

**Corporate Governance Report to Executive
2005/06 Quarter 3 - to the end of December 2005
Financial Commentary**

The following comments are provided to explain the attached high level budget monitoring figures.

SUMMARY

The attached Corporate Governance report for the first quarter indicates an unadjusted **underspend** of £1.8m (17%), which is a large increase on the £1.2m underspend at the end of Quarter 2. This reflects expenditure and income transactions to the end of December as recorded on the financial management system ('fms') except for Contingency and external investment income.

Officers have used the December budget monitoring information to feed into the budget-setting process, resulting in adjustments being made to produce the 2005/06 Revised Budget approved by Council. The approved budget adjustments are listed in the attached schedule, and result in an adjusted underspend of £1.5m or 14%

The £1.5m underspend position is explained below. Half of this is due to delays in the payment of waste contract invoices. Most of the remaining net underspend is due to other timing differences which will be corrected before the year-end. Officers predict that there will not be a significant outturn budget variance.

DETAILED COMMENTARY

Much of the large unadjusted £66k (19%) underspend on **Repairs and Maintenance** will be spent on identified projects in Quarter 4. However there are leisure client budgets totalling £24k which will be unspent and can be deleted from next year.

For **temporary accommodation** the combination of a large underspend on expenditure and over-achievement of income totals over £100k. However, this masks a number of disputed transactions and potential debt write-offs which are being addressed. Officers are confident that the service will outturn on-budget.

The apparent underspend on **Partnership and Community Grants** of £148k (34%) is due to delays in paying approved and allocated grants. The recipient organisations must discharge their grant conditions including producing final accounts, which often delay the grant payment. Any unspent allocated budget will be carried forward to 2006/07 in order to meet 2005/06 commitments.

After budget adjustments the **Benefits** figures net off to a £34k underspend which is within acceptable tolerances given the volatility and size of these demand-led budgets.

Other Expenditure covers multiple budgets, the more significant underspends are listed below:

Waste contract	-	Payment delays (724k variance)
Assisted Transport	-	Less bus pass usage than budgeted
Development Policy	-	Lower Local Plan enquiry costs

Planning has overachieved its income target by £59k even after budget adjustments. This is due to unexpected upsurge in market-driven volumes of planning applications.

The underachievement on **Leisure Income** is partly due to profiling differences which will have no impact on the year-end outturn position and are being addressed by the acting senior leisure officer. However, £20k of the underachievement is due to budget errors which will cause outturn budget variances.

Other Income covers multiple budgets, the more significant under-achievements are listed below:

Recycling credits	-	County Council payment delays
Commercial tenants	-	Service charge invoice delays
Local land charges	-	Reduced volumes