

Audit Committee – 30 July 2019

Agenda item 4 – Public Question Time

Questions from Mr Nigel Behan, relate to Item 5 Statement of Accounts - including the Audit Findings Report 2018-19.

Q1 Relates to Preliminary Findings (p16) where it states:

“Elements of this total underspend were as a result of a combination of: nonrecurring; one-off; technical savings (e.g. minimum revenue provision totalling £4.2m benefit in 2018/19); additional use of the capital flexibilities (which was budgeted at £2.6 million but £8.6 million used), and; unplanned additional central government income (including £2.5 million extra adult social care funding).”

If in the current (and future) years the nonrecurring; one-off: technical savingsunplanned additional central government income....etc. are not available (as they were in 2018/19) how does this impact on the risks of unbalanced budgets and the depletion of reserves?

Q2 Level of Reserves- Comparison across County Councils (Source: individual councils' unaudited financial statements for 2018/19 from individual council websites P17)

According to the chart for 2018/19 SCC appears to be still hold a low position of reserves in relation to the other County Councils and is only higher than overspending (children's services being one of the main areas responsible) “Troubled Northamptonshire CC” (The MJ 11th July 2019). What is the likelihood of increasing the general and earmarked reserves (and removing negative reserves) without adverse consequences on service provision?

Q3 Relates to p16 -18 where it is stated (by the external auditors):

“In order to arrive at the appropriate VFM (Value For Money) conclusion for 2018/19 we are now seeking more assurances over the embeddedness of the improvement arrangements. We recognise the good progress that has been made over the last 10 months but also note that reserves and balances, despite the increases in year, provide limited resilience should significant overspends emerge in the future.

This risk of future overspends, in our experience, is a particular risk at county councils given their limited ability to raise additional income but also given that a significant and generally increasing percentage of their total spend is take up funding social care which continues to be under increasing pressure due to demand and unit cost increases.

We therefore want to, before issuing our VFM conclusion for 2018/19, gain more confidence over the robustness of the Council's MTFP and in particular the deliverability of the Children Services and Adults Services budgets through to 2021/22.

We have therefore asked our social care colleagues from our Public Sector Advisory team to act as 'auditor's experts' and provide us with their assessment of the

robustness and realism of the Children's and Adult Social Care annual budgets within the Council's MTFP. The review to include consideration of the robustness of savings plans. As a result of this proposed additional work we are unable to conclude our VFM conclusion by 31 July 2019. Our auditors expert are aiming to complete this work by the end of August 2019 and we proposed to use their findings to inform our final VFM conclusion for 2018/19 that will be reported to the Audit Committee at their September 2019 meeting."

What are the potential consequences if the 'auditor's experts' concludes that the "Children's and Adult Social Care annual budgets within the Council's MTFP" are discovered (assessed) to be not robust and realistic (recalling that the Children's Services net budget was rebased in 2018/19 from approximately £66m to approximately £85m)?

Statement from Mr David Orr

Surrey County Council experienced similar finance problems to Somerset in early July last year, with an £11.8m overspend announced. Sounds all too similar to the deficit position here in Somerset last year. The common factor is they are both County Councils with inadequate National social care funding.

This Council's budget issues arose, in part, because the austerity freezing of Council Tax, I felt, went on three years too long and damaged the Council's base budget. Additionally, recovering from the Inadequate rating for our Children's Services was a long task which required significant additional funding that made balancing planned budgets difficult.

This authority was courageous enough to film with Panorama, without editorial control, and show all of England that the cost pressures and impacts on people's lives, through underfunded social care is real and shames us all, as a First World society. Somerset has helped make the social care crisis National.

While it is good news that this Council will not follow Northamptonshire County Council into effective bankruptcy this year, the low reserves and the sustainability of the medium-term budget remain serious concerns.

I commend the external auditor for their report and for delaying their final opinion, to ensure that clear demographic and other cost pressures in social care, are properly reflected in medium-term budget projections.

Until the County Council has sustainable National funding for social care, then I do not believe that a Unitary Council across Somerset can be viable.

I hope that our new PM Boris Johnson will make good on his pledge to "fix the social care crisis once and for all". At the very least, 2020 to 2021 should see interim social care funding from the Government, whilst a sustainable tax base is created to support social care with dignity (and without bankrupting those whose families are unlucky enough to be struck down by the illness of dementia).