

Breckland Council

Financial report for the quarter ending 30 June 2015

This report has three sections

- Section 1 – Revenue budget
- Section 2 – Capital budget
- Section 3 – Treasury update

Section 1 - Revenue

Table 1a – Forecast Comprehensive Financial Picture

	Budget £'000	Forecast Out-turn £'000	Forecast Variance £'000
Gross Spend	65,846	67,175	1,329
Gross Income	(65,846)	(67,097)	(1,251)
Net position	-	78	78

Table 1b – Forecast Revenue Outturn

	Budget £'000	Forecast Out-turn £'000	Forecast Variance £'000
Cost of Services			
Strategy & Governance	4,330	4,430	100
Commercialisation	2,639	2,616	(23)
Place	5,352	5,279	(73)
Housing Benefits	(40)	(40)	-
Contributions to/from reserves	(222)	(110)	112
Appropriations	609	532	(77)
Total Cost of Services	12,668	12,707	39
Funding			
Government grants	(6,129)	(6,087)	42
Council Tax	(2,971)	(2,971)	-
Retained NNDR	(3,568)	(3,571)	(3)
Total Funding	(12,668)	(12,629)	39
Contribution (to)/from the General Fund	-	78	78

Significant variances are detailed over the page.

Salaries

The budgeted vacancy factor for 2015-16 is 2%. The achieved vacancy factor is 8.7% generating a below budget spend, however to date the majority of this has been utilised for additional staff or interim costs resulting from staff changes around the management restructure.

Table 2 - Significant Variances

Cost Centre	Expenditure (Under)/ Over Budget £	Income (Over)/ Under Budget £	Total (Over)/ Under Budget £	Comments
High Impact				
Garden Waste Scheme	(119,714)	72,355	(47,359)	Below budget spend resulting from a trigger point for an additional vehicle not being reached as expected to date (this is partially offset by a reduced contribution from reserve of £60k). However the income is also below budget as the targeted garden waste scheme growth (subscriptions & tonnages) predicted in last years' business case has not materialised. Extensive marketing is in force to try to address this, but it is unlikely that the budgeted income levels will be met this year. The business case is being reviewed to determine the best way forward to maximise the income or reduce the costs.
BTS	14,271	12,445	26,716	The additional spend relates to costs of an event which does not take place until later in the year & should be fully offset by income by the end of Q3. The forecast full year income position has been reviewed and future contracts should deliver income to bring the service costs & income within budget.
High Opportunity				
Appropriations	-	(76,792)	(76,792)	This is Breckland's share of the additional renewable energy NNDR income received in 2014-15 as a result of solar farms in the area, recognised in this financial year due to the accounting rules. This will be ongoing in future years and will be incorporated into the budgets moving forward.
Commercial Property	4,448	(55,307)	(50,859)	Additional income & reduced rates costs resulting from increased occupancy which has not been included in future budgets & the MTFP to date. There is a risk of reduced income from a tenant which could result in below budget income overall.
Building Control	-	(14,076)	(14,076)	Additional building control fee income resulting from a quicker than expected upturn in the construction market and some cross boundary working which Capita are carrying out.
One Offs				
Efficiencies	42,551	-	42,551	Additional budget pressures to date which will be offset by savings achieved during this financial year.
Government Grants		38,916	38,916	Below budget income to date from Government grants, however we are still awaiting payment schedules for some income streams so this is likely to be a profiling issue.
ICT	33,553	(1,358)	32,195	Additional costs relating to Gov Delivery subscription and NCC shared services. No information has been received relating to the shared services finances for 15-16 to date, so this position is not yet known, however the costs should be in line with budget by the end of the year.

Cost Centre	Expenditure (Under)/ Over Budget £	Income (Over)/ Under Budget £	Total (Over)/ Under Budget £	Comments
Performance	23,579	-	23,579	Additional costs resulting from transition of minor restructure within the team.
HR	26,155	(2,839)	23,316	Additional costs relating to temporary cover for the vacant Head of Service post.
Low Impact				
ARP Direct Budgets	-	(55,766)	(55,766)	Unbudgeted Government grants have been received for various initiatives. The partnership is currently working on plans for the most beneficial spend for these grants overall and they should be fully spent by the end of the year.
Community Development – Communities Reserve Projects	(51,800)	-	(51,800)	Below budget spend on initiatives funded from the Communities projects reserve (this is offset by a corresponding above budget spend within reserves)
Elections	16,777	(33,497)	(16,720)	Additional costs are offset by income & final elections costs are still being received
Strategic Housing	23,721	(25,990)	(2,269)	Above budget spend on additional staff for interim management and additional Choice Based Lettings (CBL) system costs. A new system should be in place later this financial year. Above budget income relates to CBL but this may be due to profiling and is being investigated.
LEGE Project	275,803	(275,295)	508	Spend is offset by income
Corporate Management	41,060	(38,834)	2,226	Breckland led costs in various areas which are offset by income recharged to South Holland
Thetford growth point	1,090,327	(1,080,822)	9,505	Expenditure incurred is primarily for the town centre improvement project. This is drawn down from external funding with a corresponding entry under income, which offsets the expenditure. A small timing delay this quarter is showing an above budget spend, but this should be a nil variance by the end of the financial year.
Other miscellaneous	(21,889)	34,649	12,760	Other small value variances.
Pension Act	33,716	-	33,716	Any additional costs will be recharged by the end of the year to give a nil variance overall.
Economic Development	(35,852)	71,310	35,458	A service review is under way and the approved change will be incorporated in the budget moving forward.
Contributions to/from reserves	(68,120)	180,299	112,179	Below budget contributions from reserves which offset below budget spend elsewhere within the report. This shows the requirement to draw on reserves is lower than planned.
TOTAL	1,328,586	(1,250,602)	77,984	Year end forecast cost against budget

Table 3 - Collection Funds

Council Tax	Budget	Actuals	Variance
Council Tax Base	39,654	40,263	609
Council Tax Collection Rate	98.56%	To follow Q2	-

The Council Tax collection fund account has a surplus of £2.8m overall at 1 April 2015, with Breckland's share being £272k. This surplus will be recognised in the 2016-17 budget adjusted with a mid year forecast for the current year. This surplus is due to a higher tax base than budgeted which has arisen from additional properties and also reduced levels of localised council tax support. The additional properties should also bring extra income next year in the form of New Homes Bonus income.

Retained NNDR	Budget £'000	Actuals £'000	Variance £'000
Net retained NNDR income	(4,252)	(4,228)	24
Renewable Energy income retained directly	(104)	(181)	(77)

The retained NNDR collection fund account has a deficit of £609k overall at 1 April 2015, with Breckland's share being £244k. This deficit was mainly due to additional appeals made in the last quarter of 14-15. The current year is currently forecasting close to budget at this stage. The additional renewable energy income will be recognised in the next financial year.

Table 4 - Virement Decisions Required

The following budget amendments are recommended to Full Council.

Additional Income Allocation Approvals:	£
Second homes grant income	(29,602)
Pride grants	29,602
NCC contribution to light dragoons parade	(4,000)
Light dragoons parade	4,000
Court income for legal fees in food H&S case	(8,000)
Legal fees for food H&S case	3,000
Overtime for food H&S	5,000
Additional interest income	(26,827)
Additional loan income	(7,505)
Additional card payment fees due to change in card billing methodology	11,000
Contribution to efficiencies	23,332

Other Risks

The following areas are risks which the Council is facing, but the actual financial implications have not yet been quantified:

- Public lighting costs are recharged to some of the towns through a special expense. The 14-15 out-turn and forecast 15-16 costs are higher than the amount we are able to recover through the special expenses for those years as they are subject to the Council Tax capping rules. This will leave a deficit balance which may be recoverable in future years if capping levels change or costs for those towns reduce. There are on-going discussions with all relevant parties, including Norfolk County Council and the relevant towns to see what action can be taken to deliver a more sustainable service
- Income relating to the new MRF waste contract may be lower than budgeted, however this is dependent on contamination levels and commodity values and will be reported further as the year progresses.

Actions/Decisions

- None

Section 2 - Capital

Table 1 - Progress against 15-16 approved capital programme

	Budget 2015-16 £	Forecast Out-turn £	Forecast (under)/overspend £
Commercialisation			
Property (Land & Buildings)	6,473,468	6,473,468	-
ICT & Organisational Change	172,710	172,710	-
Grants	246,211	246,211	-
Not yet released	654,000	654,000	-
Total Commercialisation	7,546,389	7,546,389	-
Strategy & Governance			
ICT & Organisational Change	831,865	831,865	-
Not yet released	236,540	236,540	-
Total Strategy & Governance	1,068,405	1,068,405	-
Place			
Grants	1,334,724	1,334,724	-
Not yet released	1,428,788	1,428,788	-
Total Place	2,763,512	2,763,512	-
TOTAL	11,378,307	11,378,307	-

Forecast outturn £11,378,307 or 100%

Table 2 - The variance is shown below:

Project	(under)/ over spend £	Carry over to 2015-16 £	
<p>At this time budget holders are all predicting a full year spend equal to budget. This is unlikely to be the final position at the end of the year, particularly as there are still £2.3m of projects where funding has not yet been released and no spend has yet taken place. As the year moves on and projects progress the expected out-turn will be updated for all expected changes and requests to carry funding forwards (if applicable).</p>			
Total	-	-	

Virements this qtr:

- £75,400 for a land acquisition vired from a commercial property acquisition no longer proceeding

Risks:

- The funding for Disabled Facilities Grants (DFG) is now received from the "Better Care Fund" and for 15-16 is £55k less than budgeted. In addition future years allocations are not certain, but have been budgeted at the estimated 15-16 level which is already below budget.

Actions/Decisions

- None

Section 3 – Treasury

Security

The low actual risk for the Council's portfolio of investments reflects its cautious approach to counterparty selection which in turn is reflected in low investment returns.

	Maximum risk level	Actual risk level	Variance
Investments maturing in < 1 year	0.060%	0.012%	0.048%
Investments maturing between 1 - 2 years	0.060%	n/a	-
Investments maturing between 2 - 3 years	0.080%	n/a	-

Liquidity

The Council had an average of £30.1m instant access cash available during the reporting period. This is in excess of the working capital sum required but reflects the instant access nature of deposits in money market funds and the relative weakness of counterparty ratings not allowing longer term deposits. The council did not use its overdraft facility in this reporting period.

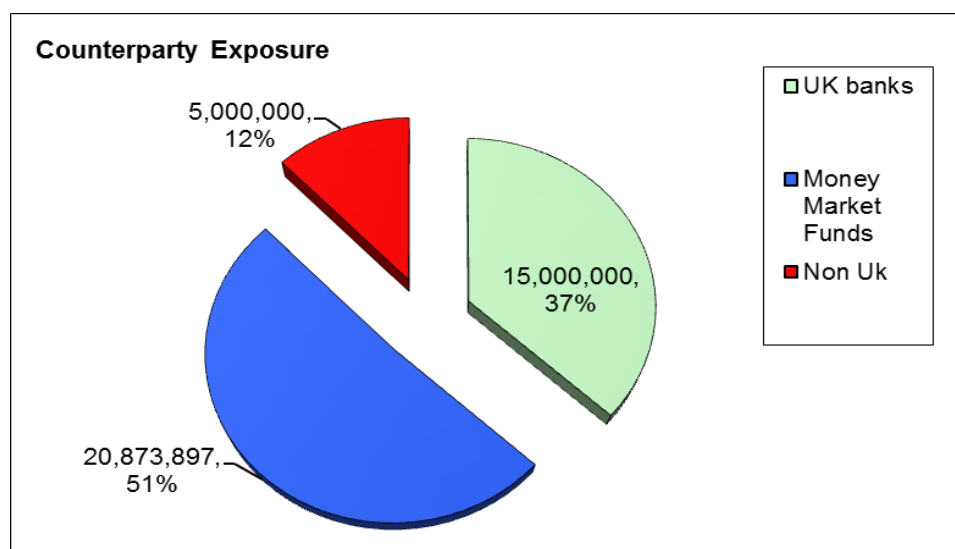
Yield

	Budget	Out-turn	Variance
Interest receivable 2015-16	£179,030	£205,860	(£26,830)
Yield (3 month LIBID ¹)	0.445%	0.520%	(0.075%)

The yield is also compared to the previous years performance:

	2014-15	2015-16	Variance
Interest receivable	£217,895	£205,860	£12,035
Yield	0.506%	0.520%	(0.014%)

The rate of return is 2.8% higher in 2015-16 compared to 2014-15 and whilst our counterparty list remains small for the size of deposit our policy allows, we continue to explore other options in order to achieve higher returns on the cash held. Money Market Funds (MMFs) continue to allow us to spread risk over separate institutions as each MMF has its own credit rating.



Because of the limited counterparty list – 51% of investments are held with MMFs.

The highest earning MMF is 0.46% (as at 30/06/2015)

Actions/Decisions required

None

¹ LIBID – London Inter-bank Bid Rate