



Cabinet

Tuesday 9 October 2018

Revenue and Capital Budget Monitoring Period 4

Report of the Executive Manager – Finance and Corporate Services

Cabinet Portfolio Holder for Finance Councillor Gordon Moore

1. Purpose of report

- 1.1. This report presents the budget position for revenue and capital as at 31 July 2018 along with the appropriate recommendations. The report was considered by the Corporate Governance Group (20 September 2018) with no significant issues raised. Given the current financial climate, it is imperative that the Council maintains due diligence with regards to its finances and ensures necessary action is taken to maintain a robust financial position.
- 1.2. Overall, the financial position is relatively stable with revenue efficiencies and additional grant income of £98k offset by a slightly worse than anticipated business rates position of £161k. The net position of £63k represents a 0.6% variation against the net expenditure budget, in essence a broadly balanced budget position. Positively, £1.19m is expected to be transferred to reserves, so the Council can meet the significant financial challenges and risks going forward.
- 1.3. The capital programme shows a planned underspend of £10.237m due to reasons such as a 'slow down' in asset investment (with there being much property market risk) and awaiting the position on the Depot project being finalised.

2. Recommendation

It is RECOMMENDED that Cabinet note:

- a) the projected revenue position for the year with a minor 0.6% variation (£63k) in the revenue position (due to the expected business rates position); and
- b) the capital underspend of £10.237m as a result of capital scheme re-phasing and projected savings.

3. Reasons for Recommendation

- 3.1. To demonstrate good governance in terms of scrutinising the Council's on-going financial position and compliance with Council Financial Regulations.

4. Supporting Information

Revenue Monitoring

- 4.1 The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 31 July 2018 attached at **Appendix B**. This shows projected net efficiency savings for the year to date of £83k and additional funding of £15k in Individual Elector Registration (IER) grant, more than offset by the reduction in the collection fund surplus against the budgeted position (£161k) due to business rates variation. The overall £63k variation represents 0.6% against the net expenditure budget and we currently anticipate £1.19m to be transferred to reserves to meet in particular business rates risk going forward (see paragraph 5.3). This position is likely to change throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets.
- 4.2 **Appendix A** includes a Minimum Revenue Provision (MRP) of £1m. This is a provision that the Council is required to make each year to cover the internal borrowing costs for the Arena which will be funded by the New Homes Bonus.
- 4.3 As documented at **Appendix B**, the financial position to date reflects a number of positive variances totalling £378k including additional income from planning applications, the Garden Waste Scheme, salary savings and the additional recovery of Housing Benefit Overpayments. There are several adverse variances totalling £363k including Planning public inquiries, the rising costs of diesel, and an increase in the Streetwise Contract (mainly due to flytipping), and the slowing of asset investments as the Council continues to review its position in light of a volatile property market.

Capital Monitoring

- 4.4 The updated Capital Programme monitoring statement as at 31 July 2018 is attached at **Appendix C**. This provides further details about the progress of the schemes, any necessary re-phasing and highlights savings of £10.237m. A summary of the projected outturn and funding position is shown in the table below:

CAPITAL PROGRAMME MONITORING - JULY 2018			
EXPENDITURE SUMMARY	Current Budget £000	Projected Actual £000	Projected Variance £000
Transformation	9,387	6,552	(2,835)
Neighbourhoods	2,936	2,950	14
Communities	764	749	(15)
Finance & Corporate Services	11,271	3,870	(7,401)
Contingency	87	87	-
	24,445	14,208	

FINANCING ANALYSIS			(10,237)
Capital Receipts	(14,079)	(8,007)	6,072
Government Grants	(1,018)	(1,018)	-
Other Grants/Contributions	(1,719)	(1,754)	(35)
Use of Reserves	(600)	(600)	-
Internal Borrowing	(7,030)	(2,829)	4,201
	(24,445)	(14,208)	10,237
NET EXPENDITURE	-	-	-

4.5 The original Capital Programme of £11.91m has been supplemented by a net brought forward and in-year adjustments of £12.55m giving a revised total of £24.45m. The net efficiency position of £10.237m is due to some slippage of the Cotgrave Multi-Service Centre (MSC) into 2019/20, a delay in the outcome of the Depot relocation project (a report is due to be presented at Cabinet, likely to be in October), and a slow down with regards to Asset Investments. This has a corresponding impact on the funding required during the year.

4.6 **Conclusion**

The overall financial position for both revenue and capital is currently positive. It should be noted that opportunities and challenges can arise during the year which may impact on the projected year-end position. There remain external financial pressures from developing issues such as business rates retention, the fair funding review, and continued uncertainty surrounding BREXIT. Against such a background, it is imperative that the Council continues to keep a tight control over its expenditure, identifies any impact from changing income streams and maintains progress against its Transformation Strategy.

5. **Alternative options considered and reasons for rejection**

5.1. There are no alternative options.

6. **Risks and Uncertainties**

6.1. Failure to comply with Financial Regulations in terms of reporting on both revenue and capital budgets could result in criticism from stakeholders, including both Councillors and the Council's external auditors.

6.2. Areas such as income can be volatile responding to external pressures such as the general economic climate. For example, planning income is variable according to the number and size of planning applications received dependent on factors such as business and housing growth..

6.3. Business rates is subject to specific risk given the volatile nature of the taxbase with a small number of properties accounting for a disproportionate amount of tax revenue, notably in Rushcliffe Radcliffe-on-Soar power station. Furthermore, changes in central government policy influences business rates received and their timing, for example policy changes on small business rates relief.

6.4. The Council needs to be properly insulated against such risks hence the need to ensure it has a sufficient level of reserves, as well as having the ability to use such reserves to support projects where there is 'upside risk'.

7. Implications

7.1. Financial Implications

Financial implications are covered in the body of the report.

7.2. Legal Implications

None

7.3. Equalities Implications

None

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

None

7.5. Other implications

None

8. Link to Corporate Priorities

Changes to the budget enable the Council to achieve its corporate priorities.

9. Recommendations

It is RECOMMENDED that Cabinet note:

- a) the projected revenue position for the year with a minor 0.6% variation (£63k) in the revenue position (due to the expected business rates position); and
- b) the capital underspend of £10.237m as a result of capital scheme re-phasing and projected savings.

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Council 8 March 2018 – 2018-19 Budget and Financial Strategy Cabinet 12 June 2018 – Revenue and Capital Budget Monitoring Outturn 2017-18 Corporate Governance Group 20 September 2018 - Revenue and Capital Budget Monitoring

	2018/19 – Financial Update
List of appendices:	Appendix A – Revenue Outturn Position 2018/19 – July 2018 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2018/19 – July 2018 Position

Revenue Outturn Position 2018/19 – July 2018

	Period 4			
	Original Budget £'000	Revised Budget £'000	Projected Actual £'000	Variance £'000
Communities	1,103	1,306	1,261	-45
Finance & Corporate Services	3,470	3,491	3,404	-87
Neighbourhoods	4,611	4,673	4,617	-56
Transformation	2,502	2,738	2,843	105
Sub Total	11,686	12,208	12,125	-83
Capital Accounting Reversals	-2,234	-2,234	-2,234	0
Minimum Revenue Provision	1,000	1,000	1,000	0
Total Net Service Expenditure	10,452	10,974	10,891	-83
Grant Income (including New Homes Bonus & RSG)	-1,632	-1,632	-1,647	-15
Business Rates (including SBRR)	-2,990	-2,990	-2,990	0
Council Tax	-6,346	-6,346	-6,346	0
Collection Fund Surplus	-1389	-1389	-1228	161
Total Funding	-12,357	-12,357	-12,211	146
Surplus (-)/Deficit on Revenue Budget	-1,905	-1,383	-1,320	63
Capital Expenditure financed from reserves	129	129	129	0
Net Transfer to (-)/from Reserves	-1,776	-1,254	-1,191	63

Revenue Variance Explanations (over £15k)

ADVERSE VARIANCES in excess of £15,000	Projected Outturn Variance £'000
Communities	
Planning - Legal costs from Public Enquiries	30
Finance & Corporate Services	
Communications – Lamp post banners and Rushcliffe Reports April (for 2017/18)	16
Finance additional staffing costs, offset by saving below	34
Legal - Employee costs higher than budgeted for	16
Neighbourhoods	
Streetwise - Additional items in the prime contract	56
Fleet & Garage - Diesel	30
Waste & Fleet - Overtime	16
Car Parks - Equipment	20
Transformation	
Asset Investment, hold on investments	85
Property Staffing to meet increased asset base	30
Occupational health counselling	30
Total Adverse Variances	363

FAVOURABLE VARIANCES in excess of £15,000	Projected
	Outturn Variance £'000
Communities	
Planning Income (fee increases and more demand)	-75
Finance	
Investment Income	-15
Merchant banking	-15
Vacant post salary saving	-49
HB Overpayments	-80
Neighbourhoods	
Waste Collection and Recycling - Green waste income above target	-40
LEX Leisure Payments	-34
East Leake Leisure contract cost saving	-20
Pest Control	-15
Repaid Disabled Facilities Grants	-18
Transformation	
Economic Development - ERDF Digital Growth	-17
Total Favourable Variances	-378
Sum of Minor Variances	-68
TOTAL VARIANCE	-83

Capital Programme 2018/19 – July 2018 Position

CAPITAL PROGRAMME MONITORING - JULY 2018							Explanation
	Original Budget	Current Budget	Budget YTD	Actual YTD	Projected Actual	Variance	
		£000	£000	£000	£000	£'000	
TRANSFORMATION							
Cotgrave Regeneration & MSC	-	3,189	790	791	2,689	(500)	Works have started on site but there has been some slippage. £0.5m to carry forward into 2019/20
<i>Cotgrave Phase 2</i>	-	387	-	-	387		<i>As agreed by Cabinet 12 June 2018</i>
Bingham Land off Chapel Lane	438	645	110	8	645		Land acquisition completed in 2017-18. Remediation costs still to be incurred.
<i>Manvers Business Park</i>	100	100	-	-	100		<i>Roof refurbishment work needed</i>
Property Heating Upgrades		180	-	-	180		One provision created to commission priority works more efficiently
<i>The Point</i>	-	19	-	-	19		<i>Works commenced at the end of last year</i>
Arena Car Park Enhancements	-	465	60	62	465		Work has commenced.

<i>Colliers Way Industrial Units</i>	-	20	-	-	20		<i>Interdependent with housing developer</i>
New Depot	2,500	2,485	-	3	150	(2,335)	Options currently being assessed, projected actual for professional costs. Report to Cabinet (likely in October) which will inform the future capital programme.
<i>RCCC Enhancements</i>	-	100	-	-	100		<i>Works to be commissioned</i>
Finch Close	-	50	50	39	50		Fees on the acquisition
<i>Trent Boulevard</i>	-	1,450	1,450	1,445	1,450		<i>Acquisition and professional fees</i>
Information Systems Strategy	130	297	40	40	297		-
	3,168	9,387	2,500	2,387	6,552	(2,835)	
NEIGHBOURHOODS							
Wheeled Bins	80	80	14	15	80		Budget to be fully spent by year end
<i>Vehicle Replacement</i>	200	200	170	167	179	(21)	<i>Refuse freighter purchased, Facilities van to be ordered</i>
Support for Registered Housing Providers	250	1,146	-	-	1,146		£896k brought forward from 2017-18, no commitments at this stage, some schemes being scoped
<i>Hound Lodge - Heating</i>	40	-	-	-	-		<i>Provision moved to Property Heating Upgrades</i>

Assistive Technology	13	13	-	-	13	
<i>Discretionary Top Ups</i>	57	115	10	4	115	
Disabled Facilities Grants	447	348	50	100	348	
<i>Arena Enhancements</i>	-	140	-	-	175	35
Car Park Resurfacing	220	220	-	-	220	-
Car Park Improvements - Lighting West Park	-	50	-	-	50	-
Car Park Improvements - Lighting	110	110	-	-	110	-
Bowls Floor & Carpet	-	65	-	-	65	-
Keyworth Leisure Centre (KLC) Dry Change	30	30	-	-	30	-
KLC Filter Replacement	30	30	-	-	30	-
Bingham Leisure Centre Improvements	159	267	-	-	267	Necessary enhancements
Cotgrave Leisure Centre Pool Handling Ventilation System	100	100	-	-	100	-
Edwalton Golf Course (EGC) Fire Alarm System		13	-	-	13	Allocation from Contingency
EGC Upgrade Facilities – Electrical works	-	9	-	2	9	
	1,736	2,936	244	288	2,950	14

Provision to support acquisition of Home Alarms
This enables Mandatory DFGs to be topped up from £30,000 to £40,000 for individual cases
£99k was accelerated into 2017-18, to be utilised
35 *Additional capital works identified. Part of extra costs will be met by a grant from NCC of up to £35k.*

COMMUNITIES						
Capital Grant Funding	48	94	10	6	94	Outstanding commitments from 2017-18 £23k, £65k available for future allocation
<i>Play Areas - Special Expense</i>	<i>50</i>	<i>150</i>	-	-	<i>150</i>	<i>£50k Skateboard funding secured.</i>
West Park Fencing and Drainage	-	11	-	-	11	Fencing element complete, drainage work to be commissioned
West Park Lighting	-	25	-	-	25	-
West Park Public Toilet Upgrade	20	20	-	-	20	-
<i>West Park Sports Pavilion</i>	<i>40</i>		-	-	-	<i>Provision vired to Property Heating Upgrades</i>
West Park Julien Cahn Pavilion	40	40	-	-	40	Works to be scoped with general Car Park lighting scheme
<i>RCP - Car Park</i>	<i>-</i>	<i>45</i>	<i>40</i>	<i>37</i>	<i>45</i>	<i>Works started at the end of the last financial year.</i>
Gresham Pavilion	35		-	-	-	Provision vired to Property Heating Upgrades
<i>Lutterell Hall</i>	<i>35</i>		-	-	-	<i>Provision moved to Property Heating Upgrades</i>

Skateboard Parks	250	250	83	-	235	(15)	Grant awards to date are £125k Radcliffe on Trent Parish Council, £50k RBC special expense (as above), £60k East Leake Parish Council <i>As agreed by Cabinet 12 June 2018</i> Provision vired to Property Heating Upgrades <i>Better Care Funding secured.</i>
<i>Arena Public Art</i>	-	25	-	-	25		
Gamston Community Centre - Heating	30		-	-	-		
<i>Warm Homes on Prescription</i>	54	104	18	10	104		
	602	764	151	52	749	(15)	
FINANCE & CORPORATE SERVICES							
NCCC Loan	-	822	-	-	822		The loan is being released in tranches. Projected actual covers: 1 acquisition in the pipeline, potential acquisition/development of Industrial Units in Bingham, and staff costs. Remaining balance is for future potential investment in the Borough
Asset Investment Strategy	6,300	10,449	-	-	3,048	(7,401)	
	6,300	11,271			3,870	(7,401)	
CONTINGENCY							

Contingency	100	87	-	-	87	-	Allocation made for Fire Alarm System at EGC
	100	87			87		
TOTAL	11,906	24,445	2,895	2,727	14,208	(10,237)	