

**Corporate Governance Report to Executive
2006/07 Quarter 1 - to the end of June 2006
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 £1.9m (71%). This reflects expenditure and income transactions to the end of June as recorded on the financial management system ('fms') except for Contingency and external investment income.

This position contains several large 'false variances' which are due to timing differences and are not expected to affect the year-end position. Several adjustments have been made to omit these in order to provide a more accurate prediction of the year-end position. The attached report indicates an adjusted **underspend** of £0.8m (30%).

The bulk (£0.6m) of the overall variance is due to under-spending **Expenditure** items, with over-achievement on **Income** items accounting for the remainder (£0.2m).

Explanations of the main items are provided below. Detailed explanations should be discussed in the monthly performance management meetings held by Portfolio Holders and Deputy/Assistant Directors. Any significant variances which will impact the year-end position should be reported by the appropriate Portfolio Holder to this Executive meeting.

EXPLANATIONS

The largest area of variance, spanning both expenditure and income is **Benefits**. The net effect of the variances on benefit payments and benefit subsidy accounts for £136k of the overall adjusted underspend. This is within acceptable tolerances given the annual budget is £18m.

Some of the £130k (6%) underspend on **Salaries** will be vired by budget holders to counteract the £51k (78%) overspend on **Temporary and Agency Staff**. In addition the Salaries budgets still include certain Service Prioritisation Plan savings which will be returned to Contingency and therefore disappear in the coming months.

The actual costs for **Temporary Accommodation** are distorted by the presence of a brought forward accrual of £209k for invoices which were expected to have been paid by the Council in this quarter. As they remain unpaid (as they are being disputed) the accrual has been adjusted for, leaving a true variance of £18k (49%) overspend.

The large underspend on **Other Expenditure** is chiefly due to two timing differences which have both been adjusted for. Delays in paying the waste contractor's invoices caused £750k of the apparent underspend; and, un-invoiced pension costs account for a further £87k. After adjusting for these the adjusted underspend shrinks to £686k (21%). Of this, a major variance of £132k is due to Assisted Transport as some claims from the bus operators will not be paid until the second quarter.

Once the £331k over-achievement of Benefit Subsidy is excluded from the report, there are no other single Income items worthy of note at this time. The second quarter will provide a more reliable basis for predicting the outturn position.