



Cabinet

9 December 2019

**Revenue and Capital Budget Monitoring 2019/20 –
Financial Update Quarter 2**

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 2019 the details of which were discussed at the meeting of the Corporate Overview Group on 19 November as part of the Finance and Performance Management Quarter 2 report. There were no observations forwarded to Cabinet.
- 1.2. 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.
- 1.3. Overall, the financial position for the year is positive with overall service revenue efficiencies of £390k and business rates additional income of £68k with an overall revenue efficiency position of £454k. Such funding will be required given the significant risks in relation to future business rate income streams and the challenge of funding the important carbon reduction agenda.
- 1.4. The capital programme shows a planned underspend of £13.530m largely due to sums no longer required such as for Fairham Pastures, Abbey Road and the Asset Investment Strategy. In the case of the latter, this maybe revisited subject to the Council's position regarding the Crematorium. Furthermore some projects require sums to be carried forward such as for the Bingham Leisure Hub.

2. Recommendation

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

- a) the projected revenue position for the year with £454k of budget efficiencies; and
- b) the capital underspend of £13.530m as a result of either projects no longer proceeding or planned programme slippage.

3. Reasons for Recommendation

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 2019 attached at **Appendix B**. This shows projected net efficiency savings for the year to date of £390k and £68k due to business rates variation. The overall £454k variation represents - 3.95% against the net expenditure budget and we currently anticipate £650k to be transferred to reserves to meet in particular business rates risk going forward and to enable the Council to fund investment to support its climate change agenda (see paragraphs 5.3 and 5.4). 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 £757k including additional income from planning applications (£170k), and treasury investment income (£282K); and reduced expenditure on staffing (£120k). There are several adverse variances totalling £327k. Reasons include £111k as the expected level of housing benefit overpayments recovered has reduced and bank commission charges of £60k due to delay in change of supplier.
- 4.4 **Appendix E** shows the quarter 2 position on the Special Expenses budget. There is a slight increase in the revised budget and projected spend due to agreed allocations from contingency for park improvements and Christmas lights on Melton Road. These projections are included in the overall £390k projected revenue underspend.

Capital Monitoring

- 4.5 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 30 September 2019. **Appendix D** provides further details about the progress of the schemes, any necessary re-phasing and highlights efficiencies. The projected variance at this stage is £13.530m.
- 4.6 The original Capital Programme of £16.506m has been supplemented by a net brought forward and in-year adjustments of £10.654m giving a revised total of £27.160m. The net expenditure efficiency position of £13.530m is primarily due to the following:
- a) Bingham Leisure Hub £5.245m – spend not anticipated until 2020/21;
 - b) Abbey Road Redevelopment £1.485m – spend no longer required in relation to the Depot;
 - c) Crematorium £1.6m – the direction of travel is still to be determined regarding the Council's position on the operation of a crematorium; and
 - d) NCCC Loan £0.75m – NCCC have informed the Council the remaining balance is no longer required.
 - e) Asset Investment Strategy £2.162m – currently not anticipated to utilise this funding although a decision going forward will be influenced by the outcome of whether the crematorium project proceeds

4.7 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.

4.8 **Conclusion**

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. Furthermore there are the Council's own challenges such as meeting its own environmental objectives. 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 is committed to improving the environment and reducing its carbon footprint. Addressing such risks will require funding.

5.5 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' or there is a change in strategic direction.

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. Link to Corporate Priorities

Quality of Life Efficient Services Sustainable Growth The Environment	The setting and monitoring of a robust budget enables the Council to deliver against all four of its corporate priorities.
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7. Recommendation

It is RECOMMENDED that Cabinet approve the attached report noting:

- a) the projected revenue position for the year with £454k of budget efficiencies; and
- b) the capital underspend of £13.530m as a result of either projects no longer proceeding or planned programme slippage.

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Background papers Available for Inspection:	Council 7 March 2019 – 2019-20 Budget and Financial Strategy; Cabinet 10 September 2019 – Revenue and Capital Budget Monitoring 2019/20 – Financial Update
List of appendices (if any):	Appendix A – Revenue Outturn Position 2019/20 – June 2019 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2019/20 – June 2019 Position Appendix D – Capital Variance Explanations Appendix E – Budget Monitoring for Special Expense Areas – Quarter 2

Revenue Outturn Position 2019/20 – September 2019

	Quarter 2			
	Original Budget £'000	Revised Budget £'000	Projected Actual £'000	Variance £'000
Communities	1,237	1,317	1,162	-155
Finance & Corporate Services	4,660	4,713	4,704	-9
Neighbourhoods	5,241	5,252	5,204	-48
Transformation	1,687	1,771	1,593	-178
Sub Total	12,824	13,053	12,663	-390
Capital Accounting Reversals	-2,333	-2,333	-2,333	0
Minimum Revenue Provision	1,000	1,000	1,000	0
Total Net Service Expenditure	11,491	11,720	11,330	-390
Grant Income (including New Homes Bonus & rsg)	-1,935	-1,935	-1,931	4
Business Rates (including SBRR)	-3,767	-3,767	-3,835	-68
Council Tax	-6,646	-6,646	-6,646	0
Collection Fund Surplus	300	300	300	0
Total Funding	-12,048	-12,048	-12,112	-64
Surplus (-)/Deficit on Revenue Budget	-557	-328	-782	-454
Capital Expenditure financed from reserves	132	132	132	0
Net Transfer to (-)/from Reserves	-425	-196	-650	-454

Revenue Variance Explanations (over £10k)

ADVERSE VARIANCES in excess of £10,000	Projected Outturn Variance £'000
Finance & Corporate Services	
Housing Benefits overpayments recovered	111
Bank Commission - Delay in change of supplier	60
Insurance – Increase in number of properties	18
Election Fees	23
NDR - Professional fees to identify missing/underated properties	17
IT maintenance Contracts	28
Neighbourhoods	
Glendale - management fee waived	22
Tanker Services Income	11
Hostel Rents	15
Abbey Road	22
Total Adverse Variances	327

FAVOURABLE VARIANCES in excess of £10,000	Projected Outturn Variance £'000
Communities	
Development Control Planning Applications	-170
Staff efficiencies	-30
Finance	
Treasury Investment Income	-282
Neighbourhoods	
Waste Collection and Recycling - sale of waste bins	-18
East Leake PFI	-40
Streetwise Contract	-39
Car Park income	-15
Transformation	
Additional asset investment income	-73
Staff efficiencies	-90
Total Favourable Variances	-757
Sum of Minor Variances	40
TOTAL VARIANCE	-390

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2019

EXPENDITURE SUMMARY			
	Current	Projected	Projected
	Budget	Actual	Variance
	£000	£000	£000
Transformation	15,470	6,110	(9,360)
Neighbourhoods	3,448	2,399	(1,049)
Communities	818	609	(209)
Finance & Corporate Services	7,329	4,417	(2,912)
Contingency	95	95	-
	27,160	13,630	(13,530)
FINANCING ANALYSIS			
Capital Receipts	(8,210)	(4,785)	3,425
Government Grants	(1,663)	(913)	750
Other Grants/Contributions	(489)	(489)	-
Use of Reserves	(481)	(476)	5
Borrowing	(16,317)	(6,967)	9,350
	(27,160)	(13,630)	13,530
NET EXPENDITURE	-	-	-

Capital Programme 2019/20 – September 2019 Position

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
TRANSFORMATION							
Manvers Business Park Surface/Drain	60	60			60		Design work nearing completion, procurement to follow.
Colliers Business Park Surface/Drain	30	30			30		Design work nearing completion, procurement to follow.
Cotgrave Masterplan	-	1,646	823	806	1,646		Works continue to develop the Public Realm.
Cotgrave Phase 2	1,900	2,030	406	48	1,000	(1,030)	Works to commence Jan/Feb 2020. Full provision likely to be needed, scheme will be completed in 2020/21.
Bingham Leisure Hub	5,000	5,645		20	400	(5,245)	Contract for design fees awarded. Projected actual for Stage 1. £645k can be removed from the programme, historic provision for the old Chapel Lane Scheme
Manvers Business Park Roof Refurbishment	100	200			200		Survey work to be undertaken, design/procurement to follow.
Manvers Business Park Roller Shutters	100	100			100		Survey work to be undertaken, design/procurement to follow.
Bridford Park Public Toilets	25	25		2	25		Advanced fees. Scheme designed, procurement to follow, works during winter.
The Point	-	26	18		26		Basement Car Park lighting complete. Works to create a cleaner store still to do.
Arena Car Park Enhancements	-	9			9		Still in defects liability period, this sum to meet any issues arising.

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
Colliers Way Industrial Units	-	19		3	19		Connection of foul to public sewer; design complete; procurement imminent.
Abbey Road Redevelopment	300	2,085	300	76	600	(1,485)	Professional fees and surveys to inform redevelopment/sale of the Depot site. £1.285m can be taken out of the programme at this stage.
Fairham Pastures Industrial Units/Infrastructure	3,650						Industrial units not proceeding £1.150m returned to Asset Investment Strategy. £2.5m loan advance not now required so the whole of the provision has been removed. £2.5m in 20/21 Capital Programme to support infrastructure.
RCCC Enhancements	-	100			100		Provision to be used to fit out new premises for RCCC.
Bingham Market Place Improvements	35	35			35		Design underway for tree works, lighting, and paving; procurement to follow.
Transport Safety Infrastructure	-	10	10	9	10		Works complete. Small saving.
The Crematorium	1,700	1,700		3	100	(1,600)	Planning approval obtained. Next stage will be purchase of the land.
Industrial Units Moorbridge	1,750	1,750			1,750		Delay due to planning but scheme expected to proceed.
	14,650	15,470	1,557	967	6,110	(9,360)	
NEIGHBOURHOODS							
Wheeled Bins	160	174	80	79	174		Acquisitions continue to supply new developments across the Borough.
Vehicle Replacement	200	200	180	179	179	(21)	32t Refuse Freighter bought, balance is uncommitted.

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
Support for Registered Housing Providers	250	1,396			480	(916)	£480k contribution for second phase garage sites to deliver 30 units of affordable housing.
Assistive Technology	12	12	12	11	12		Home alarm units for the vulnerable.
Discretionary Top Ups	57	57	28	3	57		One top-up grant released.
Disabled Facilities Grants	454	490	245	162	490		Original estimate increased to reflect Better Care Fund allocation. Expenditure is expected to stay within the provision.
Hound Lodge Access Control System	25	25			25		Works to be procured. Acceleration of 20/21 provision may be required.
Arena Enhancements	-	140	70	19	140		Enhancements to pre-swim undertaken.
Car Park Resurfacing	-	220			220		Design to commence shortly; procurement will follow; site work in the new year.
Car Park Improvements - Lighting WB	-	50			50		Design work nearing completion, procurement to follow.
Car Park Improvements - Lighting Other	-	110			110		Design work nearing completion, procurement to follow.
CLC Changing Village Enhancements	-	15			15		To address urgent Health and Safety needs to poolside railings and seating.
BLC Improvements	-	267	127	100	155	(112)	£100k committed works to upgrade the athletics track due to commence. £25k for replacement pool filters (£10k of which for CLC). £30k for Bingham Fire Alarm.
CLC Pool Handling Ventilation System	-	292	280	221	292		Works complete, penultimate payment certified; retention held for 12 months.
	1,158	3,448	1,022	774	2,399	(1,049)	

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
COMMUNITIES							
RCP Toilets and Educational Building	45	45			45		Scheme to be designed, procured and completed prior to end of fiscal year.
Capital Grant Funding	24	104	52	15	90	(14)	1 grant released £15k, 3 grants approved totalling £45k, 2 pending applications £30k, balance available £14k.
RCP Vehicle Access Controls	15	15			15		Scheme to be designed, procured and completed prior to end of fiscal year.
The Hook Play Area	-	35	35	27	30	(5)	Works complete, final invoices to be processed. Saving anticipated.
Play Areas - Special Expense	50	100			100		Condition survey underway to inform work plans.
The Hook Skatepark	-	4	4	5	4		Works complete. Minor overspend.
West Park Fencing and Drainage	-	11			11		Scheme being designed; procurement to follow; site works in new year.
West Park Car Park Lighting	-	25			25		Scheme being designed; procurement to follow; site works in new year.
West Park Public Toilet Upgrade	-	20			20		Scheme being designed; procurement to follow; site works in new year.
West Park Julien Cahn Pavilion	-	40			40		Toilets and bar refurbishment - scheme to be designed.
Skateboard Parks	250	340			150	(190)	£150k committed to ROT, potential new allocation for RCP £110k needed 20/21. Balance £80k unallocated.
Arena Public Art	-	25	25	24	25		Works complete and payment made.
Warm Homes on Prescription	54	54	27	6	54		3 grants released.
	438	818	143	77	609	(209)	
FINANCE & CORPORATE SERVICES							

CAPITAL PROGRAMME MONITORING - SEPTEMBER 2019

	Original	Current	Budget	Actual	Projected	
	Budget	Budget	YTD	YTD	Actual	Variance
	£000	£000	£000	£000	£000	£'000
Information Systems Strategy	160	268	142	111	268	Acquisitions under the strategy continue to support business development.
NCCC Loan	-	750				(750) Balance of loan available to the Cricket Club no longer required. This can be returned to the Asset Investment Strategy.
Streetwise Loan 19/20	-	400			400	Further loan approval Cabinet 11.06.19 refers.
Asset Investment Strategy	-	5,911			3,749	(2,162) £3.7m earmarked for two acquisitions, balance £2.162m uncommitted and a further £750k to be returned to AIS from the NCCC loan. Total becomes £2.912m and can be removed from this year's programme as allocated to The Crematorium scheme.
	160	7,329	142	111	4,417	(2,912)
CONTINGENCY						
Contingency	100	95			95	Provision to give flexibility to the capital programme.
	100	95			95	
TOTAL	16,506	27,160	2,864	1,929	13,630	(13,530)

Budget Monitoring for Special Expense Areas - Quarter 2

	2019/20 Original	2019/20 Revised	Actual to Q2	2019/20 Projections	Reasons for variance
	£	£	£	£	
West Bridgford					
Parks & Playing Fields	390,100.00	409,900.00	192,272.56	413,200.00	Park Improvements (General Contingency Allocation)
West Bridgford Town Centre	46,800.00	54,300.00	15,377.17	57,000.00	Melton road Christmas Lights - Allocation from contingency
Community Halls	99,300.00	98,800.00	72,645.06	100,100.00	
Seats & Litter Bins	300.00	300.00	0.00	300.00	
Contingency	14,700.00	0.00	0.00	0.00	Allocated to Parks and Playing Fields
Annuity Charges	81,800.00	81,800.00	40,900.00	81,800.00	
RCCO	50,000.00	50,000.00	25,000.00	50,000.00	
Total	683,000.00	695,100.00	346,194.79	702,400.00	
Keyworth					
Cemetery	4,200.00	4,200.00	1,850.00	4,200.00	
Total	4,200.00	4,200.00	1,850.00	4,200.00	
Ruddington					
Cemetery & Annuity Charges	9,100.00	9,100.00	4,369.78	9,100.00	
Total	9,100.00	9,100.00	4,369.78	9,100.00	
TOTAL SPECIAL EXPENSES	696,300.00	708,400.00	352,414.57	715,700.00	