

# Scrutiny Committee Report



Report of Head of Finance

Author: Anna Winship

Telephone: 07745 667276

Textphone:

E-mail: [anna.winship@southandvale.gov.uk](mailto:anna.winship@southandvale.gov.uk)

Wards affected: All

Cabinet member responsible: Andrew Crawford

Tel: 07427 880274

E-mail: [Andy.crawford@whitehorsedc.gov.uk](mailto:Andy.crawford@whitehorsedc.gov.uk)

To: Scrutiny Committee

DATE: 24 September 2024

## Financial Outturn 2023/24

### Recommendation(s)

Scrutiny committee is recommended to note the overall outturn position of the council as well as the outturn of individual service areas.

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	Yes	Yes	Yes	Yes
Signing off officer	Anna Winship	Pat Connell	Jessie Fieth	Lorne Grove

**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 ([anna.winship@southandvale.gov.uk](mailto:anna.winship@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 2023/24.

## Strategic Objectives

- 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 2023/24 financial year.

## Background

- The attached papers contain summarised schedules of revenue and capital expenditure for 2023/24; 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 2023/24

- In February 2023 the council approved a net expenditure budget of £17.3 million. 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 2023/24 was increased to £18.8 million.
- Against the working budget of £18.8 million, net expenditure at year end was £19.6 million. This equates to an adverse variation of £0.8 million. The overall financial position of the Council is a favourable variance of £1.519 million, due to the increase returns on treasury management investment income, which exceeded its budget by £2.3 million. A detailed summary by service is shown in table 1 below.

<b>Summary of revenue budgets and variance</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>Notes</b>
Corporate Management Team	797	800	3	
Corporate Services	3,223	3,295	72	
Development and Corporate Landlord	916	1,145	228	
Finance	889	886	(3)	(a)
Housing & Environment	6,032	6,012	(20)	
Legal & Democratic	1,770	1,948	178	
Partnerships	2,113	2,386	273	
Planning	312	689	377	
Policy & Programmes	3,417	2,443	(974)	
Contingency	(668)	0	668	
<b>Service Expenditure</b>	<b>18,801</b>	<b>19,603</b>	<b>802</b>	
Investment Income	(3,329)	(5,650)	(2,321)	(b)
<b>Net Expenditure</b>	<b>15,472</b>	<b>13,953</b>	<b>(1,519)</b>	

### Notes:

- 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, Cabinet and Council.

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Rent allowance payments	18,127	18,014	(113)
Government subsidy income	(17,078)	(17,520)	(442)
Rent allowance overpayments	(814)	(562)	252
<b>Net Position</b>	<b>235</b>	<b>(68)</b>	<b>(303)</b>

6. This overall favourable variance allows us to carry forward the requested budgets totalling £0.8 million, further details of which are shown in paragraph 9 below. The remaining surplus balance of £0.7 million will be used to create a retained business rates volatility reserve of £0.5 million with the balance of £0.2 million being transferred to balances.
7. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £49.0 million compared to an actual spend of £50.5 million resulting in an overspend of £1.5 million. The income budget was £30.2 million compared to actual income of £30.9 million, a favourable variance of £0.7 million creating a net overall position of an overspend of £0.8 million.
8. **Table 3: summary of major variances against revenue budget**

	<b>Total Variance £000</b>	<b>TRANSFERS</b>		<b>VARIANCES BREAKDOWN</b>	
		<b>Under-spend c/fwd to 2023/24 £000</b>	<b>Net Variances after Transfers £000</b>	<b>Employee Costs £000</b>	<b>Other £000</b>
Corporate Management Team	3		3	(52)	55
Corporate Services	72		72	(131)	203
Development and Corporate Landlord	228	55	283	(250)	533
Finance	(3)	36	33	151	(118)
Housing & Environment	(20)		(20)	(24)	4
Legal & Democratic	178		178	(3)	181
Partnerships	273		273	(14)	287
Planning	377		377	(19)	395
Policy & Programmes	(974)	742	(233)	(210)	(23)
Contingency	668		668	718	(50)
<b>Direct Service Expenditure</b>	<b>802</b>	<b>832</b>	<b>1,635</b>	<b>167</b>	<b>1,467</b>
Investment Income	(2,321)	0	(2,321)	0	(2,321)
<b>Net Expenditure</b>	<b>(1,519)</b>	<b>832</b>	<b>(687)</b>	<b>167</b>	<b>(854)</b>
Working Budget	18,801				
Percentage	(8.1)%				

### **Budgets carried forward to 2024/25**

9. Table 3 above shows a further breakdown of the revenue position, including the proposed carry forward requests which total a further £0.8 million. This together with the adverse variance of £0.8 million for service spend totals an adverse variance of £1.635 million at service level. With the additional investment income taken into

account the overall surplus position is £0.7 million. The full list of these carry forwards is shown in Appendix 2, with some additional information below.

10. Development and Corporate Landlord have two projects that are underway but have yet to complete, the most significant of which is £32,800 to fund consultancy work to assist with the leisure contract procurement. A total of £55,000 has been carried forward to 2024/25 to complete these projects.
11. The one-off corporate transformation budget which sits in Policy and Programmes was underspent by £334,331, this will be carried forward to continue the transformation projects that are underway and to be started in future years. Other projects in this area underspent by £0.4 million and will be carried forward to 2024/25. The most significant underspends are on Dalton Barracks Garden Village, which will carry forward £170,000 and the Didcot Garden Town, which will carry forward £104,000.

### **Employee costs**

12. Employee costs show an overspend for the year of £167,000, which is net of the managed vacancy factor set at the beginning of the year.
13. In Corporate Services the main underspend in employment costs relates to vacancies in customer services of £131,000. This was a result of staff vacancies which proved difficult to recruit to. Recruitment processes have been put in place which have now allowed these posts to be filled.
14. Development and Corporate Landlord has a total underspend on salaries of £250,000 made up of vacancies in Facilities totalling £160,000, Strategic Property totalling £36,000 and Economic Development totalling £42,000 This underspend will be utilised during the implementation of the Corporate Landlord Model that is taking place during 2024/25. This includes ongoing recruitment to roles that are currently filled by agency placements.
15. Finance had an overspend of £151,000 this is due to additional temporary staff in post to cover an increased workload. New permanent staff are now in post in several areas and are included in the budgets going forward.
16. Policy and Programmes have a total under across the service of £210,000. £74,000 in Policy due to a vacant manager post and creating the opportunity to reshape the team. £72,000 in Programmes which was also due to creating the opportunity to reshape the team.

### **Service department variances over £50,000**

17. Excluding the carry forwards to 2024/25, grant income transferred to reserves and employee cost variances, net revenue expenditure was £1,467,000 overspent against budget.
18. The significant variations from budget are shown in table 3 and are explained below.

### **Corporate Services**

19. Total variance of £203,000, with £219,000 overspend on software support and maintenance and licences. This is mainly relating to the costs incurred with Ocella and IDOX licences being incurred concurrently.

## **Development & Corporate Landlord**

20. Total adverse variance of £533,000, the largest adverse variance of £398,000, relates to an over accrual in previous years of the service charges due from tenants of Abbey House. A full reconciliation has now been undertaken and future year budgets adjusted accordingly.
21. As a result of lower than expected booking levels, income at The Beacon was under budget by £108,000, however the Beacon is recovering well in 2024/25. The 2023/24 was a recovery year for the centre and in comparison, to other venues across the country the Beacon is performing well. The team have made the necessary budget adjustments for 2024/25.
22. Leisure services income was under target, this is unavoidable due to a dispute with our leisure provider regarding the capital schemes that are scheduled to be delivered within the Deed of Variation to the leisure contract, that has resulted in delays with the payment of the management fees. Officers continue to work on resolving this with the leisure contractor for the 2024/25 financial year.
23. Car parking income was up against budget by £70,000. Pricing was adjusted to increase income and usage is now seeing a return to pre-pandemic levels. We have also seen some significant saving on utilities and business rates in this area totalling approx. £74,000.

## **Partnerships**

24. The Five Councils' Partnership Client Team budget was overspent by £287,000. This is a known overspend arising from the Microsoft 365 segregation project approved by Council in July 2023, and is to be covered by the overall underspend for the year. This is part of the overall plan to bring forward the segregation of these budgets.

## **Planning**

25. Development Management and Building Control received less income than forecast by £133,000 and £84,000 respectively. This is primarily a result of developers delaying major planning applications submissions and due to market conditions; for example, economic climate, Government policy changes, labour and materials shortage. These factors are outside the control of the council and difficult to forecast. Income budgets have been reduced for 2024/25 for both services, and staffing levels in Development Management have been reduced.

## **NNDR and council tax**

26. NNDR income was just under £3.6 million more than forecast. All business properties received new rateable values on 1 April 2023. The favourable effect of both the revaluation and the release of provisions against the previous 2017 valuation resulted in an additional £2.2m of income. The remaining £1.4 million favourable variance is attributable to unbudgeted Oxfordshire pooling income. Additional resources were allocated to the Strategic Finance team in January 2024 to improve the understanding and forecasting of NNDR income.
27. Following a review of retained business rates, a more optimistic budget for future years was included in the 2024/25, and this remains under review.

## **Comparison to previous year revenue outturn**

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28. A comparison of the 2022/23 variance at outturn to the 2023/24 variance at outturn is shown in table 5 below:

**Table 4: 2022/23 and 2023/24 revenue outturn**

	<b>2022/23 Total</b>	<b>2023/24 Total</b>
	£000	£000
Income	(511)	(665)
Expenditure	309	1,467
Net position before carry forward budgets	(202)	802
carried forward budgets	1,433	832
<b>Net position after carry forward budgets</b>	<b>1,231</b>	<b>1,635</b>

29. During 2023/24 both the income and expenditure showed a significant variance to budget with an overall net position of an adverse £802,000, which is a swing in expenditure from the variance in 2022/23. In both years the overspend was funded through both investment income and retained business rates income being in excess of budget.

## Capital

The original capital budget for 2023/24 including growth was agreed in February 2022 at £16.3 million, with the addition of carry forwards, external funding and slippage into future years, the capital budget as at 31 March 2024 stood at £18.2 million. Details of the changes to the capital programme in year are summarised in table 5 below:

**Table 5: movement on capital programme**

	<b>Approved</b>
<b>Original capital budget 1 April 2023</b>	<b>16,312</b>
Roll forward from prior years	10,595
Additions in year (externally funded)	9,323
Additions in year (other)	-
Schemes deleted	(9,162)
Slippage into future years	(8,869)
<b>Working budget 31 March 2024</b>	<b>18,199</b>

30. Capital expenditure for 2023/24 totalled £11.9 million, which equates to 65 per cent of the working budget. Detail of the variance of spend against each of the projects with the capital programme working budget is shown in appendix 3 to this report. Capital projects can span several years and generally any underspends are rolled over into the new financial year to allow the ongoing projects to continue. A summary at service level of spend against budget is shown in table 6 below:

**Table 6: summary of capital spend against budget**

	<b>Budget</b>	<b>Outturn</b>	<b>Outturn Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Corporate Services	193,260	41,286	(151,974)
Development & Corporate Landlord	11,336,345	6,422,537	(4,913,807)
Finance	1,948,327	1,948,327	0
Housing & Environment	4,043,407	3,533,725	(509,682)
Legal & Democratic services	17,732	(91,010)	(108,742)
	<b>17,539,071</b>	<b>11,854,866</b>	<b>(5,684,205)</b>
Capital Contingency	660,000		
<b>Total working budget</b>	<b>18,199,071</b>		

31. Explanation of the key variances are provided below:

- Corporate Services – a budget for the technology strategy was included in year, but no spend has been incurred in year therefore it will slip into future years.
- Development & Corporate Landlord – several projects relating to Leisure centre works and renovations show that they did not progress as planned in year, totalling an underspend of c. £1.8 million. These schemes include the decarbonisation projects for two leisure centres that are spread over two financial years. The grant element of the budget was required to be committed first, otherwise budget would be lost in 2023/24. The essential leisure projects commitment has been aligned to identified capital projects, underspend has been re allocated to fund these projects.
- Development & Corporate Landlord – £2.4 million of the LAHF grant funded project to purchase houses was not spent in 2023/24. At year end eleven properties had been purchased and a twelfth was purchased shortly after year end. A block of six flats was under offer and in advanced stages of due diligence, but the council withdrew its offer shortly before year end, therefore the budget will be carried forward into 2024/25. Due to third party involvement and circumstances beyond the council's control it is not possible to guarantee the completion of purchases within a financial year. The conditions of the grant allow the council to spend across more than one financial year provided it can demonstrate it is actively purchasing properties. A further six properties are now under offer with due diligence proceeding.
- An underspend on Disabled Facilities renovation grant which will be carried forward into 2024-25.

32. During the year, a budget challenge exercise was undertaken, and all capital projects were scrutinised by officers, and this led to the slippage and removal of some of the capital budgets. It also allowed for more accurate budget profiling to be carried out.

33. At the end of the financial year the variance to budget excluding contingency totalled £5.7 million. Of this £5.3 million was carried forward into 2024/25 to be spent in future years as the identified projects complete. The details of the schemes that were slipped can be found in appendix 4.

### **Financial implications**

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

### **Legal Implications**

35. There are no legal implications to this report.

### **Climate and ecological impact implications**

36. There are no direct climate and ecological impact implications to this report.

### **Equalities implications**

37. This report is for information only and therefore there are no equalities implications.

### **Risks**

38. This report is for information only and therefore there are no risk implications.

### **Other Implications**

39. This report is for information only and therefore there are no risk implications.

### **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 2023/24 requests.
3. Capital outturn – summary and commentary.
4. Capital outturn - slippage.

### **Background papers**

- Budget papers for 2023/24