

Report of the Executive Manager - Finance and Corporate Services

Cabinet Portfolio Holder for Finance Councillor G Moore

1. Summary

- 1.1. The purpose of this report is to outline the year-end financial outturn position for 2017/18, linked to the closure of accounts process and previous financial update reports. The draft Statement of Accounts has been prepared and was approved by the Executive Manager – Finance and Corporate Services by 31 May 2017, the new earlier statutory deadline.
- 1.2. The Council is required to categorise its income and expenditure as either revenue or capital. Revenue income and expenditure is included in the General Fund, with Capital included in the capital programme. The Financial Outturn, for both Revenue and Capital, is presented below.
- 1.3. The net position shows a transfer *to* reserves of £0.317m originally planned to be a transfer *from* reserves of £0.655m a net increase of £0.982m. The increase arises from revenue efficiencies throughout the year (£0.17m, equivalent to 1.47% of the net budget) but the majority is due to additional grant income outside of the Council's control. Namely the impact of additional Section 31 grants (specific grants issued by the Government normally for new activities or 'new burdens', £0.222m); and a rise in Business Rates Relief, largely as a result of the Government's response to the impact on businesses of the increase in the revaluation of properties from April 2017 (£0.405m).
- 1.4. The Council ensured the discretionary reliefs were applied, resulting in 295 businesses benefitting from £305k of additional discretionary rate relief.
- 1.5. The improved financial position leaves the Council in a better place to meet the future financial challenges it faces, as it looks to improve services, enhance assets and grow the Borough; despite the difficult economic climate and on-going central government funding reductions. A number of commitments, both revenue and capital, are identified in the report to be resourced from the improved reserve position, particularly linked to the Council's growth agenda.
- 1.6. Retaining a healthy position on reserves is necessary to insulate the Council against significant financial risks (and take advantage of opportunities) it faces both now and in the future.

2. Recommendation

It is RECOMMENDED that Cabinet

- a) Notes the 2017/18 revenue position and efficiencies identified in **Table 1**, and approves the associated changes to the earmarked reserves as set out in paragraph 4.5 below and **Appendix B**;
- b) Notes the re-profiled position on capital and approves the capital carry forwards outlined in **Appendix C** and approves the additional spend required for projects at paragraph 4.8; and
- c) Notes the update on the Cricket Club loan in Section 5.

3. Reasons for Recommendation

- 3.1. To accord with good financial governance and the Council's Financial Regulations.

4. Supporting Information

General Fund – Revenue Outturn Position

- 4.1. The General Fund account deals with the Council's revenue income and expenditure, where spend is incurred on day to day expenditure or on items used within the year.
- 4.2. The projected outturn position for the General Fund has been reported to the Corporate Governance Group and Cabinet regularly during 2017/18. The year-end Financial Statements are subject to audit by KPMG and will be considered by Council on 26 July 2018.
- 4.3. The overall position on the General Fund budget gives £797k of revenue efficiencies for the year, as detailed in Table 1 (overleaf). Table 4 in **Appendix A** details the main variances over which account for this underspend. The majority of the savings are as a result of Government changes in legislation (particularly business rates) and additional grant or funding, issued after the financial settlement in February 2017 – amounting to £627k (84%) of efficiencies. In particular changes to discretionary rates relief arising from the 2017 business rates revaluations.

Table 1: Revenue Outturn Position

| | Final | | |
|--|-----------------|-----------------|-------------------|
| | Budget £'000 | Actual £'000 | Variance £'000 |
| Communities | 1,195 | 1,184 | -11 |
| Finance & Corporate Services | 3,351 | 3,239 | -112 |
| Neighbourhoods | 4,010 | 3,941 | -69 |
| Transformation | 2,994 | 3,016 | 22 |
| Sub Total | 11,550 | 11,380 | -170 |
| Capital Accounting Reversals | -1,587 | -1,587 | 0 |
| Minimum Revenue Provision | 1,000 | 1,000 | 0 |
| Total Net Service Expenditure | 10,963 | 10,793 | -170 |
| Grant Income (including New Homes Bonus & rsg) | -2,334 | -2,556 | -222 |
| Business Rates (including SBRR) | -2,561 | -2,966 | -405 |
| Council Tax | -6,074 | -6,074 | 0 |
| Collection Fund Surplus | -18 | -18 | 0 |
| Total Funding | -10,987 | -11,614 | -627 |
| Surplus (-)/Deficit on Revenue Budget | -24 | -821 | -797 |
| Capital Expenditure financed from reserves | 689 | 504 | -185 |
| Net Transfer to (-)/(from) Reserves | 665 | -317 | -982 |

- 4.4. The Council responded positively to the Government changes for business rates relief (largely as a result of increases in business rates following the April 2017 revaluations by the Valuation Office), putting in place processes to ensure businesses maximised the benefit of the relief that was available. As can be seen below 295 businesses benefitted from the various types of relief, amounting to £305,139.

| Scheme | Value of relief awarded | Number of businesses |
|------------------------------------|-------------------------|----------------------|
| Pub relief | £31,129 | 41 |
| Supporting small businesses | £34,692 | 28 |
| Local discretionary scheme | £239,318 | 226 |
| Total | £305,139 | 295 |

Reserves

- 4.5 There are a number of movements in Reserves largely agreed as part of the budget setting process and budget monitoring for 2017/18. **Appendix B** highlights the movement in reserves. Some key points to note:

- There are a number of 'transfers out' or use of reserves totalling £1.707m including: £1.046m from the New Homes Bonus reserve, £1m for the Arena redevelopment;

- £0.326m is transferred out from the Organisation Stabilisation Reserve mainly to finance Bridgford Hall £0.175m and £0.110m for Positive Futures; and £0.3m to finance Cotgrave Regeneration;
- There are a number of 'transfers in' totalling £2.024m that increases reserves including £1.835m New Homes Bonus and £0.159m to fund special expense West Park Play area.
- The New Homes Bonus (NHB) Reserve (£6.268m) is largely earmarked to fund internal borrowing in relation to capital projects such as the Arena
- Overall, whilst the level of Reserves is a healthy £10.532m, there are risks going forward in terms of further reductions and commitments from reserves to capital projects. This includes the repayment of internal borrowing for the Arena, which is reliant on NHB funding and this is by no means a stable source of income. The impact of both the Fair Funding and Business Rates reviews and the future de-commissioning of the power station creates further uncertainty which makes it necessary to retain a stable level of reserves.

4.6 The Council is committed to growing the Borough, ensuring it maximises available opportunities, particularly linked to the impact of growth. Below are requests for the use of reserves in 2018/19, for both expected and new revenue commitments totalling £522k – detailed in table 2 below.

Table 2: Revenue Budget Carry Forward Requests

| Nature of budget request | Amount £'000 |
|--|---------------------|
| <i>Existing commitments</i> | |
| ERDF grant match funding support for business | 25 |
| Strategic Growth Board Budget | 51 |
| Growth Board Shop Front budget | 10 |
| Local Plan | 75 |
| <i>New Commitments</i> | |
| Additional salary commitment | 150 |
| Events growth | 65 |
| Joint RBC/Nott'm City Clifton infrastructure funding | 10 |
| WW1 Centenary budget | 20 |
| Economic Development Staffing support | 16 |
| Additional Strategic Growth Board allocation | 50 |
| Investment and regeneration project work | 50 |
| Total (Impact on Reserves) | 522 |
| Revenue position - overall efficiencies | 797 |
| Net effect on reserves | 275 |

Capital

4.7 The year-end Capital Programme provision totalled £22.535m (see Table 3 and **Appendix D**). Actual expenditure in relation to this provision totalled £9.816m (56%) giving rise to a variance of £12.719m, £12.176m of which is recommended to be carried forward. The main reasons for this are a combination of re-profiling or projects yet to be developed or opportunities realised. The main variations being in relation to Cotgrave Regeneration Scheme (£3.041m); Support for Registered Housing Providers (£0.896m) and continuing with the Asset Investment Strategy £5.649m. **Appendix C**

highlights the main variances and summarises, as well as the carry forward amounts, also the savings on schemes (£656k) and some items where there has been some acceleration in spend, £114k due to business need.

Table 3: Summary of Capital Expenditure 2017/18

| CAPITAL OUTTURN 2017-18 | | | | |
|--------------------------------|--------------------------------|------------------------|--------------------------|-----------------------|
| EXPENDITURE SUMMARY | Current Budget £000 | Actual £000 | Variance £000 | Variance % |
| Transformation | 12,311 | 7,732 | (4,580) | (37.20) |
| Neighbourhoods | 2,225 | 986 | (1,239) | (55.67) |
| Communities | 399 | 123 | (277) | (69.30) |
| Finance & Corporate Services | 7,447 | 976 | (6,471) | (86.89) |
| Contingency | 153 | 0 | (153) | (100.00) |
| | 22,535 | 9,816 | (12,719) | (56.44) |
| FINANCING ANALYSIS | | | | |
| Capital Receipts | (15,277) | (6,455) | 8,822 | (57.75) |
| Government Grants | (1,917) | (1,869) | 48 | (2.50) |
| Other Grants/Contributions | (1,969) | (250) | 1,719 | (87.30) |
| Use of Reserves | (689) | (505) | 184 | (26.71) |
| Internal Borrowing | (2,683) | (737) | 1,946 | (72.53) |
| | (22,535) | (9,816) | 12,719 | (56.44) |
| NET EXPENDITURE | - | - | - | - |

4.8 Regarding the £656,000 of savings from the existing programme below are 3 commitments where further expenditure is required:

- Bowls floor and carpet £65,000
- Arena public art project £25,000
- Cotgrave Phase 2* £387,000
- Total £477,000**

*as detailed in the Cabinet Report, 12 June 2018

4.9 **Financial Outturn Conclusion** – The Council continues to face many significant financial challenges. The 2017/18 financial outturn position demonstrates how the Council manages to balance a shrinking budget with a culture of prudence, and through the Capital Programme focuses on investment and growth in the borough.

5. Cricket Club Loan Update

5.1. The Council has received monthly project update reports prior to authorising any loans. Additionally the Section 151 Officers for RBC, Nottingham City Council and Nottinghamshire County Council are meeting on a quarterly basis with the Cricket Club Finance Director. Monthly loans have been authorised (from October 2016) with £1.798m being loaned at a rate of 4.31% and interest repayments totalling £62k.

- 5.2. In terms of the first phase of the project, the extension of the Radcliffe Road Stand, £6.3m has been spent (February 2018, Report Number 13) with overall project spend anticipated to be £7.25m. The work is virtually complete. The Council has noted NCCC's year-end financial position (to 30 September 2017) and that there was a surplus of £279k for the year. Finances are in an overall healthy position with a budgeted profit of £765k by September 2018.

6. Other Options Considered

- 6.1. There are no other options identified, subject to the views of Cabinet.

7. Risk and Uncertainties

- 7.1. The financial position present an upside risk in terms of providing further funding to ensure the Council delivers its corporate priorities and helps meet funding pressures within the MTFS and the inherent risks in an increasingly volatile financial environment now exacerbated by the uncertainty of both leaving the European Union and the national political environment.

8. Implications

8.1. Finance

These are contained within the body of the report with commentary on revenue (Section 4.1 to 4.4), reserves (section 4.5 to 4.6), capital (sections 4.7 to 4.8) and a cricket club loan update (section 5).

8.2. Legal

There are no direct legal implications.

8.3. Corporate Priorities

Securing a balanced budget is critical in delivering the Council's Corporate Priorities.

8.4. Other Implications

None.

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| For more information contact: | Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk |
| Background papers Available for Inspection: | Previous Revenue and Capital monitoring reports throughout the year |
| List of appendices (if any): | Appendix A – Revenue Budget 2017/18 – Main Variances Appendix B – Movement in Reserves Appendix C – Capital Programme 2017/18 Outturn |

