

# Scrutiny Report

Report of Head of Finance

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To: Scrutiny

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## Financial outturn 2015/16

### Recommendation

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 committee clerk 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 2015/16.

### 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 2015/16; 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.

- This report has been presented to Cabinet briefing and has 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 2015/16

- In February 2015 the council approved a net expenditure budget of £11.1 million. This increased to £11.7 million as a result of budget carry forwards and supplementary estimates. The net expenditure at year end was £10.3 million – this equates to a variation of £1.4 million, which has been transferred to the council's reserves.
- Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £48.8 million compared to an actual spend of £49.3 million resulting in an over spend of £0.5 million. This over spend is approximately one per cent of total expenditure.
- The income budget was £37.1 million compared to actual income of £39.0 million, giving an over achievement in income of £1.9 million or five per cent.
- 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	556	519	(37)	
Corporate strategy	5,292	5,170	(122)	
Development and housing	614	707	93	
Economy leisure and property	(1,125)	(1,691)	(566)	
Finance	2,179	2,216	37	a
HR, IT and technical services	1,843	1,693	(150)	
Legal and democratic services	1,223	851	(372)	
Planning	1,196	1,408	212	
Contingency	322	0	(322)	
<b>Direct service expenditure</b>	<b>12,100</b>	<b>10,873</b>	<b>(1,227)</b>	
Investment income	(411)	(542)	(131)	b
<b>Net expenditure</b>	<b>11,689</b>	<b>10,331</b>	<b>(1,358)</b>	c

### Notes:

- 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**

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Rent allowance payments	27,897	28,928	1,031
Government grants benefits	(104)	(65)	39
Government grants income	(26,910)	(27,731)	(821)
Rent allowance overpayments recovered	(1,263)	(1,428)	(165)
<b>Net position</b>	<b>(380)</b>	<b>(296)</b>	<b>84</b>

- b. The council's treasury management outturn report was considered by Joint Audit and Governance Committee on 4 July and will be considered at a future meeting of cabinet and council. Investment income is shown within finance line in Appendix 2.

## Capital

9. The original capital budget for 2015/16 including growth was agreed in February 2015 at £9.0 million expenditure. Details of the changes to the capital programme in year are summarised in table 3 below:

**Table 3: movement on capital programme**

	<b>2015/16 £000</b>
Original capital budget	8,960
Roll forward from prior years	5,256
Additions in year (externally funded)	11
Budget profiling from future years	357
Schemes deleted	(644)
Slippage into future years	(7,581)
<b>Working budget 31 March 2016</b>	<b>6,359</b>
Made up of :	
Working budget	4,030
Contingency	2,329
<b>Capital programme 31 March 2016</b>	<b>6,359</b>

10. Capital expenditure for 2015/16 was £2.6 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 £7.6 million was slipped in this way. A list of these schemes is shown in appendix 4.

### Capital receipts<sup>1</sup>

12. The original capital receipts budget for 2015/16 was agreed in February 2015 at £3.9 million. Towards the end of the year this decreased to £2.2 million as a result of asset sales being delayed. Actual new capital receipts in year amounted to £2.3 million. This was from the sale of two properties, totalling £2.1 million. The remaining receipts relate to easements over land and lease variations.

<sup>1</sup> Capital receipts exclude grants and contributions, they normally relate to disposal of assets.

13. Market conditions 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 2016/17.

## Analysis of the revenue underspend

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

**Table 4: summary of major variances against revenue budget**

	Total variance	Income variance		Expenditure variance				Under-spends c/fwd to 2016/17
		Grants and contributions	Other income	Employee costs	Supplies and services	Third party payments	Other gross expenditure	
		£000	£000	£000	£000	£000	£000	
Strategic management board	(37)	0	0	(5)	(1)	(17)	(14)	20
Corporate strategy	(122)	0	93	(9)	(205)	46	(47)	0
Development and housing	93	(4)	126	(16)	(4)	0	(9)	5
Economy leisure and property	(566)	0	(271)	(194)	(151)	30	20	179
Finance	37	(895)	(2)	(24)	74	40	844	0
HR, IT and technical	(150)	(8)	(111)	(86)	4	(26)	77	20
Legal and democratic services	(372)	(156)	(193)	(69)	42	0	4	0
Planning	212	0	(313)	161	384	0	(20)	0
Contingency	(322)			158			(480)	
<b>Direct service expenditure</b>	<b>(1,227)</b>	<b>(1,063)</b>	<b>(671)</b>	<b>(84)</b>	<b>143</b>	<b>73</b>	<b>375</b>	<b>224</b>
Investment income	(131)	0	(131)	0	0	0	0	0
<b>Net expenditure</b>	<b>(1,358)</b>	<b>(1,063)</b>	<b>(802)</b>	<b>(84)</b>	<b>143</b>	<b>73</b>	<b>375</b>	<b>224</b>
Working budget	11,689	(27,689)	(9,465)	8,947	4,383	7,004	28,509	
Percentage variance	(11.6)%	3.8 %	8.5 %	(0.9)%	3.3%	1.0%	1.3%	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. 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 £1.9 million. Significant income variances are detailed in the following paragraphs.

17. Housing benefits and rent allowances income was over achieved by £782,000, this was mainly offset by housing benefits and rent allowance payments of £866,000 being over budget. This is detailed in table 2 above.

18. Other significant income variances are as follows:

- Legal and democratic over achieved income by £349,000. Land charges and taxi licensing exceeding their budget by £98,000 due to greater demand for licenses than anticipated and grant funding towards the 2015 election. The majority of the remaining over achievement of income relates unforeseen income for section 106 agreements and property transactions. Land charges received £92,000 unbudgeted government grant income for claims regarding personal search fees, the cost of which had been incurred in the previous financial year.
- Planning income was £313,000 greater than budget due principally to an increase in the number of planning applications. Additional costs were incurred as a result of this which is discussed in paragraph 20 and 22.
- Economy, leisure and property over achieved income by £271,000. £189,000 of this was due to property rental income being higher than anticipated on Westway shopping centre and various investment properties. The remaining balance was due to prior year recharges to Oxfordshire County Council for dual use on the council's leisure centres.
- HR, IT and technical services over achieved income by £119k. This includes car parks and mobile home parks. Commission on sale of mobile homes and car park income were higher than expected.
- Development and housing under achieved income by £126,000. This was due to a successful homelessness prevention program which reduced the need to put people into temporary accommodation, and this has resulted in an under achievement of temporary accommodation income.
- Corporate strategy under achieved income by £93,000. This was due to reduced volumes of recycling which impacted on the recycling credit income.

#### **Underspends in employee budgets**

19. The under spend on employee costs was £84,000. Within services the under spends totalled £242,000 but the council budgets at 98 per cent of staff costs which, when taken into account, reduces this underspend to £84,000. It should be noted that the £194,000 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 2016/17.

20. Planning was £161,000 over spent on employee costs. This due to the demand in workload which was partly offset against over achievement of income, as discussed in paragraph 18.

#### **Overspends in supplies and services budgets**

21. There were a number of significant over and under spends in supplies and services across the council which totalled a net over spend of £143,000. The budget was £4,383,000 and this represents an over spend of just over three per cent. The main variances are detailed in the paragraphs below.

22. Planning was over spent by £384,000. Expenditure on consultants within planning policy was over spent by £225,000, which is due to work on a number of major

planning applications. The majority of the remaining over spend is within development services which is offset against additional income as discussed in paragraph 18.

23. The £74,000 over spend in finance is primarily due to additional work carried out by our contractors regarding Council Tax Reform Scheme (CTRS). These costs are covered by grant funding.

Corporate Strategy was £205,000 under budget. This is predominantly due to requests for community grants being less than anticipated. There are also a number of small under spends within consultation and waste services. Economy, leisure and property was under spent mainly due to a prior year accrual for a leisure management contract reconciliation which was not required.

### Over spend in third party payments

24. There were a number of over and under spends relating to third party payments which resulted in a net over spend of £73,000, although none of these were material in any individual service.

### Over spend in other variances

25. Other variances were over spent by £375,000. This was primarily in finance where rent allowance payments were over spent as discussed earlier in this report and are met by a corresponding increase in grant income. In addition to this the general contingency budget was £492,000 under spent.

### Comparison to previous year revenue outturn

26. A comparison of the 2014/15 outturn to the 2015/16 revenue outturn with an adjustment for housing benefits is shown in table 5 below:

**Table 5: 2014/15 and 2015/16 revenue outturn**

	2014/15 Total £000	2014/15 Housing benefits £000	2014/15 Other £000	2015/16 Total £000	2015/16 Housing benefits £000	2015/16 Other £000
Income	(1,331)	510	(1,841)	(1,864)	(782)	(1,082)
Expenditure	(307)	(481)	174	506	866	(360)
<b>Net expenditure</b>	<b>(1,638)</b>	<b>29</b>	<b>(1,667)</b>	<b>(1,358)</b>	<b>84</b>	<b>(1,442)</b>

27. The majority of the under spend in both years relates to over achievement of income. In 2014/15, £535,000 of the income variance related to additional grant income for a capacity funding grant, which we were not aware of when the budget was set.
28. Housing benefit and rent allowance income was a significant reason for the variance in 2015/16. This income is notoriously difficult to predict however it is offset against its related payments.
29. The expenditure budgets has swung from an under spend in 2014/15 of £307,000 to an over spend of £506,000 in 2015/16 but if housing benefits are excluded from the analysis, then the swing in expenditure has reduced from £174,000 over spend in 2014/15 to an under spend in 2015/16 of £360,000.

### Financial, legal and any other implications

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

## **Conclusion**

31. The council has overachieved its gross income target and under spent on capital for 2015/16, following the trends of recent years. After taking into account housing benefit payments there was a relatively small under spend on expenditure for 2015/16 compared with a relatively small over spend in 2014/15. 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 2015/16 (currently being audited)
- Annual Budget papers for 2015/16