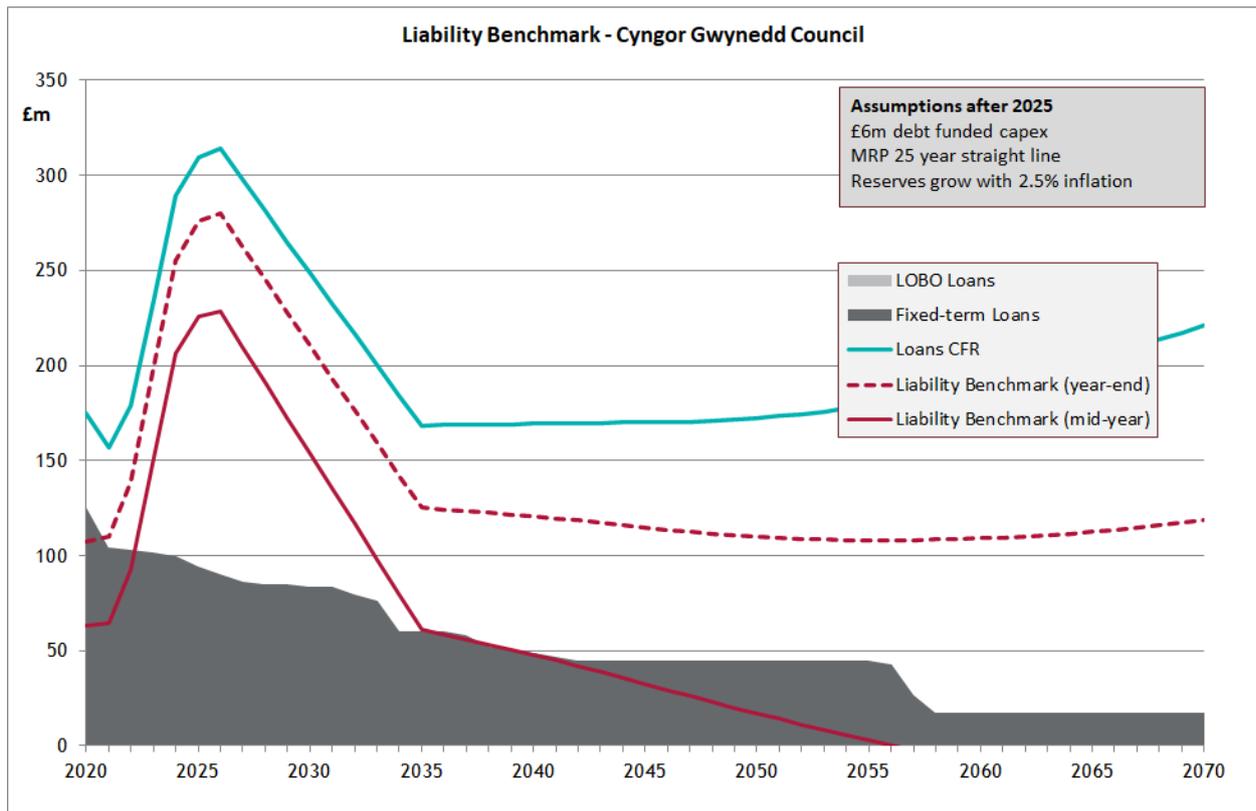
- 4.1 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

This year, an additional consideration has been added to the Liability Benchmark as Gwynedd Council is the host authority of the North Wales Economic Ambition Board where a requirement to borrow will arise in future years.

**Table 2: Liability Benchmark**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Forecast £m</b>	<b>31.3.22 Budget £m</b>	<b>31.3.23 Budget £m</b>	<b>31.3.24 Budget £m</b>
<b>CFR</b>	<b>176.8</b>	<b>174.0</b>	<b>176.7</b>	<b>180.1</b>	<b>178.6</b>
Less: Usable reserves	(78.0)	(57.5)	(50.3)	(45.3)	(44.1)
Plus: Working capital	0.4	0.4	0.4	0.4	0.4
Plus: Minimum investments	10.0	10.0	10.0	10.0	10.0
Plus: NWEAB Borrowing	n/a	0.0	0.0	60.5	117.2
<b>Liability Benchmark</b>	<b>109.2</b>	<b>126.9</b>	<b>136.7</b>	<b>205.7</b>	<b>262.1</b>

- 4.2 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £6m a year, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the following chart:



The chart shows that from 2023 that there will be a need to borrow for a period of 15 years. This is to facilitate the North Wales Economic Ambition Board

## 5. Borrowing Strategy

**5.1** The Council currently holds £103.6 million of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow long term in 2020/22 but may need to borrow short term for cash flow reasons. In the future, the Council may also borrow additional sums to pre-fund future years' requirements and to facilitate the North Wales Economic Ambition Board, providing this does not exceed the authorised limit for borrowing.

## 5.2 Objectives

The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

### **5.3 Strategy**

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and/or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

### **5.4 Sources of borrowing**

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB Lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body

- UK public and private sector pension funds (except Gwynedd Pension Fund)
- Capital market investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

## **5.5 Other sources of debt finance**

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

**Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lend the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

## **5.6 Short-term and variable rate loans**

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

## **5.7 Debt rescheduling**

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

## **6. Treasury Investment Strategy**

- 6.1** The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £23.2 and £110.4 million, and similar levels are expected to be maintained in the forthcoming year.

This includes the cash balances of Gwynedd Pension Fund which are pooled with the Council's funds for investment purposes. The Pension Fund requests this annually as the returns received are improved and the risks reduced by combining the cash with the Council's funds. The Pensions Committee will approve the relevant elements of this Strategy Statement and request the continuation of the pooling arrangements for 2021/22 at its meeting on 25 March 2021.

Loans to organisation providing local public services and purchases of investment property are not normally considered to be treasury investments, and therefore these are covered separately in **Appendix 3**.

### **6.2 Objectives**

Both the CIPFA Code and the WG Guidance require the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

### **6.3 Negative interest rates**

The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

#### **6.4 Strategy**

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will aim to continue to hold more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds. This represents a continuation of the strategy adopted in 2015/16.

#### **6.5 Business models**

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

#### **6.6 Approved counterparties**

The Council may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

**Table 3: Approved investment counterparties and limits**

<b>Sector</b>	<b>Time limit</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£10m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£5m
Registered providers (unsecured) *	5 years	£5m	£25m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£25m
Other investments *	5 years	£5m	£10m

This table must be read in conjunction with the notes below.

### **6.7 Credit rating**

Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

### **6.8 Government**

Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

## **6.9 Secured investments**

Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

## **6.10 Banks and Building Societies (unsecured)**

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

## **6.11 Registered providers (unsecured)**

Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

## **6.12 Money Market Funds**

Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

## **6.13 Strategic Pooled funds**

Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into

asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

#### **6.14 Real Estate Investment Trusts**

Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

#### **6.15 Other investments**

This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

#### **6.16 Operational bank accounts**

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £900,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

#### **6.17 Risk assessment and credit ratings**

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

#### **6.18 Other information on the security of investments**

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall, but will protect the principal sum invested.

#### **6.19 Investment limits**

The Council’s revenue reserves available to cover investment losses are forecast to be £43 million on 31<sup>st</sup> March 2021. In order that no more than 23% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £500,000 in operational bank accounts count against the relevant investment limits.

**Table 4: Additional limits**

	<b>Cash limit</b>
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£10m per country

## 6.18 Liquidity management

The Council uses prudent cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on the basis that short-term borrowing is used to cover its financial commitments if required. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

The Council will spread its liquid cash over at least four providers (e.g bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## 7. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

### 7.1 Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit risk indicator</b>	<b>Target</b>
Portfolio average credit score	6.0

## 7.2 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

<b>Liquidity risk indicator</b>	<b>Target</b>
Total cash available within 3 months	£10m

## 7.3 Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest rate risk indicator</b>	<b>Limit</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£635,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£24,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

## 7.4 Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

<b>Refinancing rate risk indicator</b>	<b>Upper limit</b>	<b>Lower limit</b>
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

## 7.5 Principal sums invested for periods longer than a year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£20m	£20m	£20m

## 8. Related Matters

8.1 The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

### 8.2 Financial Derivatives

In the absence of any explicit legal power to do so, the Council will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

### 8.3 External Funds

Included within the Council balances is the balances for Gwynedd Pension Fund, Gwe, Welsh Church Fund and North Wales Economic Ambition Board. The interest income is allocated to each institution based on daily balances.

### 8.4 Markets in Financial Instruments Directive

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance believes this to be the most appropriate status.

## 9. Welsh Government Guidance

Further matter required by the Welsh Government Guidance are included in **Appendix 3**.

## 10. Financial Implications

**10.1** The budget for investment income in 2021/22 is £0.335 million based on an average investment portfolio of £48 million at an interest rate of 0.01% for deposits and £10 million of pooled funds at a return of 4%. The budget for debt interest paid in 2021/22 is £5.7 million, based on an average debt portfolio of £102.8 million at an average interest rate of 5.51%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

## 11. Other Options Considered

**11.1** The WG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a

		default; however long-term interest costs may be less certain
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## **Appendix 1 – Arlingclose Economic & Interest Rate Forecast December 2020**

### **Underlying assumptions:**

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

### **Forecast:**

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>3-month money market r.</b>													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>1yr money market rate</b>													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
<b>5yr gilt yield</b>													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
<b>10yr gilt yield</b>													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
<b>20yr gilt yield</b>													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
<b>50yr gilt yield</b>													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

**PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%**

**PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%**

## Appendix 2- Existing Investment & Debt Portfolio Position

	31.12.2020 Actual Portfolio £m	31.12.2020 Average Rate %
<b>External Borrowing:</b>		
Public Works Loan Board	87.4	5.79
Other loans	16.2	4.22
Local Authority loans	9.0	0.78
<b>Total external borrowing</b>	<b>112.6</b>	<b>5.30</b>
<b>Other long- term liabilities:</b>		
Leases	1.5	0.0
<b>Total other long-term liabilities</b>	<b>1.5</b>	<b>0.0</b>
<b>Total gross external debt</b>	<b>114.1</b>	<b>5.30</b>
<b>Treasury investments:</b>		
Banks and Building societies (unsecured)	14.9	0.21
Government (incl. Local authorities)	22.0	0.06
Money Market Fund	30.5	0.14
Pooled funds	10.0	3.98
<b>Total treasury investments</b>	<b>77.4</b>	<b>0.60</b>
<b>Net debt</b>	<b>36.7</b>	

### **Appendix 3 – Additional requirements of Welsh Government Investment Guidance**

The Welsh Government (WG) published revised Investment Guidance in November 2019 which places additional reporting requirements upon local authorities that are not integral to this Council's treasury management processes. The guidance also covers investments that are not part of treasury management, for example investment property and loans to local organisations.

**Contribution:** The Council's investments contribute to its service delivery objectives and/or to promote wellbeing as follows:

- treasury management investments support effective treasury management activities,
- loans to local organisations provide financial support to those organisations to enable them to deliver local public services that would otherwise be provided directly by the Council, and
- investment property provides a net financial surplus that is reinvested into local public services.

**Climate change:** The Council's investment decisions consider long-term climate risks to support a low carbon economy to the extent that if a low carbon investment equivalent is available with the same return, then the low carbon investment would be preferred by the Council.

**Specified investments:** The WG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement unless the counterparty is a local authority,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

**Loans:** The WG Guidance defines a loan as a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who agrees a return according to the terms and conditions of receiving the loan, except where the third party is another local authority.

The Council can demonstrate that its financial exposure to loans to local enterprises, local charities, wholly owned companies and joint ventures is proportionate by setting the limits in table 3a. These ensure that the total exposure is no more than 20% of the Council's usable reserves. The Council's loan book is currently within these self-assessed limits.

*Table 3a: Loan limits*

<b>Borrower</b>	<b>Cash limit</b>
Local enterprises and local charities	£3m
Wholly owned companies and joint ventures	£3m
Car and bike loans to employees	£3m
Treasury management investments meeting the definition of a loan	Unlimited

The Council uses an allowed 'expected credit loss' model for loans and receivables as set out in International Financial Reporting Standard 9: Financial Instruments as adopted by proper practices to measure the credit risk of its loan portfolio. Appropriate consideration is given to state aid rules and competition law. The Council has appropriate credit control arrangements to recover overdue repayments in place.

**Non-specified investments:** Any financial investment not meeting the definition of a specified investment or a loan is classed as non-specified. Given the wide definition of a loan, this category only applies to units in pooled funds and shares in companies. Limits on non-specified investments are shown in table 3b; the Council confirms that its current non-specified investments remain within these limits.

*Table 3b: Non-specified investment limits*

	<b>Cash limit</b>
Units in pooled funds without credit ratings or rated below A-	£20m
Shares in real estate investment trusts	£10m
Total non-specified investments	£30m

**Non-financial investments:** This category covers non-financial assets held primarily or partially to generate a profit, primarily investment property. Security is determined by comparing each asset's purchase price to its fair value using the model in International Accounting Standard 40: Investment Property as adapted by proper practices. On an assessment as at 31<sup>st</sup> March 2019, the Council consider that the scale of its non-financial investments as not significant.

**Liquidity:** For financial investments that are not treasury management investments, or loans, the Council has procedures in place to ensure that the funds are prudently committed for a maximum period of time. Isio mwy fan hyn.

**Investment advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is monitored by the Head of Finance and the Investment Manager on a regular basis.

**Borrow in advance of need:** The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £200 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

**Commercial deals:** In the event of a commercial deal, the individuals making the deal are aware of the core principles of the prudential framework and of the regulatory regime within which the Council operates.

**Capacity, skills and corporate governance:** Elected members and officers were invited to a presentation by Arlingclose on 27<sup>th</sup> January 2021. The information and discussion at the presentation ensures that the members have the appropriate skills and information to enable them to:

- Take informed decisions as to whether to enter into a specific investment.
- To assess individual assessments in the context of the strategic objectives and risk profile of the Council
- Understand how the quantum of these decisions have changed the overall risk exposure of the local authority

Officers also regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, ACA and other appropriate organisations.

COMMITTEE	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE	<b>11 FEBRUARY 2021</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 OCTOBER 2020</b>
AUTHOR	<b>LUNED FÔN JONES – AUDIT MANAGER</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES</b>

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**1. INTRODUCTION**

- 1.1 The following report summarises the work of Internal Audit for the period from 1 November 2020 to 31 January 2021.

**2. WORK COMPLETED DURING THE PERIOD**

- 2.1 The following work was completed in the period to 31 January 2020:

<b>Description</b>	<b>Number</b>
Reports on Audits from the Operational Plan	3

Further details regarding this work are found in the body of this report and in the enclosed appendices.

## 2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 October 2020, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Payments to Care Workers	Finance	Pensions and Payroll	High	Appendix 1
Council Tax Reduction Scheme	Finance	Revenues	High	Appendix 2
Arrangements for "Free School Meals"	Children and Family Support	Children and Families	High	Appendix 3

2.2.2 The general assurance levels of audits fall into one of four categories as shown in the table below.

<b>LEVEL OF ASSURANCE</b>	<b>HIGH</b>	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	<b>SATISFACTORY</b>	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	<b>LIMITED</b>	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
	<b>NO ASSURANCE</b>	Controls in place are considered to be inadequate, with objectives failing to be achieved.

## 3. WORK IN PROGRESS

3.1 The following work was in progress as at 31 January 2021:

- Climate Change (*Corporate*)
- Safeguarding Arrangements (*Corporate*)
- Business Arrangements as a result of Covid-19 (*Corporate*)
- Supply Chain Risks (*Corporate*)
- Home Working Arrangements (*Corporate*)
- Proactive Prevention of Fraud and Corruption and the National Fraud Initiative (*Corporate*)
- Post-16 Education Grant (*Education*)
- Street and Parking Enforcement (*Environment*)
- IT Security Systems (*Finance*)
- Lloyd George Museum (*Economy and Community*)
- STEM Gogledd (*Economy and Community*)
- Private Care Home Fees (*Adults, Health and Wellbeing*)

**4. RECOMMENDATION**

- 4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 November 2020 to 31 January 2021, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

## PAYMENTS TO CARE WORKERS

### 1. Background

1.1 The First Minister for Wales, Mark Drakeford, announced on 1 May that a payment of £500 will be made to over 64,000 workers in the care and social sector across Wales in recognition of their hard work over the challenging times of the pandemic. At the time. The First Minister stated that staff providing care in the home and at care homes often were at a higher risk and that the additional payments were to acknowledge such risk. At the beginning of June, the payment was extended to include kitchen staff and personal assistants in care homes, agency workers and care support workers.

In a statement, the UK Government stated that it had provided the Welsh Government with £2.3 billion to support people, businesses and public services during the pandemic, however, it was reported that the payments were to be employment-related and therefore subject to income tax and national insurance.

### 2. Purpose and Scope of the Audit

2.1 The purpose of the audit was to ensure that adequate arrangements were in place to administer payments made under the special payment scheme, namely the £500 paid to care workers, and also to ensure that the payments made were valid, accurate and correct and paid in a timely manner to ensure that repayments can be fully claimed from the Welsh Government. The audit also reviewed the appeal process and the arrangements for dealing with late applications.

2.2 To achieve this, the audit involved reviewing the arrangements for identifying, communicating and verifying payments, checking a sample of payments made to ensure eligibility, accuracy and timeliness, in addition to reviewing the appeal process arrangements, reporting to the Welsh Government and claim payments.

2.3 This audit is reported in two parts, the interim (November 2020) and the final (March 2021). The interim reports on the initial arrangements and the accuracy of the first claim and the final report will verify that monies have been claimed and received correctly and fully.

### 3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

#### **4. Main Findings**

- 4.1 It was found that suitable arrangements are in place for administering and processing claims for payment to care workers, including appropriate information and instruction issued to all staff/managers, external providers and eligible individuals to verify eligibility by the Council.
- 4.2 Guidelines were received from the Welsh Government on how to administer applications for the special payments of £500 to care workers including internal applications, external providers, appeals and the arrangements for reclaiming the monies. However, the guidance did not include a deadline for submissions of applications and appeals. Since the commencement of the audit, confirmation was received from the Welsh Government that the closing date was 18 December 2020 and councils would only accept late applications in exceptional circumstances. It was informed that the claim submission deadline would be 16 March 2021. It was also highlighted that Data Wales will be conducting a verification exercise to identify and duplicate claims across the country in the near future. It is suggested that the Council should receive further instructions on arrangements if any duplicate payments are identified and how these should be treated so that there is no uncertainty on submitting the final claim to the Welsh Government and to ensure costs are fully recovered. The Project Manager agreed and indicated that she expected the Welsh Government to provide updates on the matter together with the deadline for receipt of appeals.
- 4.3 A sample of payments to external providers made in September and October 2020 were selected and it was found that full details had been provided to the Council in accordance with the guidelines.
- 4.4 Tests were conducted to identify any duplicate claim made from the sample of external providers and all in-house staff and it appears that the Council have conducted appropriate checks as no duplicate payments were identified.
- 4.5 The Project Manager stated that every effort had been made to identify duplicate applications across Gwynedd prior to payment.
- 4.6 A sample of 40 internal staff across the various payrolls who received a payment were selected and it was found that the forms completed were in accordance with the Welsh Government Guidelines for the Project Manager to administer. It also appears from the sample selected that the payments made were subject to tax and properly accounted for.
- 4.7 Payments made through the Council's ledger were reconciled to the October 2020 claim form and it appears that the claim is complete and accurate up to October 2020.
- 4.8 The first claim form (October 2020) submitted to the Welsh Government totalled £654,594 which includes payments to staff, pensions costs, NI and administration costs. The payment will be made to the Council's account with the balance of £987,436.76 to be claimed before the end of March 2021.
- 4.9 The audit will be completed when reviewing the final claim presented to the Welsh Government before the March 2021 deadline as well as ensuring that any monies due have been paid.

## COUNCIL TAX REDUCTION SCHEME

### 1. Background

- 1.1 On 1 April 2013, as part of the Westminster Government's welfare reform programme, Council Tax benefit was abolished, and replaced with a Council Tax Reduction Scheme. In accordance with the Council Tax Reduction Schemes and Prescribed Requirements (Wales) Regulations 2013, each local authority must provide a plan to determine what reliefs will be available to help with paying Council Tax. Gwynedd Council's current local plan for 2020/21 was adopted by the Full Council on 19 December 2019.

### 2. Purpose and Scope of the Audit

- 2.1 The purpose of the audit was to ensure that adequate arrangements were in place for processing the increasing number of claims for Council Tax Reduction submitted during the Pandemic, and arrangements are in place to ensure that only those eligible for the reduction received it. To achieve this, the audit encompassed selecting a sample of individuals who have been awarded a reduction in 2020/21, and verifying that the applications were valid and processed accurately and timely.

### 3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

- 4.1 It was found that adequate arrangements were in place for processing Council Tax Reduction claims, but that some aspects need to be tightened in order to mitigate the risks identified.
- 4.1.1 The contribution towards the costs of the Council Tax Reduction Scheme is included in the local government grant settlement from the Welsh Government, with the Council funding any additional costs. £9.5 million was paid out on the Scheme for 2019/20, with £10 million paid to date for 2020/21 due to the increase in claims during the Pandemic. This figure is expected to rise following further lockdown periods due to the likelihood of several individuals having their employment terminated or a reduction in pay.
- 4.1.2 A sample of 40 eligible claims processed during March 2020 – September 2020 was selected and verified to ensure they were processed correctly and in a timely manner. For each claim in the sample, it was found that the expected evidence had been received to support the applications. The discount allocated was found to be correct, with the amount transferred immediately to the applicants' Council Tax bills.

- 4.1.3 It was seen that the average time to process applications, from date of application received to the award date was 27 days, with one application taking 226 days. It was found that this applicant had changed address in December 2019 but failed to inform the Benefit Service. A confirmation of her change in circumstances was received from the Department for Work and Pensions in January 2020, but despite several attempts by the Benefits Service to contact the applicant for further information, a response was not received until July 2020, with the application being processed in August 2020. The Benefits Manager confirmed that the Service had assessed the application form for the Council Tax Reduction in December 2019. Following the publication of the draft report it was confirmed that discussions had taken place to strengthen the arrangements for receiving similar claims, and revised guidance produced.
- 4.1.4 The Benefits Service and the Revenues Service are making every effort to inform the people of Gwynedd of the various exemptions, discounts, grants or benefits available to them during these uncertain times, and not only providing information on the support available by the Council, but also directing citizens to outside bodies that assist those in difficult financial circumstances.

5. **Agreed Actions**

**The Benefits Manager has committed to implement the following to mitigate the risks highlighted:**

- **Continue discussions to improve the process when receiving information.**

## FREE SCHOOL MEALS ARRANGEMENTS

### 1. Background

- 1.1 Free school meals are available for Gwynedd school children if their parents or guardians receive certain benefits. During the COVID19 lockdown periods, and the relevant school holidays, the Welsh Government decided to continue to provide free school meals for eligible children, even when the schools were closed.

### 2. Scope and Purpose of the Audit

- 2.1 The purpose of the audit was to ensure that appropriate arrangements were in place to ensure that eligible vulnerable children received free school meals during the COVID19 pandemic. In order to achieve this, the audit encompassed reviewing the Council's arrangements to provide free school meals for eligible children while schools were closed, whether due to lockdowns, or over school holidays.

### 3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

- 4.1 During an ordinary school term, eligible children receive their school meals free of charge. As schools closed over the COVID19 pandemic lockdown periods, the Welsh Government decided that the risk of the children missing out on meals was unacceptable so they decided to fund a scheme to continue to provide free school meals for eligible children while the schools were closed due to lockdown periods, or due to holidays until Easter 2022.
- 4.2 Due to the closure of the schools, alternative arrangements were required to fulfil this responsibility. The Welsh Government has published guidance, which includes the option of providing vouchers, direct payments and preparing packed lunches. Children who were eligible for free school meals were originally provided with a cold packed lunch to collect from their school. However, the number of children coming to collect the packed lunches from their schools was low compared to the number of children who were eligible.

- 4.3 After weighing up the various options, it was decided to send a weekly direct payment into the bank accounts of parents / guardians of children who qualify for free school meals. Unfortunately, there remains a risk that children will not receive a meal with this money after all, as it is entirely dependent on the parents spending the money on appropriate food for the children. However, for various reasons it is not possible to eliminate the risk of malnutrition by using the other options either, for example, pre-packed food packages may not be eaten by the children. Consideration must also be given to the implications of preparing packed lunches over lockdown or school holiday periods; the cost of the goods, preparation, travel, personal protective equipment, planning and employing staff etc. Consideration was given to using food vouchers for parents / guardians to spend in supermarkets but due to the rural nature of Gwynedd, it was felt that this would not have worked across the County as the vouchers were limited to large supermarkets.
- 4.4 The Education Department receives a weekly list from the Council's Benefits Service of those eligible for free school meals, before making payments. The payments made to the parents / guardians were reviewed and tests carried out to ensure propriety. Some irregularities were discussed with the Education Department.
- 4.5 During the first lockdown, the 'Neges' scheme provided food packages to vulnerable families in Gwynedd and Anglesey. This scheme encompassed a wider range of families than those eligible for free school meals, and was in addition to their care packages. Neges was administered by Môn Larder by agreement with Menter Môn, and provided by Dylan's. Gwynedd and Anglesey Councils supplied individuals and families to receive the food packages, which included homeless individuals in hostels, vulnerable adults without a care package, families on the safeguarding register etc.

# Agenda Item 12

COMMITTEE	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE	<b>11 FEBRUARY 2021</b>
TITLE	<b>INTERNAL AUDIT PLAN 2020/21</b>
PURPOSE OF REPORT	<b>TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2020/21 AUDIT PLAN</b>
AUTHOR	<b>LUNED FÔN JONES – AUDIT MANAGER</b>
ACTION	<b>FOR INFORMATION</b>

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## **1. INTRODUCTION**

1.1 This report is a progress report on completion of the 2020/21 Internal Audit Plan.

## **2. SUMMARY OF PROGRESS AGAINST THE PLAN**

2.1 The 2020/21 internal audit plan is included in Appendix 1 with the status of the work as at 31 January 2021 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

<b>Audit Status</b>	<b>Number</b>
Planned	5
Working Papers Created	2
Field Work Started	6
Field Work Competed	3
Awaiting Review	1
Closed	1
Final Report Issued	10
<b>Total</b>	<b>28</b>
<b>Cancelled</b>	<b>11</b>

2.2 The service aims to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2021. The quarterly profile of this indicator is as follows:

End of quarter 1	8%
End of quarter 2	20%
End of quarter 3	50%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit’s actual achievement up to 31 January 2021 was **39.29%** - out of **28** individual audits contained in the 2020/21 plan, **711** had been released in a finalised version/completed.

**3. AMENDMENTS TO THE PLAN**

3.1 A total of 200 days has been included in the 2020/21 Annual Plan for assisting the Test, Trace and Protect Service which is a programme launched by the Welsh Government with the aim of leading Wales out of the pandemic through enhance health surveillance in the community, effective and extensive contact tracing and support people to self-isolate. Already, over 100 days have been spend assisting this priority 1 service.

3.2 To reflect the above in the Audit Pan, it was inevitable that some audits could not be conducted. Hence, it was decided to modify or cancel the following audits and transfer the days to undertake the work on the Test, Trace and Protect Programme.

<b>Audits</b>	<b>Days</b>	<b>Amendment/Cancelled</b>
Business Arrangements as a result of Covid-19	30	Reduce the days to 20 days
Respond to key issues affecting the internal control environment	30	Reduce the days to 10 days
Business Continuity Plans and Lessons Learned	40	Cancelled
School Funds	30	Cancelled
New Starters <i>(Pensions and Payroll)</i>	12	Cancelled
Risk Assessment Arrangements and Training Programme <i>(Children and Families)</i>	12	Cancelled
Statutory Assessments (AMHP) <i>(Children and Families)</i>	20	Cancelled
Risk Assessments <i>(Highways and Municipal)</i>	20	Cancelled
Budgeting and Expenditure <i>(YGC)</i>	10	Cancelled
Storiell	5	Cancelled
Business Units	12	Cancelled
Beach Management Plan	8	Cancelled
Welsh Church Fund	3	Cancelled

3.3 Traditionally, it would have been customary to plan for the next financial year by reflecting on the risks and challenges of the current year, but this year, that practice if of limited use when planning for 2021/22, therefore it will be inevitable to plan ahead by considering the changes envisaged over the next 12 months.

- 3.4 In accordance with best practice and the Public Sector Internal Audit Standards, the Internal Audit Plan is subject to continuous review to ensure that it remain current and reflects changes in the business environment. This is even more important given the significant and rapid impact of the Covid-19 pandemic on the Council. To this end, the Audit Plan will need to be flexible and constantly reviewed and updated, ideally on a quarterly basis. I believe this is a positive step forward and an opportunity to embrace.
- 3.5 It is inevitable that any audit plan will need to be flexible to be able to respond to emerging high risk developments and issues. Therefore, conducting the above audits (para. 3.2) will be dependent on a timely assessment of risks/priorities and any new developments or risks that emerge during this unstable period. Internal Audit will consult with the relevant Head/Assistant Head/Senior Manager to discuss the audits in the usual manner and the Audit Manager will aim to liaise with the Heads/Departmental Management Team on a regular basis to ensure that the Internal Audit Service is aware of any developments, alternative arrangements that have been established or are being developed along with current issues that may pose a risk to delivering services to the residents of Gwynedd.

#### **4. RECOMMENDATION**

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2020/21 audit plan, the proposed arrangement for preparing the Audit Plan and offer comments thereon and accept the report.



# Internal Audit Plan 2020/2021

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
<b>CORPORATE</b>						
1-CORFF-11/2021/001	Employment Statements	8.00	0.00	<b>8.00</b>	<b>5.46</b>	Final Report Issued
1-CORFF-15/2021/001	Climate Change	20.00	0.00	<b>20.00</b>	<b>3.91</b>	Field Work Started
1-CORFF-19/2021/001	Safeguarding Arrangements	10.00	0.00	<b>10.00</b>	<b>7.58</b>	Field Work Started
1-CORFF-20/2021/001	Business Arrangements as a result of Covid-19	30.00	-10.00	<b>20.00</b>	<b>7.08</b>	Field Work Started
1-CORFF-20/2021/002	Respond to key issues affecting the internal control environment	30.00	-20.00	<b>10.00</b>		Planned
1-CORFF-20/2021/003	Business Continuity Plans (across the Council) and Lessons Learned	40.00	-40.00	<b>0.00</b>	<b>1.78</b>	Cancelled
1-CORFF-20/2021/004	Supply chain risks	20.00	0.00	<b>20.00</b>	<b>9.61</b>	Manager Review
1-CORFF-20/2021/005	Home Working Arrangements	20.00	0.00	<b>20.00</b>	<b>11.09</b>	Field Work Complete
1-CORFF-20/2021/006	Track, Trace, Protect - Coronavirus	0.00	200.00	<b>200.00</b>	<b>100.19</b>	Planned
1-CPGV-02/2021	Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	40.00	10.00	<b>50.00</b>	<b>14.27</b>	Field Work Started
<b>EDUCATION</b>						
<b>Resources</b>						
4-DAT-X-ADD/2021/001	Pupil Development Grant	10.00	0.00	<b>10.00</b>	<b>9.96</b>	Final Report Issued
4-DAT-X-ADD/2021/002	Regional Consortia School Improvement Grant	15.00	0.00	<b>15.00</b>	<b>15.20</b>	Final Report Issued
4-DAT-X-ADD/2021/003	Post-16 provision in Schools Grant	3.00	0.00	<b>3.00</b>	<b>0.07</b>	WP Created
<b>Schools</b>						
EADDA32/2021/001	School Funds	30.00	-30.00	<b>0.00</b>		Cancelled
EADDA35/2021/001	Schools - General	5.00	0.00	<b>5.00</b>		Planned
<b>ENVIRONMENT</b>						
<b>Public Protection</b>						
2ADN-GGYC-GYC/2021	Street and Parking Enforcement	12.00	0.00	<b>12.00</b>	<b>5.34</b>	Field Work Started
<b>FINANCE</b>						
<b>Across the department</b>						
AW-TG-12/2021/001	IT Systems	30.00	0.00	<b>30.00</b>	<b>10.74</b>	Field Work Complete

<b>Audit Code</b>	<b>Audit Name</b>	<b>Original Plan</b>	<b>Adjustment</b>	<b>Revised Plan</b>	<b>Actual Days</b>	<b>Audit Status</b>
<b>Accountancy</b>						
AN-ACY-08/2021/001	Harbours Statement of Accounts 2019-2020	4.00	0.00	<b>4.00</b>	<b>4.27</b>	Final Report Issued
AN-ACY-08/2021/002	Joint Planning Policy Committee Statement of Accounts 2019-2020	4.00	0.00	<b>4.00</b>	<b>2.84</b>	Final Report Issued
AN-ACY-08/2021/003	North Wales Economic Ambition Board Statement of Accounts 2019-2020	10.00	0.00	<b>10.00</b>	<b>4.27</b>	Final Report Issued
<b>Pensions and Payroll</b>						
AL-CYF-18/2021/001	Payments to Care Workers	15.00	0.00	<b>15.00</b>	<b>9.35</b>	Final Report Issued
AP-PEN-11/2021/001	New Starters	12.00	-12.00	<b>0.00</b>	<b>0.97</b>	Cancelled
<b>Revenue</b>						
AB-BD-01/2021/001	Council Tax Reduction Scheme	10.00	0.00	<b>10.00</b>	<b>10.27</b>	Final Report Issued
AC-TR-01/2021/001	Welsh Government Business Support Grants	120.00	0.00	<b>120.00</b>	<b>145.62</b>	Closed
<b>ECONOMY AND COMMUNITY</b>						
<b>Community Regeneration</b>						
EADD-01/2021/001	Welsh Church Fund	3.00	-3.00	<b>0.00</b>	<b>0.41</b>	Cancelled
<b>Record offices, museums and the arts</b>						
EDIW-MU-03/2021/001	Storiell	6.00	-6.00	<b>0.00</b>		Cancelled
EDIW-MR-01/2021/001	Lloyd George Museum	6.00	0.00	<b>6.00</b>	<b>4.73</b>	Field Work Complete
<b>Business support</b>						
DDAT-AD-04/2021/001	STEM Gogledd	8.00	0.00	<b>8.00</b>	<b>3.72</b>	Field Work Started
<b>Maritime and country parks</b>						
EHAMT-01/2021/001	Beach Management Plan	10.00	-10.00	<b>0.00</b>		Cancelled
<b>Strategy and development Programmes</b>						
DDAT-AD-05/2021/001	North Wales Economic Ambition Board	15.00	0.00	<b>15.00</b>		Planned
<b>Tourism, marketing and customer care</b>						
DDAT-BS-02/2021/001	Business Units	12.00	-12.00	<b>0.00</b>	<b>1.46</b>	Cancelled
<b>ADULTS, HEALTH AND WELLBEING</b>						
<b>Residential and Day</b>						
5-GOF-CART/2021/001	Private Care Home Fees	30.00	0.00	<b>30.00</b>	<b>1.65</b>	WP Created
<b>CHILDREN AND FAMILY SUPPORT</b>						

<b>Audit Code</b>	<b>Audit Name</b>	<b>Original Plan</b>	<b>Adjustment</b>	<b>Revised Plan</b>	<b>Actual Days</b>	<b>Audit Status</b>
<b>Children and Families</b>						
GGWAS-P03/2021/001	Risk Assessment Arrangements and Training Programme	12.00	-12.00	<b>0.00</b>	<b>0.66</b>	Cancelled
GGWAS-P06/2021/001	Statutory Assessments (AMHP)	20.00	-20.00	<b>0.00</b>		Cancelled
GGWAS-PLANT2/2021	Arrangements for "Fee School Meals"	12.00	0.00	<b>12.00</b>	<b>11.58</b>	Final Report Issued
<b>HIGHWAYS AND MUNICIPAL</b>						
<b>Highways Maintenance and Municipal</b>						
PZ01/2021/001	Risk Assessments	25.00	-25.00	<b>0.00</b>		Cancelled
<b>HOUSING AND PROPERTY</b>						
<b>Homelessness and Supported Housing</b>						
GDAPR-SP01/2021	Supporting People Grant	12.00	0.00	<b>12.00</b>	<b>12.08</b>	Final Report Issued
T-TAI-D01/2021/001	Bed and Breakfast Costs	30.00	0.00	<b>30.00</b>	<b>0.54</b>	Planned
<b>GWYNEDD CONSULTANCY</b>						
<b>Across the department</b>						
PYMG-CON/2021/001	Budgeting and Expenditure	15.00	-15.00	<b>0.00</b>		Cancelled