CAA/25/2006

KENNET DISTRICT COUNCIL

RESOURCES EXECUTIVE COMMITTEE
to be held on 29th August 2006

Report by Janet Ditte, Chief Accountant & Auditor

Budget Monitoring Quarter 1 – 2006-07

1. Purpose of Report

The purpose of this report is to provide Members with details of actual revenue and capital spend against budgeted spend for the first quarter of 2006-07. The report will also present an action plan proposed by Management Team to manage variances from budgeted expenditure and income.

2. Financial and Staffing Implications

There are no staffing implications arising from the report.

The financial implications are set out within the remainder of the report and in the appendices.

3. Legal Implications

There are no legal implications to the report.

4. Risk Implications

One of the main financial risks faced by the Council is that actual spend will exceed budgeted spend in a given financial year. To mitigate this risk, it is therefore essential that the Council has robust and effective budget monitoring processes in place that identify possible risk areas within the expenditure and income of the Council. This allows the Council to develop an action plan to manage these risks.

Through the regular quarterly budget monitoring arrangements, a number of risk areas, within the spend of the authority, have been identified. These are highlighted below:

1. Vehicle running costs, in particular hire charges, are currently exceeding budgeted levels. This has been discussed with the relevant staff and the vehicle charges have been disproportionately high in the first quarter to facilitate the phased introduction of the Alternate Weekly Collection service. Therefore, this will be kept under review.
2. Concessionary fares – payments to the County Council, which are based on maximum take-up, currently exceeds the budget. However, it is unlikely that the take-up will reach the maximum and therefore credits should be received by the Council. Again, this area will be kept under review.
3. Energy costs – the Council's fuel contracts have just been renewed at significant additional cost - c.£50k per annum.
4. Leisure Centre Income for the quarter is significantly lower than budget.
5. A number of capital schemes have yet to be started, which increases the risk that the overall capital programme will be delayed.

5. Revenue Expenditure – Appendix A

The monitoring reports provide net expenditure or income at service level and are attached as Appendix A. Explanations against the service have been provided for significant variances. The main points to highlight from these reports and generally, in addition to the risks noted above, are as follows:

1. The Planning Delivery Grant of £315k has been received
2. Developer Contributions of £142k have been received, although some of this may be payable to the County Council.
3. The Council has yet to pay its NNDR bills and therefore there is a significant under spend showing against these budget heads.
4. Miscellaneous expenditure is significantly under spent at the end of the first quarter, although it would be expected that this would increase as the year progresses.
5. The Vacant Post Provision for the quarter has been calculated as £87k, excluding leisure and amenity services, against a profiled budget of £87.5k. This is in line with budget, but as it does not include leisure and amenity services will be reviewed further. It is also worth noting that this area is dependent on the level of vacant positions within the authority and is therefore dependent on the level of staff turnover.
6. Members' expenses appears under spent, however Members are not paid for the first 2 months of the year.
7. Car parking income is slightly down against budget.
8. Leisure centre income is significantly down against budget. If the current shortfall is maintained over the rest of the financial year, this will equate to £300k. However, there are signs of increased leisure usage and income in the second quarter.

9. Refuse Income is down for quarter 1, but income levels are higher in the next accounting period and therefore this will be reviewed again at the end of the next quarter.
10. Investment interest is slightly down against budget.

These details have been presented to Management Team, who has produced an action plan for these risk areas in the Council's spend and income. This is attached as Appendix B to the report. The action plan is reviewed and updated as part of the quarterly budget monitoring processes of the Council.

6. Capital Expenditure

Budget holders are also required to monitor their capital budgets and formally submit quarterly monitoring returns. Many of the Council's capital schemes for the year are at very early stages and therefore show considerable under spends at the end of the first quarter. There are no substantial over spends at the end of the first quarter. However, the capital programme will continue to be monitored and a more detailed report will be provided at the end of Quarter 2, when more projects should have commenced.

7. Efficiency Gains Monitoring

The details of the efficiency gains that have been reported to the Department of Communities and Local Government are the subject of another report on the Committee's agenda. However, it is appropriate that the Council monitors its progress against the efficiency target on an ongoing basis.

The Council's overall Efficiency Target is £860k. To date the Council has reported gains of £815k and forecast gains of £362k for 2006-07. Therefore, it can be seen that the Council has already made very significant gains against the target.

The Council's approach to achieving its efficiency target has been to build the efficiencies into the budget setting process, so that budgets have been set that incorporate significant efficiency gains. Therefore, it is reasonable to assume that if the Council's spend for the year is in line with the budgeted spend for the year; the Council will be well placed to achieve its forecasted efficiency gain for the year.

In reviewing the quarterly monitoring statements, whilst there are areas of over spend, the current levels of under spend do suggest that the majority of the Council's spend should be within budget. This being the case, then the Council should be well placed to achieve the forecasted efficiency gains for the year.

8. Conclusions

The report has presented an overview of the current financial position of the Council against budgeted income and expenditure for the year. A number of risks have been identified and an action plan has been proposed by the Management Team to manage these risks.

9. Recommendations

It is RECOMMENDED THAT the committee

1. Note the progress of the Council against its budgeted income and expenditure for the first quarter of the 2006-07 financial year.
2. Approve the actions proposed by the Management Team at Appendix B to manage the risks identified within the report.