

CAA/22/2007

KENNET DISTRICT COUNCIL

RESOURCES EXECUTIVE COMMITTEE
to be held on 18th September 2007

Report by Janet Ditte, Chief Accountant & Auditor

Budget/Analytical Review 2006/07

1. Purpose of Report

The purpose of this report is to provide Members with an analytical/budget variance review for the financial year 2006/07.

2. Financial, Staffing and Legal Implications

The financial implications of this report are included in the Council's prepared Statement of Accounts and Income and Expenditure 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 at the last meeting of this Committee, there was a net under-spend of £482k for 2006/07. This allowed the Council to make net contributions to revenue reserves of £395k, compared to a planned contribution from revenue reserves of £89k.

The following is a table detailing the major under and over spends for 2006/07, with explanations, by service area (amounts in brackets indicate additional income or under spend). Whilst it can be seen that there are individual variations at individual service level, it is perhaps important to highlight that the level of these variations for 2006/07 was limited. In the vast majority of cases net revenue spend has been in line with budgeted levels.

Corporate & Democratic Core	
(£10k)	Under spend in bank charges recharged to Corporate Management
(£12k)	Lower than budgeted External Audit Fees due to greater than expected levels of discount
Public Central Services	
(£36k)	Miscellaneous credits received in respect of the Cost of Collecting Business Rates greater than budgeted.
(£27k)	Savings on postage costs for Electoral Registration
(£10k)	Income received from Dep't of Constitutional Affairs re: holding of elections
£36k	Net additional costs on local land charges, including fall in land charge fee income
Culture & Related Services	
(£50k)	Grants budget under spent (dependent on applications being received that meet award criteria)
£20k	Redundancy costs – Leisure Centres
(£313k)	S.106 Developer contributions for leisure
£20k	Additional expenditure in leisure development, including recharge costs
£13k	Additional Business Rates charge following revaluation
£36k	Over spend on Maintenance of Amenity Areas, including higher than budgeted refuse costs
£22k	Materials for Equipped Play Areas
Planning & Development	
£5k	Unbudgeted spend on IT maintenance for Local Planning
£47k	Over spend on miscellaneous expenditure in relation to Planning Delivery Grant related planning expenditure
£107k	Over spend on Community Planning Grants – offset against under spend in leisure grants and under spends from previous years

Highways & Transportation	
£22k	Set-up of Decriminalised Car Parking – to be offset against income in future years
£5k	Street Lighting equipment
Housing	
(£53k)	Under spend in current year on housing re: redundancy costs
(£27k)	Contribution from Wiltshire NHS PCT for staff costs for Housing Liaison and Support Worker
(£60k)	Housing defects grant received but not included in the budget
Environmental Services	
£15k	Additional refuse costs for Recycling Education
(£5k)	Additional hackney carriage licence income
(£12k)	Net income re: Easterton Land Drainage
(£10k)	Lower than budgeted trade waste collection income
(£45k)	Net additional revenue grant budget received for recycling service
Miscellaneous	
(196k)	Local Authority Business Incentive Grant – not included in the budget
£29k	Lower than expected investment returns
£7k	Net other miscellaneous over spends
(£482K)	TOTAL UNDER SPEND

6. Analytical Review – Capital Budget

The Council's total capital expenditure for 2006/07 was £4,834k, comprising £3,380k spending on fixed and intangible assets and £454k on deferred charges¹. This compares to a budget of £7,126k. Therefore, the capital programme was under spent by £2,292k. However, unlike the revenue budgets, it is an inevitable consequence of the nature of the capital programme that capital projects slip, with expenditure being incurred later than expected. In previous years, where this has been the case, and where the officers have demonstrated a need, the budgets have been carried forward into the following financial year (2007/08). Budgets have been carried forward into 2007/08, but as Members will be aware, the capital programme for 2007/08 was subject to review at the special meeting of the Council held on 4th September 2007, as a result of the proposed local government re-organisation.

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

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

(£720k)	Grants to Registered Social Landlords – expenditure committed
(£150k)	Public conveniences at Marlborough
(£185k)	Northgate Car Park – committed
(£105k)	Provision of attended Public Conveniences – committed
(£230k)	Electronic Documents Management System – not implemented
(£313k)	IT Disaster Recovery – committed
£448k	Overspend on Devizes Leisure Centre – has been subject to scrutiny by Corporate Finance Scrutiny Sub Committee
(£540k)	Other ICT Under Spends – these have now been subject to full review
£45k	Final payments to Contractors for Kennet House, not included in budget
(£500k)	Purchase of Devizes Health Centre – purchase will happen in 07/08
(£32k)	Under spend on purchases of new vehicles
(£10k)	Net other miscellaneous under/over spends
(£2,292)	NET TOTAL UNDER SPEND

It is important to note that some of this under spend is committed and this has been reflected in the recent review of the capital programme.

7. Comparison with Corporate Priorities – Appendix A

In addition to the above analytical reviews, an analysis has also been completed comparing revenue and capital expenditure to the Council's corporate priorities. The purpose of this exercise is to demonstrate that the revenue and capital budgets are designed to deliver the Council's strategic priorities.

The service priorities used for this exercise are those approved in the Financial Strategy 2005-06 to 2008-09, which are in turn derived from the Council's Corporate Strategy. Those services identified in the high and second level priority areas are selected because of their relationship to the high and second level priorities in the Corporate Strategy. Inclusion in the "Other Services" heading does not mean that the services are unimportant, but rather that all services cannot be top priority.

It can be seen from this simple analysis that a minimum of 70% of the Council's net revenue expenditure is on the delivery of those services identified as priority services. Over 90% of the Council's capital expenditure is being used to help deliver priority services.

8. 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 net expenditure 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.

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

9. Recommendations

The Committee is RECOMMENDED to:

Note the contents of the Analytical Review for the Revenue and Capital Accounts for 2006/07.