

Scrutiny Committee



Report of Head of Finance/Chief Accountant (Capita)

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To: SCRUTINY COMMITTEE

DATE: 26 September 2017



Financial outturn 2016/17

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 Chief Accountant (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 2016/17.

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 2016/17; they also present an explanation of the significant variances against budget. This is presented by service, and follows the format of the budget monitoring produced during the year.
4. This report has been presented to cabinet briefing and has provided the opportunity for cabinet to discuss the outturn with senior management, and also for individual portfolio holders to further discuss with their heads of service.

Revenue outturn 2016/17

5. In February 2016 the council approved a net expenditure budget of £12.2 million. By year end this had increased to £15.5 million as a result of budget carry forwards and transfers from grant reserves. The net expenditure at year end was £10.4 million – this equates to a variation of £5.1 million, which has been transferred to the council's reserves.
6. Of the £5.1 million variation to budget, £2.5 million represents budgets carried forward into future years, and £1.3 million represents unbudgeted government grant income for projects awarded in the financial year. In addition, investment income was £300,000 above budget. The remaining variance is primarily the result of overachievement of income across a range of services. Excluding carry forwards and additional income the council's spend was broadly in accordance with the expenditure budget.
7. Appendix 1 analyses income and expenditure across the service areas. This appendix shows that, excluding expenditure in respect of the fire at the council offices in Crowmarsh Gifford in 2015¹ the expenditure budget was £58.1 million compared to an actual spend of £56.0 million. This results in an underspend of £2.1 million. This underspend is almost 3.7 per cent of total expenditure.
8. Excluding income in respect of the Crowmarsh fire, the income budget was £42.7 million compared to actual income of £45.6 million giving an overachievement in income of £3.0 million or 7.0 per cent of total income.
9. Table 1 below summarises the outturn position by service. More detail of variances is shown at Appendix 2.

¹ On January 15 2015, the council's main offices at Benson Lane, Crowmarsh Gifford were severely damaged following an arson attack. As a result staff have temporarily relocated to temporary accommodation at 135 Eastern Avenue, Milton Park. The council is covered under a Zurich Municipal Select policy and the insurance underwriters have accepted liability for the claim. This line reflects £743,000 revenue expenditure including rent offset by £743,000 insurance receipt.

Table 1: summary of revenue budgets and variances

| Summary of revenue budgets and variances | Budget £000 | Actual £000 | Variance £000 | Notes |
|---|------------------------|------------------------|--------------------------|--------------|
| Strategic management board | 456 | 391 | (65) | a |
| Client team | 1,290 | 1,304 | 14 | |
| Corporate strategy | 6,185 | 5,656 | (529) | |
| Development and housing | 4,165 | 725 | (3,440) | |
| Economy leisure and property | 50 | 44 | (6) | |
| Finance | 865 | 850 | (15) | |
| HR, IT and technical services | 978 | 838 | (140) | |
| Legal and democratic services | 1,521 | 1,454 | (67) | |
| Planning | 2,201 | 1,595 | (606) | |
| Contingency | (34) | 0 | 34 | |
| Direct service expenditure | 17,677 | 12,857 | (4,820) | |
| Investment income | (2,196) | (2,490) | (294) | b |
| Net expenditure | 15,481 | 10,367 | (5,114) | |

Notes:

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

Table 2: housing benefits and rent allowances

| | Budget £000 | Actual £000 | Variance £000 |
|---------------------------------------|------------------------|------------------------|--------------------------|
| Rent allowance payments | 30,022 | 30,119 | 97 |
| Housing benefit subsidy | (28,574) | (28,526) | 48 |
| Discretionary housing payment | (117) | (118) | (1) |
| Rent allowance overpayments recovered | (1,665) | (1,725) | (60) |
| Net position | (334) | (250) | 84 |

- b. The council's treasury management outturn report was considered by Joint Audit and Governance Committee on 25 September and will be considered at a future meeting of cabinet and council.

Capital

10. The original capital budget for 2016/17 including growth was agreed in February 2016 at £18.9 million. Details of the changes to the capital programme in year are summarised in table 3 below:

Table 3: movement on capital programme

| | 2016/17 £000 |
|--|-------------------------|
| Original capital budget | 18,948 |
| Roll forward from prior years | 8,450 |
| Schemes deleted | (8,737) |
| Additions in year (externally funded) | 630 |
| Additions in year (other) | 200 |
| Virement to revenue | (1,500) |
| Slippage into future years | (7,172) |
| Capital programme 31 March 2017 | 10,819 |
| Made up of: | |
| Approved programme | 4,638 |
| Provisional programme ² | 6,181 |
| Capital programme 31 March 2017 | 10,819 |

11. Capital expenditure for 2016/17 was £3.2 million, a variance of £1.4 million against the approved programme for the year. Details of the variance of spend against the approved capital programme working budget is shown in appendix 3 to this report.
12. The £6.2 million remaining in the provisional programme relates to schemes that have not been progressed for a number of reasons, including the emergence of higher priorities or scheme delays. A list of these schemes is shown in appendix 4a. These will now be rolled forward to 2017/18.
13. 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 £7.2 million was slipped in this way. A list of these schemes is shown in appendix 4b.

Capital receipts³

14. Capital receipts in year amounted to £5.4 million. This was made up of a £5.1 million insurance receipt for the offices at Crowmarsh and £0.3 million from SOHA for reserved right to buy sales.

Analysis of the revenue underspend

15. The variations between budgeted and actual revenue income and expenditure are summarised in table 4 below:

²When funding for schemes is approved by council they are added to the provisional capital programme. Transfers to the approved capital programme are made after submission of a detailed capital scheme appraisal report to cabinet or by individual cabinet member's decision, at which point the scheme can commence.

³ Capital receipts exclude grants and contributions, they normally relate to disposal of assets.

Table 4: variations between budgeted and actual revenue income and expenditure

| | Total variance | Income variance | | Expenditure variance | | | | Under-spends c/fwd to 2017/18 |
|---|----------------|--------------------------|----------------|----------------------|-----------------------|-----------------------------------|-------------------------|-------------------------------|
| | | Grants and contributions | Other income | Employee costs | Supplies and services | Third party payments ⁴ | Other gross expenditure | |
| | | £000 | £000 | £000 | £000 | £000 | £000 | |
| Client team – 5 councils partnership | 14 | 43 | (415) | 14 | 166 | 76 | 130 | 0 |
| Strategic management team | (65) | (58) | (53) | 47 | 1 | 0 | (2) | 30 |
| Corporate strategy | (529) | (32) | 34 | (73) | (333) | (113) | (12) | 257 |
| Development and housing | (3,440) | (1,320) | (118) | (134) | (1,845) | 0 | (23) | 2,056 |
| Economy leisure and property | (6) | 0 | (0) | (5) | (1) | 0 | (0) | 0 |
| Finance | (15) | (13) | (113) | 51 | 64 | 0 | (4) | 0 |
| Finance – fire related | 0 | 0 | (743) | 0 | 293 | 0 | 450 | 0 |
| HR, IT and technical services | (140) | (3) | (370) | 17 | 212 | 5 | (1) | 0 |
| Legal and democratic services | (67) | (47) | 10 | (52) | 27 | 0 | (5) | 0 |
| Planning | (606) | (41) | (193) | (249) | (95) | (6) | (22) | 160 |
| Contingency | 34 | 0 | 0 | 196 | (162) | 0 | 0 | |
| Direct service expenditure | (4,820) | (1,471) | (1,961) | (188) | (1,673) | (38) | 511 | 2,503 |
| Investment income | (294) | 0 | (294) | 0 | 0 | 0 | 0 | |
| Net expenditure | (5,114) | (1,471) | (2,255) | (188) | (1,673) | (38) | 511 | |
| Net expenditure (excluding fire) | (5,114) | (1,471) | (1,512) | (188) | (1,966) | (38) | 61 | |
| Working budget | 15,481 | (29,728) | (12,936) | 9,440 | 8,704 | 8,864 | 31,137 | |
| Percentage variance | (33.0) | 4.9 | 11.7 | (2.0) | (22.6) | (0.4) | 0.2 | |

16. We have analysed the outturn position 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 and those relating to housing benefits and rent allowances already detailed in table 2 above. The following key reasons for variances – which exclude the impact of the Crowmarsh fire – have been identified.

Over achievement of income budgets

17. Of the £5.1 million net direct service expenditure variance, £3.0 million relates to over achievement of income. This variance includes £0.3 million investment

⁴ Payments to council contractors.

income achieved in excess of budget. Significant other income variances are detailed in the following paragraphs.

18. In development and housing, the government awarded us unbudgeted grant of £1.19 million for Berinsfield and Didcot garden town which will be held in reserves until it is required. In addition the council was awarded £139,000 grant income under the community led housing fund. These grants are shown within development and housing.
19. In the client team there was overachievement of income of £221,000 on carparks and £157,000 on licences and land charges.
20. In development and housing, on the Didcot growth point there is unbudgeted rent income of £123,000 for Didcot phase 2.
21. In finance the Cornerstone café has sales income of £119,000 which more than offsets the associated overspends on employee costs and supplies and services.
22. In HR, IT and technical services there is unbudgeted income of £356,000 on the 5 councils partnership contract which has been received from council partners. This more than offsets the associated overspend on supplies and services.
23. In planning, development management fee income was overachieved by £127,000.

Under spend against employee budgets

24. The under spend on employee costs was £188,000. Within services the under spends totalled £384,000, but the council budgets at 98 per cent of staff costs which, when taken into account, reduces this underspend to £188,000. In development and housing delays on key projects led to new staff not being appointed and these budgets have been carried forward. In planning there were problems in the recruitment and retention of staff leading to the underspend.

Under spends in supplies and services budgets

25. The underspend on supplies and services was £1.97 million. Significant supplies and services variances are detailed in the following paragraphs.
26. In client team, the overspend was primarily due to £195,000 contribution to the housing benefit overpayment bad debt provision.
27. In corporate strategy there is an underspend of £243,000 on the Berinsfield co – location project which has been delayed. This was a one-off scheme for which the budget has been carried forward.
28. In development and housing expenditure has been delayed on key projects resulting in an underspend of £1.8 million. These are one off budgets and have been carried forward. These schemes include £517,000 for Station Gateway South, £420,000 for Berinsfield regeneration, £319,000 for accelerated housing and £300,000 for Jubilee Way roundabout.
29. In planning, in development management there is an overspend of £285,000 due to an increase in the volume of planning applications and appeals. This results in

increased professional fees including landscape and viability consultation work, compensation payments and increased advertising. This is more than offset by underspends elsewhere in planning including a £224,000 underspend in the policy team resulting mainly from lower than expected expenditure on consultants in relation to the Local Plan, and a £93,000 underspend on neighbourhood planning, the budget for which has been carried forward.

Under spends in third party payments budgets

30. There was an under spend of £38,000 on third party payments. In corporate strategy there is an under spend of £101,000 due to underspends on the waste contract.

Over spends in other gross expenditure

31. There was an over spend of £61,000 on other gross expenditure. However when those relating to housing benefits, rent allowances and the fire are excluded there are no significant variances.

Comparison to previous year revenue outturn

32. A comparison of the 2015/16 revenue outturn to 2016/17 is shown in table 5 below.

Table 5: 2015/16 and 2016/17 revenue outturn

| | 2015/16 | | | 2016/17 | | |
|-----------------------------------|--------------|----------------|----------------|--------------|----------------|----------------|
| | Fire £000 | Other £000 | Total £000 | Fire £000 | Other £000 | Total £000 |
| Income | (2,287) | (1,720) | (4,007) | (743) | (2,689) | (3,432) |
| Expenditure | 2,212 | (1,444) | 768 | 743 | (2,131) | (1,388) |
| Direct service expenditure | (75) | (3,164) | (3,239) | (0) | (4,820) | (4,820) |

33. If the impact of the fire at the Crowmarsh Gifford offices is excluded from the analysis, the income and the expenditure variance have both increased year on year.
34. In respect of income, both 2015/16 and 2016/17 saw the council receive significant amounts of unbudgeted grant income, and fees and charges were above budgeted levels in both years.
35. In respect of expenditure there has been an increase in the underspend year on year of £0.7million. Once carried forward budgets are taken into account there is an overspend on expenditure of £0.4 million. This is shown in table 6 below.

Table 6: carried forward budgets 2015/16 and 2016/17

| | 2015/16 £000 | 2016/17 £000 |
|--|-----------------|-----------------|
| Total expenditure underspend | 1,444 | 2,131 |
| Carried forward budgets | 1,252 | 2,503 |
| Remaining expenditure under/(over)spend | 192 | (372) |

36. Whilst the carry forwards are approved for one-off budgets based on the underspend for those schemes, other expenditure budgets across the council have overspent. Part of this overspend does reflect expenditure overspends matched by increased income that have been discussed in this report.

Financial, legal and any other implications

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

Conclusion

38. The council has underspent on both revenue and capital for 2016/17, following the trends of recent years. The nature and reasons for these variances are detailed within this report and the appendices contained herein.

Appendices

1. Revenue outturn – expenditure and income variance
2. Revenue outturn – commentary on major variances
3. Capital outturn – summary and commentary
4. Capital outturn – approved programme slippage and provisional programme at 31 March 2017

Background Papers

- Annual statement of accounts 2016/17 (currently being audited)
- Annual budget papers for 2016/17