

Scrutiny Committee Report



Report of Head of Finance

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To: Scrutiny Committee

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Financial Outturn 2020/21

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 strategic finance manager (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 2020/21.

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 the 2020/21 financial year.

Background

- The attached papers contain summarised schedules of revenue and capital expenditure for 2020/21; 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 2020/21

- In February 2020 the council approved a net expenditure budget of £15.04 million which was subsequently revised in October 2020 to £15.8 million. The increase was funded from revenue reserves, primarily to reflect the financial impact of the Coronavirus pandemic. This includes costs incurred in supporting residents and businesses affected by the pandemic, together with anticipated reductions in a number of the council's key income streams which had been affected by the country going into lockdown. The budget adjustments are shown as follows in table 1 below:

Table 1: Revised budget 2020/21

	£000
Original net expenditure budget 2020/21	15,044
Impact of Coronavirus pandemic:	
Additional expenditure pressures	1,137
Additional income pressures	2,403
Additional grant funding	(3,281)
Other revisions	532
Total revisions	791
Total revised expenditure budget 2020/21	15,835

- The budget was further amended to include one-off budgets that had been carried forward from the previous financial year. With the inclusion of budget carry forwards and other in-year changes, the working budget for 2020/21 was increased to £17.4 million.
- Against the working budget £17.4 million net expenditure at year end was £14.8 million. This equates to a favourable variance of £2.6 million which has been transferred to the council's reserves. The summary by service is shown in table 2 below.

Table 2: summary of revenue budgets and variance

Summary of revenue budgets and variance	Budget £000	Actual £000	Variance £000	Notes
Strategic Management Team	917	710	(207)	(a)
Corporate Services	3,896	3,495	(401)	
Development & Regeneration	809	1,392	583	
Finance	475	695	220	
Housing & Environment	7,156	6,641	(515)	
Legal & Democratic	1,092	944	(148)	
Partnerships	3,414	3,026	(388)	
Planning	1,886	965	(921)	
Policy & Programmes	672	450	(222)	
Contingency	(2,849)	(3,493)	(644)	
Service Expenditure	17,468	14,825	(2,643)	
Investment Income	(833)	(1,021)	(188)	(b)
Net Expenditure	16,635	13,804	(2,831)	

Notes:

- a) Finance includes housing benefits and rent allowances funded by government grant as shown in table 3 below.
- b) The council's treasury management outturn report will be considered by Joint Audit and Governance Committee, Cabinet and Council.

Table 3: housing benefits and rent allowances

	Budget £000	Actual £000	Variance £000
Rent allowance payments	17,440	19,920	2,480
Government subsidy income	(16,963)	(19,075)	(2,112)
Rent allowance overpayments	(477)	(794)	(317)
Net Position	0	51	51

7. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £46.6 million compared to an actual spend of £47.6 million resulting in an overspend of £1.0 million. This overspend is approximately 2.1 per cent of total expenditure. The income budget was £29.1 million compared to actual income of £32.8 million, a favourable variance of £3.7 million representing 12.7 per cent of total income.

8. Table 4 below provides a further breakdown of the revenue outturn position.

Table 4: summary of major variances against revenue budget

	Total Variance £000	TRANSFERS		Net Variances after Transfers £000	VARIANCES BREAKDOWN	
		Under- spend c/fwd. to 2021/22 £000	Grant Income transferred to reserves £000		Employee Costs £000	Other £000
Strategic Management	(207)	230	0	23	19	4
Corporate Services	(401)	50	0	(351)	(212)	(139)
Development & Regeneration	583	436	0	1,019	99	920
Finance	220	58	0	278	69	209
Housing & Environment	(515)	146	237	(132)	40	(172)
Legal & Democratic	(148)	0	0	(148)	(46)	(102)
Partnerships	(388)	352	0	(36)	85	(121)
Planning	(921)	0	65	(856)	(377)	(479)
Policy & Programmes	(222)	238	0	16	(27)	43
Contingency	(644)	0	0	(644)	78	(722)
Direct Service Expenditure	(2,643)	1,510	302	(831)	(272)	(559)
Investment Income	(188)	0	0	(188)	0	(188)
Net Expenditure	(2,831)	1,510	302	(1,019)	(272)	(747)

Budgets carried forward to 2020/21 and unbudgeted grant income

9. As shown in table 4, of the £2.6 million variance to budget, £1.5 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2021/22. A further £0.3 million of unbudgeted grant income received in year has been transferred to reserves for future expenditure.

10. Details of all the carried forward budgets are included in Appendix 2. The unbudgeted grant income received in the financial year was £0.3 million. This income will either be transferred to reserves and set against expenditure in 2021/22 or in the case of the neighbourhood planning grant offsets expenditure in previous years. The breakdown of this funding is shown in table 5 below.

Table 5: Grant funding transferred to reserves

Grant	£
Neighbourhood planning grant	65,000
Flexible Homeless Support Grant	189,414
Local Authority Compliance & Enforcement	47,638
TOTAL	302,052

Employee Costs

11. Employment costs show an underspend for the year of £272,000 with the largest variances being in Corporate Services and Planning.
12. In Corporate Services there were staff underspends arising at The Beacon due to staff employed their being redeployed elsewhere in the council to support the response to the pandemic. The corporate training budget was also underspent by £55,000 at year end. In addition there was a £79,000 overspend on the fixed cost element of the council's contribution to the pension fund following the latest triennial valuation. The results of the valuation were received after the budget was set.
13. In Planning, the underspend primarily reflects progress on the local plan that has been affected by the coronavirus pandemic, and also the involvement of some staff on South Oxfordshire's Local Plan 2035 examination.

Service Department Variances over £50,000

14. Excluding the carry forwards and grant income transferred to reserves, net revenue expenditure was £0.6 million underspent against budget. The significant "other" variations from budget are shown in table 3 above and are explained below.

Corporate Services

15. Expenditure on grants was £110,000 below budget due to lower activity during the pandemic. £50,000 for discrete grants has been carried forward into 2021/22 leaving an overall saving of £60,000.

Development & Regeneration

16. The costs of running the council's leisure centres were £1 million above the revised budget at year end. The budget was revised downwards due to the closure of the leisure centres caused by the pandemic but the revised budget was set in Autumn 2020, ahead of two further lockdown periods in which the leisure centres would have to be closed. The council was however able to claim for the loss of management fee income under the government's sales fees and charges scheme and additional income received for the additional lockdown periods is reflected in the contingency budget outturn position.
17. The commercial rental income budget of £767,000 was reduced by £208,000 due to the pandemic to £559,000. Despite this, property income was £100,000 below the revised budget at year end and reflected lower occupancy than originally budgeted.
18. Facilities Management, which includes the rent and service charges for Abbey House, was overspent by £72,000. When the budget was set it was anticipated that more of Abbey House would be let to Oxfordshire County Council but this will not now happen.

Finance

19. The revenues and benefits client budget was overspent by £145,000 at year end. In addition to the overspend on housing benefits identified above, this primarily reflected the loss of court fee income during 2020/21 due to the suspension of debt recovery action during the pandemic. This recovery action has now restarted.

Housing and Environment

20. Car Parking was £170,000 overspent at year end against the revised budget. The service was severely affected by the pandemic lockdowns and the income budget of £457,000 was reduced to £242,000 in October 2020. Despite this car parking income was down by £50,000 against the revised budget. Contract costs were overspent by £77,000 primarily due to unbudgeted pension costs.
21. The homelessness budget was underspent by £328,000. The budget was increased as part of the revised budget by £190,000 but, in practice, not all of this increase proved to be required. In addition, as identified above unbudgeted Flexible Homelessness Support Grant income of £189,000 was received later in the year.
22. Waste services were underspent by £229,000. Of this, contractor payments were £75,000 below budget due to indexation being lower than expected. In addition, income from garden waste and recycling was over £100,000 above budget.
23. Mobile Home Parks were overspent by £62,000 due to unexpected repairs to mobile home bases. However, £15,000 of the overspend is recoverable from tenants and will be invoiced in 2021/22.

Legal Services

24. Land Charges had a favourable variance of £88,000 against a revised budget of £150,000, which had been revised down from £210,000. This was through increased demand for the land charges service caused by the temporary change in stamp duty.

Partnerships

25. There was an underspend of £85,000 on the Five Councils contract reflecting changes to profiling of contract charges following the insourcing of the exchequer and payroll functions at the start of the financial year.

Planning

26. There was an underspend on Planning Policy of £440,000 largely due to the delays highlighted earlier in progressing the Local Plan.

Contingency

27. When the revised budget was set, provision was made for losses in income from sales, fees and charges to be met under the government's sales fees and charges compensation scheme. However, as identified above, management fee income from leisure continued to be affected by further lockdowns and this, and other variations from fee income predicted when the revised budget was set, led to claims from government under the compensation scheme being over £700,000 higher than estimated.

Comparison to previous year revenue outturn

28. A comparison of the 2019/20 outturn to the 2020/21 revenue outturn is shown in table 6 below:

Table 6: 2019/20 and 2020/21 revenue outturn

	2019/20 Total £000	2020/21 Total £000
Income	2,841	(3,660)
Expenditure	(4,402)	1,017
Net position before Carried Forward Budgets	(1,561)	(2,643)
Carried Forward Budgets	833	1,510
Net position after Carried Forward Budgets	(728)	(1,133)

Capital

29. The original capital budget for 2020/21 including growth was agreed in February 2020 at £10.5 million. Details of the changes to the capital programme in year are summarised in table 7 below:

Table 7: movement on capital programme

	Approved
Original capital budget 1 April 2020	10,500
Roll forward from prior years	4,060
Additions in year (externally funded)	874
Additions in year (other)	352
Schemes deleted	(370)
Slippage into future years	(1,627)
Working budget 31 March 2021	13,789

30. Capital expenditure for 2020/21 was £0.8 million. Detail of the variance of spend against the capital programme working budget is shown in appendix 3 to this report.
31. 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 £1.6 million was slipped in this way. A list of slipped schemes is shown in appendix 4.

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 2020/21 financial year was particularly challenging as the council faced the impact of the Coronavirus pandemic, but at year end the outturn position on revenue and capital was an underspend against the working budget for the year. Details of major variances are detailed within this report and the appendices.

Appendices:

1. Revenue outturn – expenditure and income variance
2. Revenue carry forward 2020/21 requests
3. Capital outturn – summary and commentary
4. Capital outturn - slippage

Background Papers

- Budget papers for 2020/21