



Cabinet

12 June 2018

Financial Outturn 2017/18



Report of the Executive Manager - Finance and Corporate Services

Cabinet Portfolio Holder - Councillor G Moore

1. Summary

- 1.1. The purpose of this report is to outline the year-end financial outturn position for 2017/18, linked to the closure of accounts process and previous financial update reports. The draft Statement of Accounts has been prepared and was approved by the Executive Manager – Finance and Corporate Services by 31 May 2017, the new earlier statutory deadline.
- 1.2. The Council is required to categorise its income and expenditure as either revenue or capital. Revenue income and expenditure is included in the General Fund, with Capital included in the capital programme. The Financial Outturn, for both Revenue and Capital, is presented below.
- 1.3. The net position shows a transfer *to* reserves of £0.317m originally planned to be a transfer *from* reserves of £0.655m) a net increase of £0.982m. The increase arises from revenue efficiencies throughout the year (£0.17m, equivalent to 1.47% of the net budget) but the majority is due to additional grant income outside of the Council's control. Namely the impact of additional Section 31 grants (specific grants issued by the Government normally for new activities or 'new burdens', £0.222m); and a rise in Business Rates Relief, largely as a result of the Government's response to the impact on businesses of the increase in the revaluation of properties from April 2017 (£0.405m).
- 1.4. The Council ensured the discretionary reliefs were applied, resulting in 295 businesses benefitting from £305k of additional discretionary rate relief.
- 1.5. The improved financial position leaves the Council in a better place to meet the future financial challenges it faces, as it looks to improve services, enhance assets and grow the Borough; despite the difficult economic climate and on-going central government funding reductions. A number of commitments, both revenue and capital, are identified in the report to be resourced from the improved reserve position, particularly linked to the Council's growth agenda.
- 1.6. Retaining a healthy position on reserves is necessary to insulate the Council against significant financial risks (and take advantage of opportunities) it faces both now and in the future.

2. Recommendation

It is RECOMMENDED that Cabinet

- a) Notes the 2017/18 revenue position and efficiencies identified in **Table 1**, and approves the associated changes to the earmarked reserves as set out in paragraph 4.5 below and **Appendix B**;
- b) Notes the re-profiled position on capital and approves the capital carry forwards outlined in **Appendix C** and approves the additional spend required for projects at paragraph 4.8; and
- c) Notes the update on the Cricket Club loan in Section 5.

3. Reasons for Recommendation

- 3.1. To accord with good financial governance and the Council's Financial Regulations.

4. Supporting Information

General Fund – Revenue Outturn Position

- 4.1. The General Fund account deals with the Council's revenue income and expenditure, where spend is incurred on day to day expenditure or on items used within the year.
- 4.2. The projected outturn position for the General Fund has been reported to the Corporate Governance Group and Cabinet regularly during 2017/18. The year-end Financial Statements are subject to audit by KPMG and will be considered by Council on 26 July 2018.
- 4.3. The overall position on the General Fund budget gives £797k of revenue efficiencies for the year, as detailed in Table 1 (overleaf). Table 4 in **Appendix A** details the main variances over which account for this underspend. The majority of the savings are as a result of Government changes in legislation (particularly business rates) and additional grant or funding, issued after the financial settlement in February 2017 – amounting to £627k (84%) of efficiencies. In particular changes to discretionary rates relief arising from the 2017 business rates revaluations.

Table 1: Revenue Outturn Position

	Final		
	Budget £'000	Actual £'000	Variance £'000
Communities	1,195	1,184	-11
Finance & Corporate Services	3,351	3,239	-112
Neighbourhoods	4,010	3,941	-69
Transformation	2,994	3,016	22
Sub Total	11,550	11,380	-170
Capital Accounting Reversals	-1,587	-1,587	0
Minimum Revenue Provision	1,000	1,000	0
Total Net Service Expenditure	10,963	10,793	-170
Grant Income (including New Homes Bonus & rsg)	-2,334	-2,556	-222
Business Rates (including SBRR)	-2,561	-2,966	-405
Council Tax	-6,074	-6,074	0
Collection Fund Surplus	-18	-18	0
Total Funding	-10,987	-11,614	-627
Surplus (-)/Deficit on Revenue Budget	-24	-821	-797
Capital Expenditure financed from reserves	689	504	-185
Net Transfer to (-)/(from) Reserves	665	-317	-982

4.4. The Council responded positively to the Government changes for business rates relief (largely as a result of increases in business rates following the April 2017 revaluations by the Valuation Office), putting in place processes to ensure businesses maximised the benefit of the relief that was available. As can be seen below 295 businesses benefitted from the various types of relief, amounting to £305,139.

Scheme	Value of relief awarded	Number of businesses
Pub relief	£31,129	41
Supporting small businesses	£34,692	28
Local discretionary scheme	£239,318	226
Total	£305,139	295

Reserves

4.5 There are a number of movements in Reserves largely agreed as part of the budget setting process and budget monitoring for 2017/18. **Appendix B** highlights the movement in reserves. Some key points to note:

- There are a number of 'transfers out' or use of reserves totalling £1.707m including: £1.046m from the New Homes Bonus reserve, £1m for the Arena redevelopment;

- £0.326m is transferred out from the Organisation Stabilisation Reserve mainly to finance Bridgford Hall £0.175m and £0.110m for Positive Futures; and £0.3m to finance Cotgrave Regeneration;
- There are a number of 'transfers in' totalling £2.024m that increases reserves including £1.835m New Homes Bonus and £0.159m to fund special expense West Park Play area.
- The New Homes Bonus (NHB) Reserve (£6.268m) is largely earmarked to fund internal borrowing in relation to capital projects such as the Arena
- Overall, whilst the level of Reserves is a healthy £10.532m, there are risks going forward in terms of further reductions and commitments from reserves to capital projects. This includes the repayment of internal borrowing for the Arena, which is reliant on NHB funding and this is by no means a stable source of income. The impact of both the Fair Funding and Business Rates reviews and the future de-commissioning of the power station creates further uncertainty which makes it necessary to retain a stable level of reserves.

4.6 The Council is committed to growing the Borough, ensuring it maximises available opportunities, particularly linked to the impact of growth. Below are requests for the use of reserves in 2018/19, for both expected and new revenue commitments totalling £522k – detailed in table 2 below.

Table 2: Revenue Budget Carry Forward Requests

Nature of budget request	Amount £'000
<i>Existing commitments</i>	
ERDF grant match funding support for business	25
Strategic Growth Board Budget	51
Growth Board Shop Front budget	10
Local Plan	75
<i>New Commitments</i>	
Additional salary commitment	150
Events growth	65
Joint RBC/Nott'm City Clifton infrastructure funding	10
WW1 Centenary budget	20
Economic Development Staffing support	16
Additional Strategic Growth Board allocation	50
Investment and regeneration project work	50
Total (Impact on Reserves)	522
Revenue position - overall efficiencies	797
Net effect on reserves	275

Capital

4.7 The year-end Capital Programme provision totalled £22.535m (see Table 3 and **Appendix D**). Actual expenditure in relation to this provision totalled £9.816m (56%) giving rise to a variance of £12.719m, £12.176m of which is recommended to be carried forward. The main reasons for this are a combination of re-profiling or projects yet to be developed or opportunities realised. The main variations being in relation to Cotgrave Regeneration Scheme (£3.041m); Support for Registered Housing Providers (£0.896m) and continuing with the Asset Investment Strategy £5.649m. **Appendix C**

highlights the main variances and summarises, as well as the carry forward amounts, also the savings on schemes (£656k) and some items where there has been some acceleration in spend, £114k due to business need.

Table 3: Summary of Capital Expenditure 2017/18

CAPITAL OUTTURN 2017-18				
EXPENDITURE SUMMARY	Current Budget £000	Actual £000	Variance £000	Variance %
Transformation	12,311	7,732	(4,580)	(37.20)
Neighbourhoods	2,225	986	(1,239)	(55.67)
Communities	399	123	(277)	(69.30)
Finance & Corporate Services	7,447	976	(6,471)	(86.89)
Contingency	153	0	(153)	(100.00)
	22,535	9,816	(12,719)	(56.44)
FINANCING ANALYSIS				
Capital Receipts	(15,277)	(6,455)	8,822	(57.75)
Government Grants	(1,917)	(1,869)	48	(2.50)
Other Grants/Contributions	(1,969)	(250)	1,719	(87.30)
Use of Reserves	(689)	(505)	184	(26.71)
Internal Borrowing	(2,683)	(737)	1,946	(72.53)
	(22,535)	(9,816)	12,719	(56.44)
NET EXPENDITURE	-	-	-	-

4.8 Regarding the £656,000 of savings from the existing programme below are 3 commitments where further expenditure is required:

- Bowls floor and carpet £65,000
- Arena public art project £25,000
- Cotgrave Phase 2* £387,000
- Total £477,000**

*as detailed in the Cabinet Report, 12 June 2018

4.8 **Financial Outturn Conclusion** – The Council continues to face many significant financial challenges. The 2017/18 financial outturn position demonstrates how the Council manages to balance a shrinking budget with a culture of prudence, and through the Capital Programme focuses on investment and growth in the borough.

5. Cricket Club Loan Update

5.1. The Council has received monthly project update reports prior to authorising any loans. Additionally the Section 151 Officers for RBC, Nottingham City Council and Nottinghamshire County Council are meeting on a quarterly basis with the Cricket Club Finance Director. Monthly loans have been authorised (from October 2016) with £1.798m being loaned at a rate of 4.31% and interest repayments totalling £62k.

5.2. In terms of the first phase of the project, the extension of the Radcliffe Road Stand, £6.3m has been spent (February 2018, Report Number 13) with overall project spend anticipated to be £7.25m. The work is virtually complete. The Council has noted NCCC’s year-end financial position (to 30 September 2017) and that there was a surplus of £279k for the year. Finances are in an overall healthy position with a budgeted profit of £765k by September 2018.

6. Other Options Considered

6.1. There are no other options identified, subject to the views of Cabinet.

7. Risk and Uncertainties

7.1. The financial position present an upside risk in terms of providing further funding to ensure the Council delivers its corporate priorities and helps meet funding pressures within the MTFS and the inherent risks in an increasingly volatile financial environment now exacerbated by the uncertainty of both leaving the European Union and the national political environment.

8. Implications

8.1. Finance

These are contained within the body of the report with commentary on revenue (Section 4.1 to 4.4), reserves (section 4.5 to 4.6), capital (sections 4.7 to 4.8) and a cricket club loan update (section 5).

8.2. Legal

There are no direct legal implications.

8.3. Corporate Priorities

Securing a balanced budget is critical in delivering the Council’s Corporate Priorities.

8.4. Other Implications

None

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Previous Revenue and Capital monitoring reports throughout the year
List of appendices (if any):	Appendix A – Revenue Budget 2017/18 – Main Variances Appendix B – Movement in Reserves Appendix C – Capital Programme 2017/18 Outturn

Table 4: Revenue Budget 2017/1 – Significant Variances

MAIN ADVERSE VARIANCES	Projected Outturn Variance £'000
Communities	
Land Charges	18
DC Peer review and appeals	23
Planning Income	78
Finance & Corporate Services	
Motor Insurance premium and Insurance Premium Tax	20
Electoral Registration - External Printing Hybrid Mail	17
Transformation	
Economic Development - Feasibility Costs	20
Office Accommodation – Arena NNDR (Business Rates) by Valuation Office	70
Neighbourhoods	
Agency staff partially offset by staff savings	23
Leisure Centres - Repairs	21
Total Adverse Variances	290

FAVOURABLE VARIANCES in excess of £15,000	Projected Outturn Variance £'000
Communities	
Local Plan slippage - Carry Forward Requested	-74
Development Control - Staff Vacancies	-24
Building Control - (reduced employee costs in the partnership)	-26
Finance & Corporate Services	
Council Tax - Staff vacancies	-32

Housing Benefit - overpayments recovered	-131
Contingency	-50
Interest Receipts (increase in property fund)	-104
Transformation	
IT contracts savings	-50
Economic Development - Strategic Board Fund and Shop Fronts (to Carry forward)	-60
BSU - Staff vacancies	-19
Investment properties	-51
Customer Services - Staff vacancies	-15
Neighbourhoods	
Waste Collection and Recycling - Green waste income above target	-96
HIMO income release of prepaid licences	-23
Car Parking Penalty Notices	-19
Fuel recharge to third parties	-48
Total Favourable Variances	-822
Sum of Minor Variances	362
TOTAL VARIANCE	-170

FUNDING VARIANCES	Projected Outturn Variance £'000
Original Funding:	
Business Rates - this is the difference between the budgeted income and NNDR3	-405
Additional S31 Grants:	
Flexible Homelessness Support Grant	-54
Grant Income (including New Homes Bonus)	26
Custom Build	-30
New burdens funding	-29
IER funding	-20
Homelessness	-20
Decentralisation & Neighbourhood Planning	-30
Other	-65
TOTAL VARIANCE	-627

Appendix B

Movement in Reserves	Balance at 1/4/17	Transfers In	Transfers Out	Balance at 31/3/18	'Transfers In' Notes	'Transfers Out' Notes
	£000	£000	£000	£000		
Investment Reserves						
Regeneration and Community Projects	1,425	159	-23	1,561	Special Expenses Annuity	West Park Play Area (Capital)
Cotgrave Regeneration Project	300		-300	0		Financing Cotgrave Masterplan (Capital)
Council Assets and Service Delivery	274	0	0	274		
Local Area Agreement	122	0	0	122		
The Point	60	30	-6	84	£30k Surplus	Enhancements to the Point (Capital)
New Homes Bonus	5,479	1,835	-1046	6,268	Grant Received in Year	£1m MRP Arena, £17k Members Grants, £29k Growth Board
Invest to Save	150	0	0	150		
Corporate Reserves						
Organisational Stabilisation Reserve	1,400	0	-326	1,074		£110k Positive Futures, £175k Financing Bridgford Hall (Capital), £42k travel scheme changes
Risk and Insurance	100	0	0	100		
Planning Appeals	349	0	0	349		
Elections	153	0	0	153		
Operating Reserves						
Planning	187	0	-6	181		Local Plans
Leisure Centre Maintenance	116	0	0	116		
Planned Maintenance	100	0	0	100		
Total	10,215	2,024	-1,707	10,532		

Capital Programme 2017/18 – Outturn

CAPITAL PROGRAMME MONITORING - MARCH 2018						
	Original Budget	Current Budget	Actual		Carry fwd(C)/ Saving(S) or Acceleration (A)	
			YTD	Variance		Explanation
	£000	£000	£000	£'000		
TRANSFORMATION						
Cotgrave Regeneration & MSC	2,920	4,616	1,575	(3,041)	C	Contracts completed and works started on site. £2.541m to be slipped into 2018-19, £0.5m to be slipped into 2019-20
Cotgrave Employment Land	0	1,477	1,330	(147)	C	Units complete and let. Budget to be carried forward for Cotgrave Regeneration & MSC
Land North of Bingham	2,800	387	0	(387)	S	Leisure and Wellbeing land acquired and due for disposal. Cabinet 9 January 2018 approved 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 has been reallocated and included in the 2018/19 Capital Programme.
Bingham Land off Chapel Lane	0	1,800	1,593	(207)	C	Land acquisition complete. Remediation costs still to be incurred.
Highways England Footbridge A46	1,700	0	0	0	-	Cabinet 10.10.17 approved slippage of the provision to 2018/19.
Bridgford Hall	0	205	176	(30)	S	Final contract costs and retention accrued.

RAF Newton	750	0	0	0	C	Cabinet 9 January 2018 aproved the removal of the LEP funding from the 2017/18 Capital Programme as it is no longer required for the original scheme. This sum has been reallocated and included in the 2018/19 Capital Programme.
The Point	25	25	6	(19)	C	Works started
Arena Car Park Enhancements	500	500	35	(465)	C	Tender exercise commenced, scheme to slip
Colliers Way Industrial Units	0	20	0	(20)	C	Interdependent with Barratt's housing development
Bardon Investment Property	0	1,917	1,906	(11)	S	Asset Investment Group approved acquisition
Finch Close	0	934	934	0	-	Asset Investment Group approved acquisition
New Depot	0	0	15	15	A	Opus International Consultants
RCCC Enhancements	0	100	0	(100)	C	Works to be commissioned
Information Systems Strategy	165	330	163	(167)	C	
	8,860	12,311	7,732	(4,580)		
NEIGHBOURHOODS						
Wheeled Bins	70	90	87	(3)	S	Small underspend
Vehicle Replacement	20	240	187	(53)	S	Planned replacements complete in July, balance available
Support for Registered Housing Providers	250	909	13	(896)	C	No schemes have been identified. Provision to be carried forward to future years
Hound Lodge - Heating	40	0	0	0	-	Cabinet 10.10.17 approved slippage of the provision to 2018/19.
Assistive Technology	0	12	12	0	-	
Discretionary Top Ups	0	106	48	(58)	C	Carry forward request for BCF supported underspend
Disabled Facilities Grants	375	412	511	99	A	£55k additional funding has been offered and a request for a further £120k has been made.

Arena Redevelopment	500	183	43	(140)	C	Final contract costs and retention accrued.
Car Park Machines	0	50	46	(4)	S	Machines installed, minor saving.
Car Park Improvements - Lighting	50	50	0	(50)	C	Works to be scoped with West Park Lighting likely to be 2018/19.
KLC Boiler Replacement	0	17	17	(0)	-	Works complete
BLC Artificial Turf Pitch		10	(6)	(16)	S	Works complete and in defects period - over accrual from previous year
BLC Improvements	130	130	22	(108)	C	The schedule of works is being drawn up
EGC Upgrade Facilities	0	16	7	(9)	C	Improvements largely complete, electrics work still to do
	1,435	2,225	986	(1,239)		
COMMUNITIES						
Capital Grant Funding	48	100	54	(46)	C	There is 1 application in the pipeline totalling £15,000 together with commitments of £28,816
Play Areas - Special Expense	50	100	0	(100)	C	External funding being sourced. This provision will need to slip to 2018/19.
West Park Fencing and Drainage	0	34	23	(11)	C	Fencing element complete, drainage work to be commissioned
West Park Lighting	25	25	0	(25)	C	Works to be scoped with general Car Park lighting scheme likely to be 2018/19
RCP - Car Park	90	90	46	(45)	C	This scheme was delayed but works have now started.
Gamston Community Centre - Heating	30	0	0	0		Cabinet 10.10.17 approved slippage of the provision to 2018/19.
Warm Homes on Prescription	0	50	0	(50)	C	Better Care Funding secured
	243	399	123	(277)		
FINANCE & CORPORATE SERVICES						
NCCC Loan	1,400	1,798	976	(822)	C	The loan is being released in tranches. Balance will need to be carried forward.

Asset Investment Strategy	3,000	5,649	0	(5,649)	C	Individual schemes dealt with via investment appraisal with Bardon and Finch Close allocated above. Balance to be carried forward.
CONTINGENCY	4,400	7,447	976	(6,471)		
Contingency	190	153	0	(153)	S	Carry forward to support bowls hall floor replacement
	190	153	0	(153)		
TOTAL	15,128	22,535	9,816	(12,719)		

(12,176)	Carry Forward
(656)	Savings
114	Acceleration
<u>(12,718)</u>	