CAA/42/2006

KENNET DISTRICT COUNCIL

RESOURCES EXECUTIVE COMMITTEE
to be held on 28th November 2006

Report by Janet Ditte, Chief Accountant & Auditor

Budget Monitoring
Quarter 2 – 2006-07

1. Purpose of Report

The purpose of this report is to provide Members with details of actual revenue spend against budgeted spend for the second 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 have been identified, which could result in the authority exceeding its budget. These are highlighted below:

1. **Vehicle running costs** - including hire charges and fuel costs, are currently exceeding budgeted levels. The budget for vehicle hire charges was spent in the first quarter of the year, which does distort these figures. It is currently anticipated that maintenance costs will be offset by savings on cleaning and recycling vehicles. However, fuel costs are expected to be overspent, due to high fuel inflation. Therefore, this will be reviewed as part of the revised budget process.
2. **Concessionary fares** – payments to the County Council, which are based on maximum take-up levels, currently exceeds the budget by c.£50k, which was based on anticipated actual take-up levels. The payments to the County Council for 2006/07 will be based on the maximum take-up levels. However, the Council has negotiated lower increases for 2007/08 to offset this.
3. **Energy costs** – the Council's fuel contracts have been renewed this financial year at significant additional cost to the authority - c.£50k per annum. This will be reviewed as part of the revised budget process.
4. **Leisure Centre Income** – at the end of the second quarter this was forecast to be some £110k lower than budgeted levels and salary and wages budgets were overspent, due to higher than budgeted costs as a result of the single status review. These figures have been reviewed since the end of the last quarter and the net expenditure levels are more favourable with actual net spend currently in line with budgeted net spend. However, as the leisure centres represent a significant area of spend for the authority, this is an area that will continue to be subject to constant review.
5. **Decriminalised Car Parking** - is currently forecast to overspend against budget by some £40k, as a result of initial set-up costs of the service. This will be transferred to a reserve at the end of the financial year and offset against anticipated surplus's in future years.
6. **Skip Service** – is predicted to overspend by some £100k and this is being reviewed separately by Management Team.
7. **Insurance Premiums** – the Council has re-tendered its insurance policies contract with a resulting annual saving of c£100k, and a pro-rata saving in the current financial year of c.£43k.

5. Revenue Expenditure – Appendix A

The monitoring reports, attached as Appendix A, provide net expenditure or income at service level. Where significant variances exist (£5,000 or greater), a brief comment or explanation has been provided. 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, compared to a budget of £300k;
2. Developer Contributions of £155k have been received, although some of this may be payable to the County Council;

3. DEFRA Waste Performance Grant of £65k has been received compared to a budget of £20k
4. Local land charges income is currently forecast to exceed budget by some £70k;
5. Income from Green Waste Collection and recycling is greater than budgeted income, and is forecast to exceed the budget by £80k-£100k.
6. Miscellaneous expenditure remains under spent at the end of the second quarter, although expenditure in this area is not even throughout the year and should therefore be kept under review.
7. Car parking income is currently lower than budgeted levels, with a current forecasted shortfall for the year of c.£30k. However, this service is subject to seasonal fluctuations and this may be recovered over the Christmas period. This will be reviewed at the end of the next quarter.
8. Investment interest is still very slightly down on budgeted levels (£3k) at the end of the 2nd quarter. However, it is hoped that higher prevailing interest rates will reduce this shortfall further in the next quarter.
9. Postage "Pricing in Proportion" changes have resulted in anticipated annual savings of c.£13k (£6.5k for 06/07)

There are various over spends predicted against budget at the end of the second quarter. These are largely outside of the Council's control. However, additional income and savings are also forecast to mitigate these risks. Therefore, at the end of the second quarter, it is still forecast that the Council's net spend will be largely in line with budgeted levels.

These details have been presented to Management Team and the Corporate Finance Scrutiny Sub-Committee. In reviewing the details, Management Team have produced an action plan for the principal risk areas in the Council's spend and income. This is attached as Appendix B to the report, and is a summary of the information provided in Section 4. The action plan is reviewed and updated as part of the quarterly budget monitoring processes of the Council.

6. Efficiency Gains Monitoring

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 a very significant contribution towards it overall efficiency gains 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. This has included cash limiting appropriate budgets. 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, areas of over and under spend have been identified. The level of potential overspends reported in Sections 4 and 5 could result in the Council not being able to achieve its efficiency targets. However, savings and additional income are also currently forecast, which it is hoped will mitigate this risk.

7. 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.

8. 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.