

**Corporate Governance Report to Executive
2005/06 Quarter 1 - to the end of June 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 **underspend** of £1.1m (36%). 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.

The actual income and expenditure for Benefits is accurately shown, having been adjusted to remove the timing effects of late 2004/05 movements. The budget for internal investment income has been approximated for this report, but is considered to be generally accurate.

The overall underspend is due in part to the achievement of Service Prioritisation Plans (SPPs). For example the relevant departmental budgets have not been adjusted for the £400k saving in Assisted Transport, nor the £300k saving in the former Technical Services cost centres, nor any of the other SPPs. These savings will be actioned by way of permanent budget adjustments to Contingency in time for the August-end monthly budget monitoring round and will be reflected in the Second Quarter Corporate Governance report.

The achieved SPP savings do not account for the entire underspend and detailed explanations are provided below. The net underspend position is consistent with the monthly budget monitoring undertaken by Potfolio Holders and Assistant Directors - with few significant variances being highlighted to date.

DETAILED COMMENTARY

Salaries were underspent by £96k (4.8%) in total. This reflects the achievement of the Service Prioritisation Plan for Realigning Technical Services, following the deletion of engineering posts. This unspent budget will be transferred to Contingency and so will not distort future reports.

The net overspend on **Overtime** covers a number of variances on various cost centres, some of which are significant. In order to ensure these are being actively managed to avoid any year-end overspend I have reminded Assistant Directors to monitor all variances closely and to flag any significant variances with their Portfolio Holder in the monthly review meetings.

The large £88k (78%) underspend on **Repairs and Maintenance** reflects a large brought forward budget provision from 2004/05 which will be utilised later in the year (including Abbey House window redecoration).

The apparent underspend on **Partnership and Community Grants** of £167k (95%) is due to a number of 2004/05 grants still not having been paid out.

The **Benefits** figures have been adjusted to remove the misleading variances caused by the timing of accruals and cashflows. The net position is £38k (4.3%) overspend which is within acceptable tolerances given the volatility and size of these demand-led budgets.

Car Parking income is £41k (16.1%) underachieving. This is due to a fall in customer numbers, greater than that envisaged in the budget calculation. Detailed analysis suggests that this trend will continue and updated estimates will inform the Revised Budget setting process. In the meantime officers are assessing possible corrective action to minimise the outturn impact.

Leisure Income appears to indicate a £190k underachievement. £168k of this variance is caused by a delay in receiving 2004/05 budgeted dual use and other income. Officers are taking steps to recover the income as quickly as possible. The remaining £22k underachievement is spread over several cost centres, which will be addressed through monthly monitoring.

Other Expenditure and **Other Income** cover a myriad budgets which cannot be adequately addressed in this report. The £400k saving arising from the Service Prioritisation Plan for concessionary fares as well as other achieved savings will account for much of the underspend on **Other Expenditure** (these unspent budgets will be transferred to Contingency and so will not distort future reports). Any other significant variances will be examined in the monthly performance management meetings.