

CYNGOR SIR POWYS COUNTY COUNCIL.

AUDIT COMMITTEE AND FINANCE SCRUTINY PANEL

24 October 2018

REPORT AUTHOR: County Councillor Aled Davies

SUBJECT: Review of 2017/18 Budget Outturn and Funding Flexibilities

REPORT FOR: Discussion

1. Summary

- 1.1 The Chair of Audit has requested further discussion about the current year's projected revenue budget position. This will enable an important part of Audit Committee's role to be carried out so that it can seek assurance about the Council's financial position for 2018/19 financial year.
- 1.2 In 2017/18 the Council projected a similar position at the same time in the financial year. However, the end of year position saw a significant underspend. It is important to assess whether similar circumstances will occur given the 2018/19 projected overspend is projected at £5.82m as of August 2018.
- 1.3 Linked to the projected overspend is the impact on the Council's reserves that totalled £28.29m at the start of the financial year (including specific reserves). Any year end overspend must be financed by reserves.
- 1.4 Until the end of the 2021/22 financial year Local Government has the flexibility to use cash from capital receipt income to fund 'transformation' costs that are usually only funded by the revenue account. It is appropriate that assurance is sought that the flexibility is used effectively to cover relevant costs.

2. Key Issues

- 2.1 As outlined in the Summary, there are three key areas about which Audit Committee and Finance Scrutiny Panel should seek assurance. These are as follows:
 - a) **Projected overspend**

As of August 2017, in the previous financial year, the projected overspend was £6.093m (excluding the Housing Revenue Account). It was noted in the report to Cabinet that 'This adverse projection remains, in the main, due to unachieved savings targets which will improve as the year progresses'.

On 19 June 2018 the Financial Outturn report to Cabinet indicated the final year end position was an underspend of £3.682m despite delivering 71% of savings.

Given the projected position for the 2018/19 financial year is a £6.093m overspend (as of August 2018), it is appropriate to check if similar circumstances exist to the previous financial year that could lead to a large change in the revenue position by the end of the financial year.

b) Council Reserves Position

The Council's reserves totalled £28.29m at the start of the financial year. This excluded schools delegated reserves and Housing Revenue Account reserves.

The projected year end reserves balance is £18.117m after funding the projected overspend and agreed use of reserves. It is also appropriate that the Audit Committee receive assurance about the level and type of reserves, given the projected financial position for the 2018/19 financial year will reduce the reserves.

c) Capital Receipts and Funding of Revenue Expenditure

Local Government currently has an unprecedented ability to use capital receipts for revenue purposes; the only condition is that the capital receipts must be used for transformational activity. The expenditure funded by the receipts will be reviewed by the Wales Audit Office as part of the audit of the Council's annual accounts.

This is a valuable and effective mechanism to use alternative funding for transformational activity some of which is base budget funded. If appropriately used this can alleviate pressure on the revenue budget. The Council's approach to using the flexibility may assist the 2018/19 financial position.

3. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)

3.1 Finance

The report outlines key issues that may affect the financial position of the Council.

4. Scrutiny

Has this report been scrutinised? No, this process provides scrutiny of the issues outlined in the report.

5. Statutory Officers

The Section 151 Officer notes the report will ensure the Audit Committee has an opportunity to review the current position.

Recommendation:	Reason for Recommendation:
That Audit Committee and Finance Scrutiny Panel review the issue contained in the report.	To ensure Audit Committee is assured about the current position and approach to managing the Council's projected outturn.

Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A

Relevant Local Member(s):	N/A
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Person(s) To Implement Decision:	N/A
Date By When Decision To Be Implemented:	N/A

Is a review of the impact of the decision required?	N
If yes, date of review	
Person responsible for the review	
Date review to be presented to Portfolio Holder/ Cabinet for information or further action	

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Background Papers used to prepare Report: