

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

16 JANUARY 2012

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

**Report prepared by Paul Riley,
Head of Finance & Customer Services**

1. BUDGET STRATEGY 2012/13 ONWARDS

1.1 Issue for Decision

1.1.1 On 21 December 2011 the Cabinet agreed an update for the Budget Strategy 2012/13 Onwards and referred that update to Corporate Services Overview and Scrutiny Committee for consideration.

1.1.2 As the remit of the Audit Committee includes consideration of risk it is also appropriate that the decision is considered by this Committee, with a specific emphasis on the consideration of the risk analysis produced for the Finance Sections service plan.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 That the Audit Committee considers the risk assessment of the budget strategy provided at Appendix C and makes comment or recommendations to Cabinet for consideration in February 2012.

1.3 Reasons for Recommendation

1.3.1 On 21 December 2011 the Cabinet considered an update to the Budget Strategy 2012/13 Onwards. This update included a risk assessment of the financial issues contained within the report.

1.3.2 The report and original appendices are attached as **Appendix A**. The Cabinet's decision is also attached as **Appendix B**.

1.3.3 The risk assessment of the proposals outlined in the report is attached as **Appendix C**.

1.3.4 The risk assessment considers operational risks rather than strategic risks and as such the actions to mitigate these risks will form part of the service plan of the Finance Section for 2012/13 onwards. In some

cases the risks will also be reflected in other service plans.

- 1.3.5 In considering a similar report last year on the risks for 2011/12, the committee requested that further financial detail be included in the assessment. This has been provided within Appendix C and, where the risk can be valued, should place each risk in context financially.
- 1.3.6 In addition the committee was interested in the possible mitigation that may be taken. As these risks are essentially operational rather than strategic, the actions to mitigate them form part of the Finance Sections service plan. Detailed below are the key elements of the monitoring and control processes in place to identify the emergence of factors that trigger these risks:
- a) The key control is monitoring and reporting of the budget throughout the year. A reporting process exists that ensures budget managers receive monthly reports and Cabinet and Management Team receive quarterly reports.
 - b) The Constitution also requires additional reports on the under recovery of income where this is greater than £40,000.
 - c) All of these reports are produced with full accrual of the cost of works or goods received but not paid for at the effective date. They are therefore as accurate as possible.
 - d) The monthly management reports are produced within 10 working days making them as timely as possible and reports to Management Team and Cabinet are made for the next available meeting.
 - e) The quarterly reports to Cabinet and Management Team identify all necessary actions that must be taken to resolve developing problems. The reports also consider other major balance sheet items such as collection rates and investment levels.
 - f) Officers and senior members have well developed relationships with organisations similar to this Council, such as through the Kent Finance Officers' Association. These relationships ensure a broader range of information flow to and from the Council on financial matters.
 - g) The Committee will be aware of a number of governance controls in place including the Corporate Governance group and the Council's relationship with the Audit Commission which take a high level overview of the controls in place to mitigate these risks.

h) The Council has contractual relationships with advisors such as Sector Treasury Management who advise the Council on specific projects. Also, through links to the Kent Finance Officers' Association, to other advisors who provide specific analysis of major issues such as business rates retention.

1.3.7 With monitoring such as this in place the Council is well placed to recognise and act upon emerging triggers. The mitigating action taken in each case will be the most appropriate and, depending on the level of risk or value of the consequence, may be reported to the relevant Cabinet Member or to Cabinet for approval of the necessary actions.

1.4 Alternative Action and why not Recommended

1.4.1 There is no constitutional requirement for Cabinet to consult with the Audit Committee on this matter. However, the Audit Committee's role in consideration of risk and governance make it appropriate that the Committee considers the risks identified in such a significant strategy and make recommendation to Cabinet regarding the assessment.

1.5 Impact on Corporate Objectives

1.5.1 The budget strategy is developed to complement the Strategic Plan and resources identified within the strategy are focused on delivering the Council's corporate objectives. Any failure to identify and adequately mitigate a risk within the strategy may have a direct consequence on the delivery of a corporate objective.

1.6 Risk Management

1.6.1 Risks identified within the strategy will be monitored by the Finance Section as part of their service planning objectives. Any risks not identified will not be monitored and could increase the possibility of failure of the strategy.

1.6.2 The risks identified are comprehensive and have been subject to debate with Internal Audit, Management Team and Cabinet and are now to be debated by Audit Committee. If unidentified risks remain following this review the Council's budget monitoring process will still provide an early warning to enable satisfactory action to be taken.

1.7 Other Implications

1.7.1

1. Financial
2. Staffing

- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

1.8 Relevant Documents

1.8.1 Appendices

Appendix A – Budget Strategy 2012/13 Onwards, report to Cabinet 21 December 2011.

Appendix B – Record of decision of Cabinet 21 December 2011.

Appendix C – Risk Analysis

<u>IS THIS A KEY DECISION REPORT?</u>		<u>THIS BOX MUST BE COMPLETED</u>	
Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If yes, when did it first appear in the Forward Plan?			
.....			
This is a Key Decision because:			
.....			
Wards/Parishes affected:			
.....			

1.8.2 Background Documents

None