

BRECKLAND COUNCIL

**PROFORMA FOR EXECUTIVE MEMBER APPROVAL OF THE RELEASE OF
RESOURCES
(CAPITAL AND REVENUE BUDGETS)**

FROM: Mandy Ashton (Senior Accountant Revenue & Projects)

THIS PROFORMA PROVIDES THE FINANCIAL IMPLICATIONS
IN RESPECT OF THE ATTACHED REPORT

REPORT: **Variation to Environmental Services (Serco) contract to allow
payments in advance**

REPORT DATE: **19th October 2010**

**Discount to the GASC payment offered by SERCO – values based on GASC
payment for 2010/11**

	Option 1 – Invoice paid one month in advance (0.33%)	Option 2 – Invoice paid two months in advance (0.66%)	Option 3 – Invoice paid three months in advance (1.00%)
	£	£	£
Annual GASC payment	3,921,370	3,921,370	3,921,370
Revised GASC payment	3,908,430	3,895,490	3,882,160
Annual discount	(12,940)	(25,880)	(39,210)
Loss of interest for payment(s) made in advance	200	400	600
Total Revenue Saving Year 1	(12,740)	(25,480)	(38,610)

Considered by:

Exec Board
Cabinet

Date:

04/10/10
19/10/10

Financial Services Comments

The table above shows calculations based on the forecast GASC payment for 2010/11. Lost interest is calculated at a rate of return of 0.5% and average payment days of 15 days from receipt of invoice. If interest rates increase each option could reach a break even point for lost interest against the discount received. This will be at around 4%, which is broadly equivalent to the Bank Base Rate in "normal" market conditions.

This PB is valid for 3 months from PB date	If this PB is no longer required please advise Finance	If there are changes to the original report it may invalidate this document, it must be reviewed by Finance.
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Each option generates an efficiency saving for the Council, but as the efficiency grows, with each option the risks increase.

Risk

The Performance Payment Mechanism (PPM) element of the Gross Annual Service Charge (GASC) is not included in the discount calculation, this means should non-delivery of service occur the Council can still withhold payment of this element of the GASC.

Recent events in Norwich indicate that even well established companies are not immune from the current economic climate.

Value for Money Efficiencies

See above table, no further value for money efficiencies have been identified.

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