

Breckland Council

Financial report for the quarter ending 30 September 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
1) Gross Spend	65,027	66,245	1,218
2) Gross Income	(65,027)	(66,401)	(1,374)
3) Net position	-	(156)	(156)

Table 1b – Forecast Revenue Outturn

	Budget £'000	Forecast Out-turn £'000	Forecast Variance £'000
Cost of Services			
1) Strategy & Governance	4,312	4,466	154
2) Commercialisation	1,858	1,450	(408)
3) Place	5,889	5,975	86
4) Housing Benefits	(141)	(141)	-
5) Contributions to/from reserves	141	236	95
6) Appropriations	610	533	(77)
7) Total Cost of Services	12,669	12,519	(150)
Funding			
8) Government grants	(6,129)	(6,127)	2
9) Council Tax	(2,971)	(2,979)	(8)
10) Retained NNDR	(3,569)	(3,569)	-
11) Total Funding	(12,669)	(12,675)	(6)
Contribution (to)/from the General Fund	-	(156)	(156)

Significant variances are detailed over the page.

Salaries

The budgeted vacancy factor for 2015-16 is 2%. The achieved vacancy factor is 4.7% to date. The vacancy factor has been increased to 4% in future years budgets as a result of the recurring savings review.

Table 2 - Significant Variances

Cost Centre	Expenditure (Under)/ Over Budget £	Income (Over)/ Under Budget £	Total (Over)/ Under Budget £	Comments
1) High Impact				
1a) Garden Waste Scheme	-	96,314	96,314	Below budget income resulting from the targeted garden waste scheme growth (subscriptions & tonnages) predicted in last years' business case not meeting budgeted growth assumptions. 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.
1b) Waste Collection	2,565	69,322	71,887	The forecast income share from the new Materials Recycling Facility (MRF) agreement is lower than budget assumptions. Negotiations with the provider are being undertaken jointly by all Norfolk authorities involved in the agreement.
2) High Opportunity				
2a) Efficiencies	(319,828)	-	(319,828)	This shows the net effect of efficiencies and pressures identified in year following the recurring savings review and these have been included in future years budgets where they are on-going (i.e. planning income, treasury interest, commercial property income, etc)
2b) 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 on-going in future years and will be incorporated into the budgets moving forward.
2c) Commercial Property	-	(71,701)	(71,701)	Additional income & reduced rates costs resulting from increased occupancy which has been partly included in future budgets. There is a risk of reduced income from a tenant which could result in below budget income overall.
3) One Offs				
3a) HR	46,335	(7,705)	38,630	Additional costs relating to temporary cover for the vacant Head of Service post and one off costs of consultancy fees.
3b) Pension Act	53,824	(9,801)	44,023	Additional costs payable to the Pension fund resulting from transition of minor restructure within the team.
4) Low Impact				
4a) Forward Planning	(94,130)	4,339	(89,791)	Under spend within salaries resulting from a vacancy and an underspend on CIL works which is offset by no contribution from reserve
4b) Other miscellaneous	48,675	5,584	54,259	Other small value variances.
4c) ARP Direct Budgets	330,983	(330,983)	-	Grant income received in year which is forecast to be fully spent on the initiatives the grant relates to

Cost Centre	Expenditure (Under)/ Over Budget £	Income (Over)/ Under Budget £	Total (Over)/ Under Budget £	Comments
4d) Thetford growth point	1,288,816	(1,287,447)	1,369	Expenditure incurred is drawn down from external funding with a corresponding entry under income, which offsets the expenditure. A small timing delay this quarter is showing a minor above budget spend, but this should be a nil variance by the end of the financial year.
4e) Contributions to/from reserves	(139,670)	235,093	95,423	Contributions to and from reserves which offset below budget spend elsewhere within the report. This shows the requirement to draw on reserves is lower than planned.
5) TOTAL	1,217,570	(1,373,777)	(156,207)	Year end forecast cost against budget

Table 3 - Collection Funds

Council Tax

The Council Tax collection fund account has a surplus of £2.8m overall at 1 April 2015, with Breckland's share being £272k. The current year is also forecasting a surplus of £1.9m with Breckland's share being £185k. These surpluses will be recognised in the 2016-17 budget as a one off income in that 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. Future years budgets for tax base and collection rate will be increased accordingly.

Retained NNDR

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 and will be recognised in 2016-17 adjusted for the current year forecast once finalised in Q3. The current year is forecasting close to budget at this stage, but may be affected by appeals from GP surgeries following a legal ruling earlier this year. We are forecasting additional renewable energy income which will also be recognised in the next financial year.

Table 4 - Virement Decisions Required

The following budget amendments are recommended for approval.

Additional Income Allocation Approvals:	£
Additional income received in the current year (offsets spend)	(16,000)
Increased Choice Based Letting spend (funded from additional income)	16,000
New burdens grant from DCLG – Tinklers land searches claim	(37,386)
Additional interest income forecast	(14,143)
Additional planning income (including major planning applications)	(151,321)
Additional cost of major planning applications (offset by income)	24,682
Contribution to efficiencies	178,168

An amount allocated in the waste reserve for a new vehicle trigger point in the Serco contract is being utilised during 2015-16, no approval is required for this virement, but it is noted here for information.

Other Risks

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

- Footway 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

- That the revenue virements in table 4 above be approved

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)	7,047,162	5,443,182	(1,603,980)
ICT & Organisational Change	202,910	202,910	-
Total Commercialisation	7,250,072	5,646,092	(1,603,980)
Strategy & Governance			
ICT & Organisational Change	856,865	781,162	(75,703)
Not yet released	211,540	211,540	-
Total Strategy & Governance	1,068,405	992,702	(75,703)
Place			
Property (Land & Buildings)	248,291	245,291	(3,000)
Grants	1,620,936	1,620,936	-
Not yet released	2,042,788	432,423	(1,610,365)
Total Place	3,912,015	2,298,650	(1,613,365)
TOTAL	12,230,492	8,937,444	(3,293,048)

Forecast outturn £8,937,444 or 73%

Table 2 - The variance is shown below:

Project	(under)/ over spend £	Carry over to 2015-16 £	
Commercialisation			
Riverside		(1,563,526)	The budget profiling has been updated to match the forecast spend now the project has started and this £1,563k will be carried forward to next year as part of contractual commitments
Rashes Green purchase	(40,654)		This project did not proceed, but some budget was utilised for new projects leaving this balance of £41k available for use on new projects.
Strategy & Governance			
Shared Managers ICT		(75,703)	The profiling of this budget has been updated due to a change in the project plan and is fully funded from an external transformation grant.
Place			
Adoption of Roads		(504,000)	The project will not proceed this year however a bid has been included in next years budget programme
Projects removed	(150,000)		Two projects have been removed from the capital programme but a risk remains that we may need to carry out works in the future if circumstances change
Match Funding		(138,788)	Un-allocated capital sum for match funding projects requested to be carried forward for any projects in the new year (the value may reduce if additional projects are approved in the current year)
Affordable Housing		(817,577)	The balance of funding (which has a spend by date of 16-17 or later) is requested to be carried forward into future years
Car park re-surfacing		(3,000)	Carry over requested for the retention element of this project
Total	(190,654)	(3,102,594)	= (£3,293,048) Total

Virements this qtr:

- None

Risks:

- The funding for Disabled Facilities Grants (DFG) is now received from the “Better Care Fund” (BCF) and for 15-16 is £55k less than budgeted. In addition future years allocations are not certain as DFG funding is no longer ring-fenced within the BCF, but have been budgeted at the same level as the actual received for 15-16.

Actions/Decisions

- None – the carry over requests will be dealt with as part of the budget process which is finally approved at Full Council in February

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%	0.035%	0.025%
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 £26.9m 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.

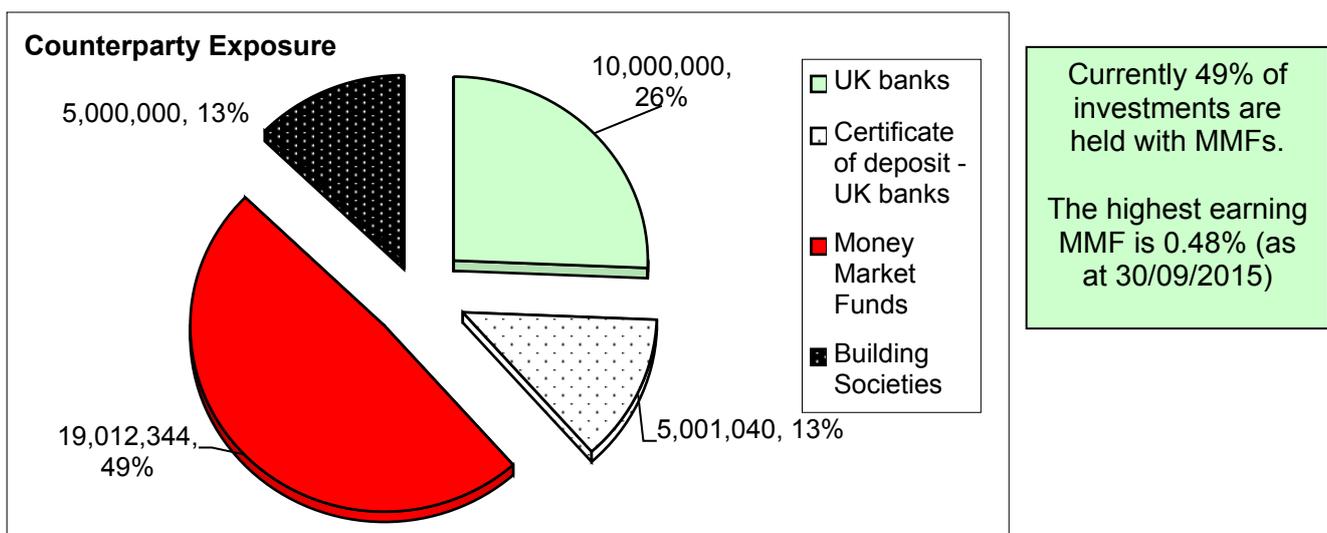
Yield

	Budget	Out-turn	Variance
Interest receivable 2015-16	£205,860	£220,000	(£14,143)
Yield (3 month LIBID ¹)	0.452%	0.536%	(0.084%)

The yield is also compared to the previous years performance:

	2014-15	2015-16	Variance
Yield	0.506%	0.536%	(0.03%)

The rate of return to date is 6% higher in 2015-16 compared to 2014-15 and is on track to meet the 10% target increase. Following approval at Audit Committee in September and Full Council our counterparty list has been expanded to allow us to explore additional cash deposit options in Q3 and Q4. In addition, interest from loans to Breckland Bridge should start to be received in quarters 3 and 4 which will further increase the yield. Money Market Funds (MMFs) continue to allow us to spread risk over separate institutions as each MMF has its own credit rating.



Actions/Decisions required

None

¹ LIBID – London Inter-bank Bid Rate