Rushcliffe Borough Council

Cabinet

Tuesday, 11 December 2018

Revenue and Capital Budget Monitoring – Q2 2018/19

Non Key Decision No. 34

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. The report was considered by the Corporate Governance Group (29 November 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 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 Cabinet note:

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 Cabinet note:

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.

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 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
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