

# Scrutiny Committee



Report of Head of Finance/Senior Business Partner(Capita)

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To: SCRUTINY COMMITTEE

DATE: 2 October 2018

## AGENDA ITEM

## Financial outturn 2017/18

### 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 Senior Business Partner(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 2017/18.

### 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

- The attached papers contain summarised schedules of revenue and capital expenditure for 2017/18; 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. All the figures in this report are pre-Audit and may be subject to some change following the conclusion of the audit of the Statement of Accounts.

## Revenue outturn 2017/18

- In February 2017 the council approved a net expenditure budget of £14.2 million. By year end this had increased to £18.0 million as a result of budget carry forwards and transfers from grant reserves. The net expenditure at year end was £11.3 million – this equates to a variation of £6.7 million, which has been transferred to the council's reserves.
- Of the £6.7 million variation to budget, £4.6 million represents slippage in one-off budgets that have been agreed as a budget carry forward to 2018/19. This includes £3.7 million of carry forwards in Development and Housing for development activity in respect of Didcot and Berinsfield, and over £0.5 million in Planning for progression of the Local Plan and Neighbourhood Plan.
- Appendix 1 analyses income and expenditure across service areas. This appendix shows that the expenditure budget was £60.9 million compared to an actual spend of £54.0 million. This results in an underspend of £6.9 million, around 11.3 per cent of total expenditure.
- The income budget was £40.7 million compared to actual income of £40.1 million giving an under achievement in income of £0.6 million or around 1.4 per cent.
- Table 1 below summarises the outturn position by service. More detail of variances is shown at Appendix 2.

**Table 1: summary of revenue budgets and variances**

| Summary of revenue budgets and variances | Budget<br>£000 | Actual<br>£000 | Variance<br>£000 | Notes |
|--|----------------|----------------|------------------|-------|
| Client team - 5 Councils Partnership     | 1,771          | 1,509          | (262)            | a     |
| Strategic management board               | 980            | 890            | (90)             |       |
| Corporate services                       | 2,075          | 1,915          | (160)            |       |
| Development and housing                  | 5,462          | 975            | (4,487)          |       |
| Finance                                  | 602            | 666            | 64               |       |
| Legal and democratic services            | 1,381          | 1,508          | 127              |       |
| Planning                                 | 2,233          | 1,582          | (651)            |       |
| Waste, Leisure & Env Health              | 5,499          | 4,867          | (632)            |       |
| Contingency                              | 175            | 0              | (175)            |       |
| <b>Direct service expenditure</b>        | <b>20,178</b>  | <b>13,912</b>  | <b>(6,266)</b>   |       |
| Interest Income                          | (2,201)        | (2,563)        | (362)            | b     |
| <b>Net expenditure</b>                   | <b>17,977</b>  | <b>11,349</b>  | <b>(6,628)</b>   |       |

### Notes:

- Client team line contains 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**

|                                       | <b>Budget<br/>£000</b> | <b>Actual<br/>£000</b> | <b>Variance<br/>£000</b> |
|---------------------------------------|------------------------|------------------------|--------------------------|
| Rent allowances payments              | 29,188                 | 28,652                 | (536)                    |
| Government Subsidy income             | (27,788)               | (27,474)               | 314                      |
| Rent allowance overpayments recovered | (1,892)                | (1,614)                | 278                      |
| <b>Net Position</b>                   | <b>(492)</b>           | <b>(436)</b>           | <b>56</b>                |

## Capital

9. The original capital budget for 2017/18 including growth was agreed in February 2017 at £8.1 million. In 2017/18, a review commenced of a number of the large capital schemes as a result of the growth deal. Details of the changes to the capital programme in year are summarised in table 3 below:

**Table 3: movement on capital programme**

|  | <b>2017/18<br/>£000</b> |
|--|-------------------------|
| Original capital budget                | 8,101                   |
| Roll forward from prior years          | 10,123                  |
| Schemes deleted                        | (883)                   |
| Additions in year (externally funded)  | 792                     |
| Additions in year (other)              | 56                      |
| Slippage into future years             | (11,968)                |
| <b>Capital programme 31 March 2018</b> | <b>6,221</b>            |
| Made up of:                            |                         |
| Approved programme                     | 4,414                   |
| Provisional programme <sup>1</sup>     | 1,807                   |
| <b>Capital programme 31 March 2018</b> | <b>6,221</b>            |

10. Capital expenditure for 2017/18 was £2.7 million, a variance of £1.7 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.
11. The £1.8 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 2018/19.
12. 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

<sup>1</sup>When 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.

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 £12.0 million was slipped in this way. A list of these schemes is shown in appendix 4b.

### Capital receipts<sup>2</sup>

13. Capital receipts in year amounted to £0.7 million. This was a receipt from SOHA for reserved right to buy sales.

### Analysis of the revenue underspend

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

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

| Service Team                               | Total<br>Variance<br>£000 | Income Variance                     |                      | Expenditure Variance      |                                  |                                 |                                    | Under-spend<br>c/fwd to 2017/18<br>£000 |
|--|---------------------------|-------------------------------------|----------------------|---------------------------|----------------------------------|---------------------------------|------------------------------------|---|
|  |                           | Grants and<br>Contributions<br>£000 | Other Income<br>£000 | Employee<br>Costs<br>£000 | Supplies and<br>Services<br>£000 | Third Party<br>Payments<br>£000 | Other Gross<br>Expenditure<br>£000 |   |
| Client team - 5 Councils Partnership (5CP) | (261)                     | 228                                 | (392)                | 57                        | 414                              | (32)                            | (536)                              |   |
| Strategic Management Board (SMB)           | (91)                      | 12                                  | (61)                 | 67                        | (61)                             | (48)                            | 0                                  | 30                                      |
| Corporate Services (CS)                    | (161)                     | (17)                                | (526)                | 7                         | 364                              | 11                              | 0                                  | 33                                      |
| Development & Housing (DH)                 | (4,486)                   | (249)                               | (239)                | (187)                     | (3,800)                          | (11)                            | 0                                  | 3,732                                   |
| Finance (F)                                | 66                        | 0                                   | (25)                 | (17)                      | 99                               | 9                               | 0                                  |   |
| Legal & Democratic (LD)                    | 126                       | 60                                  | (108)                | (17)                      | 203                              | (12)                            | 0                                  |   |
| Planning (P)                               | (652)                     | (29)                                | 216                  | (580)                     | (317)                            | 58                              | 0                                  | 517                                     |
| Waste Leisure and Environment (WLE)        | (633)                     | 43                                  | 82                   | (232)                     | 32                               | (558)                           | 0                                  | 251                                     |
| Contingency                                | (175)                     | 0                                   | 0                    | 136                       | (311)                            | 0                               | 0                                  |   |
| <b>Direct Service Expenditure</b>          | <b>(6,267)</b>            | <b>48</b>                           | <b>(1,053)</b>       | <b>(766)</b>              | <b>(3,377)</b>                   | <b>(583)</b>                    | <b>(536)</b>                       | <b>4,563</b>                            |
| Investment Income                          | (362)                     |                                     | (362)                |                           |                                  |                                 |                                    |   |
| <b>Net Expenditure</b>                     | <b>(6,629)</b>            | <b>48</b>                           | <b>(1,415)</b>       | <b>(766)</b>              | <b>(3,377)</b>                   | <b>(583)</b>                    | <b>(536)</b>                       | <b>4,563</b>                            |
| Working Budget                             | 20,179                    | (29,004)                            | (15,411)             | 12,247                    | 11,299                           | 11,860                          | 29,188                             |   |
| Percentage                                 | -32.9%                    | -0.2%                               | 9.2%                 | -6.3%                     | -29.9%                           | -4.9%                           | -1.8%                              |   |

15. The outturn position has been analysed 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, e.g. recharge areas where expenditure variances have a corresponding income variance. 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 4 above. These variances are also summarised in Appendix 5.

### Income Variances

16. Significant income variances include:

<sup>2</sup> Capital receipts exclude grants and contributions, they normally relate to disposal of assets.

Increased income against budget:

- Car Parking income overall was around £50,000 above budget, with increased car parking income more than offsetting a reduction in excess charge income against budget. (5CP)
- Facilities income was around £78,00 higher than budgeted, although this reflected increased expenditure. (5CP)
- Commercial Property income was around £250,000 above budget, of which £200,000 related to a one-off release of provisions against bad debts established in previous years. (5CP)
- Insurance reimbursements in respect of the Crowmarsh fire amounted to around £440,000, matching expenditure in respect of this. (CS)
- Lower expenditure in respect of Development and Housing projects was also reflected in a reduction of recharges to Vale and other authorities of around £390,000. (DH)
- Grant received in respect of Didcot Growth Point was around £165,000 above budget. (DH)
- Government grant in respect of Housing Needs areas was around £82,000 higher than budgeted. (DH)
- Reimbursements from other authorities in respect of legal services and the administration of elections were around £104,000 higher than budgeted.
- The Community Infrastructure Levy (CIL) regime is in its early stages and developments where CIL was applicable were above the level originally forecast for the year. Consequently, administration income was around £130,000 higher than budgeted. (P)

Reduced income against budget:

- Reduced use of hotels and reduced expenditure in dealing with Homelessness were also reflected in a reduction of rent rebates recovery income of around £76,000 against budget. (DH)
- Housing benefit Government subsidy was £314,000 below budget, although this reflected reduced expenditure. (5CP)
- Housing benefit overpayments recovered were £278,000 below budget, although this also reflected reduced expenditure on rent allowances. (5CP)
- Building Control income was around £57,000 lower than budgeted, primarily as a result of reduced market share. (P)
- Lower expenditure in Planning was also reflected in a reduction of recharges to Vale and other authorities of around £260,000. (DH)

- Development Services fee income was around £50,000 less than expected as the market stabilised. (P)

### **Expenditure Variances**

17. 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:

- Housing benefits payments were around £536,000 less than budget. Although this is a significant variance in terms of the council's net expenditure, it represents a variance of less than 2% on this budget. This illustrates the inherent volatility on this demand-led budget, and the difficulties of accurate estimation. (5CP)
- Consultant costs in respect of Devolution / Better Oxfordshire were underspent by over £30,000, which is the subject of a carry forward request. (SMB)
- Unallocated staffing budgets held as a contingency in the Corporate Management Team area were not called upon in their entirety, resulting in an underspend of around £61,000. (SMB)
- Expenditure underspends in Policy amounted to around £128,000, primarily because of lower than expected costs in relation to the lottery scheme and consultations. Carry forwards have been requested in respect of Heat Mapping and Volunteering. (CS)
- Overall, there is an underspend of around £250,000 on Housing Development costs, primarily as a result of project slippage. (DH)
- High loan recovery rates and unspent government grant have contributed to an underspend of around £215,000 in Housing Needs. Carry forwards have been requested in respect of unspent government grant. (DH)
- In Development and Housing, expenditure has been delayed on key projects, resulting in an overall underspend against budget of around £3.7 million. These are primarily one-off budgets and have been carried forward. These schemes include £961,000 for Berinsfield Community Investment; £722,000 for Berinsfield regeneration; £374,000 for accelerated housing; and £1,340,000 for Didcot Growth Point. (DH)
- Electoral Services underspent by around £54,000, due to a combination of vacancies; reduction in the number of canvassers recruited to cover annual canvass and an underspend on printing due to trialling alternative canvass methods; increased on-line applications; and individual electoral registration becoming established. (LD)
- Employee and marketing costs in Building Control were around £95,000 less than budgeted, more than offsetting the reduction in income referred to above and reflecting the need to match expenditure to caseload and income. (P)

- Planning Policy was around £514,000 underspent in total. Budgets for Local Plan examination and updated studies were not used in 2017/18 and a carry forward of around £429,000 will be required in 2018/19. (P)
- In the Planning area, there is also a carry forward request of around £88,000 in respect of Neighbourhood Plan work. (P)
- Vacancies in Waste, Leisure, and Environment have resulted in an underspend of around £52,000 in this area. (WLE)
- In Environmental Protection, there have been underspends of £87,000 due to vacancies, and £26,000 on consultancy and projects. (WLE)
- In Leisure, there was limited expenditure on the Berinsfield Co-Location project in 2017/18, for which there is a carry forward request for £234,000. (WLE)
- Food Safety showed a £73,000 saving because of vacancies. (WLE)
- Reduced contract costs arising from lower property numbers than expected contributed to a £113,000 underspend in Waste. (WLE)

Increased expenditure against budget:

- Making provision for bad debts on housing benefit overpayments represented a £109,000 variance against budget. (5CP)
- Supplies and services expenditure at Didcot Arts Centre, principally on performers' fees, was around £90,000 above budget, although this was largely offset by increased income. (F)
- Expenditure in Legal Services is around £170,000 higher than budgeted, largely as a result of planning inquiry work. (LD)
- Planning appeal costs in Development Control are around £100,000 higher than expected. (P)

**Revenue Carry Forward Requests**

18. As noted above, Revenue Carry Forward requests into 2018/19 amount to around £4.6 million, primarily in relation to slippage on major Development projects and the Local Plan. For 2016/17, the equivalent figure was £2.5 million. The full list of Revenue Carry Forward Requests is detailed in Appendix 6.

**Comparison to previous year revenue outturn**

19. A comparison of the 2016/17 revenue outturn to 2017/18 is shown in table 5 below.

**Table 5: 2016/17 and 2017/18 revenue outturn**

|   | <b>2016/17<br/>Total<br/>£000</b> | <b>2017/18<br/>Total<br/>£000</b> |
|---|-----------------------------------|-----------------------------------|
| Income  | (3,432)                           | (1,367)                           |
| Expenditure                                       | (1,388)                           | (5,262)                           |
| Net Position before Carried Forward Budgets       | <b>(4,820)</b>                    | <b>(6,629)</b>                    |
| Carried Forward Budgets                           | 2,503                             | 4,563                             |
| <b>Net Position after Carried Forward Budgets</b> | <b>(2,317)</b>                    | <b>(2,066)</b>                    |

20. In 2016/17, the council received significant amounts of unbudgeted grant income, and fees and charges were above budgeted levels. Income was closer to budget in 2017/18, with evident downturns in some areas.
21. In respect of expenditure, a significant proportion of the substantial underspend relates to slippage on the major development projects that the grants received in 2015/16 and 2016/17 relate to.

### **Implications for 2018/19 and future years**

22. The 2017/18 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. Regarding trends for future years in other areas, some areas of income are showing evidence of slowdown, a trend that has already been recognised to an extent in the Medium Term Financial Plan (MTFP).
23. Investment income continues to outperform both budgeted figures and benchmark performance indicators.
24. 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**

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

### **Conclusion**

26. 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 – Budget monitoring report
3. Capital outturn – summary and commentary



4. Capital outturn – slippage
5. Revenue outturn – summary variances
6. Revenue Carry Forward 2017/18 Requests

### **Background Papers**

- Statement of Accounts 2017/18
- Budget Papers for 2017/18