

# Scrutiny Committee



Report of Head of Finance

Author: Simon Hewings

Telephone: 01235 540526

Textphone: 18001 01235 540526

E-mail: [simon.hewings@southandvale.gov.uk](mailto:simon.hewings@southandvale.gov.uk)

Cabinet member responsible: Jane Murphy

Tel: 07970 932054

E-mail: [jane.murphy@southoxon.gov.uk](mailto:jane.murphy@southoxon.gov.uk)

To: SCRUTINY COMMITTEE

DATE: 22 September 2015

## Financial outturn 2014/15

### 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 democratic services officer or the accountancy manager. 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 2014/15.

### Strategic Objectives

2. The council has a strategic objective of effective management of resources. Monitoring actual performance against budget ensures that expenditure continues to be in accordance with the delegated powers within the constitution, and that changes in circumstances which have affected spending requirements are recognised and can be considered in the preparation of future years' budgets.

## Background

3. The attached papers contain summarised schedules of revenue and capital expenditure for 2014/15; 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 was presented to Cabinet briefing on 18 August and 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 2014/15

5. In February 2014 the council approved a net expenditure budget of £12.7 million. By year end this had increased to £13.3 million as a result of budget carry forwards and transfers from grant reserves. The net expenditure at year end was £9.7million – this equates to a variation of £3.5 million, which has been transferred to the council’s reserves.
6. Appendix 1 analyses income and expenditure across the service areas. This appendix shows the expenditure budget was £55.9 million compared to an actual spend of £54.6 million resulting in an under spend of £1.3 million. This underspend is just over 2 per cent of total expenditure.
7. The income budget was £42.7 million compared to actual income of £44.9 million giving an overachievement in income of £2.2 million.
8. 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**

<b>Summary of revenue budgets and variances</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>Notes</b>
Strategic management board	717	363	(354)	
Corporate strategy	5,802	5,661	(141)	
Development and housing	1,747	534	(1,213)	
Economy leisure and property	(144)	(536)	(392)	
Finance	2,667	2,750	83	a
Finance – fire related	0	86	86	b
HR, IT and technical services	1,372	1,259	(113)	
Legal and democratic services	876	867	(9)	
Planning	2,041	1,228	(813)	
Contingency	270	0	(270)	
<b>Direct service expenditure</b>	<b>15,348</b>	<b>12,212</b>	<b>(3,136)</b>	
Investment income	(2,090)	(2,493)	(403)	c
<b>Net expenditure</b>	<b>13,258</b>	<b>9,719</b>	<b>(3,539)</b>	d

**Notes:**

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

**Table 2: housing benefits and rent allowances**

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Rent allowance payments	30,599	30,330	(269)
Government grants benefits	(116)	(112)	4
Government grants income	(29,825)	(29,108)	717
Rent allowance overpayments recovered	(999)	(1,386)	(387)
<b>Net position</b>	<b>(341)</b>	<b>(276)</b>	<b>65</b>

- b. 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. The net expenditure of £86,000 shown in this line reflects £586,000 revenue expenditure relating to restocking and relocation of the council's head office offset by £500,000 interim insurance receipt on account.
- c. The council's treasury management outturn report will detail the performance on investment income. This will be considered by Joint Audit and Governance Committee on 29 September before being presented to cabinet and council. Investment income is shown within finance in Appendix 2.
- d. In addition to the net expenditure underspend £289,000 additional income was retained by the council against budget under the business rates retention scheme.

## Capital

- 9. The original capital budget for 2014/15 including growth was agreed in February 2014 at £13.5 million. Details of the changes to the capital programme in year are summarised in table 3 below:

**Table 3: movement on capital programme**

	<b>2014/15 £000</b>
Original capital budget	13,523
Roll forward from prior years	7,942
Schemes deleted	(697)
Additions in year (externally funded)	0
Additions in year (other)	430
Slippage into future years	(3,630)
<b>Capital programme 31 March 2015</b>	<b>17,568</b>
Made up of:	
Approved programme	4,996
Provisional programme <sup>1</sup>	12,572
<b>Capital programme 31 March 2015</b>	<b>17,568</b>

- 10. Capital expenditure for 2014/15 was £2.5 million, a variance of £2.5 million against the approved programme for the year. Details of the variance of spend against

<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.

the approved capital programme working budget is shown in appendix 3 to this report.

11. The £12.6 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 2015/16.
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 profile is then moved to reflect the new spend profile and budgets are slipped into future years if applicable. During the year £3.6 million was slipped in this way. A list of these schemes is shown in appendix 4b.

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

13. During the year there was one capital receipt relating to the release of a covenant on land which generated £304,500.

### **Analysis of the revenue underspend**

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

---

<sup>2</sup> 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 2015/16
		Grants and contributions	Other Income	Employee costs	Supplies and services	Third party payments	Other gross expenditure	
	£000	£000	£000	£000	£000	£000	£000	£000
Strategic management team	(354)	0	(5)	(54)	(306)	0	11	56
Corporate strategy	(141)	(30)	(96)	(36)	(69)	86	4	4
Development and housing	(1,213)	(505)	12	67	(785)	0	(2)	701
Economy leisure and property	(392)	47	(198)	14	(194)	2	(63)	243
Finance	83	625	(424)	(86)	16	213	(261)	25
Finance – fire related	86	0	(500)	13	573	0	0	0
HR, IT and technical services	(113)	0	(15)	32	(62)	(26)	(42)	0
Legal and democratic services	(9)	(16)	(127)	(46)	179	3	(2)	52
Planning	(813)	8	(614)	(121)	(35)	(44)	(7)	110
Contingency	(270)	0	0	175	0	0	(445)	
<b>Direct service expenditure</b>	<b>(3,136)</b>	<b>129</b>	<b>(1,967)</b>	<b>(42)</b>	<b>(683)</b>	<b>234</b>	<b>(807)</b>	<b>1,191</b>
Investment income	(403)	0	(403)	0	0	0	0	
<b>Net expenditure</b>	<b>(3,539)</b>	<b>129</b>	<b>(2,370)</b>	<b>(42)</b>	<b>(683)</b>	<b>234</b>	<b>(807)</b>	
Working budget	13,259	(31,091)	(11,588)	9,667	6,682	7,826	31,763	
Percentage variance	(26.7)	(0.4)	20.5	(0.4)	(10.2)	3.0	(2.5)	

15. We have analysed the outturn position to identify cross-council explanations for the significant variation 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 have been identified.

#### Over achievement of income budgets

16. Of the £3.1 million net direct service expenditure variance, over £1.8 million relates to over achievement of income. This variance includes the £500,000 interim insurance receipt. Significant income variances are detailed in the following paragraphs.
17. The government awarded us a second tranche of capacity funding grant of £500,000 in the year. At the time the budget was set it was not clear that we would be eligible to receive this money and as such it was not budgeted. This grant is shown within development and housing, and will help accelerate housing

growth across the Science Vale area of South and Vale. It will be held in reserves until it is required.

18. In a number of services we have raised significantly more in fees and charges than we expected when setting the budget. The main example is £571,000 planning fee income overachieved due mainly to a number of major applications being received. As a result a supplementary estimate has been approved to spend £184,000 each year for three years, starting from 2015/16 to increase resources to deal with the increased workload.
19. Other areas seeing an over-achievement in fees and charges income are:
  - In corporate strategy, recycling credits were £69,000 above budget;
  - In economy, leisure and property rental income exceeded budget by £121,000 mainly due to additional rental from Station Road car park in Didcot;
  - In legal and democratic services, there was an overachievement of income of £58,000 on taxi licensing.

#### **Under spend against employee budgets**

20. The under spend on employee costs was £42,000. Within services the under spends totalled £217,000, but the council budgets at 98 per cent of staff costs which, when taken into account, reduces this underspend to £42,000.

#### **Under spends in supplies and services budgets**

21. Excluding the impact of the fire at Crowmarsh, the underspend on supplies and services was £1.3 million. Significant supplies and services variances are detailed in the following paragraphs.
22. In development and housing, there is a £687,000 underspend on feasibility studies in Didcot. This was a one-off scheme and the budget has been carried forward.
23. In economy, leisure and property, there is a £243,000 underspend on the Berinsfield co-location project. This is also a one-off scheme for which the budget has been carried forward.
24. Strategic management board were £306,000 underspent mainly on costs relating to the office accommodation project and the corporate services project. Of this, £57,000 for the corporate services project has been carried forward to 2015/16.
25. In HR, IT and technical, a significant underspend in IT costs resulting from the fire at the Crowmarsh Gifford offices, contributed to the underspend in supplies and services costs.
26. In legal and democratic services there is an overspend of £179,000. Part of this relates to a settlement of a claim regarding local land charges personal search fees and related legal costs.

**Over spends in third party payments budgets**

27. There was an over spend of £234,000 on third party payments. In finance, there was a £212,000 over spend on payments to the council’s financial services contractor in respect of the pay and performance mechanism. This amount is unknown at the start of the beginning of the year and is budgeted within contingency.
28. In corporate strategy there is an over spend of £86,000. This comprises additional payments to the council’s waste contractor reflecting primarily the cost of moving to weekend collection of bulky waste, and a large increase in the number of clinical waste collections.

**Under spends in other gross expenditure**

29. There was an under spend of £807,000 on other gross expenditure. This includes an under spend of £445,000 in the council’s general contingency budget. The £261,000 under spend in finance reflects primarily the under spend in rent allowance payments discussed earlier in this report. The £63,000 under spend in economy, leisure and property reflects lower than budgeted spend on insurance and repairs and maintenance.

**Comparison to previous year revenue outturn**

30. A comparison of the 2013/14 revenue outturn to 2014/15 is shown in table 5 below.

**Table 5: 2013/14 and 2014/15 revenue outturn**

	2013/14 £000	2014/15		
		Fire £000	Other £000	Total £000
Income	(1,001)	(500)	(1,338)	<b>(1,838)</b>
Expenditure	(1,168)	586	(1,884)	<b>(1,298)</b>
<b>Direct service expenditure</b>	<b>(2,169)</b>	<b>86</b>	<b>(3,222)</b>	<b>(3,136)</b>

If the impact of the fire at the Crowmarsh Gifford offices is excluded from the analysis, the income and expenditure variances have both increased year on year.

31. In respect of income, both 2013/14 and 2014/15 saw the council receive significant amounts of unbudgeted grant income, particularly in development and housing. The major reason for the year-on-year increase in the variance is in development management in planning. Table 6 below shows that, whilst the fee income budget was increased for 2015/16, the amount received greatly exceeded this amount. As discussed in paragraph 18 the additional workload that this extra income will generate in future years will be funded through a supplementary estimate.

**Table 6: planning fee income 2013/14 and 2014/15**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Budget	920	1,025
Actual	965	1,596
<b>Variance</b>	<b>45</b>	<b>571</b>

32. In respect of expenditure, although there has been an increase in the underspend year on year, once carried forward budgets are taken into account the expenditure underspend has reduced in 2014/15. There has been a significant increase in the value of expenditure budgets that have carried forward, as a result of delays in progressing one-off schemes. This is shown in table 7 below.

**Table 7: carried forward budgets 2013/14 and 2014/15**

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Total expenditure underspend	1,168	1,884
Carried forward budgets	258	1,191
<b>Remaining expenditure underspend</b>	<b>910</b>	<b>693</b>

33. Of the remaining expenditure underspend in 2014/15, £445,000 relates to the corporate contingency, the level of which will be reviewed during budget setting. Taking this and the carry forward budgets into account, the level of revenue expenditure budget underspend in 2014/15 is actually less than in 2013/14.

## Financial, legal and any other implications

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

## Conclusion

35. The council has underspent on both revenue and capital for 2014/15, 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 2015

## Background Papers

- Annual statement of accounts 2014/15 (currently being audited)
- Annual budget papers for 2014/15