

REPORT TO THE CABINET

22 MAY 2018

Cabinet Member: Councillor Peredur Jenkins, Finance Cabinet Member

Subject: Final Accounts 2017/18 - Revenue Outturn

Contact Officer: Dafydd L Edwards, Head of Finance

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 2017/18.
- 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	(100)
Children and Families	100
Education	0
Economy and Community	(35)
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(82)
Corporate Management Team & Legal	(66)
Finance	(66)
Corporate Support	(67)

- 1.3 To approve the following recommendations and financial transfers (as outlined in **Appendix 2**) –
 - Transfer £457k, equivalent to the supporting delivery of social services over the winter period grant to support flexibility and facilitate transformation in the Adults field in the future.
 - Harvest (£37k) of the underspend, being the sum above (£100k) for Adults, Health and Wellbeing, to be used to assist with the shortfall in other departments this year.
 - The Children and Families Department to receive one-off financial assistance of £676k to alleviate the majority of the 2017/18 overspend, allowing them to face the challenges of 2018/19.

- Transfer £207k to eliminate the Education Department's overspend, whilst transport policies and arrangements are being reviewed.
- Highways and Municipal to receive one-off partial financial assistance of £203k to limit the overspend to be carried forward by the Department to £100k, to assist them with facing the challenge of 2018/19.
- Transfer £378k of the Environment's Department 2017/18 overspend to a specific fund, relating to buses and route costs to be used in 2018/19.
- Harvest (£89k) of the Environment's Department underspend, being the sum above (£100k), to be used to assist the departments overspending this year.
- Harvest (£894k) of the net underspend on Corporate budgets (on Council Tax Reduction, bids and budgets returned by departments and on other headings), and transfer to assist the overspending departments in 2017/18.
- Transfer £66k from the Financial Strategy Support fund, being the balance required, to assist the overspending departments.

1.4 To approve the virements from the specific reserves as outlined in Appendix 3 following a review of reserves, namely:

- Harvest (£2.915m).
- Assign £2.749m to the Council Plan.
- Assign £166k to waste issues.

2. Introduction / Background

2.1 Generally, despite the sustained challenging need to achieve savings and cuts, **the final financial position of the Council's departments for 2017/18 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, the Audit and Governance Committee, and the Corporate Management Team.

2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2017/18 to enable the Finance Department to move forward to produce, certify and publish the statutory financial statements before 30 June,** then present these for Audit and Governance Committee scrutiny on 19 July 2018.

3. Council Departments

- 3.1 **Generally, I can confirm that most departments' budgets have been 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 (subject to the Cabinet's approval) in the "Revised Over/(Under) Spend" column. In Appendix 2, further details relating to the major issues and areas where significant variances from those previously reported are noted, together with several specific recommendations. Those recommendations are highlighted for consideration above in 1.3.
- 3.2 Most of the departments are reporting an underspend financial position, which was accurately projected during 2017/18. But there was a significant improvement in the financial position of the **Adults' Department** during the last quarter of the year, following the receipt of a grant from Welsh Government to assist with the cost of supporting social services over the winter period.
- 3.3 There was an overspend on placements and operational services in the **Children and Families** Department, on transport by the **Education** Department and in the waste and engineering field by the **Highways and Municipal** Department.
- 3.4 **The underspend / overspend position of each department in Appendix 1, is reported to the Cabinet, who will approve the sums to be carried forward.** Financial Procedure Rule 16.3.1 specifies the arrangements for sums to be "carried forward" at the year-end. There are three requests for the Cabinet to write off the department's deficit, two requests to transfer funding for a specific purpose and two department with an underspend exceeding the £100,000 threshold on closure of the 2017/18 accounts, therefore with underspend to harvest. There is also a request to use £66k of the Supporting the Financial Strategy fund, the balance required to fund the overspending departments.
- 3.5 Generally, where departments have underspent, those are one-off positions in 2017/18 only.
- 3.6 In the majority of budgets where there was an overspend in 2017/18, appropriate consideration has been given to the related requirements and opportunities in the 2018/19 budgetary cycle, and most of those issues have already been addressed in the financial strategy for 2018/19 (by management action to halt trends, 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 increased from £2.9m to £4.0m in 2017/18, and includes a grant

of £661k received at the beginning of March 2018 by Welsh Government to assist in the maintenance of schools. 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).
- 4.3 The total schools financial deficit has reduced from £420,471 (12 Primary, 4 Secondary, 1 Special) on 31 March 2017 to £306,394 (2 Primary, 3 Secondary, 1 Special) on 31 March 2018. I confirm that the relevant Finance Unit will also ensure that the heads and governing bodies of the schools that have financial deficits will deal with them.

5. Corporate Budgets and Reserves

- 5.1 There were one-off underspends of (£894k) on several revised corporate budget headings this year, as outlined in the final section of Appendix 2. (£894k) of this net underspend is available to alleviate overspends by departments, and a further contribution of £66k is required, to be released from the Supporting the Financial Strategy reserve.
- 5.2 The adequacy of the Council's specific reserves was thoroughly reviewed again by the Head of Finance on closure of this year's accounts, in accordance with the policy approved three years ago. This review succeeded in harvesting £2.915m of resources, as outlined in Appendix 3.
- 5.3 £2.749m is to be earmarked for the priorities of the Council Plan, and £166k for waste issues.
- 5.4 With the Cabinet's support, if the underspend is applied as recommended in paragraph 1.3 above, through effective control over its budgets, the Council will have succeeded in funding its expenditure in line with its plan for 2017/18. Including using £1.013m of the Council's general balances in 2017/18 (in accordance with the Financial Strategy approved 2 March 2017), resulting in a balance of £5.897m.

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 2017/18 before 30 June. As the statutory timetable is to be reduced in next few years, the timetable was reduced this year in preparation, 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 2017/18. We will 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 2017/18 statutory financial statements for certification by the Head of Finance before 30 June and submission for scrutiny by the Audit Committee on 19 July 2018.

Local member's views

Not relevant

Opinion of the Statutory Officers

Monitoring Officer:

Nothing 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.

Appendices

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

Appendix 2 - budgetary issues and areas where significant variances occurred

Appendix 3 - resources harvested from reviewing reserves