

## REPORT TO THE CABINET

2 JUNE 2015

**Cabinet Member:** COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

**Subject:** FINAL ACCOUNTS 2014/15 - REVENUE OUTTURN

**Contact Officer:** DAFYDD L EDWARDS, HEAD OF FINANCE

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### 1. The decision sought / purpose of the report

1.1 To consider and note the final financial position of the Council's departments for 2014/15.

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 Wellbeing	0
Children and Families	(100)
Education	3
Economy and Community	(60)
Highways and Municipal	(49)
Regulatory	40
Gwynedd Consultancy	(21)
Chief Executive's Department	(64)
Finance	(38)
Human Resources	(64)
Strategic and Improvement	(94)
Corporate Budgets	0

1.3 To approve the following financial transfers (as outlined in **Appendix 2**) –

- As the level of underspend permitted to be carried forward is restricted to (£100k), confirm that the (£255k) which is surplus from the Children's Department be released and recycled to deal with a deficit in another department.
- Clear the Adults' Department's overspend, and finance it by:-
  - re-directing the underspend (£255k) which was above the (£100k) threshold;
  - using (£113k) from general balances.
- Use an additional (£235k) from general balances in order to clear the net deficit on 'Corporate' headings.

1.4 To note the reduction in the level of total specific reserves (use the reserves for the specific purposes), and the reduction in the Council's general balances (in accordance with the Financial Strategy as well as the above) during 2014/15.

## 2. Introduction / Background

- 2.1 Despite difficult circumstances and sustained tightening, **generally, the final financial position of the Council's departments for 2014/15 confirms that there was effective financial management by the relevant Cabinet Members, department heads and budget managers.** Of course, that is supported by our accountants' professional monitoring work, together with constructive challenge as required by the Cabinet and the Management Team.
- 2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2014/15 to enable the Finance Department to move forward and produce the statutory financial statements,** which are to be presented to the Audit Committee on 16 July 2015.

## 3. Council Departments

- 3.1 **Generally, I can confirm that most departments' budgets have been robustly controlled again this year.** A summary of the final position for every department is outlined in Appendix 1, with the sums to be carried forward (dependent on the Cabinet's approval) in the "Revised Over/(Under) Spend" column. Further details relating to the major issues and areas where significant variances from those previously reported are noted in Appendix 2, together with three specific recommendations. Those recommendations are highlighted for consideration above in 1.3.
- 3.2 Most departments' financial position was broadly neutral, but there was significant strain on the **Adults' Department's budget** during the year. Cabinet approval for recommendations submitted here, can resolve the 2014/15 budgetary position and give the new temporary head of department a debt-free commencement to the new financial year.
- 3.3 Financial Procedures Regulation 16.3 specifies the arrangements for transferring resources between accounting years, that is, the sums to be "carried forward" at the year-end:

### 16.3 TREATMENT OF YEAR-END BALANCES

The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.

**16.3.1** The difference between budgeted and actual expenditure whether surplus or deficit, shall be carried forward by each department from each financial year to the next in accordance with the following scheme:

- (a) If a deficit is transferred to the subsequent year, the relevant Chief Officer may request the Cabinet to write off an element of the deficit that was beyond the Service's sphere of influence, conditional upon the agreement of the Corporate Management Team.

- (b) If the mechanism described in part (a) above is used, it will be assumed that a sum equivalent to 0.4% of the gross budget or £50,000 whichever is greatest, will be carried forward.
- (c) The underspend which can be carried forward shall be limited to £100,000 per department in any one year.
- (d) The Cabinet shall have the right to waive clauses (a) to (c) above.

3.4 **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, who will approve the sums to be carried forward.** In accordance with regulation 16.3.1(a) above, the Head of the Adults' Department, with the support of the Corporate Management Team, is submitting a request that the Cabinet writes off the Adults' Department's deficit, which was beyond his influence. The usual assumption, in accordance with regulation 16.3.1(b) above, would be for the Department to carry over £50,000 of their deficit, but I recommend that the Cabinet give the Adults' Department a clean slate in order to move forward to face and manage some challenging expenditure tendencies in 2015/16 and give priority to realising substantial financial savings.

3.5 Generally, where departments have underspent, that position would be for one time in 2014/15 only, where 2015/16 efficiency savings schemes have been realized early.

3.6 In the majority of budgets where there was an overspend in 2014/15, appropriate consideration has been given to the related requirements in the 2015/16 budgetary cycle, and most of that overspend has already been addressed in the financial strategy for 2015/16 (by management action to halt the trend, and/or by amending the budget).

#### **4. Schools**

4.1 A section of Appendix 2 elaborates on the position of the schools budgets, where statute has conferred delegated powers for governing bodies to carry balances forward at the end of the financial year. The county total of schools' balances has reduced from £3.8m to £3.5m in 2014/15. We will be publishing detailed annual information regarding individual schools' balances before long in a 'Section 52 Statement'.

4.2 The Education Department has arrangements to challenge individual schools to justify the need for their balances, and they ask school heads and the relevant schools' governing bodies to explain their intention to use their balances (particularly those with balances exceeding 5% of their budget). The relevant Finance Unit will also remind the heads and governing bodies of the schools which have financial deficits that this needs to be dealt with.

## **5. Corporate Budgets and Reserves**

- 5.1 There were mixed results on corporate budget headings this year, as outlined in the final section of Appendix 2. If the net underspend is applied as recommended in paragraph 1.3 above, the Council's general balances will reduce £2m from £8.4m to £6.4m as at 31/03/2015. Also, members will recall that £2m of these general balances has already been committed this year in the 2015/16 Financial Strategy. However, it should be noted that through effective control over its budgets in 2014/15, the Council will have succeeded in dealing with several financial issues during the year.
- 5.2 The total of all the Council's specific reserves reduced £1.3m from £49.8m to £48.5m in 2014/15. While these reserves have been earmarked for specific purposes where we will incur future expenditure, a thorough review of their adequacy has been completed by the Head of Finance. However, whilst considering the current challenging financial climate, reserves should be challenged even further. With the Cabinet's support, a further review could be conducted early in 2015/16, with a view to harvesting more resources to meet the ongoing needs of the Redundancy Reserve and the Transformation Reserve, which includes resources for Investing to Save. The outcome of this review will be reported to a subsequent meeting of the Cabinet.

## **6. Next steps and timetable**

- 6.1 In accordance with The Accounts and Audit (Wales) Regulations 2014, and the CIPFA Code of accounting practice, the Chief Finance Officer has to certify the statutory financial statements for 2014/15 by 30 June. Whilst appreciating that this is a challenging timetable, I would like to thank everyone who has contributed in this process.
- 6.2 The purpose of this report is to detail the outturn position relating to underspends and overspends within individual Departments and the Council's expenditure as a whole for 2014/15, and to consider the information in this report, in order to reflect that position in the final accounts.
- 6.3 The position reflected here is based on the latest information, and in bringing the accounts closure process to a conclusion, there could be some further changes. However, no significant change in the general position is anticipated.
- 6.4 The Finance Department will produce the 2014/15 statutory financial statements for certification by the Head of Finance by 30 June and submission for scrutiny by the Audit Committee on 16 July.

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**Local member's views**

Not relevant

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**Opinion of the Statutory Officers****Chief Executive:**

Robust financial control enables the Council to have a strong foundation in order to overcome the financial constraints with which we are faced whilst at the same time ensuring that the effect of those constraints on the people of Gwynedd are kept to the absolute minimum. This report on the 2014/15 financial outturn position is evidence that our financial discipline remains strong. This is a credit to all those who are involved in the process and in particular the Heads of Service and all managers who exercise the required discipline.

The recommendations made in the report appear to be reasonable and I fully support them.

**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 accuracy of the content.

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**Appendices**

Appendix 1 - the final underspend / overspend position of each department

Appendix 2 - budgetary issues and areas where significant variances occurred