

# REPORT TO THE CABINET

7 JUNE 2016

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

**Subject:** FINAL ACCOUNTS 2015/16 - 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 2015/16.

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	(6)
Children and Families	(8)
Education	(48)
Economy and Community	5
Highways and Municipal	(6)
Regulatory	(90)
Gwynedd Consultancy	34
Corporate Management Team & Legal	(20)
Finance	(70)
Corporate Support	(95)
Corporate Budgets	0

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

- In accordance with the request of the Head of Adult Department it is recommended to approve the budget transfers within the Adult, Health and Wellbeing Department as listed in Appendix 2 (net effect of "£ 0").
- Recommend to use £150k of the gross underspend of the Regulatory Department in 2015/16 to develop an arrangement for the inspection and assessment of the condition of our bridges, culverts and some retaining walls.
- Recommend that £150k of the Corporate Budget underspend for 2015/16 is transferred to the North Wales Residual Waste Partnership reserve fund for the 2016/17 requirements, with the remainder required in 2017/18 being recognised whilst considering the financial strategy for that year.

- Recommend that £769k of the Corporate Budgets underspend for 2015/16 should be transferred to a reserve to finance the 2016/17 financial strategy.
- Recommend that £292k of the Corporate Budgets underspend for 2015/16 should be used towards the 2015/16 financial strategy.

1.4 To approve the virements from the specific reserves as outlined in Appendix 3 (together with provisions released following the review).

1.5 Resulting in using (£833k) of Council balances, rather than the original (£2.019m) in order to complete the package to finance the 2015/16 financial strategy.

## 2. Introduction / Background

2.1 Despite the sustained need to achieve challenging savings, **the final financial position of the Council's departments for 2015/16 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 2015/16 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 14 July 2016.

## 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 several specific recommendations. Those recommendations are highlighted for consideration above in 1.3.

3.2 Most departments' financial position was broadly neutral, and accurately projected during 2015/16, but there was significant improvement in the financial position of the **Adults' Department** during the second half of the year, while there was a reduction in **Gwynedd Consultancy's** commercial income. Also, the **Regulatory Department** are contributing a significant portion of their gross underspend to finance a corporate priority.

**3.3 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. This year, there are no requests for the Cabinet to write off any department's deficit, and after virements to reserves, there are no underspends exceeding the £100,000 threshold on closure of the 2015/16 accounts.

3.4 Generally, where departments have underspent, those are one-off positions in 2015/16 only.

3.5 In the majority of budgets where there was an over/under-spend in 2015/16, appropriate consideration has been given to the related requirements and opportunities in the 2016/17 budgetary cycle, and most of those issues have already been addressed in the financial strategy for 2016/17 (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 £3.5m to £3.3m in 2015/16. 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 increased from £327,873 (9 Primary, 5 Secondary, 1 Special) on the 31 March 2015 to £447,692 (11 Primary, 4 Secondary, 1 Special) on the 31 March 2016. 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 significant one-off underspends on several corporate budget headings this year, as outlined in the final section of Appendix 2. This net underspend of £292k, together with £894k set aside in the second and third quarter review, is available to contribute towards financing one-off corporate priorities.

- 5.2 Members will recall, for the 2015/16 Financial Strategy £2.019m of balances had been committed. Also, for 2016/17 £2.164m had been planned for identification through the review of reserves and so on, and a further £616k is needed to fund one-off "bids" in 2016/17 (totalling nearly £4.8m).
- 5.3 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 this time last year. This review succeeded in harvesting £2.011m of resources (£871k from specific reserves and £1,140k from provisions), as outlined in Appendix 3.
- 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 balances, and the Council's general balances will reduce by only £833k from £6.4m to £5.6m as at 31/03/2016.

## **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 2015/16 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 2015/16, 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 2015/16 statutory financial statements for certification by the Head of Finance by 30 June and submission for scrutiny by the Audit Committee on 14 July.

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**Local member's views**

Not relevant

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

The report provides an overview of sound financial management at a time when resources have shrunk and will continue to do so, it is worth noting, that departments have been required to prepare for savings and cuts to come.

At the same time, the Council has been maintaining its performance over the same period, and this is a point worth noting in order to pay tribute to the staff and managers who have managed to do this and manage expenditure effectively in a very challenging financial context

**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 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

Appendix 3 - resources harvested from reviewing reserves and provisions