

## **Audit Committee – Thursday 19 September 2019**

### **Agenda item 4 – Public Question Time**

Questions received from Mr Nigel Behan:

Q1, Q2 & Q3 Relate to Item 5a – “External Audit Report” - Somerset County Council Value for Money Conclusion update

Q1 It is stated in the “Qualified except for VFM conclusion” that:

“The Council set its original 2018/19 revenue budget in February 2018. Early in the financial year it became clear that this budget did not accurately reflect the Council’s spending commitments and the pressing need to deliver further savings. In order to address these issues, the Council took several actions, including:

- setting a new more realistic budget for children’s services
- identifying and delivering additional savings
- making greater use of capital receipts to fund service transformation.

The Council has increased its general fund and earmarked reserves from £23.7 million at 31 March 2018 to £44.2 million at 31 March 2019 (excluding school reserves). Despite this increase, these levels of reserves remain low in comparison to similar councils and provide limited capacity to absorb unexpected future financial pressures.”

And:

“These matters are indicative of weaknesses in the Council’s arrangements for strategic financial planning. They are evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.”

Are these “weaknesses in proper arrangements” being addressed in all services and not just Children’s Services (Risk Level Amber in the Children’s – MTFP (2019-22) Funding Assessment - Appendix A)?

Q2 Follow up of prior year VFM recommendations

In the partially addressed (Assessment - “P”) recommendation number 6 were “Issue and risk previously communicated” and the corresponding “Update on actions” it is stated:

“There has been more detail provided on the use of capital flexibilities in the in year financial monitoring reports supplemented with information on prior year projects in the 2018/19 revenue budget outturn report that included reference the business cases supporting them. However, there has yet to be consideration of outcomes against the planned projects that is a requirement of the guidelines.

- Given the significant increase in the actual application of capital flexibilities applied in 2018/19, totalling £8.6 million against the original budgeted use of just £2.6 million more information should be disclosed going forward.

#### Conclusion

- Again, as in 2017/18, the Council have complied with the spirit of the flexibilities. Disclosures on the nature of transformation has improved but there is still work to be undertaken to ensure full compliance.”

When is it anticipated the requirement (full compliance of the Central Government guidelines) for the use of capital flexibilities will be met?

#### Q3 Follow up of prior year VFM recommendations

In the partially addressed (Assessment - “P”) recommendation number 7 where “Issue and risk previously communicated” and the corresponding “Update on actions” it is stated:

“Negative Earmarked reserves – The Council has reduced the number and the value of its negative earmarked reserves from £19.7 million at 31 March 2018 to £10.2 million at 31 March 2019. Its large negative earmarked reserve is the Dedicated Schools Grant (DSG) with a cumulative deficit of £6.7 million which is shown under earmarked reserves. CIPFA and the Department for Education have issued a joint statement on DSG for 2018/19. The statement confirms that there is no statutory basis for having a negative earmarked DSG reserve. The Council recognises this is something that is ultimately a further pressure on its financial health should the proposed recovery plan (submitted to the Department for Education in accordance with guidelines on 28 June 2019) not deliver. The statement also confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it “neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position.”

And in the Conclusion:

“The Council has made good progress in reducing the value of its negative earmarked reserves but the increasing deficit against the DSG reserve remains a concern and places further pressure on the already depleted financial position.”

If “there is no statutory basis for having a negative earmarked DSG reserve” was, given “the already depleted financial position”, the submitted recovery plan realistic?

Best Wishes

Nigel Behan  
Unite