

Scrutiny Committee



AGENDA ITEM

Report of Head of Finance

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To: SCRUTINY COMMITTEE

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Financial outturn 2020/21

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 Strategic Finance Manager (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 2020/21.

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

- The attached papers contain summarised schedules of revenue and capital expenditure for 2020/21; 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 2020/21

- In February 2020 the council approved a net expenditure budget of £15.1 million which was subsequently revised in October 2020 to £16.2 million. The increase was funded from revenue reserves, primarily to reflect the financial impact of the coronavirus pandemic. This includes costs incurred in supporting residents and businesses affected by the pandemic, together with anticipated reductions in a number of the council's key income streams which had been affected by the country going into lockdown. The budget adjustments are shown as follows in table 1 below:

Table 1: Revised budget 2020/21

	£000
Original net expenditure budget 2020/21	15,121
Impact of Coronavirus pandemic:	
Additional expenditure pressures	1,072
Additional income pressures	2,653
Additional grant funding	(3,144)
Other revisions	475
Total revisions	1,056
Total revised expenditure budget 2020/21	16,177

- The budget was further amended to include one-off budgets that had been carried forward from the previous financial year. With the inclusion of budget carry forwards and other in-year changes, the working budget for 2020/21 was increased to £21.9 million.
- Against the working budget of £21.9 million net expenditure at year end was £15.5 million. This equates to a favourable variation of £6.4 million, which has been transferred to the council's reserves. Detail summary by service is shown in table 2 below.

Table 2: summary of revenue budgets and variance

Summary of revenue budgets and variance	Budget £000	Actual £000	Variance £000	Notes
Strategic Management Team	995	836	(159)	(a)
Corporate Services	4,901	4,101	(800)	
Development & Regeneration	4,023	936	(3,087)	
Finance	419	593	174	
Housing & Environment	7,185	5,941	(1,244)	
Legal & Democratic	1,086	977	(109)	
Partnerships	3,369	3,221	(148)	
Planning	2,253	976	(1,277)	
Policy & Programmes	706	534	(172)	
Contingency	(3,017)	(2,589)	428	
Service Expenditure	21,920	15,526	(6,394)	
Investment Income	(2,583)	(2,474)	109	(b)
Net Expenditure	19,337	13,052	(6,285)	

Notes:

- a. Finance line contains housing benefits and rent allowances funded by government grant as shown in table 3 below.
- b. The council's treasury management outturn report will be considered by joint Audit and Governance Committee, Cabinet and Council.

Table 3: housing benefits and rent allowances

	Budget £000	Actual £000	Variance £000
Rent allowance payments	18,228	20,380	2,152
Government subsidy income	(17,780)	(19,628)	(1,848)
Rent allowance overpayments	(449)	(740)	(291)
Net Position	(1)	12	13

- 7. Appendix 1 analyses income and expenditure across service areas. This appendix shows that the expenditure budget was £52.8 million compared to an actual spend of £50.7 million. This results in an underspend of £2.1 million, around 3.9 per cent of total expenditure. The income budget was £30.9 million compared to actual income of £35.2 million giving a favourable outcome in income of £4.3 million or around 13.9 per cent.

8. Table 4 below provides a further analysis of the revenue outturn position.

Table 4: variations between budgeted and actual revenue income and expenditure

Service	Total Variance £000	TRANSFERS		Net Variances after Transfers £000	VARIANCES BREAKDOWN	
		Under- spend c/fwd. to 2021/22 £000	Grant Income transferred to reserves £000		Employee Costs £000	Other £000
Strategic Management	(159)	163	0	5	30	(25)
Corporate Services	(800)	170	0	(630)	(559)	(71)
Development & Regeneration	(3,088)	2,816	275	3	59	(56)
Finance	174	17	0	192	69	123
Housing & Environment	(1,244)	341	329	(573)	88	(661)
Legal & Democratic	(109)	0	0	(109)	61	(170)
Partnerships	(148)	63	0	(85)	41	(126)
Planning	(1,276)	81	80	(1,115)	(251)	(864)
Policy & Programmes	(173)	164	0	(9)	8	(17)
Contingency	428	0	0	428	78	350
Direct Service Expenditure	(6,394)	3,816	684	(1,894)	(376)	(1,518)
Investment Income	108	0	0	108	0	108
Net Expenditure	(6,286)	3,816	684	(1,786)	(376)	(1,410)

Budgets carried forward to 2021/22

9. As shown in table 4, of the £6.4 million favourable variance to budget, £3.8 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2021/22. A further £0.7 million of unbudgeted grant income received in year has been transferred to reserves for future expenditure.
10. The most significant carry forwards were in Development and Regeneration, representing £1.4 million for Didcot Garden Town and Gateway projects, and £1.4 million for Berinsfield regeneration. Details of all the carried forward budgets are included in Appendix 2. The unbudgeted grant income received in the financial year was £0.7 million. This income will either be transferred to reserves and set against expenditure in 2021-22 or in the case of the neighbourhood planning grant offsets expenditure in previous years. The breakdown of this funding is shown in table 5 below.

Table 5: Grant funding transferred to reserves

Grant	£
Neighbourhood Planning	80,000
Berinsfield regeneration	150,000
Flexible homeless support grant	203,648
Homes England DGT funding	125,000
Preventing homelessness	78,976
Local Authority compliance & enforcement	46,849
TOTAL	684,473

Employee costs

11. Employment costs shows an overall underspend of £376,000 for the year with the largest variances being in Corporate Services and Planning.
12. The underspend in Corporate Services was primarily the result of a £400,000 reduction in the fixed cost element of the council's contribution to the pension fund following the latest triennial valuation. The results of the valuation were received after the budget was set. In addition, there were staff underspends arising in Cornerstone due to staff employed there being redeployed elsewhere in the council to support the response to the pandemic. The corporate training budget was also underspent by £56,000 at year end.
13. Planning salary costs were underspent by £486,000 due to difficulties experienced in recruiting staff. This was offset by agency staff costs of £235,000 to cover some of the vacancies, giving an overall favourable variance of £251,000. This variance was due to vacancies that could not be recruited to or covered by agency staff which, notwithstanding increased workloads, resulted in lower performance on minor and other applications and delayed responses on consultations.

Other variances over £50,000

14. Excluding the carry forwards to 2021/22, grant income transferred to reserves and employee cost variances, net revenue expenditure was £1.5 million underspent against working budget. The significant variations from budget are explained below.

Development & Regeneration

15. The costs of running the council's leisure centres was £185,000 below the revised budget at year end. The budget was heavily revised due to the closure of the leisure centres caused by the pandemic and the revision was made before it was known that the council would receive National Leisure Recovery Funding from the government of £260,000.
16. Income from the council's commercial sites was also revised downwards during the year based on estimates of what would be achieved but at year end there was still an overspend of over £60,000, reflecting the difficult operating conditions experienced in year. There was also an overspend of over £50,000 on the costs of running the council buildings during the year primarily due to additional staffing costs being incurred and a loss of rental income.

Finance

17. The revenues and benefits client budget was overspent by £78,000 at year end. This primarily reflected the loss of court fee income during 2020/21 due to the suspension of debt recovery action during the pandemic. This recovery action has now restarted.

Housing & Environment Services

18. Overall, waste and street cleansing services were underspent by over £400,000. Costs associated with recycling were £201,000 below budget due to a lower indexation increase than expected to the contract payments and an increase in recycling tonnage. On refuse collection there was an underspend of £112,000 again caused in part by the lower indexation increase, plus also lower delivery costs than expected. On garden waste, the number of customers increased in year leading to a net underspend of £63,000. Street cleansing was also underspent by £60,000 primarily due to the indexation increase, and again costs were lower than budgeted.
19. Income from licensing was revised downwards in year in expectation of lower volumes due to the pandemic. At year end licensing was underspent against the revised budget by £117,000 reflecting that the in-year revision in income had been too pessimistic, albeit that the outturn figure was lower than originally budgeted for the year.

Partnerships

20. There was an underspend of £55,000 on the Five Councils contract reflecting changes to profiling of contract charges following the insourcing of the exchequer and payroll functions at the start of the financial year.

Planning Services

21. The Planning income budget for Building Control services and Development Management was initially set at £2.5 million and subsequently reduced to £2.1 million. Although a downturn in activity was expected due to the pandemic the income for the year was £2.9 million, resulting in a favourable variance against the revised budget of £0.8 million. This variance however was attributable to major projects, including three solar farms which are not labour intensive to process and therefore were not impacted by the staff shortages mentioned under employee costs above. The income includes reimbursement received from Oxfordshire County Council of £100,000 in respect of officers working on the Oxfordshire 2050 plan.
22. Progress on the new local plan stalled due to the pandemic, confirmation of corporate objectives and progress of 2035 local plan examination. The costs relating to the local plan was also less than expected due to the examination being held virtually. As a result, and excluding employee cost savings identified above, the Policy Team was underspent against budget by £110,000.

Contingency

23. When the revised budget was set, provision was made for losses in income from sales, fees and charges to be met under the government's sales fees and charges compensation scheme. However, as identified above, a number of the council's key income streams, including building control and planning, performed better than expected in year. This led to claims from government under the compensation scheme being over £450,000 lower than estimated when the revised budget was set.

Comparison to previous year revenue outturn

24. A comparison of the 2019/20 revenue outturn to 2020/21 is shown in table 6 below.

Table 6: 2019/20 and 2020/21 revenue outturn

	2019/20 Total £000	2020/21 Total £000
Income	1,902	(4,280)
Expenditure	(5,832)	(2,114)
Net position before Carried Forward Budgets	(3,930)	(6,394)
Carried Forward Budgets	3,271	3,816
Net position after Carried Forward Budgets	(659)	(2,578)

Capital outturn 2020/21

25. The original capital budget for 2020/21, including growth, was agreed in February 2020 at over £26 million. Details of the changes to the capital programme in year are summarised in table 7 below:

Table 7: movement on capital programme

	2020/21 £000
Original capital budget	26,323
Roll forward from prior years	4,075
Schemes deleted	(20)
Additions in year (externally funded)	859
Additions in year (other)	228
Slippage to future years	(8,254)
Capital programme 31 March 2021	23,211
Made up of:	
Approved programme	13,290
Provisional programme	9,921
Capital programme 31 March 2021	23,211

26. Capital expenditure for 2020/21 was £1.6 million, a variance of £11.7 million against the approved programme for the year of £13.3 million. Details of the variance of spend against the approved capital programme working budget is shown in appendix 3 to this report.
27. 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 £8.3 million was slipped in this way. A list of these schemes is shown in appendix 4.

Capital receipts

28. Capital receipts in year amounted to £62,000. Repayments of Catalyst loans make up £31,000 of this total.

Financial, legal and any other implications

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

Conclusion

30. The 2020/21 financial year was particularly challenging as the council faced the impact of the Coronavirus pandemic, but at year end the outturn position on revenue and capital was an underspend against the working budget for the year. Details of major variances are detailed within this report and the appendices.

Appendices

1. Revenue outturn – expenditure and income variance
2. Revenue carry - forward 2020/21 requests
3. Capital outturn – summary and commentary
4. Capital outturn – slippage

Background Papers

- Budget Papers for 2020/21