

scrutiny Committee



Report of Head of Finance
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To: SCRUTINY COMMITTEE
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Financial outturn 2021/22

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 2021/22.

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 2021/22; 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 2021/22

4. In February 2021 the council approved a net expenditure budget of £18.5 million. The budget was set during the third lockdown period caused by the Covid-19 pandemic, a period when there was considerable uncertainty regarding how the pandemic would evolve. This meant that, within the budget, a considerable contingency was included to mitigate against potential negative financial impacts of the pandemic. 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 2021/22 was increased to £24.3 million.
5. Against the working budget of £24.3 million, net expenditure at year end was £18.1 million. This equates to a favourable variation of £6.2 million, which has been transferred to the council's reserves. A detailed summary by service is shown in table 1 below.

Table 1: summary of revenue budgets and variance

Summary of revenue budgets and variance	Budget £000	Actual £000	Variance £000	Notes
Strategic Management Team	1,343	879	(464)	(a)
Corporate Services	2,634	2,532	(103)	
Development & Corporate Landlord	2,244	1,774	(470)	
Finance	454	395	(59)	
Housing & Environment	6,306	5,726	(579)	
Legal & Democratic	1,246	1,236	(10)	
Partnership & Insight	2,674	2,398	(276)	
Planning	411	957	546	
Policy & Programmes	5,867	2,558	(3,308)	
Contingency	1,085	(341)	(1,426)	
Service expenditure	24,263	18,115	(6,149)	
Investment income	(1,847)	(1,999)	(152)	(b)
Net expenditure	22,416	16,116	(6,301)	

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	20,342	19,131	(1,211)
Government subsidy income	(19,800)	(18,240)	1,560
Rent allowance overpayments	(620)	(717)	(97)
Net Position	(78)	174	252

6. Appendix 1 analyses income and expenditure across service areas. This appendix shows that the expenditure budget was £65.2 million compared to an actual spend of £59.7 million. The income budget was £40.9 million compared to actual income of £41.5 million. The year end variance of £6.2million is therefore primarily found in the expenditure budget.

7. Table 3 below provides a further analysis of the revenue outturn position.

Table 3: 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 2022/23 £000	Grant Income transferred to reserves £000		Employee Costs £000	Other £000
Strategic Management	(464)	428	0	(36)	(116)	80
Corporate Services	(103)	0	0	(103)	(192)	89
Development & Corporate Landlord	(470)	554	0	84	(125)	209
Finance	(59)	0	0	(59)	(43)	(17)
Housing & Environment	(579)	76	0	(503)	(132)	(372)
Legal & Democratic	(10)	0	34	24	134	(110)
Partnerships	(276)	0	0	(276)	(24)	(252)
Planning	546	0	0	546	(198)	744
Policy & Programmes	(3,308)	2,357	58	(893)	(114)	(779)
Contingency	(1,426)	0	0	(1,426)	535	(1,961)
Direct service expenditure	(6,149)	3,415	92	(2,642)	(273)	(2,369)
Investment income	(152)	0	0	(152)	0	(152)
Net expenditure	(6,301)	3,415	92	(2,794)	(273)	(2,521)

Budgets carried forward to 2022/23

8. As shown in table 3 of the £6.2 million favourable variance to budget, £3.4 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2022/23. A further £92,000 of unbudgeted grant income received in year has been transferred to reserves for future expenditure.
9. The most significant carry forwards were in Development and Regeneration and Policy and Programmes, representing £1.2 million for Didcot Garden Town and Gateway projects, and £0.9 million for Berinsfield regeneration. The one-off corporate transformation budget was underspent by £428,000 due to changing management priorities during the year. The full underspend is to be carried forward to 2022/23 and, as agreed in the budget for 2022/23, will be supplemented by a further £250,000 from the overall council underspend at year end. Decisions on how the transformation funding are to be used will be forthcoming in Autumn 2022.
10. Details of all the carried forward budgets are included in Appendix 2. The unbudgeted grant income received in the financial year was £93,000. This income will be transferred to reserves and set against expenditure in 2022/23. The breakdown of this funding is shown in table 4 below.

Table 4: Grant funding transferred to reserves

Grant	£
Berinsfield regeneration	50,000
Domestic violence support	33,540
Diabetes UK	8,721
Total	92,261

Employee costs

11. Employment costs shows an overall underspend of £273,000 for the year, which is net of the managed vacancy factor set at the beginning of the year.
12. Corporate services underspent by £192,000. This was primarily because staff were seconded to other services and the vacancies were not filled. The largest employee variance was in Front of House, which could absorb the vacancies as the offices were not open to the public for much of the year.
13. The overspend in Legal Services was primarily the result of vacancies, which were difficult to fill. The use of more expensive agency staff to provide the work resulted in the overspend of £134,000.
14. Planning salary costs were underspent by £281,000 due to difficulties experienced in recruiting staff. This was offset by agency staff costs of £83,000 to cover some of the vacancies, giving an overall favourable variance of £198,000. This variance was due to vacancies that could not be recruited that could not be filled by agency staff for which, notwithstanding increased workloads, resulted in lower performance on minor and other applications and delayed responses on consultations.

Other variances over £50,000

15. Excluding the carry forwards to 2022/23, grant income transferred to reserves and employee cost variances, net revenue expenditure was £2.4 million underspent against working budget. Of this total, as identified above, £250,000 has been carried forward to 2022/23 to provide additional funding for the transformation work. In addition, £337,500 has been carried forward to fund Planning Policy work in respect of the Joint Local Plan. The significant variations from budget are shown in table 3 and are explained below.

Development & Corporate Landlord

16. Following the easing of restrictions in the ongoing pandemic, Cornerstone was able to reopen during the year. However, as a result of the closure, income was down and the year ended with a £456,000 overspend.
17. Use of car parks has not returned to pre-pandemic levels and therefore income was down by £210,000 at the end of the year.

Housing & Environment

18. The waste service was underspent by £54,700.
19. Waste collection and street cleansing services were underspent by £300,500. Costs associated with recycling were £155,000 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 £84,000, again caused in part by the lower indexation increase, plus lower delivery costs than expected. Street cleansing was also underspent by £61,000 primarily due to the indexation increase, and again costs were lower than budgeted.
20. The garden waste service overspent by £245,800. During the year there was a national problem with sourcing drivers able to operate heavy goods vehicles, which impacted waste collection. This, along with sickness due to the Covid 19 pandemic, resulted in the garden waste service being suspended for several weeks. Customers were given a three-month extension to their service. There was also a suspension of taking on new customers for six months after the service came back in house. The above resulted in a loss of income for the year.

Partnerships

21. There was an underspend of £256,000 on the Five Councils' Partnership contract. We have reviewed contract payments made to date in light of services recently returned in house. We have reprofiled partner contributions across the life of the contract and made accruals for adjusted sums now due.

Planning

22. Planning income was under budget by £496,000. This is primarily a result of developers delaying major application submissions.

23. Spend on consultants for appeals work was overspent by £121,000. These costs are not budgeted and there is no expertise in house to deal with appeals.

Policy

24. Progress on the new local plan stalled due to the pandemic, confirmation of corporate objectives and progress of 2035 local plan examination. As a result, and excluding employee cost savings identified above, the Policy Team was underspent against budget by £696,000. Budgeting arrangements for this service has been amended for 2022/23 and, as noted above, £337,500 has been earmarked to support future work on the joint local plan.

NNDR and council tax

25. South achieved over £2 million more NNDR income than anticipated in the 2021/22 budget. The budget assumed that the council would achieve £2.5 million. Following review between external advisors and finance staff, the provisions for business rates appeals, which had been build up over 10 years and were increased in response to the pandemic, were deemed to have been overly prudent and were significantly reduced. This, along with a prudent reduction in bad debt provision, added a one-off credit of £1.2 million to 2021/22 income.
26. In addition, the council commissioned external advisors to undertake a review of business rates premises in the district to identify any premises that should be paying business rates but were not on the rating list. This exercise identified an additional £2.6 million business rates, including backdated amounts, owed to the council by businesses. The council's share of this is estimated in 2021/22 to be in excess of £500,000, of which just under £200,000 is expected to be an ongoing increase.
27. This additional, primarily one-off income also generated an additional £0.2 million credit from the Oxfordshire councils' business rates pooling distribution group.

Comparison to previous year revenue outturn

28. A comparison of the 2020/21 revenue outturn to 2021/22 is shown in table 5 below.

Table 5: 2020/21 and 2021/22 revenue outturn

	2020/21 Total £000	2021/22 Total £000
Income	(4,280)	(593)
Expenditure	(2,114)	(5,556)
Net position before carried forward Budgets	(6,394)	(6,149)
Carried forward budgets	3,816	3,415
Amounts earmarked for transformation and joint local plan	0	588
Net position after carried forward Budgets	(2,578)	(2,146)

29. Although clearly unforeseeable at the time, the level of prudent provision for the ongoing impact of the Covid-19 pandemic in 2021/22, and the extent to which that contribution was required, contributed to the significant underspend in 2021/22.

Capital outturn 2021/22

30. The original capital budget for 2021/22, including growth, was agreed in February 2021 at over £21 million. Details of the changes to the capital programme in year are summarised in table 6 below:

Table 6: movement on capital programme

	2021/22 £000
Original capital budget	21,866
Roll forward from prior years	12,006
Additions in year (externally funded)	126
Additions in year (other)	4,794
Slippage to future years	(27,655)
Capital programme 31 March 2022	11,137
Made up of:	
Approved programme	9,022
Provisional programme	2,115
Capital programme 31 March 2022	11,137

31. Capital expenditure for 2021/22 was £2.6 million, a variance of £6.4 million against the approved programme for the year of £9.0 million. Details of these variances is shown in appendix 3 to this report. Capital projects span several years, and any underspends are rolled forward to the following financial year.
32. 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 £27.7 million was slipped in this way. A list of these schemes is shown in appendix 4.

Capital receipts

33. Capital receipts in year amounted to £162,000. Repayments of Catalyst loans make up £130,000 of this total.

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 2021/22 outturn position on revenue and capital was an underspend against 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 2021/22 requests
3. Capital outturn – summary and commentary
4. Capital outturn – slippage

Background Papers

- Budget Papers for 2021/22