

**COUNTY COUNCIL MEETING – 16 SEPTEMBER 2011**

**Statement from: Councillor K Smith, Executive Councillor for Finance and Human Resources**

**Outturn of Expenditure and the Financial Statements of the Council**

This meeting of the Council will consider the outturn of expenditure against budgets for the last financial year. The Executive has made a number of recommendations to today's meeting relating to the treatment of over and underspends last financial year, and for adding to the general reserve and certain earmarked reserves of the Council.

The separate task of preparing the financial statements of the Council is, regrettably, behind schedule this year. As previously mentioned by me, the statements are being prepared for the first time under what is known as International Financial Reporting Standards (IFRS). This Council, like many others, have found this to be both a technically challenging and resource intensive process. As a result, work has not been completed in time to meet the schedule previously agreed with the external auditors to enable them to guarantee completion of their review for reporting to the Audit Committee on 26 September, and thereby meet the statutory deadline of publishing audited financial statements by the end of that month.

Should that situation transpire, there may have to be a special meeting of the Audit Committee in October to receive the report of the external auditors and approve the financial statements for publication. A thorough review of the accounts closure process will be undertaken with our colleagues in Mouchel to ensure the pre-agreed closure timetable is met in future years. There are no specific sanctions placed upon the Council for late publication of its financial statements.

**New Public Audit Arrangements**

As reported in my last statement, the Secretary of State for Communities & Local Government announced, in August 2010, his intention to abolish the Audit Commission. In late March 2011 a 12 week consultation exercise was launched on proposals for a new regime of public audit. A response, combining my own views and those of the Audit Committee, was submitted by the 30 June deadline. In essence, we supported the localisation of the appointment process for external auditors but objected to the formation of an Audit Committee dominated by individuals who were independent of the elected councillors of the authority. We also expressed a view that it would be helpful if a way could be found to retain the expertise embodied in the District Audit Service branch of the Commission.

Whilst the Government is yet to respond to their consultation proposals in full, they have indicated that they would welcome the formation of external audit provider organisation founded upon the District Audit Service. This is likely to emerge either as some type of mutual organisation or in partnership with a private sector organisation.

The Government have also announced that they will run the tender exercises over the coming winter and ask the Commission, prior to abolition, to appoint external auditors to all public bodies on three or five year contracts. Subsequent tender exercises will fall to public bodies themselves. The new auditors will commence work in September 2012.

### **School Funding Announcements**

Late July saw three announcements from Government on consultations relating to school funding. These covered:

- Schools revenue funding
- Schools capital funding
- The transfer from formula grant to take account of academies' central functions

The revenue funding consultation, which ends on 11 October, proposes a new national funding formula for schools. This will be paid to the LA who will agree with the local Schools Forum the share of that funding going to schools and academies in their area. This is not a national formula to calculate individual school budget shares. There would be limits on the number of factors that can be used to derive local funding formula. The move to a new formula would be phased in over a number of years with no definitive start date yet being set. A response to this consultation is being formulated with colleagues in Children's Services.

Capital funding is also the subject of a consultation exercise ending on 11 October. The consultation is, in effect, the Government's response to the James Review and includes announcements of £500m extra for basic need provision and a new privately financed school building programme worth around £2bn in up front construction costs. The proposals seek views on such matters as local versus national procurement, standard designs, collection of comprehensive building assessment information and a potential long term move towards a single capital pot. Again, a response is being formulated with Children's Services colleagues.

The consultation on academies funding transfer was a short four week exercise ended on 16 August. The consultation is effectively a reconsideration of the appropriate top-slice to remove from formula grant in the current and next financial year to take account of savings from academies' central functions. A move towards top-slicing based upon the actual incidence of academies being created is advocated, something which would be detrimental financially for this Council compared to the present arrangement. A response was submitted indicating that a reconsideration of the earlier decision is unwelcome; that, in the current economic climate, any increase in the reduction of its shortfall in funding for academies is significantly overstated

because of the system it uses to calculate the cost of academies' additional responsibilities. The LA has asked, firstly, that time is allowed for LA's to work with the DfE to calculate those costs more accurately and, secondly, that no further changes to the planned reductions in LA budgets should take place prior to 2013/14.

### **Managing Workforce Change**

Managing Workforce Change is the county council programme for managing reductions and other changes in our workforce. Reduction in workforce is the single biggest element of balancing our budget, contributing over £26 million of the overall £124.3 million savings required in a full year. That represents more than 21% of those overall savings.

I am pleased to report that the programme will deliver target savings within a full year. The council employed 290 fewer fte in July 2011 compared to December 2010, and numbers will reduce significantly over the next few months.

Currently, total reductions of 823.6 full time equivalent employees are projected. More than 60% of those avoid compulsory redundancy. Redundancy costs exceed original estimates but will be managed within normal budget processes.

It is pleasing to note that the changes so far have not had any significant impact on the proportions of women, disabled or ethnic minority employees.

Only 14 appeals have been lodged. Most of which are deferred due to at risk employees progressing through redeployment trial periods.

This has been a very difficult time for our employees and I should like to repeat my sincere thanks to them, on behalf of all Members, for the way in which they have continued to serve Lincolnshire.