



Cabinet

Tuesday, 10 March 2020

**Revenue and Capital Budget Monitoring 2019/20 –
Financial Update Quarter 3**

Report of the Executive Manager – Finance and Corporate Services

Portfolio Holder for Finance and Contracts, Councillor Gordon Moore

1. Purpose of report

- 1.1. This report presents the budget position for revenue and capital as at 30 December 2019 the details of which were discussed at the meeting of the Corporate Overview Group on 25 February 2020 as part of the Finance and Performance Management Quarter 3 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 £552k and business rates additional income of £354k (consisting of a redistribution of the business rates pool surplus and an in-year movements on business rates collection) with an overall revenue efficiency position of £0.906m. 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. It is anticipated there will be carry forwards including £0.1m will be required to support work regarding the Development Corporation (with an earmarked reserve being created). This will be referenced in the Council's Medium Term Financial Strategy. Furthermore the Council is anticipating an underspend of around £17k on Members Community Grants which will be available for Councillors and the community to support individuals suffering with loneliness.
- 1.5. The capital programme shows a planned underspend of £17.807m largely due to sums no longer required (such as for Fairham Pastures, Abbey Road and the Asset Investment Strategy) plus planned slippage in the programme such as delayed planning for the Crematorium. Some projects require sums to be carried forward (for example Bingham Leisure Hub).
- 1.6. The Special Expenses position shows a minor efficiency saving of £1.6k or 0.2% against the revised budget.

2. Recommendation

- 2.1 It is RECOMMENDED that the Cabinet approve the attached report noting:
 - a) the projected revenue position for the year with £0.906m of budget efficiencies; and

- b) the capital underspend of £17.807m as a result of both projects no longer proceeding and planned programme slippage; and
- c) the Special Expenses quarter 3 financial position.

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 30 December 2019 attached at **Appendix B**. This shows projected net efficiency savings for the year to date of £552k and £375k due to business rates variation and the Nottinghamshire Business Rates Pool surplus. The overall £0.906m variation represents -7.88% against the net expenditure budget and we currently anticipate £1.102m to be transferred to reserves to meet in future risks and to enable the Council to fund investment to support its climate change agenda (see paragraphs 6.3 and 6.4). This position may still change in the final quarter of the year.
- 4.2 There will be items of expenditure to carry forward. It should be noted £0.1m is anticipated to support work regarding the Development Corporation (with an earmarked reserve being created). This will be referenced in the Council's Medium Term Financial Strategy. Furthermore the Council is anticipating an underspend of around £17k on Members Community Grants which is anticipated to be available for Councillors and the community to support individuals suffering with loneliness, in accordance with the Council's objective of maintaining a great quality of life.
- 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 (and other projects in later years) which will predominately 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 £1.166m including additional income from planning applications (£420k), and treasury investment income (£273K); and reduced expenditure on staffing (£104k). There are several adverse variances totalling £462k. As previously reported reasons include £115k as the expected level of housing benefit overpayments recovered has reduced and bank commission charges of £60k due to delay in change of supplier.
- 4.5 **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 £1.6k projected revenue efficiencies.

Capital Monitoring

- 4.6 The updated summary of the Capital Programme monitoring statement and funding position is shown at **Appendix C** as at 30 December 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 £17.807m.
- 4.7 The original Capital Programme of £16.506m has been supplemented by a net brought forward and in-year adjustments of £8.795m giving a revised total of £25.301m. The net expenditure efficiency position of £17.807m is primarily due to the following:
- a) Bingham Leisure Hub £4.6m – spend not anticipated until 2020/21;
 - b) Cotgrave Phase 2 £1.03m – works to commence early 2020;
 - c) Crematorium £1.55m – due to planning delay;
 - d) Industrial Units Moorbridge £1.6m – due to planning delay;
 - e) Support for Registered Housing Providers £1,396m Schemes to commence 2020/21;
 - f) NCCC Loan £0.75m – NCCC have informed the Council the remaining balance is no longer required; and
 - g) Asset Investment Strategy £5.383m – currently not anticipated to utilise the balance of this funding although 2 schemes are pending completion in late 2019/20 and early 2020/21
- 4.8 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.

4.9 **Conclusion**

The overall financial position for both revenue and capital is currently positive. Opportunities and challenges may still arise in the final quarter of the year that 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. **Alternative options considered and reasons for rejection**

There are no alternative options.

6 **Risk and Uncertainties**

- 6.1 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.
- 6.2 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.

- 6.3 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. The Council is aware of the considerable amount of work being undertaken with regards to the Development Corporation and this will need resourcing with an earmarked reserve proposed to ensure sufficient financial resource is available.
- 6.4 The Council is committed to improving the environment and reducing its carbon footprint. Addressing such risks will require funding.
- 6.5 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.

7 Implications

7.1 Financial Implications

Financial implications are covered in the body of the report.

7.2 Legal Implications

None

7.3 Equalities Implications

None

7.4 Section 17 of the Crime and Disorder Act 1998 Implications

None

8 Link to Corporate Priorities

Quality of Life	The budget resources the corporate plan and therefore supports all of the Council's corporate priorities.
Efficient Services	
Sustainable Growth	
The Environment	

9. Recommendation

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

- a) the projected revenue position for the year with £0.906m of budget efficiencies; and
- b) the capital underspend of £17.807m as a result of both projects no longer proceeding and planned programme slippage; and
- c) the Special Expenses Quarter 3 Financial Position.

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Council 7 March 2019 – 2019-20 Budget and Financial Strategy; Cabinet 9 December 2019 – Revenue and Capital Budget Monitoring 2019/20 – Financial Update
List of appendices (if any):	Appendix A – Revenue Outturn Position 2019/20 – December 2019 Appendix B – Revenue Variance Explanations Appendix C – Capital Programme 2019/20 – December 2019 Position Appendix D – Capital Variance Explanations Appendix E – Special Expenses Quarter 3 Update

Revenue Outturn Position 2019/20 – December 2019

	Quarter 3			
	Original Budget £'000	Revised Budget £'000	Projected Actual £'000	Variance £'000
Communities	1,237	1,317	1,037	(280)
Finance & Corporate Services	4,660	4,708	4,757	49
Neighbourhoods	5,241	5,142	5,042	(100)
Transformation	1,687	1,776	1,555	(221)
Sub Total	12,824	12,943	12,391	(552)
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	11,610	11,058	(552)
Grant Income (including New Homes Bonus & rsg)	(1,935)	(1,825)	(1,804)	21
Business Rates (including SBRR)	(3,767)	(3,767)	(3,951)	(184)
Council Tax	(6,646)	(6,646)	(6,646)	0
Collection Fund Surplus	300	300	109	(191)
Total Funding	(12,048)	(11,938)	(12,292)	(354)
Surplus (-)/Deficit on Revenue Budget	(557)	(328)	(1,234)	(906)
Capital Expenditure financed from reserves	132	132	132	0
Net Transfer to (-)/from Reserves	(425)	(196)	(1,102)	(906)

Revenue Variance Explanations (over £10k)

ADVERSE VARIANCES in excess of £10,000	Projected Outturn Variance £'000
Communities	
Planning agency costs	17
Land Charges Income	54
Finance & Corporate Services	
Housing Benefits overpayments recovered	115
Bank Charges (card payments)	60
Election Fees	23
Business Rates - RV Finder	17
IT maintenance contracts	45
Neighbourhoods	
Glendale - management fee waived	22
Tanker Services Income	11
Hostel Rents - lower occupancy	15
Garage - Vehicle Repairs	20
Abbey Road- residual costs	28
Transformation	
Investment Property Income - delayed purchase	35
Total Adverse Variances	462

Appendix B

FAVOURABLE VARIANCES in excess of £10,000	Projected Outturn Variance £'000
Communities	
Development Control Planning Applications	-420
Planning Policy - contribution to post	-30
Finance	
Investment Income - increased balances and higher rate investments	-273
Staff vacancies	-14
Neighbourhoods	
Waste Collection and Recycling - sale of waste bins	-18
East Leake PFI	-40
Streetwise Contract	-39
NCC Recycling Credits	-20
Leisure Management Contract -17/18 Profit Share	-48
Fleet - sale of fuel left in tanks at Abbey Road	-14
Transformation	
Rental Income at Castle Donnington/Unit 10	-92
Moorbridge and lease surrender at the Point	-90
Staff Vacancies and Income from Secondment	-68
Total Favourable Variances	-1166
Sum of Minor Variances	152
TOTAL VARIANCE	-552

CAPITAL PROGRAMME MONITORING - DECEMBER 2019

EXPENDITURE SUMMARY			
	Current	Projected	Projected
	Budget	Actual	Variance
	£000	£000	£000
Transformation	13,611	3,731	(9,880)
Neighbourhoods	3,448	1,553	(1,895)
Communities	818	349	(469)
Finance & Corporate Services	7,329	1,861	(5,468)
Contingency	95	0	(95)
	25,301	7,494	(17,807)
FINANCING ANALYSIS			
Capital Receipts	(6,039)	(3,751)	2,288
Government Grants	(1,663)	(792)	871
Other Grants/Contributions	(489)	(489)	-
Use of Reserves	(481)	(116)	365
Borrowing	(16,629)	(2,346)	14,283
	(25,301)	(7,494)	17,807
NET EXPENDITURE	-	-	-

Capital Programme 2019/20 – December 2019 Position

CAPITAL PROGRAMME MONITORING - DEC 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		Tenders back end Jan. Site works completion due early April.
Colliers Business Park Surface/Drain	30	30			30		Tenders back end Jan. Site works completion due early April.
Cotgrave Masterplan	-	1,646	1,235	987	1,046	(600)	Works continue to develop the Public Realm. Retentions to be released. Likely need to carry underspend forward to support Phase II
Cotgrave Phase 2	1,900	2,030	1,421	118	1,000	(1,030)	Works to commence Jan/Feb 2020. Full provision likely to be needed plus underspend from Masterplan, scheme will be completed in 2020/21.
Bingham Leisure Hub	5,000	5,000	484	288	400	(4,600)	Contract for design fees awarded. Projected actual for Stage 1. Detailed cost plans keep projected overall expenditure within the £20m budget.
Manvers Business Park Roof Refurbishment	100	200				(200)	Procurement 2019/20, works to follow 2020/21. Carry forward required.
Manvers Business Park Roller Shutters	100	100				(100)	Procurement 2019/20, works to follow 2020/21. Carry forward required.
Bridgford Park Public Toilets	25	25		2	25		Advanced fees. Out to tender. Works completed end March/early April.
The Point	-	26	18	1	26		Basement Car Park lighting complete. Cleaners store work completion in March.

CAPITAL PROGRAMME MONITORING - DEC 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
Arena Car Park Enhancements	-	9			9		End of defects period inspection completed; remedial works being carried out with completion end Jan
Colliers Way Industrial Units	-	19		2	19		Connection of foul to public sewer: scheme out to tender; works to be completed by end March
Abbey Road Redevelopment	300	800	450	236	600	(200)	Professional fees and surveys to inform redevelopment/sale of the Depot site.
Fairham Pastures Industrial Units and 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.
RCCC Premises 2019/20	-	171		5	171		Tenders for work to new premises £171k. Budget adjustment of £71k approved. Costs offset by clawback from disposal of Police Station. Fountain Court works on site; completion early Feb.
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		2	150	(1,550)	Planning approval obtained. Deposit for land January 2020, balance Feb 2020.
Industrial Units Moorbridge	1,750	1,750			150	(1,600)	Delay due to planning but scheme expected to proceed in Jan 2020 with a 9 month build. Carry forward required.
	14,650	13,611	3,618	1,650	3,731	(9,880)	

CAPITAL PROGRAMME MONITORING - DEC 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
NEIGHBOURHOODS							
Wheeled Bins	160	174	120	79	140	(34)	Acquisitions continue to supply new developments across the Borough. Any balance remaining at year end will be assessed for carry forward requirements.
Vehicle Replacement	200	200	180	179	179	(21)	32t Refuse Freighter bought, balance is uncommitted.
Support for Registered Housing Providers	250	1,396				(1,396)	£480k contribution committed for second phase garage sites to deliver 30 units of affordable housing. Start on site now anticipated early 2020/21.
Assistive Technology	12	12	12	12	12		Home alarm units for the vulnerable. Budget fully spent.
Discretionary Top Ups	57	57	43	10	25	(32)	One top-up grant released, potential underspend.
Disabled Facilities Grants	454	490	367	298	430	(60)	Original estimate increased to reflect BCF allocation. Expenditure is expected to stay within the provision. There is a potential underspend.
Hound Lodge Access Control System	25	25				(25)	Works to be procured in 2019/20; site works in 2020/21
Arena Enhancements	-	140	105	19	140		Enhancements to pre-swim undertaken.
Car Park Resurfacing	-	220				(220)	Design to commence shortly; procurement will follow; site work in 2020/21.
Car Park Improvements - Lighting WB	-	50			50		Design work nearing completion, procurement in Feb; completion on site early in 2020/21.

CAPITAL PROGRAMME MONITORING - DEC 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
Car Park Improvements - Lighting Other	-	110			110		Design work nearing completion, procurement in Feb; completion on site early in 2020/21.
CLC Changing Village Enhancements	-	15		1	15		To address urgent Health and Safety needs to poolside railings and seating - works completed, payments to be made.
BLC Improvements	-	267	190	135	160	(107)	£100k upgrade of Athletics Track complete. £35k for Bingham Fire Alarm partially paid. £25k for replacement pool filters (£10k of which for CLC) still to be done.
CLC Pool Handling Ventilation System	-	292	280	264	292		Works complete, penultimate payment certified; retention held for 12 months.
	1,158	3,448	1,297	997	1,553	(1,895)	
COMMUNITIES							
RCP Toilets and Educational Building	45	45				(45)	Scheme to be considered in line with 2020/21 Visitor Centre upgrade.
Capital Grant Funding	24	104	78	45	60	(44)	3 grants released £45k, 1 awaiting completion, 2 pending applications £30k, 1 application currently being assessed to come from balance available £14k.
RCP Vehicle Access Controls	15	15				(15)	Scheme to be considered in line with 2020/21 Visitor Centre upgrade.
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)	Scheme proposed for Boundary Road bike track and ancillary works to be delivered in 2020/21.

CAPITAL PROGRAMME MONITORING - DEC 2019

	Original	Current	Budget	Actual	Projected	
	Budget	Budget	YTD	YTD	Actual	Variance
	£000	£000	£000	£000	£000	£'000
The Hook Skatepark	-	4	4	5	4	Works complete. Minor overspend.
West Park Fencing and Drainage	-	11			11	Tenders back end Jan. Site works completion due early April.
West Park Car Park Lighting	-	25			25	Design work nearing completion, procurement in Feb; completion on site early in 2020/21.
West Park Public Toilet Upgrade	-	20			20	Design work nearing completion, procurement in Feb; completion on site early in 2020/21.
West Park Julien Cahn Pavilion	-	40				(40) Toilets and bar refurbishment - scheme to be designed, works in 2020/21.
Skateboard Parks	250	340	170	118	150	(190) £150k committed to ROT, potential new allocation of £110k needed 2020/21 for RCP. Balance £80k unallocated.
Arena Public Art	-	25	25	24	24	(1) Works complete and payment made.
Warm Homes on Prescription	54	54	40	10	25	(29) Grants released for works to 5 properties. £18k approved by end of Q3.
	438	818	352	229	349	(469)
FINANCE & CORPORATE SERVICES						
Information Systems Strategy	160	268	205	133	268	Acquisitions under the strategy continue to support business development.
NCCC Loan	-					A balance of loan available £750k to the Cricket Club no longer required. Approved for return to Asset Investment Strategy Cabinet 09.12.19.
Streetwise Loan 19/20	-	400	400	315	315	(85) Further loan approval Cabinet 11.06.19 refers. £315k advanced.

CAPITAL PROGRAMME MONITORING - DEC 2019

	Original	Current	Budget	Actual	Projected		
	Budget	Budget	YTD	YTD	Actual	Variance	
	£000	£000	£000	£000	£000	£'000	
Asset Investment Strategy	-	6,661			1,278	(5,383)	Potential to complete on one in 2019/20 (£1.278m) and one in 2020/21 (£2.471m). £750k returned to AIS from the NCCC loan as no longer required. Total unallocated becomes £2.912m.
	160	7,329	605	448	1,861	(5,468)	
CONTINGENCY							
Contingency	100	95				(95)	Provision to give flexibility to the capital programme. £95k available for allocation.
	100	95				(95)	
TOTAL	16,506	25,301	5,872	3,324	7,494	(17,807)	

Budget Monitoring for Special Expense Areas - Quarter 3

	2019/20 Original	2019/20 Revised	Actual to Q3	2019/20 Projections	Variance (Projection v Revised)	Reasons for variance
	£	£	£	£	£	
West Bridgford						
Parks & Playing Fields	390,100	409,900	295,961	403,800	(6,100)	Park Improvements -requested carry forward (General Contingency Allocation)
West Bridgford Town Centre	46,800	54,300	34,306	59,800	5,500	Melton road Christmas Lights - Allocation from contingency
Community Halls	99,300	98,800	91,994	97,800	(1,000)	
Seats & Litter Bins	300	300	0	300	0	
Contingency	14,700	0	0	0	0	Allocated to Parks and Playing Fields
Annuity Charges	81,800	81,800	40,900	81,800	0	
RCCO	50,000	50,000	25,000	50,000	0	
Total	683,000	695,100	488,161	693,500	(1,600)	
Keyworth						
Cemetery	4,200	4,200	1,733	4,200	0	
Total	4,200	4,200	1,733	4,200	0	
Ruddington						
Cemetery & Annuity Charges	9,100	9,100	6,245	9,100	0	
Total	9,100	9,100	6,245	9,100	0	
TOTAL SPECIAL EXPENSES	696,300	708,400	496,139	706,800	(1,600)	