

Supplementary Papers



Listening Learning Leading

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FOR THE MEETING OF

Cabinet

held on Monday 19 December 2022 at 6.00 pm
in Meeting Room 1, Abbey House, Abbey Close, Abingdon, OX14 3JE

Open to the public including the press

The reports marked 'to follow' on the agenda published on 9 December 2022 are attached.
Please bring these with you to the meeting.

8. **Budget monitoring April to August 2022** (Pages 2 - 8)
To consider the head of finance's report.

Cabinet Report



Listening Learning Leading

Report of Head of Finance

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To: CABINET

Date: 19 December 2022

Budget monitoring April 2022 – August 2022

Recommendation

Cabinet is recommended to note the contents of the report

Purpose of Report

1. To report the revenue and capital expenditure against budget for the period April 2022 to August 2022 and the latest year end outturns forecast by Heads of Service.

Corporate Objectives

2. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the Council. The budget monitoring report shows how these resources have been allocated during the first five months of the financial year.

Background

3. This report reviews the council's revenue and capital expenditure performance to the end of month five (August). Year-end outturn forecasts were worked on during September and are based on heads of service's best knowledge at that time.

Revenue budget monitoring

- On 17 February 2022, Council agreed a net revenue budget for 2022/23 of £16.779 million. This has subsequently increased to £21.117 million. This reflects the carry forward of unspent one-off project budgets from 2021/22 and grant funded budgets.
- Table 1 below shows, summarised at service level, both the revenue position as at the end of August 2022 and the forecast position at year end.

Table 1: Revenue budget monitoring position as at August 2022

| Service | Working budget year to date £000 | Spend to Date £000 | Variance £000 | Working budget full year £000 | Forecast spend for year £000 | Variance £000 |
|------------------------------|-------------------------------------|-----------------------|------------------|----------------------------------|---------------------------------|------------------|
| Strategic management team | 355 | 359 | 4 | 852 | 892 | 40 |
| Corporate services | 1,139 | 1,215 | 76 | 2,697 | 2,605 | (92) |
| Development and regeneration | 584 | 904 | 320 | 1,043 | 1,474 | 431 |
| Finance | 230 | 225 | (5) | 234 | 567 | 333 |
| Housing and environment | 1,858 | 1,744 | (114) | 5,855 | 6,017 | 162 |
| Legal and democratic | 557 | 559 | 2 | 1,313 | 1,327 | 14 |
| Partnerships | 1,084 | 4,842 | 3,758 | 2,636 | 2,367 | (269) |
| Planning | 92 | 215 | 123 | 230 | 516 | 286 |
| Policy and programmes | 2,850 | 609 | (2,241) | 6,842 | 4,439 | (2,403) |
| Contingency | (83) | 0 | 83 | (526) | 0 | 526 |
| Total | 8,666 | 10,672 | 2,006 | 21,176 | 20,204 | (972) |

- The forecast underspend of £0.972 million includes projected the projected carry-forward of £2.4 million in one-off budgets, and receipt of additional grant income of £0.1 million. When these are removed from the analysis the forecast variance is a £1.51 million overspend, as shown in table 2 below.

Table 2: summary of forecast major variances against revenue budget

| Service | Working budget full year £000 | Working budget after carry forwards removed £000 | Forecast spend for year £000 | Variance £000 | Employee costs £000 | Other £000 |
|----------------------------------|----------------------------------|-----------------------------------------------------|---------------------------------|------------------|------------------------|---------------|
| Strategic Management | 852 | 852 | 892 | 40 | (153) | 193 |
| Corporate Services | 2,697 | 2,697 | 2,605 | (92) | (151) | 59 |
| Development & Corporate Landlord | 1,043 | 793 | 1,474 | 681 | 187 | 494 |
| Finance | 234 | 234 | 567 | 333 | (22) | 355 |
| Housing & Environment | 5,855 | 5,845 | 6,017 | 172 | (33) | 205 |
| Legal & Democratic | 1,313 | 1,279 | 1,327 | 48 | 64 | (16) |
| Partnerships | 2,636 | 2,636 | 2,367 | (269) | 2 | (271) |
| Planning | 230 | 230 | 516 | 286 | (10) | 296 |
| Policy & Programmes | 6,842 | 4,655 | 4,439 | (216) | (244) | 28 |
| Contingency | (526) | (526) | 0 | 526 | 525 | 1 |
| | 21,176 | 18,695 | 20,204 | 1,509 | 166 | 1,343 |

- Although a projected overspend of £1.51 million - which represents eight per cent of the working budget excluding carry forwards - is forecast, due to the prevailing economic conditions, income from the council's treasury investments in 2022/23 is forecast to be in excess of £1 million higher than estimated when the budget was set. This additional income is over and above that allocated in the council's five-year

Medium Term Financial Plan, agreed by Council in February 2022, to be used in 2023/24 under the council's policy of using interest income in the year after it is earned.

8. In addition to the additional interest income earned in year, the 2022/23 budget made an allocation for potential borrowing costs of £101,500 that would be incurred if borrowing was required in 2022/23. This will now not be required. This saving, and the additional interest income earned in year, will in large part offset the forecast overspend shown above. Strategic Management Team will continue to monitor the forecast budget position during the year.

Budgets forecast to be carried forward to 2023/24

9. As detailed above there is forecast to be slippage of £2.4 million in one-off budgets. These will be requested as carry forwards at the end of the financial year. There is also an additional £0.1 million of forecast grant income expected to be received. These carry forwards and grants are shown in appendix 1.

Employee costs

10. Employee costs are forecast to be overspent at the end of the year by £166,000, which is net of the managed vacancy factor set at the beginning of the year. Key employee cost variances are as follows:
 - Strategic management had a number of vacancies during quarter one, which have mostly now been filled.
 - Development and Corporate Landlord is showing a year end overspend as a result of salary costs that were expected to be funded from capital receipts, but it is now expected that they cannot be capitalised.
 - The underspend in Policy and Programmes is made up of various vacancies across the service. A review is to be carried out on service structure for the 2023/24 budget.

Service department variances over £50,000

11. Excluding carry forwards to 2023/24, grant income to be transferred to reserves and employee cost variances, net revenue expenditure is forecast to be £1.343 million overspent against budget.
12. The significant forecast variations from budget are shown in table 2 above and are explained below.

Development and Corporate Landlord

13. Utilities budgets are expected to be inadequate due to the rising cost of fuel. It is expected that there will be a £213,000 overspend on these budgets.
14. Use of the council car parks has increased since the pandemic, however we are still not seeing usage back to pre-pandemic levels. It is predicted that there will be a £88,000 adverse variance on car parking income.

Housing and Environment

15. The waste service is predicting an overspend of £219,867. Indexation on the waste contract was underestimated when the budget was set and will be inadequate to cover actual costs this year. Contractual indexation is based on a number of factors, some of which, such as fuel, have been subject to significant price increases in recent months.

Finance

16. Additional temporary accommodation cases are expected to increase the housing benefit costs. There is forecast to be an overspend of £277,917 as result of this.

Partnerships

17. The costs of the Five Councils contract has been reprofiled and a £271,000 underspend is forecast as a result.

Planning

18. Anticipated income from major developments has been delayed and therefore a £414,267 overspend is expected.
19. The building control service has seen an increase in income due to some larger developments using the service. Income is predicted to be £111,291 over budget.

Capital budget monitoring

20. On 17 February 2022, Council agreed a capital programme for 2022/23 as follows:

- Approved programme - £16.528 million
- Provisional programme (including Cabinet growth proposals) - £16.871 million.

At the end of August 2022, the approved programme totalled £31.416 million, against which £1.851 million had been spent. Details of the changes to the capital programme during the first five months are summarised in table 3 below:

Table 3: movement on capital programme

| | 2022/23 £000 |
|-----------------------------------------|-----------------|
| Original capital budget | 33,399 |
| Roll forward from prior years | 8,395 |
| Schemes deleted | 0 |
| Additions in year (externally funded) | 6,014 |
| Additions in year (other) | 4 |
| Slippage to future years | 0 |
| Capital programme 31 August 2022 | 47,812 |
| Made up of: | |
| Approved programme | 31,416 |
| Provisional programme | 16,396 |
| Capital programme 31 August 2022 | 47,812 |

Financial, legal and other implications

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

Conclusion

22. At this stage of the financial year, for revenue an overspend is forecast. The spending position is monitored closely each month and any overspends will be managed during the year. There is likely to be slippage in the capital programme. A full review of projects will be undertaken in the coming months.

Appendices

- 1) Revenue budget monitoring – budget carry forwards
- 2) Capital budget monitoring - summary

Background Papers

- Budget papers for 2022/23

SOUTH revenue budget monitoring - August 2022

Appendix 1

| Proposed carry forwards | £ |
|-------------------------------------------|------------------|
| Development and corporate landlord | |
| Development gateway budget | 121,886 |
| Leisure project | 37,500 |
| Berinsfield | 91,000 |
| Housing and environment | |
| Custom build | 9,769 |
| Legal services | |
| Domestic abuse support (grant) | 33,568 |
| Policy and programmes | |
| Didcot growth point | 349,914 |
| Didcot garden town | 600,266 |
| Berinsfield regeneration | 526,705 |
| Didcot Gateway | 500,000 |
| Commercialisation project | 170,000 |
| Neighbourhood plan (grant) | 40,000 |
| Total carry forwards | 2,480,608 |

| Capital Expenditure | Original Budget Full Year £ | Working Budget Full Year £ | Actual Spend to date £ | Variance | Forecast variance Manual input required (+ve bad, -ve good) | Explanation of forecast variances >£50,000 Manual input required |
|-----------------------------------------------|-----------------------------------|----------------------------------|------------------------------|--------------|-------------------------------------------------------------------|---------------------------------------------------------------------|
| Corporate Services - Capital | 0 | 5,000 | (8,922) | (13,922) | 0 | |
| Development & Corporate Landlord - Capital | 0 | 1,424,000 | 293,018 | (1,130,982) | 0 | |
| Finance | 0 | 11,796,000 | 0 | (11,796,000) | 0 | |
| Housing & Environment - Capital | 0 | 2,627,000 | 1,122,291 | (1,504,709) | 0 | |
| Policy & Programmes - Capital | 0 | 15,563,763 | 444,419 | (15,119,344) | 0 | |
| Direct Service Capital Expenditure | 0 | 31,415,763 | 1,850,807 | (29,564,956) | 0 | |