

Scrutiny Report



Report of Head of Finance

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Financial outturn 2014/15

Recommendation(s)

Scrutiny committee is recommended to note the overall outturn position of the council as well as the outturn of individual service areas.

NOTE: If committee members wish to raise specific questions please send these in advance if possible to either the democratic services officer or the accountancy manager. Please be aware that if questions are not submitted in advance, it may not be possible to answer these in detail at the meeting. In addition, if committee members wish specific heads of service to attend the meeting this should also be raised in advance.

Purpose of Report

1. To report the final year end position for revenue and capital expenditure against budget for the financial year 2014/15.

Strategic Objectives

2. The council has a strategic objective of effective management of resources. Monitoring actual performance against budget ensures that expenditure continues to be in accordance with the delegated powers within the constitution, and that changes in circumstances which have affected spending requirements are recognised and can be considered in the preparation of future years' budgets.

Background

3. The attached papers contain summarised schedules of revenue and capital expenditure for 2014/15; they also present an explanation of the significant variances

against budget. This is presented by service, and follows the format of the budget monitoring reports produced during the year.

4. This report was presented to Cabinet briefing on 21 August and provided the opportunity for cabinet to discuss the outturn with senior management, and also for individual portfolio holders to further discuss with their heads of service.

Revenue outturn 2014/15

5. In February 2014 the council approved a net expenditure budget of £11.8 million. This increased to £12.0 million as a result of budget carry forwards. The net expenditure at year end was £10.4 million – this equates to a variation of £1.6 million, which has been transferred to the council's reserves.
6. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £49.0 million compared to an actual spend of £48.7 million resulting in an under spend of £0.3 million. This underspend is less than one per cent of total expenditure.
7. The income budget was £36.9 million compared to actual income of £38.2 million, giving an over achievement in income of £1.3 million.
8. Table 1 below summarises the outturn position by service. More detail of variances is shown at Appendix 2.

Table 1: summary of revenue budgets and variance

Summary of revenue budgets and variances	Budget £000	Actual £000	Variance £000	Notes
Strategic management board	796	540	(256)	
Corporate strategy	5,153	5,015	(138)	
Development and housing	576	95	(481)	
Economy leisure and property	(211)	(586)	(375)	
Finance	2,021	2,138	117	a
HR, IT and technical services	1,866	1,753	(113)	
Legal and democratic services	1,078	1,139	61	
Planning	1,163	747	(416)	
Contingency	(39)	0	39	
Direct service expenditure	12,403	10,841	(1,562)	
Investment income	(356)	(432)	(76)	b
Net expenditure	12,047	10,409	(1,638)	c

Notes:

- a. Finance line contains housing benefits and rent allowance funded by government grant as shown in table 2 below.

Table 2: housing benefits and rent allowances

	Budget £000	Actual £000	Variance £000
Rent allowance payments	28,580	28,585	5
Government grants benefits	(75)	(100)	(25)
Government grants income	(27,878)	(27,343)	535
Rent allowance overpayments recovered	(933)	(1,419)	(486)
Net position	(306)	(277)	29

- b. The council's treasury management outturn report will detail the performance on investment income. This will be considered by Joint Audit and Governance Committee on Monday 29 September before being presented to cabinet and council. Investment income is shown within finance line in Appendix 2.
- c. In addition to the net expenditure underspend £153,000 additional income was retained by the council against budget under the business rates retention scheme. This additional income primarily related to renewable energy.

Capital

9. The original capital budget for 2014/15 including growth was agreed in February 2014 at £8.4 million expenditure. Details of the changes to the capital programme in year are summarised in table 3 below:

Table 3: movement on capital programme

	2014/15 £000
Original capital budget	8,435
Roll forward from prior years	812
Additions in year (externally funded)	22
Additions in year (other) ¹	1,374
Slippage into future years	(5,480)
Working budget 31 March 2015	5,163
Made up of :	
Working budget	2,876
Contingency	2,287
Capital programme 31 March 2015	5,163

10. Capital expenditure for 2014/15 was £2.0 million. Detail of the variance of spend against the capital programme working budget is shown in appendix 3 to this report.
11. During the year, budget holders review their projects and identify those where delays mean that the current working budget will not be spent in year. The budget profile is then moved to reflect the new spend profile and budgets are slipped into future years if applicable. During the year £5.5 million was slipped in this way. A list of these schemes is shown in appendix 4.

Capital receipts²

12. The original capital receipts budget for 2014/15 was agreed in February 2014 at £3.6 million. Towards the end of the year this increased to £4.9 million as a result of additional asset sales being progressed. Actual new capital receipts in year amounted to £167,000, mainly relating to easements over land and lease variations.
13. Market conditions, the council's need to access office accommodation for internal purposes and changes in property team priorities at the latter part of the year all played a role in delaying asset disposals. These are now expected to be completed in 2015/16.

Analysis of the revenue underspend

14. The variations between budgeted and actual income and expenditure can be summarised in table 4 below.

¹ These schemes relate to the new leisure contract. In exchange for council funding the contractor pays the council management fees.

² Capital receipts exclude grants and contributions, they normally relate to disposal of assets.

Table 4: summary of major variances against revenue budget

	Total variance	Income variance		Expenditure variance				Under-spends c/fwd to 2015/16
		Grants and contributions	Other income	Employee costs	Supplies and services	Third party payments	Other gross expenditure	
Strategic management board	(256)	(3)	(1)	(66)	(186)	0	0	57
Corporate strategy	(138)	(40)	(14)	(31)	(34)	29	(48)	25
Development and housing	(481)	(540)	91	26	(53)	0	(5)	28
Economy leisure and property	(375)	(11)	(227)	(173)	70	(21)	(13)	195
Finance	117	391	(55)	(48)	89	214	(474)	0
HR, IT and technical	(113)	0	(139)	65	(106)	19	48	0
Legal and democratic services	61	9	(129)	(18)	192	0	7	33
Planning	(416)	(29)	(521)	16	101	0	17	49
Contingency	39			158			(119)	
Direct service expenditure	(1,562)	(223)	(995)	(71)	73	241	(587)	387
Investment income	(76)	0	(113)	0	0	0	37	0
Net expenditure	(1,638)	(223)	(1,108)	(71)	73	241	(550)	387
Working budget	12,047	(28,870)	(8,048)	8,895	4,111	5,967	29,992	
Percentage variance	(13.6)%	0.8%	13.8%	(0.8)%	1.8%	4.0%	(1.8)%	n/a

15. We have analysed the outturn position to identify cross-council explanations for the significant variation from budget, excluding a number of budgets that have a net zero impact on the council's bottom line and those relating to housing benefits and rent allowances detailed in table 2 above. The following key reasons for variances have been identified.

Over achievement of income budgets

16. The main reason for the net underspend is over achievement of income budgets by £1.3 million. Significant income variances are detailed in the following paragraphs.
17. The government awarded us a second tranche of capacity funding grant of £535,000 in the year. At the time the budget was set it was not clear that we would be eligible to receive this money and as such it was not budgeted. This grant is shown within development and housing, and will help accelerate housing growth across the Science Vale area of South and Vale. It will be held in reserves until it is required.
18. Other significant income variances are as follows:
- Planning income is £521,000 greater than budget due principally to receipt of major applications. Additional costs were incurred as a result of this which is

discussed in paragraph 22. In addition to this, a supplementary estimate has been recently approved to spend £138,000 each year for three years, starting from 2015/16 to increase resources to deal with the increased workload.

- Economy, leisure and property over achieved income by £227,000. This was due to property rental income being higher than anticipated. Also an increase in the new leisure contract management fee income was not known when the budget was set.
- HR, IT and technical services includes a recharge to Oxfordshire County Council for the use of Abbey House. The facilities element within this recharge was higher than budgeted.
- Legal and democratic includes taxi licensing income which exceeded budget by £40,000 due to greater demand for licenses than anticipated.

Underspends in employee budgets

19. The under spend on employee costs was £71,000. Within services the under spends totalled £229,000 but the council budgets at 98 per cent of staff costs which, when taken into account, reduces this underspend to £71,000. It should be noted that the £173,000 underspend in economy, leisure and property relates mainly to delays progressing the Ridgeway leisure facility project which, as a one-off scheme, has been carried forward into 2015/16.

Overspends in supplies and services budgets

20. There were a number of significant over and under spends in supplies and services across the council which totalled a net over spend of £73,000. The budget was £4,111,000 and this represents an over spend of just under two per cent. The main variances are detailed in the paragraphs below.
21. Legal and democratic services were £192,000 over budget. This includes an overspend on external legal fees and settlement of a claim regarding local land charges personal search fees and related legal costs.
22. Expenditure on consultants within planning was over spent by £165,000, due to the increase in planning applications as per paragraph 18. This was offset by under spends in other areas of supplies and services which totalled £64,000.
23. The £89,000 over spend in finance is primarily due to a charge for bad debt provision for housing benefit overpayments, for which no budget provision was made. The bad debt provision is assessed and amended annually at the end of each financial year.
24. Strategic management board were £187,000 under spent mainly on costs relating to the office accommodation project and the corporate services project. Of this, £57,000 for corporate services project has been carried forward into the next financial year.
25. HR, IT and technical were £106,000 under spent mainly due to the fire at Crowmarsh Gifford. Under spends related to premises rental costs, and IT projects being put on hold.

Over spend in third party payments

26. There was an over spend of £241,000 on third party payments. Of this, £215,000 was in finance resulting from payments to the council's financial services contractor in respect of the pay and performance mechanism. This amount is unknown at the start of the year and is budgeted within contingency.

Under spend in other variances

27. Other variances were under spent by £550,000. This was primarily in finance where rent allowance payments were under spent as discussed earlier in this report. In addition the general contingency budget was £119,000 under spent.

Comparison to previous year revenue outturn

28. A comparison of the 2013/14 outturn to the 2014/15 revenue outturn is shown in table 5 below:

Table 5: 2013/14 and 2014/15 revenue outturn

	2013/14 £000	2014/15 £000
Income	(2,949)	(1,331)
Expenditure	579	(307)
Net expenditure	(2,370)	(1,638)

29. The majority of the under spend in both years relates to over achievement of income. In 2013/14, £750,000 of the income variance related to additional grant income for transformation challenge and capacity funding grants, which we were not aware of when the budget was set.
30. Due to tighter budget setting controls, and more accurate budgeting of planning, brown bin and temporary accommodation income, services have reduced the scale of over achievement of income.
31. The accuracy of the expenditure budgets has also improved, resulting in a swing from an over spend of £579,000 in 2013/14 to an under spend of £307,000 in 2014/15.

Financial, legal and any other implications

32. The financial implications are as set out in the body of the report. There are no other implications of this report.

Conclusion

33. The council has overachieved its gross income target and underspent on both revenue and capital for 2014/15, following the trends of recent years. The nature and reasons for these variances are detailed within this report and the appendices contained herein.

Appendices:

1. Revenue outturn – expenditure and income variance

2. Revenue outturn – commentary on major variances
3. Capital outturn – summary and commentary
4. Capital outturn – slippage

Background Papers

- Annual Statement of Accounts 2014/15 (currently being audited)
- Annual Budget papers for 2014/15