

REPORT TO THE CABINET

19 MAY 2020

Cabinet Member: Councillor Ioan Thomas, Cabinet Member for Finance

Subject: The Effects of COVID19 on the 2020/21 Budget

Contact Officer: Ffion Madog Evans, Senior Finance Manager
Dafydd L. Edwards, Head of Finance

1 The decision sought

The Cabinet is asked to note the possible funding gap in the 2020/21 budget and to support the efforts of the Leader and officials to ensure appropriate funding options from the Welsh Government.

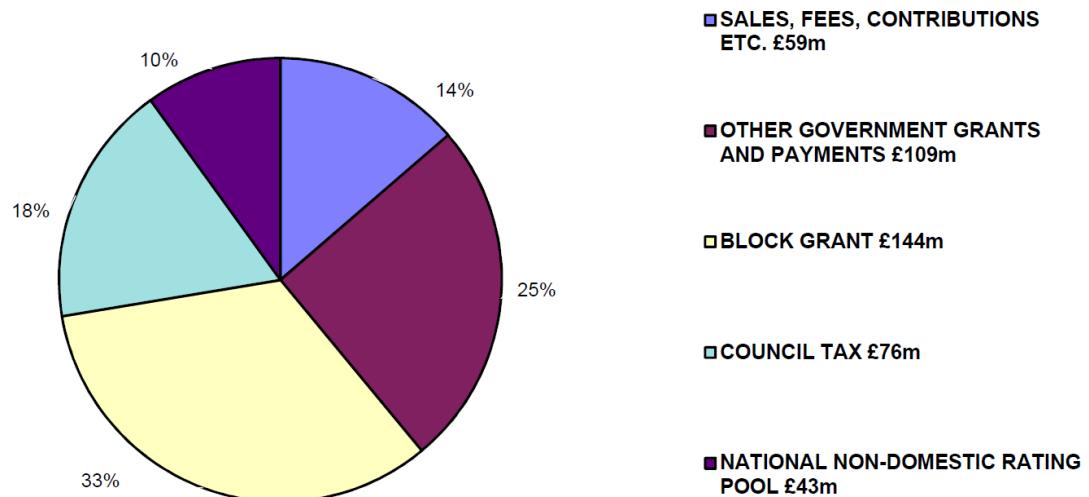
2 Purpose of the Report

To inform the Cabinet of the financial effects of COVID19 on the Council's 2020/21 budget, which is a combination of additional costs as well as a significant loss in income.

3 Background

At the full Council meeting dated 5 March 2020 a net budget of £262 million was approved for 2020/21, with the gross budget for the year being £431 million. The diagram below shows that 14% of the Council's income comes from sales, fees, contributions etc.

WHERE THE MONEY COMES FROM - £431 million



4 Effects of COVID19 on the Income and Expenditure until the end of June

A net increase of £1.2 million in Council expenditure is anticipated for the quarter to the end of June as a result of the COVID19 impact, with additional expenditure of £1.8 million for the period up to the end of June, alongside a decrease in expenditure of £640k over the same period.

There is a more dramatic impact on the Council's income, with income losses of £6.8 million forecast for the same period, the largest impact of £1.1 million on Byw'n lach, £1 million school meals, £600k Parking, £600k Highways Agreements and £500k Gwynedd Consultancy.

The expectation is that we will receive funding from the Welsh Government to fund the additional expenditure, but there is no promise in terms of funding the loss of income.

The Welsh Local Government Association (WLGA) has submitted information to the Finance sub Group 30/04/2020, in order to influence the Welsh Government. This is under consideration by the Ministers who will be coming back to the WLGA soon.

5 Impact on the Period beyond the end of June

According to our latest forecast, if the lockdown is to be extended further, our estimates forecasts possible income losses as follows:

	Current Assumptions 2020/21 - 100% income losses for :-		
	3 months	6 months	12 months
	£ millions	£ millions	£ millions
Cyngor Gwynedd	4	8	12
Byw'n lach	1	2	4
Total	5	10	16

The income loss per department is detailed in **Appendix A**.

6 Funding Deficit

There is no certainty at present if the Welsh Government will contribute towards the loss of income so we will need to consider how to cope with Gwynedd Council's budgetary gap. The loss of income is forecast to be between a range of £5 million - £16 million, which will be dependent on the duration of the crisis. The current value of our general balances is £7.5 million. There is therefore an obvious need for the Government to compensate authorities for the lost income, especially as the expected income is unlikely to recover for many years possibly.

7 Recommendation

The Cabinet is asked to consider the expenditure and income forecast for Gwynedd, noting the budgetary gap that could derive from the crisis in 2020/21 and to support the efforts of the Leader and officials to ensure appropriate funding options from the Welsh Government.

Local Member's View

Not relevant

Opinion of the Statutory Officers

Monitoring Officers:

It is appropriate that the Cabinet is provided with an update in relation to the impacts of the crisis on the Council's financial position. Although the figures are inevitably estimates, they convey the scale of the situation and the case for support from the Government.

Head of Finance:

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

APPENDICES

APPENDIX A - Analysis of the Impact of Covid19 on Departmental Income Budgets 2020/21

APPENDIX A

Analysis of the Impact of Covid19 on Departmental Income Budgets 2020/21

Departments	Current Assumptions 2020/21 - 100% income lossess for :-		
	3 months	6 months	12 months
	£'000	£'000	£'000
Adults, Health and Wellbeing	258	713	1,622
Children and Supporting Families	39	65	65
Education	1,008	1,261	1,261
Economy and Community	775	1,565	2,787
Highways and Municipal	704	1,311	2,408
Environment	1,078	2,010	2,583
Gwynedd Consultancy	450	900	1,800
Housing and Property	141	250	500
Corporate Management Team and Legal	16	21	100
Corporate Support	117	177	329
Finance and Corporate	40	80	160
Total (Excluding Byw'n lach)	4,368	7,640	11,993
Byw'n lach	1,173	1,982	4,006
Total (Including Byw'n lach)	5,541	9,622	15,999

* The above are estimates based on the input and views of Managers / Head of Departments, they are fair estimates in terms of the information received but less reliable than the Finance Department's usual estimates.

** Byw'n lach – Planning with Byw'n lach after a better understanding of Furlough's impact on their spending.