

Scrutiny Committee Report



Report of Head of Finance

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To: Scrutiny Committee

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Financial outturn 2018/19

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 Senior Finance Business Partner (richard.spraggett@southandvale.gov.uk). 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 2018/19.

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 2018/19; they also present an explanation of the significant variances against budget. This is presented by service. All the figures in this report are pre-

audit and may be subject to change following the conclusion of the audit of the statement of accounts.

Revenue outturn 2018/19

4. In February 2018 the council approved a net expenditure budget of £15.3 million. This increased to £16.4 million as a result of budget carry forwards and supplementary estimates. The net expenditure at year end was £14.2 million – this equates to a variation of £2.2 million, which has been transferred to the council's reserves. This is shown in Table 1 below.

Table 1: summary of revenue budgets and variance

Service Team	Total			Notes
	Budget £000	Actual £000	Variance £000	
Community Services	2	(117)	(119)	
Corporate Management	707	301	(406)	
Corporate Services	2,620	2,554	(66)	
Development & Regeneration	1,220	581	(639)	
Finance	(1,027)	(361)	666	(a)
Housing & Environment	6,072	5,027	(1,045)	
Legal & Democratic	1,063	953	(110)	
Partnership & Insight	4,274	4,506	232	
Planning	1,310	746	(564)	
Contingency	180	0	(180)	
Service Expenditure	16,420	14,189	(2,231)	
Investment Income	(450)	(933)	(483)	(b)
Net Expenditure	15,970	13,256	(2,714)	

Notes:

- a) Finance includes housing benefits and rent allowances 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 allowance payments	26,484	24,035	(2,449)
Government subsidy income	(27,790)	(24,934)	2,856
Net Position	(1,306)	(899)	407

5. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £53.4 million compared to an actual spend of £48.8 million resulting in an under spend of £4.6 million. This under spend is approximately 8.7 per cent of total expenditure. The income budget was £38.9

million compared to actual income of £36.5 million, an adverse variance of £2.4 million or around 6.3 per cent.

6. Appendix 2 compares the outturn position with most recent forecasts.
7. Table 3 below provides a further breakdown of the revenue outturn position.

Table 3: summary of major variances against revenue budget

Service Team	Total Variance £000	Income Variance		Expenditure Variance				Under-spend c/fwd to 2019/20 £000
		Grants and Contributions £000	Other Income £000	Employee Costs £000	Supplies and Services £000	Third Party Payments £000	Other Gross Expenditure £000	
Community Services	(119)	(118)	229	21	(142)	(86)	(23)	55
Strategic Management	(406)	0	0	(432)	43	(16)	(1)	
Corporate Services	(66)	1	2	135	(199)	0	(5)	39
Development & Regeneration	(639)	(171)	145	(166)	(296)	(8)	(143)	363
Finance	666	2,720	(33)	274	(10)	85	(2,370)	
Housing & Environment	(1,045)	(416)	(180)	(341)	(233)	62	63	250
Legal & Democratic	(110)	1	(31)	(66)	(16)	2	0	32
Partnership & Insight	232	1	0	(16)	(468)	715	(0)	303
Planning	(564)	(22)	297	(495)	(318)	0	(26)	497
Contingency	(180)	0	0	161	(341)	0	0	
Direct Service Expenditure	(2,231)	1,996	429	(925)	(1,980)	754	(2,505)	1,539
Investment Income	(483)		(483)					
Net Expenditure	(2,714)	1,996	(54)	(925)	(1,980)	754	(2,505)	1,539
Working Budget	15,970	(28,363)	(11,035)	7,952	5,105	13,337	28,974	
Percentage	-17.0%	-7.0%	0.5%	-11.6%	-38.8%	5.7%	-8.6%	

Budgets carried forward to 2019/20

8. As shown in table 3, of the £2.2 million variance to budget, over £1.5 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2019/20. These carry forwards are shown in Appendix 3. They include £0.4 million of carry forwards in Development and Regeneration in respect of 'Science Vale' and other regeneration work, £0.3 million in Partnership and Insight for accelerated housing and Didcot Garden Town, and £0.5 million in Planning in respect of delivering the Local Plan.
9. The Budget carry forwards from 2017/18 included £0.3 million in respect of the Local plan, £0.2 million for Didcot garden Town and £150,000 for Science Vale and the Growth Board. These amounts have been carried forward for a second year into 2019/20.
10. Excluding the carry forwards, direct service expenditure was £0.7 million underspent against budget. Within that net variance, the outturn position has been analysed to identify explanations for the significant variations from budget. 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 3 above.

Income variances

11. Significant income variances include:

Increased income against budget:

- Government grant in respect of homelessness was £259,000 above budget, although this will be spent in future years. (Housing & Environment)
- Parking fees were £109,000 higher than budget, and licensing fees were also above budget by £43,000. (Housing & Environment)
- Income in respect of Investment properties was around £180,000 above budget (Development & Regeneration)

Reduced income against budget:

- Housing benefit government subsidy was £2.720 million below budget, although this was broadly compensated by reduced expenditure. (Finance)
- Development Services fee income (planning fees) and Building Control fees were £272,000 and £27,000 respectively below target due to market slowdown, particularly on larger developments. (Planning)

Expenditure variances

12. 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:

- Across all services, employee costs were £0.9 million below budget. This underspend includes £0.3 million that has been carried forward to 2019/20.
- IT costs were £156,000 less than budget primarily due to software underspends (Corporate Services)
- Housing Development was £230,000 less than expected due to staff and consultancy underspends. The budget included a £100,000 contribution to the 'Oxfordshire Growth Board'. Partnership projects have not yet drawn on this funding and the Growth Board itself is now undergoing a review. (Development and Regeneration).
- Housing Benefit payments were £2.370 million less than budget. The level of these payments is difficult to forecast and the variance is more than offset by reduced subsidy income. (Finance)
- Facilities Costs were £97,000 less than budget. This service was brought back in house from 'Vinci' on 1 April 2018. As part of this process, new subcontractors had to be selected and contracts tendered, which created expenditure delays. The largest underspends being cleaning contracts (£43,000) and repairs and maintenance (£27,000) (Development & Regeneration)

- Environmental Services spend was £107,000 underspent primarily due to staff vacancies (£70,000) and reduced use of services such as the dog warden (£27,000). (Housing & Environment)
- Homelessness and housing register expenditure was £141,000 less than budget primarily due to reduced temporary accommodation charges (£48,000) and salary underspends (£64,000) These underspends were achieved due to proactive management of homelessness which led to less families requiring this accommodation and reduced hotel costs. A vacancy for a lettings assistant was unfilled creating both a salary saving but also increasing demands on the lettings officer (Housing & Environment)

Increased expenditure against budget:

- Elements of the contract with Capita were renegotiated during 2018/19. Forecast potential savings have been revised and the expenditure profile across the remaining years of the contract has been changed. Consequently, expenditure relating to this contract was £718,000 more than budget. This contrasts with 2017/18 when the expenditure was £502,000 below budget. (Partnership & Insight)

Comparison to previous year revenue outturn

13. A comparison of the 2017/18 outturn to the 2018/19 revenue outturn is shown in table 4 below:

Table 4: 2017/18 and 2018/19 revenue outturn

	2017/18 Total £000	2018/19 Total £000
Income	(509)	2,425
Expenditure	(2,027)	(4,656)
Net position before carried forward budgets	(2,536)	(2,231)
Carried forward budgets	1,095	1,538
Net position after carried forward budgets	(1,441)	(693)

14. Payments to Capita created the largest overspend (£718,000) in 2018/19. Housing benefit and rent allowance income is difficult to predict and created a net overspend of £407,000 in the year, having been close to budget in 2017/18.
15. Similar to 2017/18, expenditure underspends including carry forward requests are the most significant factor in 2018/19.

Capital

16. The original capital budget for 2018/19 including growth was agreed in February 2018 at £14.4 million. In March 2018, a review commenced of a number of the large capital schemes. Details of the changes to the capital programme in year are summarised in table 5 below:

Table 5: movement on capital programme

	2018/19 £000
Original capital budget 1 April 2018	14,411
Roll forward from prior years	4,113
Schemes paused	(11,049)
Additions in year (externally funded)	1,218
Additions in year (other)	41
Schemes deleted	(555)
Slippage into future years (Appendix 4)	(4,326)
Working budget 31 March 2019	3,853

17. Capital expenditure for 2018/19 was £2.3 million. Detail of the variance of spend against the capital programme working budget is shown in appendix 4 to this report.
18. 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 £4.3 million was slipped in this way. A further £11 million was paused and removed from the capital programme. A list of paused schemes is shown in appendix 5 and a list of slipped schemes is shown in appendix 6.

Implications for 2018/19 and future years

19. The 2018/19 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.
20. The overspend on the Capita contract largely reflects a reprofiling of costs following renegotiation of both the contract and the Inter-Authority Agreement between the council partners. This was recognised in the budget published in February 2019 which also reflected lower savings than originally forecast from the contract.
21. A budget review and challenge was carried out by the finance department in December with the assistance of CIPFA. This highlighted savings which were applied to the 2019/20 budget. The 2018/19 year end outturn has demonstrated that in certain areas further savings may be possible. The budget challenge exercise will resume as part of the 2020/21 budget setting and Heads of Service will be asked to justify the restatement of underspent budgets.
22. 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

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

Conclusion

24. 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 – major variances
3. Revenue carry forward 2018/19 requests
4. Capital outturn – summary and commentary
5. Capital outturn – paused schemes
6. Capital outturn - slippage

Background Papers

- Statement of accounts 2018/19
- Budget papers for 2018/19