

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 2016/17, 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 prior to the 30 June deadline, enabling the formal audit process to commence on 26 June. It should be noted a draft Statement of Accounts was produced by 31 May 2017 in preparation for the legal requirement that the 2017/18 accounts have to be produced by the 31 May of each year.
- 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 £1.75m (originally planned to be £1.033m). The increase arises from revenue efficiencies throughout the year together with additional non-ring fenced grant income. 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.
- 1.4. The overall reserves position has increased by £0.675m (for both revenue and capital). Whilst the overall earmarked reserves balance is at £10.215m much of this is committed in relation to the Arena project (in relation to the New Homes Bonus Reserve). Furthermore the reserves are 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 2016/17 revenue position and efficiencies identified in **Table 1**, and approves the associated changes to the earmarked reserves as set out in paragraph 4.4 below and **Appendix B**
- b) Notes the re-profiled position on capital and approves the capital carry forwards outlined in **Appendix C**

c) Notes the update on the Cricket Club loan in section 5 of this report.

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 2016/17. The year-end Financial Statements are subject to audit by KPMG and will be considered by Council on 21 September 2017.

4.3. The overall position on the General Fund budget gives a £717k efficiency savings for the year. Table 4 in **Appendix A** details the main variances over which account for this underspend.

Table 1: Revenue Outturn Position

	Budget £'000	Actual Outturn £'000	Total Variation £'000
Communities	2,738	2,791	53
Finance & Corporate Services	3,682	5,104	1,422
Neighbourhoods	4,709	4,613	(96)
Transformation	306	192	(114)
Sub Total	11,435	12,700	1,265
Capital Accounting Reversals and other year-end technical adjustments included above*	(1,591)	(3,493)	(1,902)
Net Service Expenditure	9,844	9,207	(637)
Revenue Contribution To Capital	158	158	0
Transfer to/(from) Reserves	1,033	1,750	717
Total Net Service Expenditure	11,035	11,115	80
Grant Income (including New Homes Bonus)	(3,131)	(3,242)	(111)
Business Rates (including SBRR)	(2,072)	(2,041)	31
Council Tax	(5,753)	(5,753)	0
Collection Fund Surplus	(79)	(79)	0
Total Funding	11,035	(11,115)	(80)

* the outturn expenditure position is higher due to year end capital transactions e.g. disabled facilities grants and downward revaluations which are charged to the revenue account. Such transactions are reversed out ('Capital accounting reversals'). Table 5 in Appendix A highlights the more material transactions and the impact on the respective service areas.

Reserves

4.4 There are a number of movements in Reserves largely agreed as part of the budget setting process and budget monitoring for 2016/17. **Appendix B** highlights the movement in reserves. Some key points to note:

- There are a number of 'transfers out' or use of reserves totalling £2.148m including: £0.605m from the Organisation Stabilisation reserve and £0.419m Council Assets and Service Delivery reserve for the Arena redevelopment; £0.447 from the organisation stabilisation reserve to soften the effect of fluctuations in Business Rates; and £0.139m from the Cotgrave precinct profit reserve to fund Cotgrave Masterplan works
- There are a number of 'transfers in' totalling £2.823m that increases reserves significantly including £2.073m New Homes Bonus and the overall revenue underspend including additional non-ring fenced grants
- New Burdens Grants totalling £30k for Planning: Self-build and Brownfields Sites were received in 2016/17 and have been transferred to reserves. Plans will be drawn up to determine how and when these sums will be spent
- The New Homes Bonus (NHB) Reserve (£5.479m) is largely earmarked to fund both borrowing for the Arena and Land North of Bingham projects
- Overall whilst the overall level of Reserves is at £10.215m there are risks going forward in terms of further reductions and commitments from reserves to capital projects, including the repayment of the internal borrowing for the Arena project which is reliant on NHB funding and this is by no means a stable source of income. That said the Council is committed to growing the Borough, ensuring it maximises available opportunities.

4.5 There are three revenue budget carry forward requests as detailed in table 2 below

Table 2: Revenue Budget Carry Forward Requests

Reason for carry forward	Amount
To support Growth Board expenditure	£90,000
Match funding for an ERDF bid for IT support for business	£17,000
Bridgford Hall to be used for capital purposes	£70,000
Total (Impact on Reserves)	£177,000
Transfer to Reserves	£717,000
Net effect on Reserves	£540,000

Capital

- 4.6 The year-end Capital Programme provision totalled £26.650m (see Table 3 and **Appendix C**). Actual expenditure in relation to this provision totalled £18.364m (69%) giving rise to a variance of £8.286m. This is a significant underspend and arises primarily from a revision to the profile of the Cotgrave Regeneration and Land North of Bingham schemes. The Capital provisions for these schemes and some smaller ones are committed and a total of £8.223m is therefore required to be carried forward. There was a need to bring the sum of £317k forward from the 2017/18 Capital Programme to support the expenditure for the Arena Redevelopment project and this arose due to historic profiling of the total Arena capital provision (in other words the provision was required for 2016/17 not 2017/18). Included in the carry forward request is £100k of the £240k capital contingency underspend to provide an additional flexible resource to support the future Capital Programme. Net savings of £380k were achieved on a number of schemes as detailed in **Appendix C**.

Table 3: Summary of Capital Expenditure 2016/17

CAPITAL OUTTURN 2016-17				
EXPENDITURE SUMMARY	Current Budget	Actual	Variance	Variance %
	£000	£000	£000	
Transformation	11,034	4,894	(6,140)	(55.65)
Neighbourhoods	1,889	921	(968)	(51.24)
Communities	327	191	(136)	(41.59)
Finance & Corporate Services	13,160	12,358	(802)	(6.09)
Contingency	240	0	(240)	(100.00)
	26,650	18,364	(8,286)	(31.09)
FINANCING ANALYSIS				
Capital Receipts	(4,903)	(3,538)	1,365	(27.84)
Government Grants	(4,746)	(2,105)	2,641	(55.65)
Other Grants/Contributions	(2,293)	(1,420)	873	(38.07)
Use of Reserves	(2,527)	(1,233)	1,294	(51.21)
Internal Borrowing	(12,181)	(10,068)	2,113	(17.35)
	(26,650)	(18,364)	8,286	(31.09)
NET EXPENDITURE	-	-	-	-

- 4.7 **Appendix C** provides details of the carry forward request of £8.223m which is required to meet the Council's commitments and ambitions for future investment in the Borough.
- 4.8 **Conclusion** – The Council continues to face many significant financial challenges. The 2016/17 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 £902k being loaned at a rate of 4.31% and principal and interest repayments totalling £46k.
- 5.2. In terms of the first phase of the project, the extension of the Radcliffe Road Stand, £2.7m has been spent (8 March 2017 Report Number 6) with overall project spend anticipated to be £6.79m (anticipated £296k overspend or 4.36% variation). The Council has noted NCCC's year-end financial position (to 30 September 2016) and that there was a deficit of £721k for the year. This was less than anticipated (£1.6m deficit) given the income from one-day internationals, and additional income from the ECB. The NCCC financial position is cyclical in nature and over the medium term surpluses outweigh the deficits. For the current financial year, there was a positive total variance of £32k for February against the budgeted position.

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 (paragraphs 4.1 to 4.3), reserves (paragraphs 4.4 to 4.5), capital (paragraphs 4.6 to 4.7) and 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 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 2016/17 – Main Variances Appendix B – Movement in Reserves Appendix C – Capital Programme 2016/17 Outturn

Appendix A

Table 4: Revenue Budget 2016/17 – Significant Variances

Service Area	Description	Under () / Overspends £'000
Communities		
Development Control	Costs of planning appeals and less income than budgeted	170
Finance & Corporate Services		
EMT	Restructuring savings	(56)
Corporate Management	Travel expenses and increase in bank charges	70
Leisure Centres	Renegotiated contract costs, consultancy work and backdated NNDR costs, staff and premises cost savings	113
Investment Interest	Increase in income due to investment balances being higher than anticipated	(59)
Contingencies	Balance of contingency not drawn upon	(119)
Council Tax and Housing Benefits	Staff vacancies, increase in Housing Benefit overpayments received, increase in rent allowances and Local Council Tax Support subsidy	(327)
Transformation		
Investment properties	Additional rental income from The Point	(50)
Land Holdings	Underspend on Bridgford Hall	(70)
Economic Development	Income from Scotland Bank properties and underspends on legal and professional costs	(221)
Grant Income		
Section 31 Grants	Additional grants including New Burdens and Transitional grant	(111)

Table 5: Year-end capital variance impact on revenue

Service Area	Description	£'000
Communities		
Partnership Grants	Capital Partnership Grants	191
Finance & Corporate Services		
Rushcliffe Arena	Revaluation Loss	1,301
Rushcliffe Arena	S106 contribution for transport junction improvements	98
Bingham Leisure Centre	Contribution towards the All-Terrain Pitch enhancements	205
Neighbourhoods		
Housing	Schemes delivered under the Better Care Funding, for example, Disabled Facilities Grants	534
Transformation		
Economic Development	Broadband contribution	83
Cotgrave Regeneration	Contribution to Metropolitan for final Scotland Bank acquisition	126

Movement in Reserves	Balance at 1 April 2016	Transfers In	Transfers Out	Balance at 31 March 2017	'Transfers In' Notes	'Transfers Out' Notes
	£000	£000	£000	£000		
Investment Reserves						
Regeneration and Community Projects	1,297	188	0	1,485	£30k surplus from The Point, £158k for Special Expense Annuity	
Cotgrave Regeneration Project	300	139	(139)	300	Income received from Metropolitan	Financing of Cotgrave Masterplan
Council Assets and Service Delivery	693	0	(419)	274		Financing of the Arena
Local Area Agreement	142	0	(20)	122		Financing of Community Partnership Grant
New Homes Bonus	3,426	2,073	(20)	5,479	Grant received in year	Member Grants
Invest to Save	150	0	0	150		
Corporate Reserves						
Organisational Stabilisation Reserve	2,449	396	(1,445)	1,400	S31 grants and overall revenue underspend	Agreed transfers as part of 2016/17 budget
Risk and Insurance	100	0	0	100		
Planning Appeals	349	0	0	349		
Elections	153	0	0	153		
Operating Reserves						
Planning	187	0	0	187		
Leisure Centre Maintenance	139	27	(50)	116	To increase reserve	Towards the All-terrain pitch at Bingham LC
Lottery	55	0	(55)	0		Released to revenue
Planned Maintenance	100	0	0	100		
Total	9,540	2,823	(2,148)	10,215		

Capital Programme 2016/17 – Outturn

CAPITAL OUTTURN 2016-17								
	Current Budget	Actual	Variance	Carry Forward	Acceleration	Overspend (Saving)	TOTAL	Reasons for Variances
	£000	£000	£'000	£'000	£'000	£'000	£'000	
TRANSFORMATION								
Cotgrave Masterplan and Multi Service Centre	2,913	1,217	(1,696)	(1,696)			(1,696)	Scheme rephased due for completion 2017/18
Land North of Bingham	2,800	213	(2,587)	(2,587)			(2,587)	Land acquired, works will commence in 2017/18
Eaton Place Toilet Improvements	33	23	(10)			(10)	(10)	Scheme complete
Colliers Way Industrial Units	20		(20)	(20)			(20)	Slippage of the scheme to 2017/18
Cotgrave Employment Land	2,642	1,165	(1,477)	(1,477)			(1,477)	Scheme rephased due for completion 2017/18
Bridgford Hall Refurbishment	2,192	2,057	(135)	(135)			(135)	Practical completion will take place early in the new year. Associated minor works still to be undertaken.
Civic Centre Enhancements - General	50		(50)			(50)	(50)	No schemes have been identified and the building sold.
Nottinghamshire Broadband	83	83	0				0	Final tranche of contribution released
IS Strategy	301	136	(165)	(165)			(165)	Carry forward to meet outstanding commitments and associated staff costs
	11,034	4,894	(6,140)	(6,080)	0	(60)	(6,140)	
NEIGHBOURHOODS								
Support for Registered Housing Providers	659	0	(659)	(659)			(659)	No schemes have been identified. Provision to be carried forward to future years
Wheeled Bins Acquisition	60	61	1			1	1	Minor overspend
Disabled Facilities Grants	475	506	31			31	31	Overspend to be covered from provision made for Discretionary Top ups
Discretionary Top Ups	130	2	(128)	(54)		(74)	(128)	Carry forward request for BCF supported underspend, remainder to be returned to contingency.
Handyperson Adaptation Service	0	14	14			14	14	To be met from the BCF provision made for Discretionary Top ups
Assistive Technology	12	12	0				0	Acquisition of units complete
Vehicle Replacement	553	326	(227)	(220)		(7)	(227)	Carry forward to support the vehicle replacement programme in 2017/18
	1,889	921	(968)	(933)	0	(35)	(968)	

CAPITAL OUTTURN 2016-17								
	Current Budget	Actual	Variance	Carry Forward	Acceleration	Overspend (Saving)	TOTAL	Reasons for Variances
	£000	£000	£'000	£'000	£'000	£'000	£'000	
COMMUNITIES								
Community Partnership Reward Grants	25	25	0				0	Final grant released
Nottinghamshire Cricket Club - Grant	90	90	0				0	Fourth and final tranche of loan to grant conversion
Capital Grant Funding	128	76	(52)	(52)			(52)	Carry forward to meet outstanding grant commitments
Play Areas/Special Expense	50	0	(50)	(50)			(50)	Carry forward required to support works to be commissioned in 2017/18
West Park Fencing and Drainage	34	0	(34)	(34)			(34)	Delay in availability of contractor. Works to be carried out early in 2017/18
	327	191	(136)	(136)	0	0	(136)	
FINANCE & CORPORATE SERVICES								
Car Park Pay and Display Machines	60	10	(50)	(50)			(50)	Issues with the ticket machines to be resolved in 2017/18
BLC Artificial Turf Pitch	215	205	(10)	(10)			(10)	Works complete, minor carry forward to meet any arising final costs.
Rushcliffe School Contribution	90		(90)			(90)	(90)	A contribution for the car park was made from the revenue budget. This sum no longer required.
Arena Car Park Improvements	55	0	(55)			(55)	(55)	New provision in 2017/18 programme, this is no longer required.
Arena Development	10,865	11,182	317		317		317	New building operational. Associated works still to be completed. Variance will be covered by accelerating part of the 2017/18 budget provision.
NCCC loan 2015-16	1,300	902	(398)	(398)			(398)	Loan drawn down at a slower rate than expected.
EGC Upgrade Facilities	75	59	(16)	(16)			(16)	Phase I works complete, Phase II to be carried out in 2017/18.
Asset Investment Strategy	500		(500)	(500)			(500)	No projects have been identified, provision to be carried forward to meet emerging opportunities.
	13,160	12,358	(802)	(974)	317	(145)	(802)	
CONTINGENCY								
Contingency	240	0	(240)	(100)		(140)	(240)	Carry forward to support upgrade of RCCC.
	240	0	(240)	(100)	0	(140)	(240)	
TOTAL	26,650	18,364	(8,286)	(8,223)	317	(380)	(8,286)	