

## Report of the Executive Manager – Finance and Corporate Services

### 1. Summary

- 1.1. This report presents the budget position for revenue and capital as at 31 December 2017 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.

### 2. Recommendation

It is RECOMMENDED that the Corporate Governance Group note:

- a) the projected revenue and capital budget positions for the year of £370,000 revenue efficiencies, and £10,587,000 from capital scheme re-phasing and potential 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 2017 attached at **Appendix B**. This shows projected efficiency savings of £193,000 and additional funding of £197,000. This could improve throughout the remainder of the year as managers continue to drive cost savings, and raise income, against existing budgets and there will be likely requests for carry forwards.
- 4.2 **Appendix A** includes a Minimum Revenue Provision (MRP) of £1 million. 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 New Homes Bonus.
- 4.3 As documented at **Appendix B** the financial position to date reflects a number of positive variances including employee cost savings, savings from contracts, additional green waste income, investment income and recovery in housing benefit overpayments. The Council has also received an additional S31 grant for Flexible Homelessness Support which will support additional staffing resources included in the 2018/19 budget.

- 4.4 There are several negative variances, including an increase in the cost of insurance, variations in the cost of contracts, and an increase in the cost of NNDR (Business Rates) at East Leake Leisure Centre and the Arena following the 2017 national rates revaluation exercise.
- 4.5 Following the close of a consultation exercise in January 2018 the Ministry of Housing, Communities and Local Government has indicated that the methodology for calculating the compensation for Small Business Rate Relief will be changing. The current projected year-end efficiency position does not include this alteration and the impact of additional reliefs announced by the Government in the Spring budget.
- 4.6 At October Cabinet the use of a maximum of £20k of the revenue efficiencies towards a business case feasibility assessment concerning Bingham Leisure Centre was approved. This will reduce the projected revenue efficiencies for the year to £370,000.

#### *Capital Monitoring*

- 4.7 The updated Capital Programme monitoring statement as at 31 December 2017 is attached at **Appendix C** which provides further details and the progress of the schemes and both re-phasing and potential savings of £10,587,000. A summary of the projected outturn and funding position is shown in the table below:-

<b>CAPITAL PROGRAMME MONITORING - DECEMBER 2017</b>			
<b>EXPENDITURE SUMMARY</b>	<b>Current Budget £000</b>	<b>Projected Actual £000</b>	<b>Projected Variance £000</b>
Transformation	17,027	8,151	(8,876)
Neighbourhoods	2,208	1,267	(941)
Communities	399	229	(170)
Finance & Corporate Services	8,381	7,781	(600)
Contingency	270	270	-
	<b>28,285</b>	<b>17,698</b>	<b>(10,587)</b>
<b>FINANCING ANALYSIS</b>			
Capital Receipts	(15,277)	(13,222)	2,055
Government Grants	(5,167)	(1,947)	3,220
Other Grants/Contributions	(1,969)	(1,340)	629
Use of Reserves	(3,189)	(289)	2,900
Internal Borrowing	(2,683)	(900)	1,783
	<b>(28,285)</b>	<b>(17,698)</b>	<b>10,587</b>
<b>NET EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 4.8 The original Capital Programme of £15.1 million has been supplemented by a net brought forward and in-year adjustments of £13.2 million giving a revised total of £28.3 million. This is an ambitious capital programme which will see completion of two major redevelopment schemes: Cotgrave Multi-service

Centre and Cotgrave Employment Land. The variance of £10.5 million is largely down to five schemes:

- £2.7m re-phasing of Cotgrave Regeneration and the Multi Service Centre.
- £5m in relation to development of Land North of Bingham which is no longer going ahead this year and has been recommended to be removed from the 2017/18 programme with a view to reallocating the LEP element (£2.5 million) of the provision in the 2018/19 programme.
- £750,000 in relation to RAF Newton site which is no longer going ahead this year and has been recommended to be removed from the 2017/18 programme. It is intended to reallocate this provision and include in the 2018/19 programme.
- £770,000 slippage on Support for Registered Housing Providers. One scheme has been identified and it is estimated that the start on site grant will be released by the year end.
- £600,000 slippage on the release of the loan to Nottinghamshire County Cricket Club.

4.9 A request has been made to allocate £100,000 from Capital Contingency for the upgrade of facilities at Rushcliffe Community Contact Centre.

## **Summary**

4.10 The report projects overall efficiency savings for both revenue and capital (along with budget re-phasing). It should be noted 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 the impact of the localisation of business rates, welfare reform, and continued financial pressures on individuals, businesses and partners; with heightened risks as a result of BREXIT. Against such a background it is imperative that the Council continues to keep a tight control over its expenditure, identifies any impact from 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 members and the Council's external auditors.

5.2 Areas such as income can be volatile according 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 and property assets are subject to risks such as void periods and property valuation volatility.

5.3 Changes to government funding in areas such as business rates relief will impact upon the final revenue outturn position.

## **6 Implications**

### **6.1 Finance**

Financial implications are covered in the body of the report.

## 6.2 Legal

None.

## 6.3 Corporate Priorities

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

## 6.4 Other Implications

None.

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<b>Background papers Available for Inspection:</b>	Council 2 March 2017 – 2017-18 Budget and Financial Strategy Cabinet 13 September 2017 – Revenue and Capital Budget Monitoring Update, Quarter 1 2017-18 Cabinet 5 December 2017 – Revenue and Capital Budget Monitoring Update, Quarter 2, 2017-18
<b>List of appendices (if any):</b>	<b>Appendix A</b> – Revenue Outturn Position 2017/18 – Quarter3 <b>Appendix B</b> – Revenue Variance Explanations <b>Appendix C</b> – Capital Programme 2017/18 – Quarter 3 Position

## Revenue Outturn Position 2017/18 – Quarter 3

	Quarter 3			
	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000
	Excluding recharges			
Communities	1,219	1,194	1,168	-26
Finance & Corporate Services	3,403	3,351	3,242	-109
Neighbourhoods	3,936	4,010	4,012	2
Transformation	2,885	2,995	2,935	-60
<b>Sub Total</b>	<b>11,443</b>	<b>11,550</b>	<b>11,357</b>	<b>-193</b>
Capital Accounting Reversals	-1,587	-1,587	-1,587	0
Minimum Revenue Provision	1,000	1,000	1,000	0
<b>Net Service Expenditure</b>	<b>10,856</b>	<b>10,963</b>	<b>10,770</b>	<b>-193</b>
Revenue Contribution To Capital	158	158	158	0
Transfer to/(from) Reserves	-27	-134	256	0
<b>Total Net Service Expenditure</b>	<b>10,987</b>	<b>10,987</b>	<b>11,184</b>	<b>-193</b>
Grant Income (including New Homes Bonus)	-2,334	-2,334	-2,467	-133
Business Rates (including SBRR)	-2,561	-2,561	-2,625	-64
Council Tax	-6,074	-6,074	-6,074	0
Collection Fund Surplus	-18	-18	-18	0
<b>Total Funding</b>	<b>-10,987</b>	<b>-10,987</b>	<b>-11,184</b>	<b>-197</b>
<b>Total Variance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-390</b>

**Revenue Variance Explanations (over £15k)**

<b>ADVERSE VARIANCES in excess of £15,000</b>	<b>Projected Outturn Variance £'000</b>
<b>Finance &amp; Corporate Services</b>	
Insurances - Increases in the Motor Insurance Premium and Insurance Premium Tax	20
Council Tax - Legal & Professional	20
Electoral Registration - External Printing	20
<b>Transformation</b>	
Economic Development - Feasibility Costs	20
Office Accommodation – Actual valuation of the Arena NNDR (Business Rates) by Valuation Office	70
<b>Neighbourhoods</b>	
Leisure Centres - East Leake NNDR (Business Rates) revaluation and increase in contract price	21
Leisure Centres - Repairs	19
<b>Total Adverse Variances</b>	<b>190</b>

<b>FAVOURABLE VARIANCES in excess of £15,000</b>	<b>Projected</b>
	<b>Outturn Variance £'000</b>
<b>Communities</b>	
Community Parks & Open Spaces - Renegotiated catering contracts at Rushcliffe Country Park	-15
Development Control - Staff Vacancies	-18
Building Control - Income	-20
<b>Finance &amp; Corporate Services</b>	
Council Tax - Staff vacancies	-18
Housing Benefit - overpayments recovered	-150
Performance & Reputation - Staff Vacancies	-23
Contingency	-50
Interest Receipts	-47
<b>Transformation</b>	
IT rechargeables - savings from contracts	-50
Economic Development - Strategic Board Fund and Shop Fronts	-60
BSU - Staff vacancies	-19
Customer Services - Staff vacancies	-15
<b>Neighbourhoods</b>	
Waste Collection and Recycling - Green waste income above target	-88
HIMO income release of prepaid licences	-17
<b>Total Favourable Variances</b>	<b>-590</b>
<b>Sum of Minor Variances</b>	<b>207</b>
<b>TOTAL VARIANCE</b>	<b>-193</b>

<b>FUNDING VARIANCES</b>	<b>Projected Outturn Variance £'000</b>
<b>Original Funding:</b>	
Business Rates - this is the difference between the budgeted income and NNDR1	-64
Grant Income (including New Homes Bonus)	-8
<b>Additional S31 Grants:</b>	
Flexible Homelessness Support Grant	-74
New Burdens - DHP Administration Grant	-11
New burdens funding	-12
IER funding	-19
New Burdens - Benefit Cap	-5
Other	-4
<b>TOTAL VARIANCE</b>	<b>-197</b>



## Capital Programme 2017/18 – Quarter 3 Position

CAPITAL PROGRAMME MONITORING - DECEMBER 2017							Explanation
	Original Budget	Current Budget	Budget YTD	Actual YTD	Projected Actual	Variance	
		£000	£000	£000	£000	£'000	
<b>TRANSFORMATION</b>							
Cotgrave Regeneration & MSC	2,920	4,616	3,462	425	1,927	(2,689)	Contracts completed and works started on site. £2.189m to be slipped into 2018-19, £0.5m to be slipped into 2019-20.
Cotgrave Employment Land	0	1,477	1,108	1,268	1,477	0	Units complete and nearly wholly let.
Land North of Bingham	2,800	5,387	0	0	0	(5,387)	Leisure and Wellbeing land acquired and due for disposal. Cabinet 9 January 2018 recommended the removal of the £2.5m LEP funding allocated to the Land North of Bingham (match funded with £2.5m New Homes Bonus) from the 2017/18 programme as it is no longer required for the original scheme. The LEP element of the scheme to be provisionally reallocated and included in the 2018/19 Capital Programme.
Bingham Land off Chapel Lane	0	1,800	1,580	1,593	1,800	0	Land acquisition complete. Remediation costs still to be incurred (potential to slip into 2018/19).
Highways England Footbridge A46	1,700	0	0	0	0	0	Cabinet 10.10.17 approved slippage of the provision to 2018/19.
Bridgford Hall	0	205	107	112	205	0	Final contract costs and retention to be processed.
RAF Newton	750	750	0	0	0	(750)	Cabinet 9 January 2018 recommended the removal of the LEP funding from the 2017/18 Capital Programme as it is no longer required for the original scheme. This sum is to be provisionally reallocated and included in the 2018/19 Capital Programme.
The Point	25	25	0	6	25	0	Works scheduled for the end of the year.

Arena Car Park Enhancements	500	500	0	3	500	0	Subject to separate Cabinet Report in February 2018.
Colliers Way Industrial Units	0	20	0	0	20	0	Interdependent with Barratt's housing development.
Bardon Investment Property	0	1,917	1,917	1,903	1,917	0	Asset Investment Committee approved acquisition.
Information Systems Strategy	165	330	159	126	280	(50)	
	<b>8,860</b>	<b>17,027</b>	<b>8,333</b>	<b>5,437</b>	<b>8,151</b>	<b>(8,876)</b>	
<b>NEIGHBOURHOODS</b>							
Wheeled Bins	70	90	45	61	90	0	Budget to be fully spent by year end.
Vehicle Replacement	20	240	190	187	188	(52)	Planned replacements complete in July, balance available.
Support for Registered Housing Providers	250	909	0	10	140	(769)	One scheme identified at £275,100 split 50/50 2017/18 and 2018/19. Some staff costs will also be capitalised.
Hound Lodge - Heating	40	0	0	0	0	0	Cabinet 10.10.17 approved slippage of the provision to 2018/19.
Assistive Technology	0	12	10	10	12	0	
Discretionary Top Ups	0	106	80	42	106	0	
Disabled Facilities Grants	375	412	309	441	467	55	£55k additional funding has been offered and a request for a further £120k has been made.
Arena Redevelopment	500	183	0	0	58	(125)	Final costs to be processed 1% overall saving projected.
Car Park Machines	0	50	48	42	50	0	Machines installed, final payment to be made to commit to full spend of 50k.
Car Park Improvements - Lighting	50	50	0	0	0	(50)	Works to be scoped with West Park lighting likely to be 2018/19.
BLC Artificial Turf Pitch		10	0	0	10	0	Works complete and in defects period.
BLC Improvements	130	130	0	3	130	0	The schedule of works is being drawn up.
EGC Upgrade Facilities	0	16	0	0	16	0	Improvements largely complete, electrics work still to do.
	<b>1,435</b>	<b>2,208</b>	<b>682</b>	<b>796</b>	<b>1,267</b>	<b>(941)</b>	
<b>COMMUNITIES</b>							
Capital Grant Funding	48	100	30	41	80	(20)	There are 6 applications in the pipeline totalling £39,270. £20,000 still available for allocation.
Play Areas - Special Expense	50	100	0	0	0	(100)	External funding being sourced. This provision will need to slip to 2018/19.

West Park Fencing and Drainage	0	34	21	21	34	0	Fencing element complete, drainage work to be commissioned.
West Park Lighting	25	25	0	0	0	(25)	Works to be scoped with general Car Park lighting scheme likely to be 2018/19.
RCP - Car Park	90	90	0	0	90	0	This scheme has been delayed until Feb but will still be completed this financial year.
Gamston Community Centre - Heating	30	0	0	0	0	0	Cabinet 10.10.17 approved slippage of the provision to 2018/19.
Warm Homes on Prescription	0	50	0	0	25	(25)	Better Care Funding secured. 1 grant approved, 3 pending.
	<b>243</b>	<b>399</b>	<b>51</b>	<b>63</b>	<b>229</b>	<b>(170)</b>	
<b>FINANCE &amp; CORPORATE SERVICES</b>							
NCCC Loan	1,400	1,798	1,349	760	1,198	(600)	The loan is being released in tranches. Balance will need to be carried forward.
Asset Investment Strategy	3,000	6,583	0	0	6,583		Individual schemes dealt with via investment appraisal. There are 2 acquisitions in the pipeline.
	<b>4,400</b>	<b>8,381</b>	<b>1,349</b>	<b>760</b>	<b>7,781</b>	<b>(600)</b>	
<b>CONTINGENCY</b>							
Contingency	190	270	0	0	270	0	A request has been made for £100,000 to upgrade facilities at RCCC.
	<b>190</b>	<b>270</b>	<b>0</b>	<b>0</b>	<b>270</b>	<b>0</b>	
<b>TOTAL</b>	<b>15,128</b>	<b>28,285</b>	<b>10,414</b>	<b>7,055</b>	<b>17,698</b>	<b>(10,587)</b>	

