

Scrutiny Committee



Listening Learning Leading

Report of Interim Head of Finance

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To: SCRUTINY COMMITTEE

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AGENDA ITEM

Financial outturn 2019/20

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 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 2019/20.

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 2019/20; 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 2019/20

4. In February 2019 the council approved a net expenditure budget of £16.8 million. By year end this had increased to £21.0 million as a result of budget carry forwards and additions funded by grant payments. The net expenditure at year end was £17.1 million – this equates to a favourable variation of £3.9 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	2,037	1,493	-544	a
Strategic Management Team	741	637	-104	
Corporate Services	3,223	3,108	-115	
Development & Regeneration	2,738	142	-2,596	
Finance	-503	-224	279	
Housing & Environment	6,349	5,374	-975	
Legal & Democratic	1,093	1,293	200	
Partnership & Insight	3,706	3,842	136	
Planning	2,066	1,416	-650	
Contingency	-439	0	439	
Service Expenditure	21,011	17,081	-3,930	
Investment Income	-2,807	-3,246	-439	b
Net Expenditure	18,204	13,835	-4,369	

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	23,812	21,659	-2,153
Government subsidy income	-23,014	-21,035	1,979
Rent allowance overpayments	-1,259	-762	497
Net Position	-461	-138	323

5. Appendix 1 analyses income and expenditure across service areas. This appendix shows that the expenditure budget was £63.3 million compared to an actual spend of £57.4 million. This results in an underspend of £5.9 million, around 9.3 per cent of total expenditure. The income budget was £42.3 million compared to actual income of £40.4 million giving an under achievement in income of £1.9 million or around 4.5 per cent.
6. 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 2020/21 £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	-544	-10	-6	-217	-266	0	-45	95
Corporate Management	-104	0	0	-15	-81	0	-8	
Corporate Services	-115	-46	-20	12	-63	0	2	133
Development & Regeneration	-2,596	-298	110	-293	-2,243	-31	159	2,714
Finance	279	1,921	443	3	-33	87	-2,142	
Housing & Environment	-975	-71	-73	-484	-303	-82	38	115
Legal & Democratic	200	-19	-27	145	55	13	33	
Partnership & Insight	136	0	-46	162	-235	250	5	133
Planning	-650	-257	301	-151	-535	0	-8	81
Contingency	439	0	0	479	-40	0	0	
Direct Service Expenditure	-3,930	1,220	682	-359	-3,744	237	-1,966	3,271
Investment Income	-439		-439					
Net Expenditure	-4,369	1,220	243	-359	-3,744	237	-1,966	3,271
Working Budget	21,013	-24,054	-11,780	12,671	8,916	9,525	25,735	
Percentage	-21%	-5%	-2%	-3%	-42%	2%	-8%	

Budgets carried forward to 2020/21

7. As shown in table 3, of the £3.9 million variation to budget, £3.3 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2020/21. These carry forwards are shown in Appendix 2. The largest carry forwards are in Development and Regeneration and include £1.4 million for the Didcot Garden Town and Gateway and £1.3 million for the Berinsfield Regeneration project.
8. Excluding the carry forwards, net service expenditure was over £0.6 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

9. Significant income variances include:

Increased income against budget:

Development & Regeneration

10. Two large projects received unbudgeted additional grants in March 2020:

- Didcot Garden Town project £100,000.
- Berinsfield Co location £150,000.

Planning

11. Unbudgeted neighbourhood planning grants totalling £220,000 were received in year.

Reduced income against budget:

Development and regeneration

12. Income earned from council owned buildings was under budget by £110,000. This has been factored into the 2020/21 budgets.

Finance

13. The Revenues and Benefits service was £285,000 overspent due to a reduction in net income. The roll-out of Universal credit, and the improvement in processing times by DWP has seen a reduction in rent allowances paid by the council and a corresponding reduction in overpayments made. This has led to a reduction in income from overpayments, demonstrated by the variance shown in table 2 above.

Planning

14. Development Services fee income (planning fees) were £329,000 less than expected due to market slowdown throughout the year. The shortfall in income was managed by the head of planning with salary savings and an initial reduction in head count for 2020/21.

Expenditure Variances

15. The significant expenditure variances are listed below. A number of these areas are the subject of the carry forward requests referred to earlier in this report.

Reduced expenditure against budget:

Employee costs

16. Across all services, and after allowing for the managed vacancy factor, employee costs were £0.4 million below budget.

Community Services

17. The Berinsfield co-location budget was unspent (£0.2 million), this budget will be carried forward and managed by Development and Regeneration next year.

Housing and Environment

18. The 'Air quality' project was not completed resulting in a £60,000 underspend, the budget for this which will be carried forward.
19. Excluding staffing, expenditure on Public Realm was over £110,000 underspent. This included budget carried forward from the previous year. With grounds maintenance being brought back in house there is no requirement to carry these budgets forward
20. Waste expenditure was £121,000 less than budget. Contract payments to Biffa were reduced due to them missing targets resulting in an £85,000 saving

Partnership and Insight

21. Over £130,000 of expenditure underspend relates to carried forward budgets, including £88,000 in respect of providing support to the Growth Board.

Planning

22. Planning Policy had an underspend of £582,000 primarily reflecting delays in the examination of the Local Plan. Although expenditure on a new Local Plan is forecast for 2021/22, the current budget for the emerging local plan is considered sufficient for 2020/21.

Increased expenditure against budget:

Development and Regeneration

23. Commercial property expenditure was £181,000 overspent. Property management was brought back in house during 2018/19 shortly before the budget setting process for 2019/20 started. A number of revenue budgets proved to be too small with the biggest overspends being on premises service charges (£78,000) fees and hired services (£44,000), Non-Domestic Rates (£30,000) and premises insurance (£29,000).

Partnership and Insight

24. Spend on the 5 Councils Partnership was £265,000 overspent. This primarily reflects anticipated, volume-based costs arising from increased workload in the IT service provided in the contract

Comparison to previous year revenue outturn

25. A comparison of the 2018/19 revenue outturn to 2019/20 is shown in table 4 below.

Table 4: 2018/19 and 2019/20 revenue outturn

	2018/19 Total £000	2019/20 Total £000
Income	1,597	1,902
Expenditure	(5,570)	(5,832)
Net position before Carried Forward Budgets	(3,973)	(3,930)
Carried Forward Budgets	4,200	3,271
Net position after Carried Forward Budgets	227	(659)

26. Similar to the last three years, expenditure underspends particularly on large development projects are the most significant factor in 2019/20.

Capital

27. The original capital budget for 2019/20, including growth, was agreed in February 2019 at £15 million. Details of the changes to the capital programme in year are summarised in table 5 below:

Table 5: movement on capital programme

	2019/20 £000
Original capital budget	14,997
Roll forward from prior years	3,793
Schemes deleted	(825)
Additions in year (externally funded)	84
Additions in year (other)	13
Slippage to future years	(10,951)
Capital programme 31 March 2020	7,111
Made up of:	
Approved programme	4,373
Provisional programme	2,738
Capital programme 31 March 2020	7,111

28. Capital expenditure for 2019/20 was £2.9 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.

29. 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 £11 million was slipped in this way. A list of these schemes is shown in appendix 4

Capital receipts

30. Capital receipts in year amounted to £0.5 million. Repayments of Catalyst loans make up £121,000 of this total.

Financial, legal and any other implications

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

Conclusion

32. 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 2019/20 requests
3. Capital outturn – summary and commentary
4. Capital outturn – slippage

Background Papers

- Budget Papers for 2019/20