

CAA/22/2006

KENNET DISTRICT COUNCIL

RESOURCES EXECUTIVE COMMITTEE
to be held on 30th June 2005

Report by Janet Ditte, Chief Accountant & Auditor

Budget/Analytical Review 2005/06

1. Purpose of Report

The purpose of this report is to provide Members with an analytical/budget variance review for the financial year 2005/06.

2. Financial, Staffing and Legal Implications

The financial implications of this report are included in the Council's prepared Statement of Accounts and Consolidated Revenue Account. There are no staffing or legal implications.

3. Risk Implications

One of the significant financial risks faced by any Council is that net expenditure in the year will exceed budgeted expenditure. Given that the major sources of finance for the Council are fixed in advance of the financial year, it is important to monitor spend throughout the year to manage and mitigate this risk. The Council monitors expenditure and income against budgeted expenditure and income throughout the year on a monthly and quarterly basis.

4. Introduction

The analytical review or budget variance analysis serves a number of purposes. In the first instance, it forms a reasonableness test on the accounts of the Council and is a formal requirement by the external auditor. A robust and effective analytical review will provide explanations of significant variances from the expected expenditure/income to demonstrate that they are not due to coding and accounting errors.

Equally important, the analytical review will provide detailed management information on the authority's financial performance for the year along with explanations for major under and over spends.

5. Analytical Review – Revenue Budget

As detailed in the report for the approval of the Statement of Accounts, there was a net under-spend of £362k for 2005/06. This allowed the Council to make net contributions to revenue reserves of £249k, compared to a planned contribution from revenue reserves of £113k.

The following is a table detailing the major under and over spends for 2005/06, with explanations, by service area (amounts in brackets indicate additional income or under spend):

Corporate & Democratic Core	
(£12k)	Consultation Software Funded from Capital rather than revenue
£19k	Additional External Auditors Fees
Public Central Services	
(£91k)	Council Tax Admin Grant not included in budget
(£35k)	Council Tax Benefits – fewer paid than budgeted for
(£14k)	Elections – Savings from posting ballot papers
£12k	Emergency Planning – Additional wage costs
£37k	Holding Elections – payment of tax
Culture & Related Services	
(£28k)	Discretionary Grants – under spend moved to reserves
(£10k)	Surplus on Leisure Schemes
(£35k)	Developers S.106 Contributions – moved to reserves
£241k	Additional Staff Costs at leisure centres
(£29k)	Leisure Centre Repairs budget not spent
Planning & Development	
(£292k)	Business Incentive Growth Scheme Grant
(£14k)	Community Planning budget under spend
£17k	Additional commercial lease work undertaken
£20k	George Lane building – occupancy lower than expected
Highways & Transportation	
(£55k)	Additional Car Park Income
Housing	
(£11k)	Housing grants under spend
(£11k)	Housing Conditions survey, not spent in full
£29k	Adj re: improvement grant subsidy for 04/05
£162k	Unsubsidised Housing Benefit payments
(£39k)	Under spend on Housing Benefit Court Costs
Environmental Services	
£35k	Housing Conditions Survey – funded from reserves
£11k	Pest control – reduced level of demand led to reduced income
(£23k)	Licensing Income
£162k	Refuse Collection – higher than budgeted transport costs
(£35k)	Trade Refuse – higher income

(£104k)	Recycling – additional WCC revenue grant and higher charges
Miscellaneous	
(£120k)	Salary & Section Account savings resulting in lower recharges to revenue accounts
(£48k)	Additional Investment Income
(£78k)	Holding Account savings resulting in lower recharges to revenue accounts
(£34k)	Net other under spends/additional income
(£362K)	TOTAL UNDER SPEND

6. Analytical Review – Capital Budget

The Council's total capital expenditure for 2005/06 was £3,868k, comprising £3,386k spending in fixed and intangible assets and £481k on deferred charges¹. This compares to a budget of £5,645k. Therefore, the capital programme was under spent by £1,777k. However, unlike the revenue budgets, it is an inevitable consequence of the nature of the capital programme, the capital projects slip, with expenditure being incurred later than expected. Where this is the case, and where the officers have demonstrated a need, the budgets will be carried for into the current financial year (2006/07).

The following is a summary of the budget variances against the major capital projects (figures in brackets indicate an under spend):

(£500k)	Grant funding for housing schemes – is committed and will be spent in future years
(£532k)	Devizes Leisure Centre Project – is committed and will be spent in 2006/07
(£275k)	Replacement/New Vehicle Programme – is committed and will be spent in 2006/07
(£192k)	Net IT budgets – under spends will be carried forward to 2006/07
(£55k)	IT Replacement programme
(£55k)	Improvement grants – where subsidy is available, the budget will be carried forward
(£57k)	Other Leisure Centre capital budgets for example, plant and machinery not spent
(£130k)	Provision of attended Public Conveniences – scheme slippage
£18k	Community Buses
£8k	Amenity Lighting – Replacement columns etc
(£7k)	Net Other
(£1,777k)	NET TOTAL UNDER SPEND

¹ Expenditure that is rightly treated as Capital Expenditure which does not lead to the Council owning a fixed assets, for example the payment of housing improvement grants.

It is important to note that much of this under spend is committed and will be spent either in 2006/07 or future years.

7. Conclusions

The Council has robust budget monitoring processes in place that operate throughout the financial year, which have helped to ensure that the Council has managed its spend within its budgeted spending plans. As a result, the Council has been able to make contributions to its revenue reserves at the end of the year and has under spent against capital budgets.

In addition, the detailed variance analysis undertaken at the year end has acted as an effective reasonableness test on the Council's accounting procedures.

8. Recommendations

The Committee is RECOMMENDED to:

Note the contents of the Analytical Review for the Revenue and Capital Accounts for 2005/06.