

Meeting: Cabinet

Date: 9 March 2021

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

Subject: The effect of Covid-19 on Byw'n Iach's 2021/22 Budget

Contact Officer: Dafydd L Edwards, Head of Finance

DECISION SOUGHT:

The Cabinet is asked to authorise the Head of Finance, in consultation with the Head of Legal Services and the Head of Economy and Community, to provide a letter of assurance extending the period of assurance already given to the Byw'n Iach company until the end of the 2021/22 financial year, as provided for in the agreement with the company.

Background

1. At the Cabinet meeting of 19 May 2020, the report was presented by Cllr Ioan Thomas', noting the possible gap in the 2020/21 budget, due to the Covid-19 virus crisis, and noting the efforts of the Leader and officials to ensure appropriate funding options from Welsh Government.
2. It was noted that the situation at that time was fragile in all local authorities, with declining income and higher expenditure during the crisis period. However, Gwynedd Council had stepped forward to respond and urgent action taken to look after its residents and services.
3. It was reported that the loss would depend on the duration of the crisis, the effect of the restrictions, and the amount of any Welsh Government grant. The expectation was that Welsh Government would fund Gwynedd Council's additional expenditure, but in May 2020, there was no certainty if the Government would contribute towards local authority income losses.

Previous Decision

4. Therefore, on 19 May 2020, the Cabinet had to consider how to cope with the possible gap in Gwynedd Council and Byw'n Iach's budget due to significant income losses due to the crisis.
5. However, whilst noting that Byw'n Iach would have financial losses as a result of the restrictions of the Covid-19 crisis, the Cabinet confirmed that it was willing to provide the necessary financial support to maintain the services of the Byw'n Iach company initially, until the end of the 2020/21 financial year.

6. It was decided to authorise the Head of Finance, in consultation with the Head of Legal Services and the Head of Economy and Community, to provide a letter of assurance to the company. The Head of Finance sent the letter to the Chair of the Byw'n Iach Cyf Board of Directors on 19 June 2020, confirming that Gwynedd Council would be supporting the company financially until at least 31/03/2021.

Developments in 2020/21

7. By now, we know of course that Welsh Government has contributed fairly from their Hardship Fund towards local authority income losses in 2020/21. Also, we have claimed money from HMRC's Furlough scheme whilst the Leisure centres have been closed. It is expected that we will have claimed a total of over £3m of support in 2020/21 on behalf of Byw'n Iach leisure services: £1.8m from the Welsh Government, as well as £1.2m of Furlough.

Expectations by 2021/22

8. Unfortunately, the side effect of the Covid-19 crisis is likely to continue in 2021/22. Restrictions of some kind could be in place throughout 2021, and Byw'n Iach face the challenge of building the confidence of their customers. With that in mind, and uncertainties due to factors such as the development of the virus, the success of the vaccination scheme, Welsh Government regulations, etc, the company commits to work very closely with the Council in moving forward during the year.
9. Practically, the opinion of Gwynedd Council remains certain that an arms-length company model is the most suitable to meet its aspirations in the leisure industry, and we will continue to maintain the close relationship with Byw'n Iach Cyf to ensure its continued financial viability.

Recommendation

10. Therefore, it is recommended that the Council extends the period of assurance that was introduced to the company in 2020/21 into the next financial year, confirming should the Covid-19 crisis continue that Gwynedd Council will financially support the company at least until 31/03/2022.
11. This assurance of financial support will enable the company to continue to trade legally from 1 April 2021 until the end of the financial year.

Financial Implications

12. Using 2021/22 as a basis, the loss of income was £1.8m, and therefore it is not anticipated that the cost of keeping Byw'n Iach viable would be above this amount in 2021/22.
13. If the impact of the Covid-19 crisis continues in 2021/22, it is a reasonable budgetary assumption that the Welsh Government will continue to compensate the Council for the income losses in the next financial year.

14. Therefore, whilst the potential cost of providing the company with the necessary financial support is open ended, compared to the similar consideration in May 2020, there is now a greater likelihood that the Government will take on a significant proportion of the cost.
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Opinion of local member

Not a local matter

Views of the Statutory Officers

Monitoring Officer:

There is provision in the contract with the Byw'n Iach company which allows the Council to adapt it's contractual contributions. The recommendation allows for the extension of the warrant given for 2020/21 in order to enable the company to maintain it's activities which, as noted in the report, accord with the Council's strategic objectives.

Head of Finance:

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