

Scrutiny Committee



AGENDA ITEM

Report of Head of Finance

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To: SCRUTINY COMMITTEE

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Financial outturn 2022/23

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 2022/23.

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 2022/23; 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 2022/23

4. In February 2022 the council approved a net expenditure budget of £15.1 million. 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 2022/23 was increased to £21.2 million.
5. Against the working budget of £21.2 million, net expenditure at year end was £17.8 million. This equates to a favourable variation of £3.4 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	852	839	(13)	
Corporate Services	2,702	2,446	(256)	
Development & Corporate Landlord	895	1,127	112	
Finance	462	324	(138)	(a)
Housing & Environment	5,856	6,159	303	
Legal & Democratic	1,313	1,307	(6)	
Partnerships	2,609	2,298	(311)	
Planning	230	732	502	
Policy & Programmes	6,807	2,523	(4,164)	
Contingency	(526)	0	526	
Service expenditure	21,200	17,765	(3,444)	
Investment income	(1,675)	(3,791)	(2,116)	(b)
Net expenditure	19,525	13,974	(5,560)	

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	17,507	18,261	(754)
Government subsidy income	(17,054)	(17,745)	(691)
Rent allowance overpayments	(724)	(690)	34
Net Position	(271)	(174)	97

6. Appendix 1 analyses income and expenditure across service areas. This appendix shows that the expenditure budget was £62.1 million compared to an actual spend of £60.6 million. The income budget was £40.9 million compared to actual income of £42.9 million. The year-end variance of over £3.4 million is therefore primarily found in the income 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 2023/24 £000	Grant Income transferred to reserves £000		Employee Costs £000	Other £000
Strategic Management	(13)	41	0	28	(49)	77
Corporate Services	(256)	0	0	(256)	(190)	(66)
Development & Corporate Landlord	112	400	0	512	(2)	515
Finance	(138)	0	0	(138)	64	(202)
Housing & Environment	304	33	0	337	42	295
Legal & Democratic	(6)	63	33	90	144	(54)
Partnerships	(311)	0	0	(311)	15	(326)
Planning	502	0	0	502	10	492
Policy & Programmes	(4,164)	3,603	41	(520)	(11)	(509)
Contingency	526	0	0	526	626	(100)
Direct service expenditure	(3,444)	4,140	74	771	649	122
Investment income	(2,116)	0	0	(2,116)	0	(2,116)
Net expenditure	(5,560)	4,140	74	(1,345)	649	(1,994)

Budgets carried forward to 2023/24

8. As shown in table 3 of the £3.4 million favourable variance to budget, £4.1 million represents slippage in one-off budgets that have been agreed as budget carry forwards to 2023/24. A further £75,000 of unbudgeted grant income received in year has been transferred to reserves for future expenditure.

9. The most significant carry forwards were in Policy and Programmes, representing £1.6 million for Didcot Garden Town and Gateway projects, and £0.8 million for Berinsfield regeneration. The one-off corporate transformation budget was underspent by £765,000. Work on this project will continue in the new financial year and the full underspend is to be carried forward to 2023/24.
10. Details of all the carried forward budgets are included in Appendix 2. The unbudgeted grant income received in the financial year was £74,000. This income will be transferred to reserves and set against expenditure in 2023/24. The breakdown of this funding is shown in table 4 below.

Table 4: Grant funding transferred to reserves

Grant	£
You Move funding	40,750
Domestic Abuse safe accommodation support	33,568
Total	74,318

Employee costs

11. Employment costs shows an overall overspend of £649,000 for the year, which is net of the managed vacancy factor set at the beginning of the year.
12. Corporate services underspent by £190,000. This was primarily because staff in Front of House were seconded to other services and recruitment for the vacancies proved difficult.
13. The over spend of £64,000 in Finance is due to the use of more expensive temporary staff across the service.
14. 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 £144,000.

Other variances over £50,000

15. Excluding the carry forwards to 2023/24, grant income transferred to reserves and employee cost variances, net revenue expenditure was £213,000 overspent against working budget. The significant variations from budget are shown in table 3 and are explained below.

Development & Corporate Landlord

16. Cornerstone income has not shown the increase anticipated in the budget and the Arts Centre and café ended the year with a £430,000 overspend.
17. Use of car parks has not returned to pre-pandemic levels and despite an increase in charges income was down by £115,000 at the end of the year.

Housing & Environment

18. The waste service was overspent by £361,000. Waste collection and street cleansing services were overspent by £298,000. Costs associated with recycling were £167,000 above budget due to a higher indexation increase than expected to the contract payments and a decrease in recycling tonnage. On refuse collection there was an overspend of £25,000, again caused in part by the higher indexation increase, plus a reduction in bulky waste bookings. Street cleansing was also overspent by £105,000 primarily due to the indexation increase and towns and parishes leaving the dog bin emptying service.
19. The garden waste service overspent by £158,000. There were fewer customers than anticipated during the year, which resulted in a loss of income of £88,000. The additional costs of consultants and higher indexation to the contract payments resulted in an overspend of £66,000.

Partnerships

20. 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

21. Planning income was under budget by £454,000. This is primarily a result of developers delaying major application submissions.
22. Spend on consultants for appeals work was overspent by £25,000. These costs are not budgeted and additional expertise is required to defend the council's decisions.

Policy

23. A one-off budget to fund climate change projects was not fully spent in year due to staff vacancies, resulting in a £212,000 underspend. £96,000 of this underspend has been carried forward to 2023/24.
24. Neighbourhood plans have progressed faster than anticipated, which has generated additional grant funding. This has resulted in a £100,000 underspend.
25. The Homes for Ukraine budget shows an underspend of £99,000. This is grant income that funds the work of officers supporting the programme in teams across the council.

NNDR

26. South achieved £2.6 million more NNDR income than anticipated in the 2022/23 budget. The favourable variance is primarily due to the release of business rates appeals provisions which were built up over a ten-year period against the 2010

and 2017 valuations. Continuing the process started last year, finance staff have been working with external advisors to review and release a significant proportion of these provisions.

27. This additional work carried out last year (the result of which wasn't built into the 2022/23 budget due to timing) to identify premises that should be paying business rates has resulted in an increase in NNDR tax base of £200,000.

28. This additional income, which is primarily one off also generated an additional £0.6 million credit from the Oxfordshire councils' business rates pooling distribution group.

Comparison to previous year revenue outturn

29. A comparison of the 2021/22 revenue outturn to 2022/23 is shown in table 5 below.

Table 5: 2021/22 and 2022/23 revenue outturn

	2021/22 Total £000	2022/23 Total £000
Income	(593)	(1,958)
Expenditure	(5,556)	(1,485)
Net position before carried forward Budgets	(6,149)	(3,444)
Carried forward budgets	4,003	4,140
Net position after carried forward Budgets	(2,146)	696

30. 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 2022/23

31. The original capital budget for 2022/23, including growth, was agreed in February 2022 at over £33 million. Details of the changes to the capital programme in year are summarised in table 6 below:

Table 6: movement on capital programme

	2022/23 £000
Original capital budget	33,399
Roll forward from prior years	8,391
Schemes deleted	(400)
Additions in year (externally funded)	6,430
Additions in year (other)	15
Slippage to future years	(22,402)
Capital programme 31 March 2022	25,433
Made up of:	
Approved programme	13,627
Provisional programme	11,806
Capital programme 31 March 2022	25,433

32. Capital expenditure for 2022/23 was £9.5 million, a variance of £4.1 million against the approved programme for the year of £13.6 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.
33. 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 £22.4 million was slipped in this way. A list of these schemes is shown in appendix 4.

Capital receipts

34. Capital receipts in year amounted to £15,000. Repayments of Catalyst loans make up this total.

Financial, legal and any other implications

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

Conclusion

36. The 2022/23 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 2022/23 requests
3. Capital outturn – summary and commentary

4. Capital outturn – slippage

Background Papers

- Budget Papers for 2022/23