

Scrutiny Report



REPORT NO

Report of Head of Finance/Senior Business Partner (Capita)

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To: Scrutiny

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Financial outturn 2017/18

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 committee clerk or the Senior Business Partner (Capita). 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 2017/18.

Strategic Objectives

2. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council. The outturn report shows how these resources have been used in year.

Background

3. The attached papers contain summarised schedules of revenue and capital expenditure for 2017/18; 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. All the figures in this report are pre-Audit and may be subject to some change following the conclusion of the audit of the Statement of Accounts.

Revenue outturn 2017/18

4. In February 2017 the council approved a net expenditure budget of £13.1 million. This increased to £14.1 million as a result of budget carry forwards and supplementary estimates. The net expenditure at year end was £11.6 million – this equates to a variation of £2.5 million, which has been transferred to the council's reserves.
5. Of the £2.5 million variation to budget, £1.1 million represents slippage in one-off budgets that have been agreed as a budget carry forward to 2018/19. This includes £0.6 million of carry forwards in Development and Housing for development activity in respect of Science Vale and Didcot Garden Town, and £0.2 million in Planning in respect of delivering the Local Plan. In addition, net investment income was £294,000 above budget, including financing cost savings. The remaining underspend has been transferred to revenue reserves.
6. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £54.9 million compared to an actual spend of £52.9 million resulting in an under spend of £2.0 million. This under spend is approximately 4.7 per cent of total expenditure.
7. The income budget was £40.6 million compared to actual income of £40.8 million, giving an over achievement in income of £0.2 million or around 0.5 per cent.
8. Table 1 below summarises the outturn position by service. Appendix 2 compares the outturn position with most recent forecasts and paragraphs 16 and 17 contain information on key variances.

Table 1: summary of revenue budgets and variance

Summary of revenue budgets and variances	Budget £000	Actual £000	Variance £000	Notes
Client team - 5 Councils Partnership	2,165	2,135	(30)	a
Strategic management board	890	713	(177)	
Corporate services	1,779	1,422	(357)	
Development and housing	1,911	830	(1,081)	
Finance	197	228	31	
Legal and democratic services	1,321	1,302	(19)	
Planning	1,267	1,044	(223)	
Waste, Leisure & Env Health	4,740	4,484	(256)	
Contingency	130	0	(130)	
Direct service expenditure	14,400	12,158	(2,242)	
Net Interest Income	(316)	(610)	(294)	b
Net expenditure	14,084	11,548	(2,536)	

Notes:

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

- b) The council's treasury management outturn report will be considered by Joint Audit and Governance Committee and cabinet and council.

Table 2: housing benefits and rent allowances

	Budget £000	Actual £000	Variance £000
Rent allowances payments	28,459	28,168	(291)
Government Subsidy income	(26,887)	(26,799)	88
Rent allowance overpayments recovered	(2,007)	(1,684)	323
Net Position	(435)	(315)	120

Capital

9. The original capital budget for 2017/18 including growth was agreed in February 2017 at £16.6 million. In 2017/18, a review commenced of a number of the large capital schemes as a result of the growth deal. Details of the changes to the capital programme in year are summarised in table 3 below:

Table 3: movement on capital programme

	2017/18 £000
Original capital budget 1 April 2017	14,806
Agreed growth	1,800
Roll forward from prior years	1,108
Additions in year (externally funded)	835
Additions in year (other)	22
Budget profiling from future years	2,114
Schemes deleted (including reduction in contingency budget)	(685)
Slippage into future years (see Appendix 4)	(13,651)
Working budget 31 March 2018	6,349

10. Capital expenditure for 2017/18 was £3.2 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. Slipped budgets remain committed for use in future years. During the year £13.7 million, including the capital contingency budget, was slipped in this way. A list of these schemes is shown in appendix 4.

Capital receipts¹

12. The original capital receipts budget for 2017/18 was agreed in February 2017 at £12.4 million. The budget remained unchanged throughout the year. Actual new capital receipts in year amounted to £12.4 million. This was from the sale of four properties, including £12.3 million from the sale of Westway, Botley. There were small receipts relating to easements over land and lease variations.

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

Analysis of the revenue underspend

13. The variations between budgeted and actual income and expenditure are summarised in table 4 below.

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

Service Team	Total Variance £000	Income Variance		Expenditure Variance				Under-spend c/fwd to 2017/18 £000
		Grants and Contributions £000	Other Income £000	Employee Costs £000	Supplies and Services £000	Third Party Payments £000	Other Gross Expenditure £000	
Client team - 5 Councils Partnership (5CP)	(30)	39	(257)	(87)	523	34	(282)	0
Strategic Management Board (SMB)	(177)	5	(153)	(181)	61	91	0	47
Corporate Services (CS)	(356)	0	(56)	(25)	(260)	(15)	0	153
Development & Housing (DH)	(1,083)	(175)	77	(332)	(906)	253	0	643
Finance (F)	32	0	(16)	33	7	8	0	0
Legal & Democratic (LD)	(19)	25	(31)	(49)	(30)	66	0	0
Planning (P)	(222)	(27)	265	10	(197)	(273)	0	210
Waste Leisure and Environment (WLE)	(255)	14	74	(153)	(208)	18	0	43
Contingency	(130)	0	0	178	(308)	0	0	0
Direct Service Expenditure	(2,241)	(119)	(97)	(606)	(1,318)	181	(282)	1,095
Net Investment Income	(294)		(294)					
Net Expenditure	(2,535)	(119)	(391)	(606)	(1,318)	181	(282)	1,095
Working Budget	14,400	(28,027)	(12,534)	7,127	6,487	12,888	28,459	
Percentage	-17.6%	0.4%	3.1%	-8.5%	-20.3%	1.4%	-1.0%	

15. The outturn position has been analysed to identify explanations for the significant variations from budget, excluding a number of budgets that have a net zero impact on the council's bottom line, e.g. recharge areas where expenditure variances have a corresponding income variance. Key reasons for variances are outlined below, categorised between income and expenditure variances and with an indicator showing the service team area as referred to in Table 4 above. These variances are also summarised in Appendix 5.

Income Variances

16. Significant income variances include:

Increased income against budget:

- A higher level of sales than predicted resulted in Mobile Home commission being £79,000 above budget. (5CP)
- Overall, Car Parking Income was around £70,000 above budget, with increased parking fee income more than offsetting reduced levels of season ticket and excess charge income compared to budget. (5CP)
- Income in respect of facilities, general, and investment properties was around £514,000 above budget, with much of this higher level being attributable to investment properties. However, in these areas there were also significant areas

of increased expenditure, as referred to below, which offset over half of this additional income. (5CP)

- Government Grant in respect of Homelessness was £36,000 above budget, although this will be spent in future years. (DH)
- Parks Income backdated from previous years resulted in income above budget of £45,000. (WLE)

Reduced income against budget:

- Housing benefit Government subsidy was £88,000 below budget, although this reflected reduced expenditure. (5CP)
- Housing benefits overpayments recovered were £323,000 below budget, although this also reflected reduced expenditure on rent allowances to an extent. (5CP)
- Development Services fee income (planning fees) was around £200,000 less than expected as the market stabilised. (P)
- Reduced Recycling tonnage resulted in a reduction in income of £50,000 against budget. (WLE)

Expenditure Variances

17. Significant expenditure income variances include the following. A number of these areas are the subject of the Carry Forward requests referred to later in this report.

Reduced expenditure against budget:

- Housing benefit payments were around £291,000 less than budget. Although this is a significant variance in terms of the council's net expenditure, it represents a variance of only around 1 per cent on this budget. This represents the inherent volatility on this demand-led budget, and the difficulties of accurate estimation. (5CP)
- Consultant costs in respect of Devolution / Better Oxfordshire were underspent by over £36,000, which is the subject of a carry forward request. (SMB)
- Unallocated staffing budgets held as a contingency in the Corporate Management Team area were not called upon in their entirety, resulting in an underspend of around £135,000. (SMB)
- Corporate consultation costs were around £58,000 less than budgeted, due to a combination of software costs being funded from within Planning, and less corporate consultation being undertaken than expected. (CS)
- NHB grants awarded in 2017/18 are yet to be claimed and will be paid in 2018/19. A carry forward of around £121,000 has been requested in respect of this. Around £25,000 was also not required in respect of completed projects that were underspent, contributing to an overall variance of around £151,000 in this area. (CS)

- Overall, the adoption of a proactive approach on Housing Needs and Homelessness resulted in an underspend of around £115,000. (DH)
- Agency Staff, Publicity and Promotional costs, and Consultants costs in respect of the Accelerated Housing & Didcot Garden Town project of £629,000 have been paused to allow the budget to be reprofiled to align spending with the Housing Infrastructure Fund (HIF) project. (DH)
- Expenditure on the Science Vale project was around £101,000 under budget, and a carry forward has been requested for this amount. (DH)
- Electoral Services underspent by around £67,000, due to a combination of vacancies; reduction in the number of canvassers recruited to cover annual canvass and an underspend on printing due to trialling alternative canvass methods; increased on-line applications; and individual electoral registration becoming established. (LD)
- In Development Services, around £135,000 savings in employee and agency costs partly offset the reduction in fee income referred to above, reflecting the need to match expenditure to caseload and income. (P)
- Development Policy was around £317,000 underspent in total. Budgets for Local Plan examination and updated studies were not used in 2017/18 and a carry forward of around £210,000 will be required in 2018/19. (P)
- Vacancies in Waste, Leisure, and Environment Corporate Strategy resulted in an underspend of around £52,000 in this area. (WLE)

Increased expenditure against budget:

- Costs in IT Operations, primarily on software licences, were around £63,000 above budget. (5CP)
- Premises costs in respect of Car Parking, principally service charges and rates were around £50,000 higher than expected. (5CP)
- Costs related to facilities, general, and investment properties, including rates and contributions to bad debt provisions, were around £294,000 higher than budgeted, partly offsetting the higher than budgeted income levels in these areas. (5CP)

Revenue Carry Forward Requests

18. As noted above, Revenue Carry Forward requests into 2018/19 amount to around £1.1 million, primarily in relation to slippage on major Development projects and the Local Plan. For 2016/17, the equivalent figure was £836,000. The full list of Revenue Carry Forward Requests is detailed in Appendix 6.

Comparison to previous year revenue outturn

19. A comparison of the 2016/17 outturn to the 2017/18 revenue outturn is shown in table 5 below:

Table 5: 2016/17 and 2017/18 revenue outturn

	2016/17 Total £000	2017/18 Total £000
Income	(838)	(509)
Expenditure	(909)	(2,027)
Net Position before Carried Forward Budgets	(1,747)	(2,536)
Carried Forward Budgets	836	1,095
Net Position after Carried Forward Budgets	(911)	(1,441)

20. Housing benefit and rent allowance income was a significant reason for the variance in 2016/17. Although this area remains very difficult to predict, as indicated in Table 2, the variance in this area is less significant in 2017/18 than in previous years. With overall income being relatively close to budget, expenditure underspends including carry forward requests are the most significant factor in 2017/18.

Implications for 2018/19 and future years

21. The 2017/18 revenue outturn position was largely characterised by slippage on major development projects resulting in a relatively high level of balances at year end and a high level of carry forwards. Regarding trends for future years in other areas, development control income was a major area of reduced income against budget, a trend that has already been recognised to an extent in the Medium Term Financial Plan (MTFP).
22. Investment income continues to outperform both budgeted figures and benchmark performance indicators.
23. The capital programme has also been subject to significant slippage into future years, again in a similar pattern to previous years.

Financial, legal and any other implications

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

Conclusion

25. Following the trends of recent years, the council has underspent on both revenue and capital, and the nature and reasons for these variances are detailed within this report and the appendices.

Appendices:

1. Revenue outturn – expenditure and income variance
2. Revenue outturn – Budget monitoring report
3. Capital outturn – summary and commentary
4. Capital outturn – slippage
5. Revenue outturn – summary variances
6. Revenue Carry Forward 2017/18 Requests

Background Papers

- Statement of Accounts 2017/18
- Budget papers for 2017/18