



Corporate Governance Group

29 November 2018

Revenue and Capital Budget Monitoring 2018/19 – Financial Update

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

- 1.1. This report presents the budget position for revenue and capital as at 30 September 2018 along with the appropriate recommendations for referral to Cabinet. 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 little change since the last report. There are revenue efficiencies and additional grant income of £53k offset by a slightly worse than anticipated business rates position of £133k. The net position of an £80k adverse variance represents a 0.8% variation against the net expenditure budget, in essence a broadly balanced budget position. Positively, £1.17m 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 £12.064m due to reasons such as a 'slow down' in asset investment (with there being much property market risk) and the delay in the Depot operations relocating from Abbey Road.

2. Recommendation

- 2.1 It is RECOMMENDED that the Corporate Governance Group forward the report for Cabinet approval noting:
 - a) the projected revenue position for the year with a minor 0.8% variation (£80k) in the revenue position; and
 - b) the capital underspend of £12.064m 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 Evidence

Revenue Monitoring

- 4.1 The revenue monitoring statement by service area is attached at **Appendix A** with detailed variance analysis as at 30 September 2018 attached at **Appendix B**. This shows projected net overspend for the year to date of £20k and additional funding of £73k from compensation for Small Business Rates

Relief (SBRR) threshold changes and Individual Electoral Registration (IER) grant, more than offset by the reduction in the collection fund surplus against the budgeted position (£133k) due to business rates variation. The overall £80k variation represents 0.8% against the net expenditure budget and we currently anticipate £1.17m 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 £596k including additional income from planning applications, the Garden Waste Scheme and salary savings. There are several adverse variances totalling £616k 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 30 September 2018 is attached at **Appendix C**. This provides further details about the progress of the schemes, any necessary re-phasing and highlights savings of £10.252m. A summary of the projected outturn and funding position is shown in the table below:

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2018			
EXPENDITURE SUMMARY	Current	Projected	Projected
	Budget	Actual	Variance
	£000	£000	£000
Transformation	9,483	6,548	(2,935)
Neighbourhoods	2,994	2,943	(51)
Communities	864	899	35
Finance & Corporate Services	11,271	2,158	(9,113)
Contingency	87	87	-
	24,699	12,635	(12,064)
FINANCING ANALYSIS			
Capital Receipts	(14,078)	(6,659)	7,419
Government Grants	(1,026)	(1,026)	-
Other Grants/Contributions	(1,966)	(1,966)	-
Use of Reserves	(600)	(600)	-
Internal Borrowing	(7,030)	(2,384)	4,646
	(24,699)	(12,635)	12,064
NET EXPENDITURE	-	-	-

4.5 The original Capital Programme of £11.91m has been supplemented by a net brought forward and in-year adjustments of £12.79m giving a revised total of £24.70m. The net efficiency position of £12.064m is due to the delay in the Depot operations relocating, 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 overall 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 **Risk and Uncertainties**

5.1 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.

5.2 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.

5.3 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 Ratcliffe-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.

5.4 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'.

6 **Implications**

6.1 **Financial Implications**

Financial implications are covered in the body of the report.

6.2 **Legal Implications**

None

6.3 **Equalities Implications**

None

6.4 Other Implications

None

6.5 Link to Corporate Priorities

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

7. Recommendation

7.1 It is RECOMMENDED that the Corporate Governance Group forward the report for Cabinet approval noting:

- a) the projected revenue position for the year with a minor 0.7% variance (£80k) in the revenue position; and
- b) the capital underspend of £12.064m as a result of capital scheme re-phasing and projected savings.

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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
List of appendices (if any):	Appendix A – Revenue Outturn Position 2018/19 – September 2018 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2018/19 – September 2018 Position

Revenue Outturn Position 2018/19 – September 2018

	Period 6			
	Original Budget £'000	Revised Budget £'000	Projected Actual £'000	Variance £'000
Communities	1,103	1,306	1,261	-45
Finance & Corporate Services	3,470	3,391	3,344	-47
Neighbourhoods	4,611	4,713	4,707	-6
Transformation	2,501	2,798	2,916	118
Sub Total	11,686	12,208	12,228	20
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	10,994	20
Grant Income (including New Homes Bonus & RSG)	-1,632	-1,632	-1,705	-73
Business Rates (including SBRR)	-2,990	-2,990	-2,990	0
Council Tax	-6,346	-6,346	-6,346	0
Collection Fund Surplus	-1,389	-1,389	-1,256	133
Total Funding	-12,357	-12,357	-12,297	60
Surplus (-)/Deficit on Revenue Budget	-1,905	-1,383	-1,303	80
Capital Expenditure financed from reserves	129	129	129	0
Net Transfer to (-)/from Reserves	-1,776	-1,254	-1,174	80

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	
Performance & Reputation - Printing of lamp post banners and local plan documents. Delivery of Spring Rushcliffe Report in April which were budgeted for in 2017/18	17
Finance - additional staffing costs (covered by vacant posts)	41
Neighbourhoods	
Homelessness - more single priority need homeless cases	15
Streetwise - Additional items in the prime contract – mostly increases in Fly Tipping	37
Fleet & Garage - Diesel price increase	42
Waste & Fleet Holding Account - Overtime to cover increase in volume of green waste service	16
Leisure Management - Electricity costs of the Arena	18
Car Parks - Equipment at Bunny Lane and increase to maintenance contracts	35
Transformation	
IT Services - agency costs for staff vacancies	20
Investment Properties - Asset Investment, hold on investments	142
Property Services - Staffing to meet increased demand from asset investments	30
Human resources - Occupational health counselling for better staff wellbeing	20
Sum of Minor Adverse Variances	153
Total Adverse Variances	616

FAVOURABLE VARIANCES in excess of £15,000	Projected
	Outturn
	Variance
	£'000
Communities	
Planning Income – fee increase and increased housing development	-75
Finance	
Investment Income - hold on funding Asset Investment Strategy, therefore greater balances being invested	-45
Corporate Governance Service Manager - Vacant post - salary saving	-50
Housing Benefits Admin - Government grants received in excess of budget to cover Universal Credit changes	-22
Neighbourhoods	
Waste Collection and Recycling - Green waste income above target	-36
Leisure Centres - contract payments reduced due to VAT savings on charitable status	-39
Pest Control - more call-outs / demand	-13
Repaid Disabled Facilities Grants	-18
Car Parks - additional income	-43
Transformation	
Economic Development – ERDF Digital Growth Our contribution for digital growth programme was £50k but reduced due to level of support given - workshops business advice etc over the D2N2 area	-17
Investment Properties - additional rental income from Finch Close and Co-op	-36
Sum of Minor Favourable Variances	-202
Total Favourable Variances	-596
TOTAL VARIANCE	20

Capital Programme 2018/19 – September 2018 Position

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2018							Explanation
	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
TRANSFORMATION							
Cotgrave Regeneration & MSC	-	3,188	1,521	1,131	2,688	(500)	Works have started on site but there has been some slippage. £0.5m to be slipped into 2019-20
Cotgrave Phase 2	-	387	-	3	387	-	As agreed by Cabinet 12 June 2018
Bingham Land off Chapel Lane	438	645	219	8	645	-	Land acquisition completed in 2017-18. Remediation costs still to be incurred.
Manvers Business Park	100	100	-	-	100	-	Roof refurbishment work needed
Property Heating Upgrades		180	-	6	180	-	One provision created to commission priority works more efficiently
The Point	-	19	-	-	19	-	Specification currently being drawn up for works to underground carpark lighting
Arena Car Park Enhancements	-	562	233	225	562	-	Work completed
Colliers Way Industrial Units	-	20	-	-	20	-	Interdependent with Barratt's housing development
New Depot	2,500	2,485	-	6	150	(2,335)	Options currently being assessed, projected actual for professional costs
RCCC Enhancements	-	100	-	-	-	(100)	Works on hold

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2018

	Original	Current	Budget	Actual	Projected		Explanation
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
Finch Close	-	50	50	37	50	-	Fees on the acquisition
Trent Boulevard	-	1,450	1,450	1,445	1,450	-	Acquisition and professional fees
Information Systems Strategy	130	297	149	100	297	-	-
	3,168	9,483	3,621	2,962	6,548	(2,935)	
NEIGHBOURHOODS							
Wheeled Bins	80	80	20	18	80	-	Budget to be fully spent by year end
Vehicle Replacement	200	200	167	167	179	(21)	Refuse freighter purchased, Facilities van to be ordered
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
Hound Lodge - Heating	40	-	-	-	-	-	Provision moved to Property Heating Upgrades
Assistive Technology	13	12	6	-	12	-	Agreed Better Care Fund (BCF) allocation
Discretionary Top Ups	57	57	29	4	57	-	Agreed BCF allocation
Disabled Facilities Grants	447	465	233	230	465	-	Agreed BCF allocation
Arena Enhancements	-	140	-	-	140		For identified capital works post completion of the new build
Car Park Resurfacing	220	220	-	-	220	-	West Bridgford Car Parks
Car Park Improvements - Lighting West Park	-	50	-	-	50	-	-
WB Car Park Improvements - Lighting	110	110	-	-	110	-	-
Bowls Floor & Carpet	-	65	60	58	65	-	As agreed by Cabinet 12 June 2018
KLC Dry Change	30	30	-	-		(30)	Scheme slipped to 2019-20
KLC Filter Replacement	30	30	-	-	30	-	-

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2018

	Original	Current	Budget	Actual	Projected		Explanation
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
BLC Improvements	159	267	-	-	267	-	The schedule of works is being drawn up
CLC Pool Handling Ventilation System	100	100	-	-	100	-	-
EGC Fire Alarm System		13	-	-	13	-	Allocation from Contingency
EGC Upgrade Facilities	-	9	5	2	9	-	Improvements largely complete, electrics work still to do
	1,736	2,994	519	479	2,943	(51)	
COMMUNITIES							
Capital Grant Funding	48	94	47	9	94	-	Outstanding commitments from 2017-18 £23k, £65k available for future allocation
Play Areas - Special Expense	50	90	-	-	90	-	£60k for The Hook Skateboard Park
The Hook Skatepark	-	210	-	-	210	-	£100k Skateboard funding secured and £50k Sport England Grant.
West Park Fencing and Drainage	-	11	-	-	11	-	Fencing element complete, drainage work to be commissioned
West Park Car Park Lighting	-	25	-	-	25	-	-
West Park Public Toilet Upgrade	20	20	-	3	20	-	-
West Park Sports Pavilion	40	-	-	-	-	-	Provision moved to Property Heating Upgrades
West Park Julien Cahn Pavilion	40	40	-	-	40	-	Works to be scoped with general Car Park lighting scheme
RCP - Car Park	-	45	41	37	45	-	Works started at the end of the last financial year.
Gresham Pavilion	35	-			-	-	Provision moved to Property Heating Upgrades
Lutterell Hall	35	-			-	-	Provision moved to Property Heating

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2018

	Original	Current	Budget	Actual	Projected		Explanation
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
							Upgrades
Skateboard Parks	250	250	13	-	285	35	Grant awards to date are £125k Radcliffe on Trent Parish Council, £100k RBC The Hook (as above), £60k East Leake Parish Council. Budget Acceleration from 2019-20
Arena Public Art	-	25	-	-	25	-	
Gamston Community Centre – Heating	30	-	-	-	-	-	Provision moved to Property Heating Upgrades
Warm Homes on Prescription	54	54	27	15	54	-	Agreed BCF allocation
	602	864	128	64	899	35	
FINANCE & CORPORATE SERVICES							
NCCC Loan	-	822	-	-	-	(822)	No further tranches of loan to be released, balance to be carried forward to 2019/20
Asset Investment Strategy	6,300	10,449	-	-	2,158	(8,291)	Projected actual covers: 2 acquisitions in the pipeline and staff costs. £8.290m of the underspend is earmarked for 4 schemes included in the provisional capital programme for 19/20 and this sum can be taken out of the 18/19 programme.
	6,300	11,271			2,158	(9,113)	
CONTINGENCY							
Contingency	100	87	-	-	87	-	Allocation made for Fire Alarm System at EGC
	100	87			87		
TOTAL	11,906	24,699	4,267	3,505	12,635	(12,064)	