

Report Title:	Financial Update
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance
Meeting and Date:	Cabinet – 25 March 2018
Responsible Officer(s):	Russell O’Keefe, Executive Director, Rob Stubbs, Deputy Director and Head of Finance.
Wards affected:	All

REPORT SUMMARY

1. This report sets out the Council’s financial performance to date in 2017-18. The projected over spend is £543,000, see Appendix A, summarised in section 4.
2. An in-year mitigation exercise was undertaken prior to September Cabinet and £1,290,000 of savings were identified. These savings continue to offset the pressures in all directorates.
3. A significant adjustment to the Council’s net business rate income has been made by the Ministry of Housing, Communities and Local Government as detailed in paragraph 4.6.
4. A £120,000 grant has been received from the Department for Transport for pothole repairs, further details in paragraph 4.13.
5. The Council remains in a strong financial position; with General Fund Reserves of £7,243,000 (8.19% of budget) in excess of the £5,780,000 (6.54% of budget) recommended minimum level set at Council in February 2017.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet:

- i) **Notes the Council’s projected outturn position for 2017-18 and mitigating actions to address service pressures.**
- ii) **Notes the adjustments to 2017-18 business rate income following the release of revised data by the Valuation Office Agency. Details in paragraph 4.6.**
- iii) **Approves a £120,000 Department for Transport funded capital budget for Pothole repairs. Details in paragraph 4.13.**

2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 Cabinet are required to note the council’s financial position particularly the change in net business rate income and approve capital spend on potholes. The pothole income and business rate change were not anticipated when the annual budget was approved in February 2017.

3 KEY IMPLICATIONS

- 3.1 The Council is projecting a General Fund Reserve of £7,243,000. The 2017-18 budget report recommended a minimal reserve level of £5,780,000 to cover known risks for 18 months.

Table 1: Key implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
General Fund Reserves Achieved	<£5,800,000	£5,800,000 to £6,000,000	£6,000,001 to £6,500,000	> £6,500,000	31 May 2018

4 FINANCIAL DETAILS / VALUE FOR MONEY

Managing Director's Directorate

- 4.1 The Managing Director reports a projected outturn figure for 2017-18 of £62,654,000 against a net controllable budget of £62,747,000, showing an underspend of £93,000. There are no changes to the variance reported this month.

Desborough College

- 4.2 Desborough College will become a standalone Academy Trust following the demise of TEFT (The Education Fellowship Trust) and that work is now underway to make sure the school is suitably resourced to provide a good education.
- 4.3 The outstanding debt of £134,000, held on the Council's Balance Sheet, will be repaid in full to us by the Department for Education (DfE). The debt had not been written off to the DSG, as it was expected to be paid either by TEFT or the DfE. The projected in-year deficit on the DSG is therefore unaffected by the repayment.

Communities Directorate

- 4.4 The Executive Director maintains the overspend projection of £817,000 on the Communities directorate's 2017-18 approved estimate of £14,859,000. There are no changes to report this month.

Place Directorate

- 4.5 The Executive Director projects an underspend of £82,000 on the Place directorate's 2017-18 approved estimate of £2,921,000. The improvement of £32,000 since last month comes from back rent from a commercial property, after a positive rent review.

Business Rate income adjustment

- 4.6 The Valuation Office Agency recently announced revised data which prompted the Ministry of Housing, Communities and Local Government (MHCLG) to revise business rate tariffs and top ups for Local Authorities. The Council budgeted to pay a tariff of £30,385,000 to MHCLG as required in the final settlement for 2017-18. The tariff has now been reduced by £1,622,000.
- 4.7 Other business rate changes were announced in respect of S31 grant which the Council receives from MHCLG and a resultant change in the Levy which the Council pays. A summary of the changes are presented in the table 2 below.

- 4.8 The net result is a substantial and very welcome improvement of £1,522,000 over our budgeted business rate income. The increase is shown in Appendix A along with a transfer of the amount to the Capital Fund. The Capital Fund can be used to fund short life assets in the capital program and one off costs in the General Fund.

Table 2: Adjustments to Business Rate income

Estimated change to 2017-18 Levy	£35,000
Adjustment to 2017-18 Tariff	£1,622,000
Adjustment to 2017-18 S31 Grant	£364,000
Total changes from MHCLG	2,021,000
Net estimated adjustment following NNDR3*	(£500,000)
Total transfer to the Capital Fund	£1,521,000

* The NNDR 3 is a year-end reconciliation return which is used to confirm actual business rate figures rather than budgeted. It is anticipated that some of the S31 grant that we have been paid may have to be returned when the return is completed in late April. A provision of £500,000 has therefore been shown in the above table.

Revenue budget movement

- 4.9 Revenue budget movements this month are set out in table 3, and the full year movement is detailed in Appendix C.

Table 3: Revenue budget movement

Service expenditure budget reported to January	£80,457,000
Severance Payments	£64,000
Empty homes action plan	£6,000
Service expenditure budget this month	£80,527,000

Cash balances projection

- 4.10 Throughout the year the council's cash balances have been revised, Appendix D sets out the Borough's cash balance which is based on the assumptions contained in the 2017-18 budget report.

Table 4: New borrowing reconciliation

Potential new borrowing as reported to Cabinet in February 2017	£72,999,000
New Projects Approved in 2017-18	£6,695,000
Reprofile projects approved in 2017-18 and prior years	(£19,289,000)
Reprofile projects forecast in 2017-18	(£45,490,000)
Increase (Decrease) projects approved in 2017-18 and prior years or forecast in 2017-18	£4,216,000
Remove deduction of capital funded from revenue*	£2,191,000
Current estimate of potential new borrowing	£21,322,000

* An amount charged to revenue each year to part fund capital expenditure ceased in 2017-18. However, the amount due to be charged in 2017-18 continued to be deducted from the forecast borrowing requirement and is being added back above.

- 4.11 The projected borrowing estimate of £21,322,000 has not changed since the last reporting period.

Capital programme

- 4.12 The approved 2017-18 capital estimate is £81,041,000, see table 5. The projected outturn for the financial year is £54,184,000. Further information on key capital schemes has been provided in appendices E - G.

Table 5 Capital outturn

	Exp	Inc	Net
Approved estimate	£81,041,000	(£30,509,000)	£50,532,000
Variances identified	(£1,039,000)	£149,000	(£890,000)
Slippage to 2018-19	(£25,818,000)	£6,529,000	(£19,289,000)
Projected Outturn 2017-18	£54,184,000	(£23,831,000)	£30,353,000

Table 6: Capital programme status

	Report Cabinet March 2018
Number of schemes in programme	302
Yet to Start	29%
In Progress	41%
Completed	15%
Ongoing Programmes e.g. Disabled Facilities Grant	15%
Devolved Formula Capital Grant schemes budgets devolved to schools	0%

Pothole Action Fund - £120,000

- 4.13 The Department for Transport have announced that RBWM will be granted an additional £120,000 from the Pothole Action fund, for pothole repairs around the Borough. Approval is requested to add this budget to the 2017-18 capital programme.

Business rates

- 4.14 Business rate income at the end of January was 92.29% against a target of 91.8%. The annual collection target is 98.8%.
- 4.15 The council has undertaken a range of actions on the three new types of business rate relief announced see points 4.17 – 4.24.
- 4.16 **New Business Rate Relief for Pubs:** Eighty nine public houses that fit within the guidelines provided by DCLG were identified. An application form was designed and issued on 21 July 2017, inviting pubs to confirm their eligibility for this assistance i.e. essentially that they are not disqualified on the grounds of State Aid. By 23 January 2018, fifty six applications have been received. Eligible pubs will receive a £1,000 relief.
- 4.17 **New Discretionary Relief Scheme:** Eight hundred and seventy potential ratepayers were identified and issued with a claim form w/c 28th August. As at 12 February 2018 thirty six applications have been submitted. Twenty four of these have been received with sufficient supporting evidence to make an award e.g. accounts or estimates of annual income/expenditure, a history of the business, details of the amount of assistance requested etc. This has resulted in relief of £239,356 being awarded. Requests for the missing evidence/information have been made to the remaining applicants.

- 4.18 **Supporting Small Businesses:** Thirty four potential ratepayers have been identified and were issued with an application on 5 December 2017. As at 12 February 2018 ten applications had been returned. Seven ratepayers have been awarded relief and a further three applications are awaiting assessment.
- 4.19 **Business Rate Revaluation Support.** Following Cabinet on 22nd February, each Councillor has been provided with a list of businesses in their ward who may be eligible to receive a share of the £678,000 Government Funded Revaluation Support to assist with their Business Rates bills for 2017-18. Councillors have been asked by Cllr Rankin, to make contact with each business and encourage them to apply for support prior to the end of March when unspent monies must be returned to the Ministry of Housing, Communities and Local Government. Currently, £275,915.75 has been awarded leaving £402,084.25 available.
- 4.20 If this approach does not prove successful, assuming that the Royal Borough does not wish to return any unspent sums, an alternative approach would be to award all those businesses potentially entitled a flat % against their bill, based on the funding which remains available.
- 4.21 There are 2 options to be considered, if this approach is to be adopted, as the Business Rate team currently have 13 applications which have been made for this relief but the required evidence i.e. bank statement and accounts have not been supplied. These applications date from August 2017, when applications were first invited, through to February. The Business Rates team have contacted all applicants to chase for evidence and this may be received at some point. The 2 options are outlined below.

Option A.

- This would see the full sums requested by the 13 applicants who have returned their form awarded on the basis that they have actually returned something despite it not being the full set of documents required.
- A further £68,451.92 would therefore be added to the spend.
- Total spend would then be £344,367.67.
- Remaining unspent sums £333,632.33.
- Taking into account the 2017-18 Business Rates charges for the remaining businesses who could potentially qualify, this would see a flat rate award of 3.7075194%

Option B.

- If the 13 applications are not taken into account and no award is made to them, the % increases to 4.3035101% for all potential ratepayers.
- 4.22 If a flat rate % is awarded, the Royal Borough would still need to write to each of the ratepayers and advise them that the onus is on them, having received the Business Rate Relief to confirm that they do not fall foul of State Aid Rules. This would preclude them receiving any financial assistance where they have received more than 200,000 Euros in any rolling 3 year period.

- 4.23 The calculations above also come with the caveat that, where the Business Rates have changed e.g. if the ratepayer has won an appeal or vacated the premises, then the percentage awarded may change slightly.

5 LEGAL IMPLICATIONS

- 5.1 In producing and reviewing this report the Council is meeting its legal obligations to monitor its financial position.

6 RISK MANAGEMENT

Table 6: Impact of risk and mitigation

Risks	Uncontrolled Risk	Controls	Controlled Risk
None			

7 POTENTIAL IMPACTS

- 7.1 None.

8 CONSULTATION

- 8.1 Overview & Scrutiny meetings are scheduled prior to this Cabinet. Any comments from those meetings will be reported verbally to Cabinet.

9 TIMETABLE FOR IMPLEMENTATION

- 9.1 Implementation date if not called in: Immediately.

10 APPENDICES

- 10.1 There are seven appendices attached to this report:

- Appendix A Revenue budget summary
- Appendix B Development fund analysis
- Appendix C Revenue movement statement
- Appendix D Cash flow projection
- Appendix E Capital budget summary
- Appendix F Capital variances
- Appendix G Key capital scheme performance

11 BACKGROUND DOCUMENTS

- 11.1 Background documents relating to this report are detailed below.
- Budget Report to Cabinet February 2017.

12 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Cllr Rankin	Deputy Lead Member for Finance		
Alison Alexander	Managing Director	15/2/18	16/2/18
Russell O'Keefe	Executive Director		
Andy Jeffs	Executive Director	15/2/18	16/2/18

REPORT HISTORY

Decision type: For information	Urgency item? No
Report Author: Rob Stubbs, Deputy Director and Head of Finance, 01628 796222	