



**Cabinet**

**Tuesday, 10 September 2019**

**Revenue and Capital Budget Monitoring 2019/20 – 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 June 2019. 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 Cabinet approve the attached report noting:

- a) the projected revenue position for the year with a minor -2.48% variation (£285k) in the revenue position (mostly due to the expected business rates position and planning income); and
- b) the capital underspend of £15.326m as a result of sums no longer required and planned programme slippage.

### **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 June 2019 attached at **Appendix B**. This shows projected net efficiency savings for the year to date of £164k and additional funding of £40k in new burdens grant (mostly in relation to welfare reform and Universal Credits) along with £81k due to business rates variation. The overall £285k variation represents -2.48% against the net expenditure budget and we currently anticipate £485k 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 £316k including additional income from planning applications and additional investment income. There are several adverse

variances totalling £89k one of which relates to £22k for Lex Leisure in relation to the Edwalton golf course management fee due to the current difficult operating environment. A further report is planned for Cabinet regarding the long term viability of the golf course before the end of this calendar year.

### *Capital Monitoring*

- 4.4 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 30 June 2019. **Appendix D** provides further details about the progress of the schemes, any necessary re-phasing and highlights efficiencies of £15.326m.
- 4.5 The original Capital Programme of £16.506m has been supplemented by a net brought forward and in-year adjustments of £13.118m giving a revised total of £29.624m. The net efficiency position of £15.326m is primarily due to significant sums for Fairham Pastures and the redevelopment of the Depot no longer being required. There is programmed slippage on several projects including Bingham Hub, Cotgrave Phase 2, and the Crematorium. In addition, Asset Investments have intentionally slowed down with two schemes pending and an uncommitted balance of £1m. The overall variance has a corresponding impact on the funding required for the programme and this is likely to mean that any borrowing requirement can be met from internal resources with no recourse to borrow externally this financial year.

### **Conclusion**

- 4.6 The overall financial position for both revenue and capital is currently 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, comprehensive spending 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 Section 17 of the Crime and Disorder Act 1998 Implications

None

## 7. Link to Corporate Priorities

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

## 8. Recommendation

It is RECOMMENDED that the Cabinet approve the attached report noting:

- a) the projected revenue position for the year with a minor 2.48% underspend (£285k) in the revenue position (mainly due to business rates variation and planning income); and
- b) the capital underspend of £15.326m as a result of sums no longer required and planned programme slippage.

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<b>Background papers Available for Inspection:</b>	Council 7 March 2019 – 2019-20 Budget and Financial Strategy
<b>List of appendices (if any):</b>	<b>Appendix A</b> – Revenue Outturn Position 2019/20 – June 2019 <b>Appendix B</b> – Revenue Variance Explanations <b>Appendix C</b> – Capital Programme 2019/20 – June 2019 Position

## Revenue Outturn Position 2019/20 – June 2019

	Period 3			
	Original Budget £'000	Revised Budget £'000	Projected Actual £'000	Variance £'000
<b>Communities</b>	1,208	1,288	1,095	-193
<b>Finance &amp; Corporate Services</b>	3,639	3,692	3,726	34
<b>Neighbourhoods</b>	5,213	5,222	5,247	25
<b>Transformation</b>	2,764	2,850	2,820	-30
<b>Sub Total</b>	<b>12,824</b>	<b>13,052</b>	<b>12,888</b>	<b>-164</b>
<b>Capital Accounting Reversals</b>	-2,333	-2,333	-2,333	0
<b>Minimum Revenue Provision</b>	1,000	1,000	1,000	0
<b>Total Net Service Expenditure</b>	<b>11,491</b>	<b>11,719</b>	<b>11,555</b>	<b>-164</b>
<b>Grant Income (including New Homes Bonus)</b>	-1,935	-1,935	-1,975	-40
<b>Business Rates (including SBRR)</b>	-3,767	-3,767	-3,848	-81
<b>Council Tax</b>	-6,646	-6,646	-6,646	0
<b>Collection Fund Surplus(-)/Deficit</b>	300	300	300	0
<b>Total Funding</b>	<b>-12,048</b>	<b>-12,048</b>	<b>-12,169</b>	<b>-121</b>
<b>Surplus (-)/Deficit on Revenue Budget</b>	<b>-557</b>	<b>-329</b>	<b>-614</b>	<b>-285</b>
<b>Capital Expenditure financed from reserves</b>	129	129	129	0
<b>Net Transfer to (-)/from Reserves</b>	<b>-428</b>	<b>-200</b>	<b>-485</b>	<b>-285</b>

**Revenue Variance Explanations (over £10k)**

<b>ADVERSE VARIANCES in excess of £10,000</b>	<b>Projected Outturn Variance £'000</b>
<b>Finance &amp; Corporate Services</b>	
Housing Benefits overpayments recovered	45
Staffing costs	22
<b>Neighbourhoods</b>	
Lex Leisure (Edwalton Golf Course) - management fee waived	22
<b>Total Adverse Variances</b>	<b>89</b>

<b>FAVOURABLE VARIANCES in excess of £10,000</b>	<b>Projected Outturn Variance £'000</b>
<b>Communities</b>	
Development Control Planning Applications	-180
<b>Finance</b>	
Treasury Investment Income	-106
<b>Neighbourhoods</b>	
Waste Collection and Recycling - sale of waste bins	-30
<b>Total Favourable Variances</b>	<b>-316</b>
<b>Sum of Minor Variances</b>	<b>63</b>
<b>TOTAL VARIANCE</b>	<b>-164</b>

## CAPITAL PROGRAMME MONITORING - JUNE 2019

## EXPENDITURE SUMMARY

	<b>Current</b>	<b>Projected</b>	<b>Projected</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Transformation</b>	19,388	6,178	13,210)
<b>Neighbourhoods</b>	3,397	2,293	(1,104)
<b>Communities</b>	818	818	-
<b>Finance &amp; Corporate Services</b>	5,911	4,899	(1,012)
<b>Contingency</b>	110	110	-
	<b>29,624</b>	<b>14,298</b>	<b>(15,326)</b>
<b>FINANCING ANALYSIS</b>			
<b>Capital Receipts</b>	(8,532)	(5,806)	2,726
<b>Government Grants</b>	(4,127)	(877)	3,250
<b>Other Grants/Contributions</b>	(474)	(474)	-
<b>Use of Reserves</b>	(481)	(481)	-
<b>Borrowing</b>	(16,010)	(6,660)	9,350
	<b>(29,624)</b>	<b>(14,298)</b>	<b>15,326</b>
<b>NET EXPENDITURE</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Capital Programme 2019/20 – June 2019 Position

## CAPITAL PROGRAMME MONITORING - JUNE 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
<b>TRANSFORMATION</b>							
<b>Manvers Business Park Surface/Drain</b>	60	60	-	-	60		Design work about to commence, procurement to follow.
<b>Colliers Business Park Surface/Drain</b>	30	30	-	-	30		Design work about to commence, procurement to follow.
<b>Cotgrave Masterplan</b>	-	1,646	411	240	1,646		Works continue to develop the Public Realm.
<b>Cotgrave Phase 2</b>	1,900	2,030	508	66	1,000	(1,030)	Full planning expected early August. Works to commence Jan/Feb 2020. Full provision likely to be needed, scheme will be completed in 2020/21.
<b>Bingham Leisure Hub</b>	5,000	5,645	-	-	400	(5,245)	Contract for design fees awarded. Projected actual for Stage 1.
<b>Manvers Business Park Roof Refurbishment</b>	100	200	-	-	200		Survey work to be undertaken.
<b>Manvers Business Park Roller Shutters</b>	100	100	-	-	100		Survey work to be undertaken.
<b>Bridgford Park Public Toilets</b>	25	25	-	-	25		Works to be undertaken later in the year following summer events.
<b>The Point</b>	-	26	18	1	26		Provision to create cleaner store and complete lighting basement car park.
<b>Arena Car Park Enhancements</b>	-	9	-	-	9		Still in defects liability period, this sum to meet any issues arising.
<b>Colliers Way Industrial Units</b>	-	19	-	-	19		STW approval to connect to the main sewer, design work complete.

**CAPITAL PROGRAMME MONITORING - JUNE 2019**

	<b>Original</b>	<b>Current</b>	<b>Budget</b>	<b>Actual</b>	<b>Projected</b>		
	<b>Budget</b>	<b>Budget</b>	<b>YTD</b>	<b>YTD</b>	<b>Actual</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£'000</b>	
<b>Depot Redevelopment</b>	300	2,085	-	45	400	(1,685)	Professional fees and surveys to inform redevelopment of the Depot site
<b>Fairham Pastures Industrial Units</b>	3,650	3,650	-	-		(3,650)	In discussion with the developer, this sum unlikely to be required.
<b>RCCC Enhancements</b>	-	100	-	-	100		Provision to be used to fit out new premises for RCCC.
<b>Bingham Market Place Improvements</b>	35	35	-	-	35		Tree works, lighting, and paving to be carried out in the autumn.
<b>Transport Safety Infrastructure</b>	-	10	10	9	10		Works complete.
<b>The Crematorium</b>	1,700	1,700	-	2	100	(1,600)	Scheme delayed.
<b>Industrial Units Moorbridge</b>	1,750	1,750	-	-	1,750		Delay due to finalising design work by developer.
<b>Information Systems Strategy</b>	160	268	63	37	268		Acquisitions under the strategy continue to support business development.
	14,810	19,388	1,010	400	6,178	(13,210)	
<b>NEIGHBOURHOODS</b>							
<b>Wheeled Bins</b>	160	174	40	39	174		Acquisitions continue to supply new developments across the Borough.
<b>Vehicle Replacement</b>	200	200	180	179	179	(21)	32t Refuse Freighter bought, balance is uncommitted.
<b>Support for Registered Housing Providers</b>	250	1,396	-	-	480	(916)	£480k contribution for second phase garage sites to deliver 30 units of affordable housing.
<b>Assistive Technology</b>	12	12	3	5	12		Home alarm units for the vulnerable.
<b>Discretionary Top Ups</b>	57	57	14	-	57		No commitments at this stage.
<b>Disabled Facilities Grants</b>	454	454	113	70	454		Provision will be adjusted when allocations from the additional BCF funding agreed.



**CAPITAL PROGRAMME MONITORING - JUNE 2019**

	<b>Original</b>	<b>Current</b>	<b>Budget</b>	<b>Actual</b>	<b>Projected</b>		
	<b>Budget</b>	<b>Budget</b>	<b>YTD</b>	<b>YTD</b>	<b>Actual</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£'000</b>	
<b>Hound Lodge Access Control System</b>	25	25	-	-	25		Site survey complete, works to be procured.
<b>Arena Enhancements</b>	-	140	-	-	140		Provision to address any emerging capital works.
<b>Car Park Resurfacing</b>	-	220	-	-	220		Negotiations for design taking place, scheme to be delivered later in the year.
<b>Car Park Improvements - Lighting WB</b>	-	50	-	-	50		Negotiations for design taking place, scheme to be delivered later in the year.
<b>Car Park Improvements - Lighting Other</b>	-	110	-	-	110		Negotiations for design taking place, scheme to be delivered later in the year.
<b>BLC Improvements</b>	-	267	-	-	100	(167)	£100k committed works to upgrade the athletics track due to commence. Balance available to address any health and safety enhancement works.
<b>CLC Pool Handling Ventilation System</b>	-	292	-	-	292		On site, works will be completed by the end of July.
	1,158	3,397	350	293	2,293	(1,104)	
<b>COMMUNITIES</b>							
<b>RCP Toilets and Educational Building</b>	45	45	-	-	45		Scheme to commence after the summer holiday season.
<b>Capital Grant Funding</b>	24	104	-	-	104		4 grants approved totalling £60k, 2 pending application £30k, balance available £14k.
<b>RCP Vehicle Access Controls</b>	15	15	-	-	15		Scheme to commence after the summer holiday season.
<b>The Hook Play Area</b>	-	35	9	9	35		Works complete, invoices for equipment to be processed.

**CAPITAL PROGRAMME MONITORING - JUNE 2019**

	<b>Original</b>	<b>Current</b>	<b>Budget</b>	<b>Actual</b>	<b>Projected</b>		
	<b>Budget</b>	<b>Budget</b>	<b>YTD</b>	<b>YTD</b>	<b>Actual</b>	<b>Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£'000</b>	
<b>Play Areas - Special Expense</b>	50	100	-	-	100		Condition survey underway to inform work plans.
<b>The Hook Skatepark</b>	-	4	4	3	4		Works complete.
<b>West Park Fencing and Drainage</b>	-	11	-	-	11		Improvement works to the drainage system to be completed later in the year.
<b>West Park Car Park Lighting</b>	-	25	-	-	25		To be procured with the main car park lighting scheme.
<b>West Park Public Toilet Upgrade</b>	-	20	-	-	20		Works to be procured.
<b>West Park Julien Cahn Pavilion</b>	-	40	-	-	40		Toilets and bar refurbishment to be designed.
<b>Skateboard Parks</b>	250	340	-	-	340		£150k committed to ROT.
<b>Arena Public Art</b>	-	25	-	-	25		Bench in situ, some corrective work required prior to release of payment.
<b>Warm Homes on Prescription</b>	54	54	14	10	54		Professional fees for home inspections and 3 grants released.
	438	818	27	22	818		
<b>FINANCE &amp; CORPORATE SERVICES</b>							
<b>NCCC Loan</b>	-	750	-	-	750		Balance of loan available to the Cricket Club (original approval £2.7m).
<b>Streetwise Loan 19/20</b>	-	400	-	-	400		Further loan approval Cabinet 11.06.19 refers.
<b>Asset Investment Strategy</b>	-	4,761	-	-	3,749	(1,012)	£3.7m earmarked for two acquisitions, balance £1.012m uncommitted
		5,911			4,899	(1,012)	
<b>CONTINGENCY</b>							
<b>Contingency</b>	100	110	-	-	110		Provision to give flexibility to the capital programme.
	100	110			110		

**CAPITAL PROGRAMME MONITORING - JUNE 2019**

**TOTAL**

<b>Original</b>	<b>Current</b>	<b>Budget</b>	<b>Actual</b>	<b>Projected</b>		
<b>Budget</b>	<b>Budget</b>	<b>YTD</b>	<b>YTD</b>	<b>Actual</b>	<b>Variance</b>	
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£'000</b>	
<b>16,506</b>	<b>29,624</b>	<b>1,387</b>	<b>715</b>	<b>14,298</b>	<b>(15,326)</b>	