



Corporate Governance Group

7 February 2019

Revenue and Capital Budget Monitoring 2018/19 – Quarter 3 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 31 December 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. The revenue financial position has moved from a relatively small adverse variance to £1.01m favourable variance. This is due to largely to three one-off 'windfall' items of income. The position on planning income has improved linked to housing growth within the Borough, contributing towards the £406k positive service position. Business Rates Income has also increased by £455k as a result of 100% receipt in renewable energy business rates; and there is £127k as a result of the 2018/19 surplus on the Nottinghamshire business rates pool. The overall position of a £1.007m favourable variance represents a -9.63% variation against the net expenditure budget.
- 1.3. This has resulted in an increase to the amount expected to be transferred to reserves to £2.09m which is £313k more than the original budget or 17.6%. This is to be used to mitigate future deficits on the collection fund and the impact of any future risks associated with changes to the retention of Business Rates and Fairer Funding expected in 2020/21, consistent with the MTFS.
- 1.4. The capital programme shows a planned underspend of £12.698m due to reasons such as a 'slow down' in asset investment (with there being much property market risk) and the decision to no longer build a replacement Depot.

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 -9.63% variation (£1.007m) in the revenue position; and
 - b) the capital underspend of £12.698m 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 31 December 2018 attached at **Appendix B**. The overall £1.007m variation represents -9.63% against the net expenditure budget and we currently anticipate £2.09m to be transferred to reserves, to meet, in particular business rates risk going forward (see paragraph 5.3). Reasons for this include additional income from planning applications (£275k) and an improved position on Business Rates (£455k) as a result of a renewable energy asset for which 100% business rates is retained by the Council (notified by the Valuation Office in Quarter 3).
- 4.2 The Nottinghamshire Business Rates Pool has an uncommitted surplus. The Nottinghamshire Chief Executives agreed that the surplus for 2017/18 business rates pool should be shared proportionately according to the pool contributions made towards the surplus by each Council. For Rushcliffe this amounts to £127k. This will help support our strategic growth and economic development initiatives.
- 4.3 **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.
- 4.4 As documented at **Appendix B**, the financial position to date reflects a number of positive variances totalling £1,235k including a steady rise in income from planning applications (stated above), rental income on investment properties, additional grant income and salary savings. There are several adverse variances totalling £829k including Planning public inquiries, the rising costs of diesel, and an increase in the Streetwise Contract (mainly due to flytipping).
- 4.5 The overall position may still change in the final quarter of 2018/19 as managers continue to drive cost savings, and raise income, against existing budgets

Capital Monitoring

- 4.6 The updated Capital Programme monitoring statement as at 31 December 2018 is attached at **Appendix C**. This provides further details about the progress of the schemes, any necessary re-phasing and highlights savings of £12.698m. A summary of the projected outturn and funding position is shown in the table:

CAPITAL PROGRAMME MONITORING - DECEMBER 2018			
EXPENDITURE SUMMARY	Current	Projected	Projected
	Budget	Actual	Variance
	£	£	£
Transformation	10,299	7,364	-2,935
Neighbourhoods	3,104	2,417	-687
Communities	864	874	10
Finance & Corporate Services	10,384	1,298	-9,086
Contingency	48.5	48.5	0
	24,699	12,002	-12,698
FINANCING ANALYSIS			
Capital Receipts	-14,091	-6,271	7,821
Government Grants	-1,026	-1,026	0
Other Grants/Contributions	-1,966	-1,966	0
Use of Reserves	-600	-355	245
Internal Borrowing	-7,016	-2,384	4,632
	-24,699	-12,002	12,698
NET EXPENDITURE	-	-	-

- 4.7 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 £12.698m is due to the decision to no longer construct a new Depot, and a slow down with regards to Asset Investments. This has a corresponding impact on the funding required during the year.

4.8 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. Such uncertainty is exacerbated by the impending changes in the Business Rates system and the impact of Fairer Funding for 2020/21.
- 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 -9.63% variance (£1.01m) in the revenue position; and
 - b) the capital underspend of £12.698m 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 9 October 2018 – Revenue and Capital Budget Monitoring Period 4 Cabinet 11 th December 2018 - Revenue and Capital and Budget Monitoring - Q2 2018/19
List of appendices (if any):	Appendix A – Revenue Outturn Position 2018/19 – December 2018 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2018/19 – December 2018 Position

Revenue Outturn Position 2018/19 – December 2018

	Period 9			
	Original Budget £'000	Revised Budget £'000	Projected Actual £'000	Variance £'000
Communities	1,103	1,301	1,184	-117
Finance & Corporate Services	3,470	3,391	3,222	-169
Neighbourhoods	4,611	4,723	4,663	-60
Transformation	2,501	2,965	2,905	-60
Sub Total	11,686	12,380	11,974	-406
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	11,146	10,740	-406
Grant Income (including New Homes Bonus & RSG)	-1,632	-1,632	-1,651	-19
Business Rates (including SBRR)*	-2,990	-2,990	-3,572	-582
Council Tax	-6,346	-6,346	-6,346	0
Collection Fund Surplus	-1389	-1389	-1389	0
Total Funding	-12,357	-12,357	-12,958	-601
Surplus (-)/Deficit on Revenue Budget	-1,905	-1,211	-2,218	-1,007
Capital Expenditure financed from reserves	129	129	129	0
Net Transfer to (-)/from Reserves	-1,776	-1,082	-2,089	-1,007

Revenue Variance Explanations (over £10k)

ADVERSE VARIANCES in excess of £10,000	Projected
	Outturn
	Variance
	£'000
Communities	
Planning - Legal costs from Public Enquiries and Advertising	69
Land Charges - Search Fees	17
Community Development Income	15
Income from facility hire - eg reduced bookings at Gresham, Lutterell Hall	39
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 linked to staff vacancies	45
Neighbourhoods	
Homelessness - more single priority need homeless cases	15
Streetwise - Additional items in the prime contract mostly flytipping	58
Fleet & Garage - Diesel price increase	14
Car Parks - Equipment at Bunny Lane and increase to maintenance contracts	15
Transformation	
IT Holding Account - agency costs	10
Property Services - Staffing to meet increased asset base	20
Premises - service maintenance contracts and responsive works	30
Human resources - Occupational health counselling	20
Sum of Minor Adverse Variances	445
Total Adverse Variances	829

FAVOURABLE VARIANCES in excess of £10,000

	Projected
	Outturn
	Variance
	£'000
Communities	
Planning Income	-275
Building Control saving on partnership costs	-10
Sponsorship Income	-12
Nottingham City Council Contribution to Strategic Sites Delivery Officer	-13
Finance	
Investment Income - hold on funding Asset Investment Strategy, therefore greater balances being invested	-22
Transformation, Constitutional Services, Revenues - Vacant post salary saving	-80
HB Overpayments Recovered	-80
HB Admin - Government grants received in excess of budget (Verify Earnings and Pensions Alert Service and UC Transitional Protection grants)	-19
Neighbourhoods	
Waste Collection and Recycling - Green waste income above target offset by overtime	-20
Leisure Centres - contract payments reduced due to change to Lex Leisure	-28
Repaid Disabled Facilities Grants	-18
Environmental Health Fees and Charges (eg Primary Authority)	-23
Recycling Credits - greater tonnage of recycling	-15
Hire of Transport linked to less breakdowns	-12
Various grant Income and costs recovered	-79
Transformation	
Economic Development - ERDF Digital Growth	-17
Income from Investment Properties	-17
Corporate Training & Postage (Hybrid Mail)	-20
Employee Vacancies (various)	-43
Sum of Minor Favourable Variances	-432
Total Favourable Variances	-1235
TOTAL VARIANCE	-406

Capital Programme 2018/19 – December 2018 Position

CAPITAL PROGRAMME MONITORING - DECEMBER 2018

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
TRANSFORMATION							
Cotgrave Regeneration & MSC	-	3,188	2,281	1,274	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	-	115	387	-	As agreed by Cabinet 12 June 2018
Bingham Land off Chapel Lane	438	645	329	-	645	-	Land acquisition completed in 2017-18. Remediation costs still to be incurred.
Manvers Business Park	100	100	-	-		(100)	Roof refurbishment work needed, this sum needs to be carried forward and added to the £100k in the 19/20 Capital Programme to commission works more efficiently.
Property Heating Upgrades	-	180	-	115	180	-	One provision created to commission priority works more efficiently. Works 2/3rds completely.
The Point	-	19	-	-	19	-	Sum to upgrade car park lighting, out to tender after Christmas.
Arena Car Park Enhancements	-	562	349	514	562	-	Works at practical completion. Final contract costs to be released.
Colliers Way Industrial Units	-	20	-	-	20	-	Sum to improve mains service connections to original Colliers Business Units 1 – 4

CAPITAL PROGRAMME MONITORING - DECEMBER 2018

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
New Depot	2,500	2,385	-	12	150	(2,235)	Options currently being assessed. No longer building a new depot. Projected actual for professional costs. £100k of the underspend committed (Cabinet 13.11.18)
RCCC Enhancements	-	100	-	-	-	(100)	Works on hold
Finch Close	-	50	50	37	50	-	Fees on the acquisition
Trent Boulevard	-	1,478	1,478	1,473	1,478	-	Acquisition and professional fees
6 Boundary Court	-	860	-	1	860	-	Acquisition approved AIG 01.11.18
Transport Safety Infrastructure	-	10	-	-	10	-	
Footpath Enhancements	-	19	-	-	19	-	
Information Systems Strategy	130	297	223	144	297	-	-
	3,168	10,299	4,709	3,684	7,364	(2,935)	
NEIGHBOURHOODS							
Wheeled Bins	80	90	-	58	90	-	Budget to be fully spent by year end
Vehicle Replacement	200	200	167	177	177	(23)	Refuse freighter purchased and Facilities Van purchased
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	9	10	12	-	Agreed BCF allocation
Discretionary Top Ups	57	57	43	4	57	-	Agreed BCF allocation
Disabled Facilities Grants	447	465	349	410	465	-	Agreed BCF allocation

CAPITAL PROGRAMME MONITORING - DECEMBER 2018

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
Arena Enhancements	-	140	-	-	140		For identified capital works post completion of the new build
Car Park Resurfacing	220	220	-	-		(220)	Works will be procured 18/19 and delivered 19/20
Car Park Improvements - Lighting WB	-	50	-	-		(50)	Works to be undertaken with a view to achieving Safer Car Parks Standard. To be delivered 19/20.
WB Car Park Improvements - Lighting Other	110	110	-	-		(110)	Works will be procured 18/19 and delivered 19/20
Bowls Floor & Carpet	-	65	65	58	65	-	Works completed
KLC Dry Change/Sports Hall Floor	30	30	-	-	13	(17)	£13k for Sports Hall Floor contribution to be released. The balance for the changing rooms to be assessed for carry forward.
KLC Filter Replacement	30	30	-	1	30	-	Contractor on site
BLC Improvements	159	267	-	-		(267)	Provision for essential health and safety work. £100k earmarked for the upgrade of the athletics track. This work likely to be carried out in 19/20. Any unspent provision needs to be carried forward.
CLC Pool Handling Ventilation System	100	200	-	-	200	-	Scheme expected to cost £200K, approval sought for the extra.
EGC Fire Alarm System		13	13	12	13	-	Works complete.
EGC Upgrade Facilities	-	9	7	2	9	-	Improvements largely complete
	1,736	3,104	652	732	2,417	(687)	
COMMUNITIES							
Capital Grant Funding	48	94	71	12	94	-	Outstanding commitments from 2017-18 £20k, £65k available for future allocation

CAPITAL PROGRAMME MONITORING - DECEMBER 2018

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
Play Areas - Special Expense	50	90	-	-	90	-	£90k balance remaining for Play Areas
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)	To be procured with WB Car Parks in 18/19. Scheme delivered in 19/20.
West Park Public Toilet Upgrade	20	20	-	-	20	-	Scheme under review
West Park Sports Pavilion	40	-	-	-	-	-	Scheme under review
West Park Julien Cahn Pavilion	40	40	-	-	40	-	Scheme under review
RCP - Car Park	-	45	41	39	45	-	Works complete and retention released.
Gresham Pavilion	35	-			-	-	Provision moved to Property Heating Upgrades
Lutterell Hall	35	-	-	-	-	-	Provision moved to Property Heating Upgrades
Skateboard Parks	250	250	19	-	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 NB Radcliffe funding draw down will be in 2019/20
Arena Public Art	-	25	-	-	25	-	Funds will be spent this year
Gamston Community Centre - Heating	30	-			-	-	Provision moved to Property Heating Upgrades
Warm Homes on Prescription	54	54	41	27	54	-	Agreed BCF allocation
	602	864	171	78	874	10	
FINANCE & CORPORATE SERVICES							

CAPITAL PROGRAMME MONITORING - DECEMBER 2018

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
		£000	£000	£000	£000	£'000	
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	9,562	-	-	1,298	(8,264)	Projected actual covers: 2 acquisitions in the pipeline and staff costs. £8.291m 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	10,384			1,298	(9,086)	
CONTINGENCY							
Contingency	100	49	-	-	49	-	Allocation made for Fire Alarm System at EGC £13k, additional Wheeled Bins £10K, Footpath Enhancements £18.5k and £10k Transport Safety
	100	49			49		
TOTAL	11,906	24,699	5,532	4,495	12,002	(12,698)	