

REPORT TO THE CABINET

21 MAY 2019

Cabinet Member: Councillor Ioan Thomas, Finance Cabinet Member

Subject: Final Accounts 2018/19 - Revenue Outturn

Contact Officer: Ffion Madog Evans, Senior Finance Manager

1. The decision sought / purpose of the report

The Cabinet is requested to:

- 1.1 Consider and note the final financial position of the Council's departments for 2018/19.
- 1.2 **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	15
Children and Families	100
Education	100
Economy and Community	28
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(59)
Corporate Management Team & Legal	(76)
Finance	(59)
Corporate Support	(61)

- 1.3 Approve the following recommendations and financial transfers (as outlined in **Appendix 2**) –
 - The Children and Families Department to receive a one-off partial financial assistance of £1,544k to restrict the level of overspend that will be carried over by the department, to support them to move on to face the challenges of 2019/20.
 - The Education Department to receive one-off partial financial assistance of £16k to limit the overspend that will be carried forward by the department to £100k.
 - Compensate the Economy and Community Department £157k, the sum of the overspend due to the slippage of establishing 'Cwmni Byw'n Iach' to run the leisure centres, which limits the overspend that will be carried forward by the department to £28k.

- The Highways and Municipal Department to receive a one-off partial financial assistance of £518k, which limits the overspend that will be carried forward by the Department to £100k, to support them to face the challenges of 2019/20.
- In accordance with the financial regulations it is recommended that the usual practice is adhered to in order to allow the Environment Department to keep (£100k) of their underspend, and to move (£392k) which is the sum above (£100k), to be used to support the departments that have overspent in 2018/19.
- On Corporate budgets, transfer:
 - (£19k) related to the Council Tax Premium to a specific reserve to be considered for the Housing Strategy.
 - (£551k) relating to capital costs to a capital programme fund.
 - (£738k) on maintenance to a maintenance reserve.
- Use (£1,843k) of the net underspend on the Corporate budget to support the departments that have overspent in 2018/19.
- The remainder of the Corporate underspend (£173k) to the Council's general balances.

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

- Harvest (£3.931m) from reserves and (£69k) from provisions.
- Assign £3m to the transformation fund for the Council Plan.
- Transfer £1m in to the Council's General Balances.
- Assign for a one-year period, £262k from the Supporting the Financial Strategy Reserve to bridge the funding source relating to liabilities of the Pension Fund.

2. Introduction / Background

- 2.1 Generally, despite the sustained challenging need to achieve savings, along with the pressure seen in the care field, **the final financial position for 2018/19 confirms that there was effective financial management.** Of course, this is dependent on the role of the relevant Cabinet Members, head of departments and budget managers, 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 2018/19 to enable the Finance Department to move forward to produce, certify and publish the statutory financial statements before 15 June.**

3. Council Departments

- 3.1 **Generally, I can confirm that half the departments' budgets have been within its budgets 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 Half of the departments are reporting an underspend, which was accurately projected during 2018/19. But there was an improvement in the financial position of the **Education Department** and the **Adult Department** by the end of the year, following the receipt and redirection of grants, late in the year. A substantial increase in the underspend can also be seen by the **Environment Department**.
- 3.3 There was an increase in the trend of overspending on operational, placement, post-16 and Specialist/Derwen by the **Children and Families Department**, and in the waste area 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 four requests for the Cabinet to write off the department's deficit, and one department with an underspend exceeding the £100,000 threshold on closure of the 2018/19 accounts, therefore with underspend to harvest.
- 3.5 Generally, where departments have underspent, they are one-off positions for 2018/19.
- 3.6 In the majority of budgets where there was an overspend in 2018/19, appropriate consideration has been given to the related requirements and opportunities in the 2019/20 budgetary cycle, and most of those issues have already been addressed in the financial strategy for 2019/20 (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 remained at £4m in 2018/19. Despite this the balances of 42 schools has increased by £1m with the balances of 60 schools reducing by £1m. 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 justification by school heads and the relevant schools' governing bodies is requested 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 £306,394 (2 Primary, 3 Secondary, 1 Special) on 31 March 2018 to £207,106 (4 Primary, 2 Secondary, 1 Special) on 31 March 2019. 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 For a number of reasons there were one-off underspends on several corporate budget headings this year, as outlined in the final section of Appendix 2. As suggested in paragraph 1.3 above, there will be (£1,843k) of this net underspend available to alleviate overspends by departments, (1,308k) to be used for specific purposes with the remainder (£173k) to be placed in the Council's General Balances.
- 5.2 With the Cabinet's support, if the underspend is used as recommended above, through effective controls of its budgets, the Council will have achieved to fund its total expenditure in line with the intentions of 2018/19, by using £1.51m from specific Council reserves to fund one-off bids 2018/19 and by not using any of the Council's balances to balance the 2018/19 budget (in accordance with the Financial Strategy approved by the Council on the 8 March 2018).
- 5.3 As the overspends from some departments in 2018/19 has been balanced from underspends in 2018/19 and since the budget for 2019/20 has been set without having to use the supporting the financial strategy reserve, there is an opportunity to release money from that reserve in order to meet the Council's priorities.
- 5.4 The adequacy of the reserves and specific provisions by the Council were reviewed by the Head of Finance yet again this year when closing the accounts, in accordance with the policy that was approved four years ago.

This review managed to harvest £4.262m of resource, as outlined in Appendix 3.

- 5.5 The £3.0m is to be earmarked in order to prioritise the Council's Plan, £1.0m to be moved in to the council general balances with £262k to be used over the next year to bridge the relevant commitment funding source for the Pension Reserve.

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 2018/19 before 15 June. 2018/19 is a transitional year with a reduced timetable, and a statutory date of 15 June as opposed to 30 June in previous years with a further reduction to 31 May from 2020/21 onwards. I would like to thank everyone who has contributed in the process of completing the work earlier.
- 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 2018/19. 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 2018/19 statutory financial statements for certification by the Head of Finance before 15 June.

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 and provisions