

## REPORT TO THE CABINET

16 JUNE 2020

**Cabinet Member:** Councillor Ioan Thomas, Cabinet Member – Finance

**Subject:** Final Accounts 2019/20 – Revenue Out-turn

**Contact officer:** Ffion Madog Evans, Senior Finance Manager

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### 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 2019/20.
- 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	0
Children and Families	100
Education	(96)
Economy and Community	67
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(11)
Housing and Property	83
Corporate Management Team and Legal	(50)
Finance	(70)
Corporate Support	(100)

- 1.3 To approve the following recommendations and virements (as outlined in **Appendix 2**) –
  - The Children and Families Department to receive a one-off financial assistance of £3,259k to restrict the level of overspend that will be carried over by the department to £100k, to support them to move on to face the challenges of 2020/21.

- The Highways and Municipal Department to receive a one-off financial assistance of £447k, which limits overspend that will be carried forward by the Department to 2020/21 to £100k, to support them to face the challenges of 2020/21.
- 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 (£70k) which is the sum above (£100k), to be used to support the departments that have overspent in 2019/20.
- On Corporate budgets, use (£1,012k) of the net underspend to assist the departments that have overspent in 2019/20.

1.4 To approve the virements from specific reserves and provisions:

- as outlined in **Appendix 3** following a review of reserves and provisions, harvest (£801k) from reserves and (£24k) from provisions using the total of (£825k) to assist the departments that have overspent in 2019/20.
- Finance the rest of the departmental overspend from (£1,799k) that is left to be funded from the Council's Financial Strategy Reserve.

## 2. Introduction / Background

2.1 Having examined the final position in 2019/20, the substantial pressures that face the field of care and the field of waste are clear, signs can also be seen that there are some difficulties in achieving savings, as we are seeking to minimise the impact on Gwynedd residents by achieving efficiency savings, it is much more difficult than undertaking service cuts.

We already know that the 2020/21 financial year will be a challenging one in financial terms, as already explained in the impact of Covid-19 on the 2020/21 budget report which was submitted to the Cabinet on 19/05/2020.

2.2 Therefore, **the Cabinet is requested to approve the final 2019/20 financial position. The Finance Department has produced, certified and published the statutory financial statements since 3 June before the statutory deadline of 15 June.**

### 3. Council Departments

- 3.1 **On the whole, I confirm that over half of the departments have been able to keep within their budgets this year.** 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 "Revised Over/(Under) Spend" column. 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 above in 1.3.
- 3.2 In the last review of the revenue budget on the position at the end of November, a probable overspend of £4.6 million on Council departments was forecasted. Since then, there has been a reduction of £1.1 million to the departments' comparative figure, to £3.5 million by the end of the year, being a reduction of £0.7 million by the **Adults, Health and Wellbeing** Department and a reduction of £0.4 million by the **Highways and Municipal** Department. Further, there is a £1 million underspend on **Corporate** budgets, which therefore reduces the gap to £2.5 million.
- 3.3 The financial position at the end of the year is that over half of the departments are underspending, and was projected correctly during 2019/20. A reduction in the overspend level was seen by the **Highways and Municipal Department**, with the position of the **Education Department** and **Gwynedd Consultancy** better than what had been anticipated. However, I note that there was a marked improvement in the financial position of the **Adults' Department**, following receipt and re-referral of grants from the Government late in the year.
- 3.4 There was an increase in the tendency to overspend on operational services, placements, Post-16 and Specialist / Derwen by the **Children and Families** Department, and therefore a £3.4m overspend is reported at the end of the year, an increase of £200k from the £3.2 million forecasted in the end of November review. Although the position of overspending in the children's field is not unique to Gwynedd, but rather a picture which is seen across authorities, the position is worrying.
- 3.5 Nearly £2 million of additional funding has been allocated to the **Children and Families Department** in 2020/21 in order to meet increased pressures. However, the failure to realise savings is a matter which still needs to be resolved, but it is intended to address this in a subsequent report to the Cabinet.
- 3.6 The **Highways and Municipal** Department continues to overspend significantly in the waste field, but a number of factors across the department are responsible for the reduction in the level of overspend to £547k by the end of the year.

- 3.7 **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, that will 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 are two requests for the Cabinet to abolish the departmental deficit, and one department with an underspend position that is above the £100,000 threshold at the closure of 2019/20 accounts, and therefore, with underspend to harvest.
- 3.8 Generally, where departments have underspent, that position would be for one time in 2019/20 only.
- 3.9 In the majority of budgets where there was an overspend in 2019/20, appropriate consideration was given to the related requirements and opportunities in the 2020/21 budgetary cycle, and most of those permanent matters have already been addressed in the financial strategy for 2020/21 (by management action to halt the trend and/or by amending the budget).

#### **4. Schools**

- 4.1 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 £4m in 2018/19 to £4.3m in 2019/20. A general increase was seen in the balances of secondary sector schools and an increase of £430k in the balances of 43 primary schools but a reduction of £416k in the balances of 40 primary schools. We will soon be publishing detailed information on the balances of individual schools 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 are asking head teachers 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 financial deficit total of schools has increased from £207,106 (4 Primary, 2 Secondary, 1 Special) on 31 March 2019 to £239,646 (2 Primary, 1 Middle, 2 Secondary) on 31 March 2020. I confirm that the relevant Finance Unit will also ensure that head teachers and governing bodies of the schools which have financial deficits deals with them.

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

- 5.1 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**. As recommended in part 1.3 above, (£1,012k) of this net underspend will be available to mitigate overspend by the Children Department and the Highways and Municipal Department.
- 5.2 The adequacy of the Council's specific reserves and provisions 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 £825k of resources, as outlined in **Appendix 3**.
- 5.3 All of the £825k is to be used to assist to fund the overspend position by the departments.
- 5.4 With the Cabinet's support, if the underspend is used as recommended above, and the £825k used from harvested reserves and provisions, £1.799 million of funding is required to balance the 2019/20 financial position.
- 5.5 It is suggested that £1.799 million should be transferred from the financial strategy reserve to bridge the gap. Therefore, the Council has managed to avoid making any use of Council balances to balance the 2019/20 budget (in accordance with the Financial Strategy approved by the Council on 5 March 2020).

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

- 6.1 In accordance with the Accounts and Audit (Wales) Regulations 2014, and the CIPFA Code of Practice, the Chief Finance Officer must certify the Council's statutory 2019/20 financial statements before 15 June. 2019/20 is a second transitional year in terms of a reduction in the timetable, with the statutory date noted as 15 June rather than 30 June, with a further reduction to 31 May from 2020/21 onwards. I wish to thank everyone who has contributed to the process of completing the work sooner and under very challenging circumstances this year in light of the Covid-19 crisis.
- 6.2 The purpose of this report is to elaborate on the out-turn position in terms of the underspend or overspend of individual departments, and Council expenditure in its entirety in 2019/20. We will consider the information as a result in order to reflect the position in the final accounts.
- 6.3 The Finance Department has produced the 2019/20 statutory financial statements that have been certified by the Head of Finance Department before this year's statutory date of 15 June.

**Local member's views**

Not relevant

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**Views of the statutory officers****The 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.

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**Appendices**

Appendix 1 - final underspend / overspend position of each department

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

Appendix 3 - harvested resources following a review of reserves and provisions