

REPORT TO THE CABINET

14 JUNE 2022

Cabinet Member: Councillor Ioan Thomas, Cabinet Member for Finance

Subject: Final Accounts 2021/22 – Revenue Out-turn

Contact Officer: Ffion Madog Evans, Senior Finance Manager

1. The decision sought / purpose of the report

The Cabinet is requested to:

1.1 To consider and note the final financial position of the Council's departments for 2021/22.

1.2 **To approve the amounts to be carried forward** (the "Revised Over/(Under) Spend" column of the summary in **Appendix 1**), namely -

| DEPARTMENT | £'000 |
|--------------------------------------------|--------------|
| Adults, Health and Well-being | (69) |
| Children and Families | (97) |
| Education | (60) |
| Economy and Community | (72) |
| Highways and Municipal | 0 |
| Environment | (100) |
| Gwynedd Consultancy | (100) |
| Housing and Property | (100) |
| Corporate Management Team and Legal | (33) |
| Finance | (96) |
| Corporate Support | (63) |

1.3 To approve the following recommendations and virements (as outlined in **Appendix 2**) –

- The Highways and Municipal Department to receive one-off financial support of £746k to fully abolish the overspend for the year, considering the exceptional circumstances relating to the crisis this year. This will allow the department to move on to face the challenges of 2022/23.
- In order to comply with the Financial Regulations, the following departments will not be keeping overspend above (£100k):
 - Environment Department (£91k)
 - Gwynedd Consultancy Department (£9k)
 - Housing and Property Department (£180)

A Cabinet decision is sought to earmark a total of £280k for the post-Covid recovery arrangements to fund the associated financial challenges that will be facing the Council.

- On Corporate budgets:
 - that (£2,183k) relating to capital costs is allocated to a capital programme fund
 - with the remainder of the net underspend on Corporate budgets being earmarked as follows:
 - (£395k) placed in the Council's general balances
 - (£3,000) to the Council's Transformation fund to fund the Council's priorities and work of a transformational nature
 - (£1,377) to the post-Covid recovery arrangements Fund to fund the associated financial challenges that will be facing the Council.

1.4 To approve the virements from the specific reserves as outlined in **Appendix 4** following a review of the funds, harvesting (£851k) from funds and use £746k of it to assist the Highways and Municipal Department which has overspent in 2021/22 and transfer the remaining £105k to the Council's general balances.

2. Introduction / Background

2.1 A summary of the final position of all departments has been outlined in **Appendix 1**, with the amounts to be carried forward (subject to Cabinet approval) in the "2021/22 Revised Over/(Under) Spend" column. At the end of the year, only one department is overspending, which is the Highways and Municipal Department, and all other departments are underspending.

2.2 In **Appendix 2**, further details are provided relating to the main issues and the fields where there were significant variances to what was reported previously, along with several specific recommendations. Those recommendations have been highlighted for consideration in 1.3 above.

2.3 In the last review of the revenue budget undertaken on the end of November position, it was noted that the projected deficit stood at £899k. Since then, the Council received a number of additional substantial grants, that has transformed the position by the end of the financial year. The main ones include:

- £7.1 million Welsh Government Hardship Fund
- £2.5 million Local Government Settlement Addition 2021/22
- £1.9 million Local Government Social Care Hardship
- £1.8 million School Maintenance
- £1.5 million Social Care Recovery Fund 2021/22
- £1.2 million Accelerated Learning in Schools

- £0.9 million towards Council Tax losses
- £0.8 million Support to deliver the priorities of the North Wales Regional Economic Framework and speed up the post-Covid economic recovery

2.4 As a result of receiving the above grants, together with other numerous grants, this means that the 2021/22 financial position shows an underspend that was not anticipated in previous reviews.

2.5 **The Cabinet is requested to approve the final financial position for 2021/22, which is the basis of the statutory financial statements.**

3. Covid-19

3.1 As reported to the Cabinet in 2020/21 and 2021/22, the financial impact of the Covid-19 crisis is significant to the Council, with a combination of additional costs and a loss of income, comes to a value of £17.5 million by the end of the financial year. See the details in **Appendix 3**.

3.2 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 £14.9 million for 2021/22 have been submitted by the Accountants to Welsh Government, in order to compensate the Council for the additional expenditure for the year, with funding of £13.3 million already received.

3.3 In terms of income losses, the value of the claims for the year was worth £2.3 million, with the Council having already received £2 million of the sum by Welsh Government.

3.4 The Furlough scheme was operational for the first half of the financial year, which was worth £267k for the period, with the Council claiming and receiving the amount in full, which was £246k for Byw'n Iach and £21k for Gwynedd Council.

3.5 The impact of the additional costs and income losses seen within the figures reported by the departments can be seen in **Appendices 1 and 2**.

3.6 As well as the Hardship Fund and the furlough scheme, once again this year, a large number of various additional grants were received across the Council late in the year. This includes the seven main grants that are worth £10.6 million, listed in point 2.3 above.

4. The Savings Situation

- 4.1 After reviewing the savings situation, it appears that over £32.8 million, namely 94% of the amended savings schemes since 2015, have now been realised. Without a doubt, a delay was seen in the realisation of some savings schemes as a result of the Covid crisis.
- 4.2 It was seen that the delay in realising the savings was most prominent in the Adults, Health and Well-being Department with slippage on schemes to the value of £855k, whilst the Highways and Municipal Department had £608k.

5. Council Departments

- 5.1 What is very clear by the end of this year is the impact of the Covid crisis on the financial situation, as well as the impact of all late substantial grant receipts, which has improved the financial position by the end of the financial year. Although, the annual trend continues with substantial pressures in the Highways field. The main issues are as follows:

5.2 Adults, Health and Well-being Department

A substantial improvement was seen in the department's financial situation by the end of the year following the receipt of substantial grants during the last months of the year. The impact of Covid-19 has had a substantial impact on the Adults, Health and Well-being Department this year, which is worth over £3.7 million by the end of the year.

5.3 Children and Families Department

After the Council allocated £1.8 million in additional funding to the Children and Families Department in the 2021/22 funding cycle in order to meet the increasing pressure, as well as abolish savings schemes to the value of £1.1 million that were not delivering, an underspend of (£97k) at the end of the year. The pressures in different fields are lower than the 2020/21 levels, but there is an overspend in the Out-of-County Placement and Post-16 fields.

5.4 Highways and Municipal Department

The municipal field continues to overspend, with the most prominent 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 £608k. The department has also faced substantial additional costs relating to Covid19 to comply with the rules, with Welsh Government compensating us for this.

5.5 Corporate

The pressures on a number of budgets during 2021/22 was not as high as what was projected when setting the budget. Prudent projections were made when setting the 2021/22 budget, that was responsible for additional Council Tax outputs, and contributed to the underspend on Council Tax Reductions. Additionally, late grant receipts to the value of £3.3 million from Welsh Government is responsible for a substantial proportion of the underspend

reported. Numerous grant receipts and slippages on the capital programme means that there is a need for slippage in relevant revenue funding.

- 5.6 **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, and a formal decision is sought to approve the sums to be carried forward.** Financial Procedure Regulation 16.3.1 details the arrangements for sums to be "carried forward" at the end of the year. There is one request for the Cabinet to cancel the departmental deficit, and three departments with an underspend position that is above the £100,000 threshold at the closure of 2021/22 accounts, and therefore, with underspend to harvest.
- 5.7 Generally, where departments have underspent, that position would be for one time in 2021/22 only.
- 5.8 Appropriate consideration was given to the budgets that are under pressure in the 2022/23 budgetary cycle, and most of those permanent matters have already been addressed in the financial strategy for 2022/23 (by management action to halt the trend and/or by amending the budget).

6. Schools

- 6.1 A section of **Appendix 2** details the budgetary position of schools, where a statute has presented delegated powers for governing bodies to carry balances forward at the end of a financial year. The county total of schools' balances has increased from £10.7m in 2020/21 to £16.7m in 2021/22. A significant increase was seen in school balances as a result of Covid and various numerous grant increases, with a reduction in balances seen in 3 schools only. We will soon be publishing detailed information on the balances of individual schools in a 'Section 52 Statement'.
- 6.2 The Education Department has arrangements to challenge individual schools to justify the need for their balances, and they are asking headteachers and the relevant schools' governing bodies to explain their intention to use their balances (particularly those with balances exceeding 5% of their budget). This year has again been exceptional due to Covid, and this must be considered when discussing with the schools.
- 6.3 No school has a deficit at the end of the 2021/22 financial year.

7. Corporate Budgets and Reserves

- 7.1 For many reasons, there has been one-off underspend on several Corporate budgets headings this year, as outlined in the last part of **Appendix 2**.
- 7.2 An underspend of £6,995k is reported on Corporate headings. It is suggested that a transfer of £2,183k should be made to the capital programme fund, £395k to the Council's general balances, £3 million to the Council's

Transformation Fund to support transformation work and work of a one-off nature, and that £1,377k is earmarked to a fund for post-Covid recovery arrangements.

- 7.3 The adequacy of the Council's specific reserves was reviewed by the Head of Finance Department once again at the closure of this year's accounts, in accordance with the policy approved some years ago. This review managed to harvest £851k of resources, as outlined in **Appendix 4**. £746k of this is to be used to assist to fund the overspend position by the Highways and Municipal Department, with the remaining £105k to be transferred to the Council's general balances.
- 7.4 With the Cabinet's support, if the departmental underspend above the £100k threshold is used by the Environment Department, Consultancy Department and Housing and Property Department as recommended in part 1.3 above, it will be possible to earmark £280k to a fund for post-Covid recovery arrangements.

8. Next steps and timetable

- 8.1 The purpose of this report is to detail the out-turn position in terms of the underspend or overspend position of individual departments and the Council's expenditure as a whole in 2021/22. This information has already been reflected in the position when completing the draft Statement of Accounts. As Local Government Elections were held on 5 May, it was not possible to follow the usual procedure of receiving Cabinet approval to the revenue out-turn position before the draft Statement of Accounts was completed. The Chief Executive, Corporate Director and Head of Finance have agreed on the decision sought.

Local member's views

Not relevant

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.

Appendices

Appendix 1 - Final underspend / overspend position of each department

Appendix 2 - Main budgetary matters and fields where there were significant variances

Appendix 3 - Government Grant in light of the Covid-19 crisis

Appendix 4 - Harvested resources following a review of reserves