

# Scrutiny Committee



Listening Learning Leading

Report of Head of Finance

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To: SCRUTINY COMMITTEE

DATE: 27 September 2016

## Financial outturn 2015/16

### 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 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 2015/16.

### 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 2015/16; 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 2015/16

5. In February 2015 the council approved a net expenditure budget of £12.1 million. By year end this had increased to £13.5 million as a result of budget carry forwards and transfers from grant reserves. The net expenditure at year end was £9.9million – this equates to a variation of £3.6 million, which has been transferred to the council's reserves.
6. 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 2015<sup>1</sup> the expenditure budget was £56.4 million compared to an actual spend of £55.0 million. This results in an underspend of £1.4 million. This underspend is just under 2.6 per cent of total expenditure.
7. Excluding income in respect of the Crowmarsh fire, the income budget was £43.0 million compared to actual income of £45.0 million giving an overachievement in income of £2.1 million or 4.8 per cent of total income.
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**

Summary of revenue budgets and variances	Budget £000	Actual £000	Variance £000	Notes
Strategic management board	573	538	(35)	
Corporate strategy	6,086	5,680	(406)	
Development and housing	1,731	587	(1,144)	
Economy leisure and property	(470)	(934)	(464)	
Finance	2,857	2,866	9	a
Finance – fire related	0	(75)	(75)	
HR, IT and technical services	1,360	1,454	94	
Legal and democratic services	1,123	799	(324)	
Planning	2,239	1,420	(819)	
Contingency	75	0	(75)	
<b>Direct service expenditure</b>	<b>15,574</b>	<b>12,335</b>	<b>(3,239)</b>	
Investment income	(2,088)	(2,427)	(339)	b
<b>Net expenditure</b>	<b>13,486</b>	<b>9,908</b>	<b>(3,578)</b>	c

**Notes:**

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

<sup>1</sup> 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 income of £75,000 shown in this line reflects £2,212,000 revenue expenditure relating to restocking and relocation of the council's head office offset by £2,288,000 interim insurance receipt on account.

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

	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Rent allowance payments	30,704	30,742	38
Government grants benefits	(71)	(88)	(17)
Government grants income	(29,991)	(29,249)	742
Rent allowance overpayments recovered	(996)	(1,666)	(670)
<b>Net position</b>	<b>(354)</b>	<b>(261)</b>	<b>93</b>

- b. The council's treasury management outturn report was considered by Joint Audit and Governance Committee on 4 July and will be considered at a future meeting of cabinet and council. Investment income is shown within finance in Appendix 2.
- c. In addition to the net expenditure underspend £309,000 additional income was retained by the council against budget under the business rates retention scheme.

## Capital

9. The original capital budget for 2015/16 including growth was agreed in February 2015 at £15.8 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	15,839
Roll forward from prior years	15,195
Schemes deleted	(1,652)
Additions in year (externally funded)	0
Additions in year (other)	0
Slippage into future years	(17,964)
<b>Capital programme 31 March 2016</b>	<b>11,418</b>
Made up of:	
Approved programme	6,304
Provisional programme <sup>2</sup>	5,114
<b>Capital programme 31 March 2016</b>	<b>11,418</b>

10. Capital expenditure for 2015/16 was £3.2 million, a variance of £3.1 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 £5.1 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 2016/17.
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

<sup>2</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.

applicable. During the year £18.0 million was slipped in this way. A list of these schemes is shown in appendix 4b.

### Capital receipts<sup>3</sup>

13. During the year there was one capital receipt relating to the release of a covenant on land which generated £5,750.

### 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**

	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 <sup>4</sup>	Other gross expenditure	
	£000	£000	£000	£000	£000	£000	£000	£000
Strategic management team	(35)	0	(102)	(9)	76	0	0	20
Corporate strategy	(406)	(11)	(82)	(99)	(143)	(67)	(4)	35
Development and housing	(1,144)	(474)	8	9	(685)	0	(2)	701
Economy leisure and property	(464)	39	(135)	(42)	(276)	0	(50)	243
Finance	9	664	(695)	(57)	18	42	37	0
Finance – fire related	(75)	0	(2,287)	0	2,090	0	122	0
HR, IT and technical services	94	(7)	(55)	34	81	(30)	71	20
Legal and democratic services	(324)	(160)	(202)	1	42	2	(7)	0
Planning	(819)	(24)	(484)	(192)	(88)	(28)	(3)	233
Contingency	(75)	0	0	184	0	0	(259)	
<b>Direct service expenditure</b>	<b>(3,239)</b>	<b>27</b>	<b>(4,034)</b>	<b>(171)</b>	<b>1,115</b>	<b>(81)</b>	<b>(95)</b>	<b>1,252</b>
Investment income	(339)	0	(339)	0	0	0	0	
<b>Net expenditure</b>	<b>(3,578)</b>	<b>27</b>	<b>(4,373)</b>	<b>(171)</b>	<b>1,115</b>	<b>(81)</b>	<b>(95)</b>	
<b>Net expenditure (excluding fire)</b>	<b>(3,503)</b>	<b>27</b>	<b>(2,086)</b>	<b>(171)</b>	<b>(975)</b>	<b>(81)</b>	<b>(217)</b>	
Working budget	13,486	(31,067)	(11,926)	9,813	6,558	8,166	31,942	
Percentage variance	(26.0)	(0.1)	17.5	(1.7)	(14.9)	(1.0)	(0.7)	

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

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

<sup>4</sup> Payments to council contractors.

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**

16. Of the £3.5 million net direct service expenditure variance, £2.1 million relates to over achievement of income. This variance includes £0.3 million investment income achieved in excess of budget. Significant other income variances are detailed in the following paragraphs.
17. The government awarded us additional grant for Didcot Garden Town of £470,000. This grant is shown within development and housing, and will be held in reserves until it is required. In legal and democratic services there was one off unbudgeted government grant of £103,000 for claims regarding personal search fees, the costs of which had been incurred in the previous year.
18. In strategic management board there were unbudgeted reimbursements of £100,000 from partnering authorities for the corporate services project.
19. In economy, leisure and property there is £91,000 unbudgeted income for compensation relating to loss of income during closure of the Thame pool.
20. 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 in planning where development fee income overachieved by £372,000 due mainly to a number of major applications being received. In addition building control income was overachieved by £59,000. Another area seeing an over-achievement in fees and charges income was in legal and democratic services where there was an overachievement of income of £116,000 on taxi licensing and £64,000 on land charges.

**Under spend against employee budgets**

21. The under spend on employee costs was £171,000. Within services the under spends totalled £355,000, but the council budgets at 98 per cent of staff costs which, when taken into account, reduces this underspend to £171,000. In planning there were severe problems in recruitment and retention of development management staff.

**Under spends in supplies and services budgets**

22. The underspend on supplies and services was £1.0 million. Significant supplies and services variances are detailed in the following paragraphs.
23. In corporate strategy there is an underspend of £51,000 on software to implement mobile working. This was a one-off scheme of which £35,500 has been carried forward.
24. In development and housing, there is a £718,000 underspend on Didcot growth point. £701,000 of this was a one-off scheme and the budget has been carried forward.
25. 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.

26. In planning there is a £213,000 underspend resulting from delays in progressing the Local Plan. This was a one-off scheme and the budget will be carried forward. This is mostly offset by overspends in development management on professional fees and legal fees in relation to various planning appeals.

**Under spends in third party payments budgets**

27. There was an under spend of £81,000 on third party payments. In corporate strategy there is an under spend of £69,000 within the waste team as no bonus payments were made for street cleaning and because there was a reduced demand for clinical waste and weekend collections expenditure on these services was less than expected.

**Under spends in other gross expenditure**

28. There was an under spend of £217,000 on other gross expenditure. This includes an under spend of £259,000 in the council's general contingency.

**Comparison to previous year revenue outturn**

29. A comparison of the 2014/15 revenue outturn to 2015/16 is shown in table 5 below.

**Table 5: 2014/15 and 2015/16 revenue outturn**

	2014/15			2015/16		
	Fire £000	Other £000	Total £000	Fire £000	Other £000	Total £000
Income	(500)	(1,338)	(1,838)	(2,287)	(1,720)	(4,007)
Expenditure	586	(1,884)	(1,298)	2,212	(1,444)	768
<b>Direct service expenditure</b>	<b>86</b>	<b>(3,222)</b>	<b>(3,136)</b>	<b>(75)</b>	<b>(3,164)</b>	<b>(3,239)</b>

30. If the impact of the fire at the Crowmarsh Gifford offices is excluded from the analysis, the income variance has increased and the expenditure variance has reduced year on year.
31. In respect of income, both 2014/15 and 2015/16 saw the council receive significant amounts of unbudgeted grant income, and fees and charges income and this trend has increased in 2015/16. Paragraphs 16 to 20 above discuss in detail the variances in 2015/16.
32. In respect of expenditure there has been a reduction in the underspend year on year of £0.4million. Once carried forward budgets are taken into account the expenditure underspend has reduced to £0.2 million, a reduction of £0.5 million on the previous financial year. This is shown in table 7 below.

**Table 6: carried forward budgets 2014/15 and 2015/16**

	2014/15 £000	2015/16 £000
Total expenditure underspend	1,884	1,444
Carried forward budgets	1,191	1,252
<b>Remaining expenditure underspend</b>	<b>693</b>	<b>192</b>

## **Financial, legal and any other implications**

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

## **Conclusion**

34. The council has underspent on both revenue and capital for 2015/16, 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 2016

## **Background Papers**

- Annual statement of accounts 2015/16 (currently being audited)
- Annual budget papers for 2015/16