

Scrutiny Committee



Report of Head of Finance

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To: SCRUTINY COMMITTEE

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Financial outturn 2018/19

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 to either the committee clerk or the Senior Finance Business Partner (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 2018/19.

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 2018/19; 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 some change following the conclusion of the audit of the Statement of Accounts.

Revenue outturn 2018/19

4. In February 2018 the council approved a net expenditure budget of £16.9 million. By year end this had increased to £21.5 million as a result of budget carry forwards and additions funded by grant payments. The net expenditure at year end was £17.2 million – this equates to a variation of £4.3 million, which has been transferred to the council's reserves. This is shown in table 1 below.

Table 1: summary of revenue budgets and variances

Summary of revenue budgets and variance	Budget £000	Actual £000	Variance £000	Notes
Community Services	1,801	1,464	(337)	
Strategic Management Board	641	418	(223)	
Corporate Services	2,759	2,537	(222)	
Development & Regeneration	2,962	664	(2,298)	
Finance	(1,054)	(152)	902	a
Housing & Environment	5,857	4,553	(1,304)	
Legal & Democratic	1,006	1,103	97	
Partnership & Insight	4,988	4,837	(151)	
Planning	2,230	1,811	(419)	
Contingency	315	0	(315)	
Service Expenditure	21,507	17,235	(4,270)	
Investment Income	(2,940)	(2,643)	297	b
Net Expenditure	18,567	14,592	(3,973)	

Notes:

- a. Finance 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, Cabinet and Council

Table 2: housing benefits and rent allowances

	Budget £000	Actual £000	Variance £000
Rent allowance payments	27,264	25,455	(1,809)
Government subsidy income	(26,201)	(24,196)	2,005
Rent allowance overpayments	(1,555)	(1,289)	266
Net Position	(492)	(30)	462

5. Appendix 1 analyses income and expenditure across service areas. This appendix shows that the expenditure budget was £60.5 million compared to an actual spend of £54.9 million. This results in an underspend of £5.6 million, around 9.2 per cent of total expenditure. The income budget was £39.0 million compared to actual income of £37.7 million giving an under achievement in income of £1.3 million or around 3.3 per cent.
6. Appendix 2 compares the outturn position with most recent forecasts.
7. Table 3 below provides a further breakdown of the revenue outturn position.

Table 3: variations between budgeted and actual revenue income and expenditure

Service Team	Total Variance £000	Income Variance		Expenditure Variance				Under-spend c/fwd to 2019/20 £000
		Grants and Contributions £000	Other Income £000	Employee Costs £000	Supplies and Services £000	Third Party Payments £000	Other Gross Expenditure £000	
Community Services	(337)	(79)	56	(59)	(279)		24	320
Corporate Management	(223)			(332)	113		(4)	
Corporate Services	(222)	28	(48)	54	(249)		(7)	39
Development & Regeneration	(2,298)	31	(155)	(13)	(2,004)	48	(205)	2,066
Finance	902	2,134	(4)	258	211	112	(1,809)	
Housing & Environment	(1,304)	(350)	(275)	(376)	(361)	17	41	334
Legal & Democratic	97	1	(97)	(20)	201	14	(2)	32
Partnership & Insight	(151)	(2)	0	55	(949)	740	5	803
Planning	(419)	(73)	133	(40)	(440)	0	1	606
Contingency	(315)	0	0	7	(322)	0	0	
Direct Service Expenditure	(4,270)	1,690	(390)	(466)	(4,079)	931	(1,956)	4,200
Investment Income	297		297					
Net Expenditure	(3,973)	1,690	(93)	(466)	(4,079)	931	(1,956)	4,200
Working Budget	18,567	(33,434)	(12,882)	13,825	10,262	11,623	29,173	
Percentage	-21.4%	-5.1%	0.7%	-3.4%	-39.7%	8.0%	-6.7%	

Budgets carried forward to 2019/20

8. As shown in table 3, of the £4.3 million variation to budget, £4.2 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2019/20. These carry forwards are shown in Appendix 3. They include £2.9 million of carry forwards in Development and Regeneration and Partnership and Insight for development activity in respect of Didcot and Berinsfield, and over £0.6 million in Planning for progression of the Local Plan and Neighbourhood Plans.
9. The budget carry forwards from 2017/18 included £3.7 million relating to the development of Didcot and Berinsfield and £0.5 million for the local plan. £3.3 million of these 2017/18 budgets have been carried forward for a second year into 2019/20.
10. Excluding the carry forwards, direct service expenditure was less than £0.1 million below budget. Within that small overall net variance, the outturn position has been analysed to identify explanations for the significant variations from budget. 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 3 above.

Income Variances

11. Significant income variances include:

Increased income against budget:

- Unbudgeted additional grants for Flexible Support and Preventing Homelessness totalling £262,000 were received in the year (Housing & Environment).
- Other unbudgeted grants receipts included £22,000 for Local authority parks improvement and £25,000 for street cleaning. (Housing & Environment).
- Rental income was £150,000 above budget. When the budget was set there was some uncertainty whether the Orchard centre phase 2 income would come on line, consequently this was not budgeted to start in 2018/19. (Development & Regeneration).
- Car park income was £145,000 higher than budget, although half this saving has been offset by additional expenditure. (Housing & Environment)
- Other over budget fees and charges achieved in Housing & Environment include mobile home park service income (£35,000) and garden waste income £33,000.
- Income in Electoral Services was £60,000 higher than budget but these receipts were offset by additional expenditure (Legal & Democratic).

Reduced income against budget:

- Development Services fee income (planning fees) and Building Control fees were £96,000 and £35,000 respectively less than expected due to market slowdown (Planning)

Expenditure Variances

12. 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:

- Across all services, employee costs were £467,000 below budget. This underspend includes £340,000 that has been carried forward to 2019/20.
- There were budget savings across all IT cost centres, totalling £132,000. £36,000k of this budget has been removed as a saving for the 2019/20 budget. (Corporate Services)
- Housing needs expenditure had a significant underspend on the rent deposit scheme (£144,000) due to staff vacancies and over accruing at the end of 2017/18. A vacancy for a lettings assistant could not be filled by agency staff, this in turn meant fewer private tenancies were secured, which contributed to the underspend on the rent deposit scheme. There was also minimal spend on

Syrian vulnerable persons creating a £25,000 variance. (Housing & Environment)

Increased expenditure against budget:

- Elements of the contract with Capita were renegotiated during 2018/19. Forecast potential savings have been revised and the expenditure profile across the remaining years of the contract has been changed. Consequently, expenditure relating to this contract was £799,000 more than budget. This contrasts with 2017/18 when the expenditure was £535,000 below budget. (Partnership & Insight)

Comparison to previous year revenue outturn

13. A comparison of the 2017/18 revenue outturn to 2018/19 is shown in table 4 below.

Table 4: 2017/18 and 2018/19 revenue outturn

	2017/18 Total £000	2018/19 Total £000
Income	(1,367)	1,597
Expenditure	(5,262)	(5,570)
Net position before carried forward budgets	(6,629)	(3,973)
Carried forward budgets	4,563	4,200
Net position after carried forward budgets	(2,066)	227

14. Payments to Capita created the largest overspend (£799,000) in 2018/19. Housing benefit and rent allowance income is difficult to predict and created a net overspend of £436,000 in the year, having been close to budget in 2017/18.
15. Similar to 2017/18, expenditure underspends including carry forward requests are the most significant factor in 2018/19.

Capital

16. The original capital budget for 2018/19, including growth, was agreed in February 2018 at £11.7 million. Details of the changes to the capital programme in year are summarised in table 5 below:

Table 5: movement on capital programme

	2018/19 £000
Original capital budget	18,958
Roll forward from prior years	3,268
Schemes deleted	(3,179)
Additions in year (externally funded)	815
Additions in year (other)	1,064
Slippage to future years	(14,511)
Capital programme 31 March 2019	6,415
Made up of:	
Approved programme	4,695
Provisional programme	1,720
Capital programme 31 March 2019	6,415

17. Capital expenditure for 2018/19 was £2.0 million, a variance of £2.7 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 4 to this report.
18. 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 £14.5 million was slipped in this way. A list of these schemes is shown in appendix 5.

Capital receipts¹

19. Capital receipts in year amounted to £0.2 million. Repayments of Catalyst loans make up £130,000 of this total.

Implications for 2019/20 and future years

20. The 2018/19 revenue outturn position reflected that of 2017/18, with high levels of slippage on major one-off projects and correspondingly high levels of carry forwards.
21. The overspend on the Capita contract largely reflects a reprofiling of costs following renegotiation of both the contract and the Inter-Authority Agreement between the council partners. This was recognised in the budget published in February 2019 which also reflected lower savings than originally forecast from the contract.
22. A budget review and challenge was carried out by the finance department in December with the assistance of CIPFA. This highlighted savings which were applied to the 2019/20 budget. The 2018/19 year end outturn has demonstrated that further savings may be possible. The budget challenge exercise will resume

¹ Capital receipts exclude grants and contributions, they normally relate to disposal of assets.

as part of the 2020/21 budget setting and Heads of Service will be asked to justify the restatement of underspent budgets.

23. 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

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

Conclusion

25. 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 –major variances
3. Revenue carry forward 2018/19 requests
4. Capital outturn – summary and commentary
5. Capital outturn – slippage

Background Papers

- Draft Statement of Accounts 2018/19
- Budget Papers for 2018/19