

Scrutiny Committee Report



Report of Head of Finance

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To: Scrutiny Committee

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Financial Outturn 2021/22

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 2021/22.

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 2021/22 financial year.

Background

- The attached papers contain summarised schedules of revenue and capital expenditure for 2021/22; 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 2021/22

- In February 2021 the council approved a net expenditure budget of £18.9 million. The budget was set during the third lockdown period caused by the Covid-19 pandemic, a period when there was considerable uncertainty regarding how the pandemic would evolve. This meant that, within the budget, a considerable contingency was included to mitigate against potential negative financial impacts of the pandemic. The budget was 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 2021/22 was increased to £20.4 million.
- Against the working budget of £20.4 million, net expenditure at year end was £16.6 million. This equates to a favourable variation of £3.8 million, which has been transferred to the council's reserves. A detailed summary by service is shown in table 1 below.

Table 1: summary of revenue budgets and variance

Summary of revenue budgets and variance	Budget £000	Actual £000	Variance £000	Notes
Strategic Management Team	1,235	804	(430)	
Corporate Services	2,855	2,529	(325)	
Development & Corporate Landlord	2,845	3,551	707	
Finance	465	350	(115)	(a)
Housing & Environment	5,385	5,377	(8)	
Legal & Democratic	1,378	1,295	(83)	
Partnerships	2,754	1,077	(1,677)	
Planning	395	99	(295)	
Policy & Programmes	2,866	1,894	(973)	
Contingency	241	(363)	(604)	
Service expenditure	20,418	16,614	(3,804)	
Investment income	(558)	(744)	(186)	(b)
Net expenditure	19,860	15,870	(3,990)	

Notes:

- Finance includes housing benefits and rent allowances funded by government grant as shown in table 2 below.
- The council's treasury management outturn report will be considered by Joint Audit and Governance Committee, Cabinet and Council.

Table 2: housing benefits and rent allowances

	Budget £000	Actual £000	Variance £000
Rent allowance payments	20,337	18,425	(1,912)
Government subsidy income	(19,595)	(17,697)	1,898
Rent allowance overpayments	(742)	(819)	(77)
Net Position	0	(91)	(91)

6. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £55.1 million compared to an actual spend of £50.8 million resulting in an underspend of £4.3 million. The income budget was £34.7 million compared to actual income of £34.2 million, an adverse variance of £0.5 million.
7. Table 3 below provides a further breakdown of the revenue outturn position.

Table 3: 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 transferr ed to reserves £000		Employee Costs £000	Other £000
Strategic Management	(430)	426	0	(4)	(81)	76
Corporate Services	(325)	0	0	(325)	(233)	(93)
Development & Corporate Landlord	707	196	0	903	(148)	1,051
Finance	(115)	0	0	(115)	(30)	(85)
Housing & Environment	(8)	40	0	32	(112)	144
Legal & Democratic	(83)	0	35	(48)	24	(72)
Partnership & Insight	(1,677)	0	0	(1,677)	(103)	(1,573)
Planning	(295)	0	0	(295)	(125)	(170)
Policy & Programmes	(973)	183	188	(602)	(26)	(576)
Contingency	(604)	0	0	(604)	517	(1,122)
Direct service expenditure	(3,804)	845	223	(2,736)	(316)	(2,421)
Investment income	(186)	0	0	(186)	0	(186)
Net expenditure	(3,990)	845	223	(2,922)	(316)	(2,607)
Working budget	20,418				0	
Percentage	(19.5)%					

Budgets carried forward to 2021/22

8. As shown in table 3, of the £3.8 million variance to budget, £0.8 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2022/23 and £0.2 million of unbudgeted grants transferred to reserves for future expenditure. These carry forwards are shown in Appendix 2.

9. The one-off corporate transformation budget was underspent by £426,000 due to changing management priorities during the year. The full underspend is to be carried forward to 2022/23 and, as agreed in the budget for 2022/23, will be supplemented by a further £250,000 from the overall council underspend at year end. Decisions on how the transformation funding are to be used will be forthcoming in Autumn 2022.
10. Development and Corporate Landlord had several projects that started during the year and have yet to complete, the most significant of which is £57,870 to fund the Central Abingdon Regeneration Framework (CARF) project. The unspent budget of £196,000 on these projects has been carried forward to 2022/23.
11. Projects in Policy and Programmes underspent by £183,000 and will be carried forward to 2022/23. The most significant underspends are on Dalton Barracks Garden Village, which will carry forward £46,600 and the climate change project, which will carry forward £50,000.

Unbudgeted grant income transferred to reserves

12. Unbudgeted grant income received in the financial year was £0.2 million, which has been transferred to reserves to be set against 2022/23 expenditure. This is shown in table 4 below:

Cost centre	£
Dalton Barracks garden village	180,000
Diabetes UK	8,056
Domestic violence support	35,167
TOTAL	223,223

Employee costs

13. Employee costs show an underspend for the year of £316,000, which is net of the managed vacancy factor set at the beginning of the year.
14. In Corporate Services the main underspend in employment costs relates to vacancies in customer services and front of house of £82,000. This was a result of staff being seconded to other services and the vacancies remaining unfilled. As the office was closed to the public, the teams could absorb these vacancies.
15. The Beacon remained closed for much of the year and officers were seconded to other posts within the council. This resulted in a £175,000 underspend in employee costs in Development and Corporate Landlord.
16. In Planning, employment costs were underspent by £147,000 due to difficulties experienced in recruiting staff. This was offset by agency staff costs of £22,000 to cover some of the vacancies, giving an overall favourable variance of £125,000. This variance was due to vacancies that could not be recruited that could not be covered by agency staff which, notwithstanding increased workloads, resulted in lower performance on minor and other applications and delayed responses on consultations.
17. The Partnerships underspend of £103,000 was made up of a £57,000 underspend in Science Vale and a £57,000 underspend in Enterprise Zone.

The saving in Enterprise Zone was due to a part time officer working in a full-time post. This post now has a full-time officer, so this underspend will not be replicated in 2022/23.

18. The Science Vale budget had been carried forward from 2020/21 but is no longer required, creating an in-year underspend.

Service department variances over £50,000

19. Excluding the carry forwards to 2022/23, grant income transferred to reserves and employee cost variances, net revenue expenditure was £2.4 million underspent against budget. Of this total, as identified above, £250,000 has been carried forward to 2022/23 to provide additional funding for the transformation work. In addition, £337,500 has been carried forward to fund Planning Policy work in respect of the Joint Local Plan.
20. The significant variations from budget are shown in table 3 and are explained below.

Development & Corporate Landlord

21. General property rental income was £100,000 below budget. The shortfall in rents primarily relates to properties at Bury Street Precinct. The income from these properties, which are managed by a property company, is dependent on the level of occupancy. An over accrual of income from Bury Street in 2021/22 from the previous year contributed a further £225,000 adverse variance on income.
22. As identified above, The Beacon was closed for much of the year because of the coronavirus pandemic. Excluding the staff cost saving identified above, this resulted in less income being collected and a £243,000 overspend.
23. Facilities Management was overspent by £105,000. This was mainly a result of utilities costs that were higher than budget. Budgets were reviewed for 2022/23 and are more accurate, however it is expected that the increase in fuel costs will result in an adverse year end variance.
24. Car parking income was down against budget by £216,000. Usage of car parks did not return to pre-pandemic levels in 2021/22. However now that we are beginning to return to pre-pandemic activity levels income should start to increase.
25. The public realm team's budget, which includes grounds maintenance and public conveniences was overspent by £88,000. A water leak in public conveniences, which has been resolved, contributed £39,000 and the hire of vehicles pending purchase of our own fleet made up the remaining overspend of £49,000

Housing and environment

26. The waste service came in over budget by £112,000. Due to actual indexation being lower than anticipated when the budget was set, and an increase in recycling credits achieved in year, an underspend of £228,000 occurred on the waste and recycling collection service
27. The garden waste service overspent by £340,000. During the year there was a national problem with sourcing drivers able to operate heavy goods vehicles, which impacted waste collection. This, along with sickness due to the Covid-19 pandemic resulted in the garden waste service being suspended for several weeks. Customers

were given a three-month extension to their service. There was also a suspension of taking on new customers for six months after the exchequer service came back in house. The above resulted in a loss of income for the year.

Partnership and insight

28. The Five Councils' Partnership Client Team budget was underspent by £786,000. We have reviewed contract payments made to date in light of services recently returned in house. Following discussions with council partners, we have reprofiled partner contributions across the life of the contract and made accruals for adjusted sums now due.
29. Enterprise Zone costs which were budgeted to be funded from retained business rates receipts were £587,000 underspent. Agreement to fund the council's costs from business rates receipts was reached this year and the underspend reflect the costs incurred over a three-year period.

Planning

30. Planning received more income than forecast by £182,500. In general this income was generated by increased householder applications, but due to recruitment challenges, limited supply of agency staff and increased workload, performance dipped.

Policy and programmes

31. Delays in the joint local plan resulted in an underspend of £360,000. Budgeting arrangements for this service has been amended for 2022/23 and, as noted above, £337,500 has been earmarked to support future work on the joint local plan.

NNDR and council tax

32. Vale achieved over £4 million more NNDR income than anticipated in the 2021/22 budget. The budget assumed that the council would achieve £2.3 million. Following review between external advisors and finance staff, the provisions for business rates appeals, which had been build up over 10 years and were increased in response to the pandemic, were deemed to have been overly prudent and were significantly reduced. This, along with a prudent reduction in bad debt provision, added a one-off credit of £2.4 million to 2021/22 income.
33. In addition, the council commissioned external advisors to undertake a review of business rates premises in the district to identify any premises that should be paying business rates but were not on the rating list. This exercise identified an additional £3 million business rates, including backdated amounts, owed to the council by businesses. The council's share of this £3 million is estimated in 2021/22 to be in excess of £600,000, of which £200,000 is expected to be an ongoing increase.
34. This additional, primarily one-off income also generated an additional £0.9 million credit from the Oxfordshire councils' business rates pooling distribution group.

Comparison to previous year revenue outturn

35. A comparison of the 2020/21 outturn to the 2021/22 revenue outturn is shown in table 5 below:

Table 5: 2020/21 and 2021/22 revenue outturn

	2020/21 Total £000	2021/22 Total £000
Income	(2,921)	488
Expenditure	2,420	(4,293)
Net position before carried forward budgets	(501)	(3,804)
Carried forward budgets	1,449	845
Amounts earmarked for transformation and joint local plan	0	588
Net position after carried forward budgets	948	(2,371)

36. Although clearly unforeseeable at the time, the level of prudent provision for the ongoing impact of the Covid-19 pandemic in 2021/22, and the extent to which that contribution was required, contributed to the significant underspend in 2021/22.

Capital

35. The original capital budget for 2021/22 including growth was agreed in February 2021 at £8.4 million. Details of the changes to the capital programme in year are summarised in table 6 below:

Table 6: movement on capital programme

	Approved
Original capital budget 1 April 2021	8,351
Roll forward from prior years	9,914
Additions in year (externally funded)	1,460
Additions in year (other)	46
Schemes deleted	0
Slippage into future years	(1,703)
Working budget 31 March 2022	18,068

37. Capital expenditure for 2021/22 was £4.6 million. Detail of the variance of spend against the capital programme working budget is shown in appendix 3 to this report. Capital projects can span several years and any underspends are rolled over into the new financial year.
38. 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 £1.7 million was slipped in this way. A list of slipped schemes is shown in appendix 4.

Financial, legal and any other implications

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

Conclusion

40. 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 carry forward 2021/22 requests
3. Capital outturn – summary and commentary
4. Capital outturn - slippage

Background papers

- Budget papers for 2021/22