

REPORT TO THE CABINET

6 JUNE 2017

Cabinet Member: COUNCILLOR PEREDUR JENKINS, FINANCE CABINET MEMBER

Subject: FINAL ACCOUNTS 2016/17 - 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 2016/17.
- 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	0
Education	(48)
Economy and Community	(19)
Highways and Municipal	0
Environment (formerly Regulatory)	(38)
Gwynedd Consultancy	(96)
Corporate Management Team & Legal	(45)
Finance	(67)
Corporate Support	(56)

- 1.3 To approve the following recommendations and financial transfers (as outlined in **Appendix 2**) –
 - Use (£46k), that is the underspend in excess of £100k Adults, Health and Wellbeing to contribute towards the shortfall in another department.
 - Clear the overspend in the Children and Families Department so that they can move forward to face the 2017/18 challenge, and to finance this by re-directing the Adults, Health and Wellbeing Department underspend (£46k) and Corporate underspend (£151k).
 - Clear the overspend in Highways and Municipal Department so that they can move forward to face the 2017/18 challenge, and to finance this by re-directing Corporate underspend (£88k).

- Use the £939k underspend on Corporate Budgets for 2016/17 as follows: -
 - £151k to clear the Children and Families overspend
 - £88k to clear the Highways and Municipal overspend
 - £700k to be earmarked in a reserve to contribute towards the Financial Strategy for the future.

1.4 To approve the virements from the specific reserves and release the provisions as outlined in Appendix 3 following a comprehensive review of reserves and provisions.

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 2016/17 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 Committee, and the Corporate Management Team.

2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2016/17 to enable the Finance Department to move forward to produce, certify and publish the statutory financial statements by 30 June,** then present these for Audit Committee scrutiny on 13 July 2017.

3. Council Departments

3.1 **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 (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 The financial position of most departments disclosed an underspend, and accurately projected during 2016/17, but there was a significant improvement in the financial position of the **Adults' Department** during the last quarter of the year, and a portion of their gross underspend will be available to finance the shortfall in another department.

3.3 There was an overspend on placements and operational services in the **Children and Families** Department, and in the waste field in the **Highways and Municipal** Department.

- 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.** Financial Procedure Rule 16.3.1 specifies the arrangements for sums to be “carried forward” at the year-end. There are two 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 2016/17 accounts.
- 3.5 Generally, where departments have underspent, those are one-off positions in 2016/17 only.
- 3.6 In the majority of budgets where there was an over/underspend in 2016/17, appropriate consideration has been given to the related requirements and opportunities in the 2017/18 budgetary cycle, and most of those issues have already been addressed in the financial strategy for 2017/18 (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 reduced from £3.3m to £2.9m in 2016/17. 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 £447,692 (11 Primary, 4 Secondary, 1 Special) on the 31 March 2016 to £420,471 (12 Primary, 4 Secondary, 1 Special) on the 31 March 2017. I confirm that the relevant Finance Unit will also ensure 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 one-off underspends of (£939k) on several corporate budget headings this year, as outlined in the final section of Appendix 2. (£239k) of this net underspend is available towards the overspend of two departments, and (£700k) for earmarking towards financing the financial strategy for the future.

- 5.2 The adequacy of all the Council's specific reserves and provisions was thoroughly reviewed again by the Head of Finance on closure of this year's accounts, in accordance with the policy approved two years ago. This review succeeded in harvesting £1.060m of resources (£998k from specific reserves and £62k from provisions), as outlined in Appendix 3.
- 5.3 At present, the Council is facing considerable uncertainty regarding the level of Government's financing grant for 2018/19 and beyond. Accordingly, it is necessary to establish a reserve fund to buy time and ensure flexibility to deal with the challenge and uncertainty. Setting aside £1.76m in a specific reserve will give time for the Council to plan so that it responds appropriately.
- 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 reducing the planned use of its reserves and avoid using any of the Council's general balances in 2016/17.

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 2016/17 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 2016/17, 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 2016/17 statutory financial statements for certification by the Head of Finance by 30 June and submission for scrutiny by the Audit Committee on 13 July.

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