

MEETING	AUDIT COMMITTEE
DATE	17 November 2011
TITLE	The 2011/12 Revenue Budget – Second Quarter Review (September 2011)
PURPOSE	Monitoring Report on the Latest Financial Position
ACTION	Receive the information, consider the issues arising from the forecast expenditure and income against the budget, and decide upon appropriate recommendations to manage the budget of the Council and its departments.
AUTHOR	Dafydd L Edwards – Head of Finance
PORTFOLIO LEADER	Councillor Siân Gwenllian

1. BACKGROUND

- 1.1 When the Head of Finance presented his report on the ‘Statement of Accounts 2010/11’ to the Audit Committee at its meeting on 12 July 2011, some of the requirements of the Local Government (Wales) Measure 2011 were explained. It was noted that the Council will need to change its arrangements from “alternative arrangements,” namely the Council Board, to “executive arrangements,” namely a Cabinet. It is proposed that the new arrangements will come into effect following the election in May 2012.
- 1.2 The Measure will also change the Audit Committee’s emphasis and form. In terms of form, the Measure will require at least one lay member on the committee, and in terms of emphasis, the committee will scrutinise some financial matters previously submitted to the Principal Scrutiny Committee. The current Audit Committee agreed to pilot the new procedures, by receiving additional financial reports during 2011/12, namely quarterly budget reports and treasury management reports (borrowing and investment).
- 1.3 In previous meetings, the Audit Committee members have welcomed this approach for the 2011/12 year. This item and the two following items are submitted as new “Finance” items, rather than traditional “Audit” items.
- 1.4 The first quarter budget review report was submitted to the Board on 26 July 2011. This report submitted today is much more detailed, being the most thorough budget review during 2011/12.

2. INTRODUCTION

- 2.1 This quarterly report presents the latest review of the Council's revenue budget for 2011/12, and a summary of the position by each Department is outlined in **Appendix 1**.
- 2.2 **Appendix 2** shows further details relating to the main issues and the budget headings where significant variances are forecasted, along with specific recommendations where appropriate (in the column on the right hand side of the broad sheets).

3. MATTERS ARISING

3.1 General

Whilst drawing up the 2011/12 budget, steps were taken to save £1.2m, and this meant a slightly greater risk of an overspend on some budgets. Some of the matters arising, and the steps taken to manage them, are referred to below.

3.2 Inflation

Despite an unprecedented increase in inflation on some headings, it appears that this year the reserve budget will be able to deal with this.

3.3 Corporate Income

The tax collection targets and income from interest are very tight, and there is a strain on these corporate headings for the future because of the continuation of the bleak economy. Nevertheless, there are no significant problems this year.

3.4 Departmental Income

The economy also reduces the income from Planning (Regulatory Department), Building Regulations (Consultancy Department), Hafan moorings (Economy and Community Department), and others. Attention is given here to the 2011/12 position, but these will also require attention in the 2012/13 budgeting cycle.

3.5 Consultancy

The Consultancy Department is asking for £70,000 in order to be competitive with their fees.

3.6 Departmental Expenditure – General

Many departments have underspent as they have fulfilled some savings schemes earlier than the relevant timetable, and by keeping jobs vacant before restructuring.

3.7 Education

There is an unexpected underspend in Education, partly from achieving savings early. It is recommended that an element of the 2011/12 underspend is moved to departmental funds, which will create flexibility to deal with the volatile position of the early retirement / redundancy budgets and Integration by 2012/13 and beyond.

3.8 Social Services

The position of the whole Department appears acceptable, although there is a need to transfer a budget from the Adults Service to the Children's Service. However, the bulk of the underspend is derived from two particular matters, being "Category C savings" and "older people demography". Also, bids were presented on a number of matters for 2012/13, and it should be considered what can be financed within the Department's resources.

3.9 Conclusions regarding the Revenue Position

The headings where there is a likelihood of overspending have been recognised and the risks managed for 2011/12, and included as 2012/13 bids where appropriate.

4. RECOMMENDATION

- 4.1 The Audit Committee is requested to note the situation, consider the recommendations presented here, and either to confirm these, or to resolve upon an alternative solution, if appropriate.**