

Report of the Executive Manager – Finance and Corporate Services

Cabinet Portfolio Holder for Finance Councillor G Moore

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 report was presented to the Corporate Governance Group on 7 February 2019 with no issues arising. 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 2017/18 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 Cabinet note:
 - 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 Information

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 below:

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

None.

6.5. Other implications

None.

7. Link to Corporate Priorities

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

- Delivering economic growth to ensure a sustainable, prosperous and thriving local economy
- Maintaining and enhancing our residents' quality of life

- Transforming the Council to enable the delivery of efficient high quality services

8. Recommendations

It is RECOMMENDED that Cabinet note:

- 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.

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 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:	Appendix A – Revenue Outturn Position 2018/19 – December 2018 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2018/19 – December 2018 Position

Appendix