

Breckland Council

Financial report for the year ended 31 March 2017

This report has three sections

- Section 1 – Revenue budget and Moving Forward Transformation Programme
- Section 2 – Capital budget
- Section 3 – Treasury update

Figures in brackets denote either income, an under spend or above budget income. Positive figures denote either spend, an over spend or below budget income.

Section 1 - Revenue

Table 1 – Actual Revenue Outturn

	Budget £'000	Actual Out-turn £'000	Actual Variance £'000
Cost of Services			
1) Strategy Governance & Transformation	5,277	5,249	(28)
2) Growth & Commercialisation	1,871	1,300	(571)
3) Place	6,557	6,120	(437)
4) Housing Benefits	(211)	(85)	126
5) Cost of Services	13,494	12,584	(910)
6) Contributions to/from reserves	(2,036)	(1,387)	649
7) Total Cost of Services	11,458	11,197	(261)
Funding & Appropriations			
8) Appropriations	632	567	(65)
9) Government grants	(6,193)	(6,218)	(25)
10) Financing and Investment	74	(7)	(81)
11) Council Tax	(3,563)	(3,554)	9
12) Retained Business Rates	(2,408)	(2,509)	(101)
13) Total Funding	(11,458)	(11,721)	(263)
Contribution to Organisational Development Reserve		524	524
Contribution (to)/from the General Fund	-	-	-

Significant variances are detailed over the page.

Salaries

The budgeted vacancy factor for 2016-17 is 4% for Breckland staff and 2.5% for Anglia Revenues Partnership (ARP) staff.

The achieved vacancy factor is 4.7% for the full year which is slightly above the target.

Table 2 - Significant Variances

Cost Centre	Total Budget £	Total Variance £	Comments
1) High Impact			
1a) Efficiencies Achieved	89,661	(89,661)	One off and ongoing efficiencies achieved to date this year (i.e. PFI benchmarking, service reviews). Where savings are ongoing these have been factored into future years budgets.
1b) Building Control	191,247	89,297	Although application numbers are up, the income is lower due to the type of applications received. In addition some larger housing applications have been lost to Approved Inspectors.
2) High Opportunity			
2a) Waste Collection, Garden Waste & Recycling processing	1,485,501	(318,125)	The 2015-16 price adjustment factor contract cost is lower than the original estimated values for both waste collection and garden waste (£74k). Contamination costs are also lower than estimated, leading to reduced recycling processing costs (£99k). The budgeted new vehicle & crew have been delayed until 2017-18, leading to a large under spend.
2b) ARP Partnership & Direct Costs	864,171	(174,575)	This variance represents the Council's share of the current ARP surplus for the combined budgets. The variance is mainly due to the success of the Enforcement service which is delivering both income for the partners and also a better service to the residents. The variance also includes above budget grant income received in year.
2c) Appropriations & Retained Business Rates	(1,690,165)	(165,599)	This variance relates to additional renewable energy business rates income, which has been included in future years budgets. There are also reduced business rates levy costs as the overall retained business rates income for 2016-17 was slightly lower than budgeted, leading to a lower levy payment on growth.
2d) Registration of Electors	174,094	(21,155)	Below budget spend on postages as a result of increased digitalised contact with the electorate.
2e) Breckland Training Services	(18,140)	26,848	Fixed term staff posts have been extended whilst future options are considered by the Council.
3) One Offs			
3a) Financing & Investment	74,444	(81,835)	The variance is mainly due to a dividend received from ARP Trading of £72k resulting from the change in shareholding arrangements in January 2017.
3b) PFI	261,835	(63,800)	Below budget spend on salaries and Joint Use costs for the year.
3c) Economic Development	234,587	(58,353)	Below budget consultancy spend as full budget is not required this year and reduced spend on grants for the current year whilst the service reviews grant expenditure.
3d) Enabling	(28,791)	(42,756)	Below budget salaries costs resulting from a long term vacancy within the service currently.
3e) Government Grants	(6,192,675)	(25,995)	Additional funding received relating to New Homes Bonus returned funding.
3f) Pension Act	643,567	(23,175)	There is an outstanding pension strain claim from 2015-16 which is yet to be claimed by the employee.
3g) Sports Development	65,710	(21,825)	Below budget salary and running costs due to vacancies within the year whilst the service review was taking place.

Cost Centre	Total Budget £	Total Variance £	Comments
3h) Customer Contact	878,050	30,089	Above budget salary costs to maintain performance levels within the contact centre.
3i) Breckland Bridge	(46,157)	40,472	Delays in letting the Riverside units has resulted in lower income this year.
3j) Housing Benefit	(210,980)	125,839	This relates to a higher bad debt provision in year than originally budgeted.
4) Low Impact			
4a) Thetford Enterprise Park	350,000	(163,085)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4b) Development Control	39,581	(74,878)	Planning income is slightly higher than anticipated for the year. The total major applications received in year were lower than budgeted, leading to an under spend on the contract costs.
4c) Breckland Business Centres Non Rechargeable	142,000	(42,183)	Below budget premises spend, offset by the contributions to reserves code.
4d) HR	433,959	(33,807)	Below budget spend mainly relates to a transformation project which is offset by contributions from reserves.
4e) Breckland Business Centres	(237,453)	(25,106)	Below budget costs relating to rates and repairs & maintenance due to higher than budgeted letting levels.
4f) Miscellaneous	2,690,408	(24,889)	Net effect of other smaller value variances
4g) Corporate Finance	(75,851)	(21,870)	Above budget interest income as a result of longer duration 3 rd party loans.
4h) Forward Planning	788,173	(21,188)	Below budget spend on the local plan is offset by contributions from reserves.
4i) Environmental Protection	952,649	(20,600)	Below budget spend on the cleansing contract as a result of contract performance deductions
4j) Legal Services	176,615	27,443	Above budget external legal fees mainly relating to planning cases.
4k) Contributions from reserves	(2,036,040)	649,201	Under spends within services are offset by this variance (i.e. Thetford Enterprise Park, HR, Breckland Business Centres). In addition there is a variance of £330k relating to Business Rates appeals due to below budget values from last financial year.
5) TOTAL	-	(525,271)	

Collection Funds

Council Tax

The Council Tax collection fund account has a residual deficit of £545k overall, with Breckland's share being £54k. The end of year position for 2016-17 is a surplus of £477k, with Breckland's share being £47k. These will be incorporated into future years budgets.

Retained Business Rates

The retained Business Rates (NNDR) collection fund account has a residual surplus of £271k overall, with Breckland's share being £108k. The end of year position for 2016-17 is a deficit of £126k, with Breckland's share being £50k. These will be incorporated into future years budgets.

Virement Decisions Required

There are no virement decisions required.

Other Risks

The following areas are financial 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, 15-16 and 16-17 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

Full risk registers are held within the corporate improvement team.

Actions/Decisions

- None

Moving Forward Transformation Programme

The Council's transformation programme forms an integral part of the Medium Term Financial Plan and once delivered will reduce reliance on central government funding by the end of the medium term. The programme includes a number of different projects within each of the four themes and progress against these projects and their related efficiency targets are monitored by the transformation boards.

The programme has overachieved against the 2016-17 efficiencies and enabling projects. Some projects have overachieved on their targets and others have been slightly delayed, but are due to achieve over the term of the programme and the net result is an achievement of 129% of the full years target. Many of the service reviews (due to deliver efficiencies in 17-18) have started, re-profiling of project start and end dates are made as necessary.

As time progresses, it becomes more important that the projects begin on time, to deliver the higher levels of savings required in subsequent years and this is monitored through the transformation boards. The full transformation programme will be refreshed as part of the budget process.

The table below shows the progress against the programme as at 31 March 2017.

Year	Digitalisation			Commercialisation			Organisational Design			Aligning Public Services			Other			TOTAL		
	Target £'000	Achieved £'000	Balance £'000	Target £'000	Achieved £'000	Balance £'000	Target £'000	Achieved £'000	Balance £'000	Target £'000	Achieved £'000	Balance £'000	Target £'000	Achieved £'000	Balance £'000	Target £'000	Achieved £'000	Balance £'000
2016-17	(26)	(34)	(8)	(296)	(316)	(20)	0	(84)	(84)	(67)	(42)	25	0	(27)	(27)	(389)	(503)	(114)
2017-18	(27)	(35)	(8)	(1,211)	(520)	691	(303)	(249)	54	(81)	(41)	40	0	(11)	(11)	(1,622)	(856)	766
2018-19	(28)	(36)	(8)	(1,333)	(508)	825	(606)	(317)	289	(81)	(41)	40	0	(11)	(11)	(2,048)	(913)	1,135
2019-20	(28)	(36)	(8)	(1,671)	(481)	1,190	(908)	(354)	554	(81)	(41)	40	0	(11)	(11)	(2,688)	(923)	1,765
Minimum			£36k	Minimum		£481k	Minimum		£354k	Minimum		£41k	Minimum		£11k	Minimum		£923k
Target			£28k	Target		£1,671k	Target		£908k	Target		£81k	Target		£0k	Target		£2,688k
Maximum			£36k	Maximum		£1,906k	Maximum		£908k	Maximum		£81k	Maximum		£11k	Maximum		£2,942k

This table includes the current year efficiencies achieved of £90k (1a in table 2) but does not include any of the remaining variance of £436k.

Section 2 - Capital

Table 1 - Progress against 16-17 approved capital programme

	Budget 2016-17 £	Actual Out-turn £	Actual (under)/overspend £
Commercialisation			
Property (Land & Buildings)	6,772,733	5,441,926	(1,330,807)
Capital grants	10,083	10,083	-
Capital loans	1,498,668	1,256,164	(242,504)
Not yet released	1,896,092	5,598	(1,890,495)
Total Commercialisation	10,177,576	6,713,770	(3,463,806)
Strategy & Governance			
ICT & Organisational Change	592,902	60,020	(532,882)
Not yet released	92,339	-	(92,339)
Total Strategy & Governance	685,241	60,020	(625,221)
Place			
Property (Land & Buildings)	3,000	2,868	(132)
Grants	1,689,122	1,252,216	(436,906)
Not yet released	1,014,288	575,584	(438,704)
Total Place	2,706,410	1,830,668	(875,742)
TOTAL	13,569,227	8,604,458	(4,964,769)

Actual outturn £8,604,458 or 63.4%

Table 2 - The variance is shown below:

Project	(under)/ over spend £	Carry over to Future £	
Commercialisation			
Commercial Project	(700,000)		This project is no longer proceeding. This is the gross under spend, the project was fully funded by a capital receipt therefore the net effect to the programme is nil
Major infrastructure	(1,695,537)	-	This was a provision set aside for major infrastructure projects, however as part of budget setting new projects have been identified and separate bid forms will be put forward in the new budget.
Riverside Project	-	(614,703)	This is the remaining budget for retention and unit fit outs and is required in 2017-18
Capital Loans	-	(242,504)	Spend forecasts have changed since the original budget was set, causing variances on 3 loans
Industrial Estate Car Parking	(195,000)	-	This business case for this project did not support proceeding, therefore this is no longer required
Other	(1,654)	(14,407)	Other small value variances
Strategy & Governance			
ICT New Delivery		(529,555)	This funding has been released to support the new ICT delivery arrangements and is required in 2017-18
ICT Not Yet Released		(92,339)	This funding will be required to support the new ICT delivery arrangements in future years and will be released as required
Other	(3,327)	-	Other small value variances
Place			
Match funding	(16,827)	-	Below budget spend on completed projects
Better Care Fund	(386,898)	-	Better Care Fund was intended to be a separate project however the funding has been applied to general DFG's and the gross spend adjusted accordingly
Disabled Facilities Grant	-	(233,061)	Remaining budget to be carried forward to cover spend due in 2017-18
Enhancement Grants	-	(127,024)	The spend is fully funded and therefore budget is carried forward to fund spend in future years

Project	(under)/ over spend £	Carry over to Future £	
Play Areas Transfer	-	(51,941)	Negotiations are continuing & therefore budget is carried forward
Joint Use Agreement	-	(35,000)	Budget to support Attleborough Centre, but project is not yet fully progressed and will occur in 2017-18
Car Park Resurfacing	-	(16,806)	Balance required to be carried forward to fund remaining programme of car park works
Other	(132)	(8,054)	Other small value variances
Total	(2,999,375)	(1,965,394)	= (£4,964,769) Total

Virements this qtr:

- None

Risks:

- The affordable housing budget of £818k is partly funded from S106 funding. £206k of this S106 funding has a time restriction and must be spent by September 2018.

Actions/Decisions

- Recommend to Full Council that the capital budgets (& associated funding sources) of £1,965,394 be carried forward into 2017-18 to support projects in progress

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%	0.015%	0.045%
Investments maturing between 1 - 2 years	0.060%	n/a	-
Investments maturing between 2 - 3 years	0.080%	n/a	-

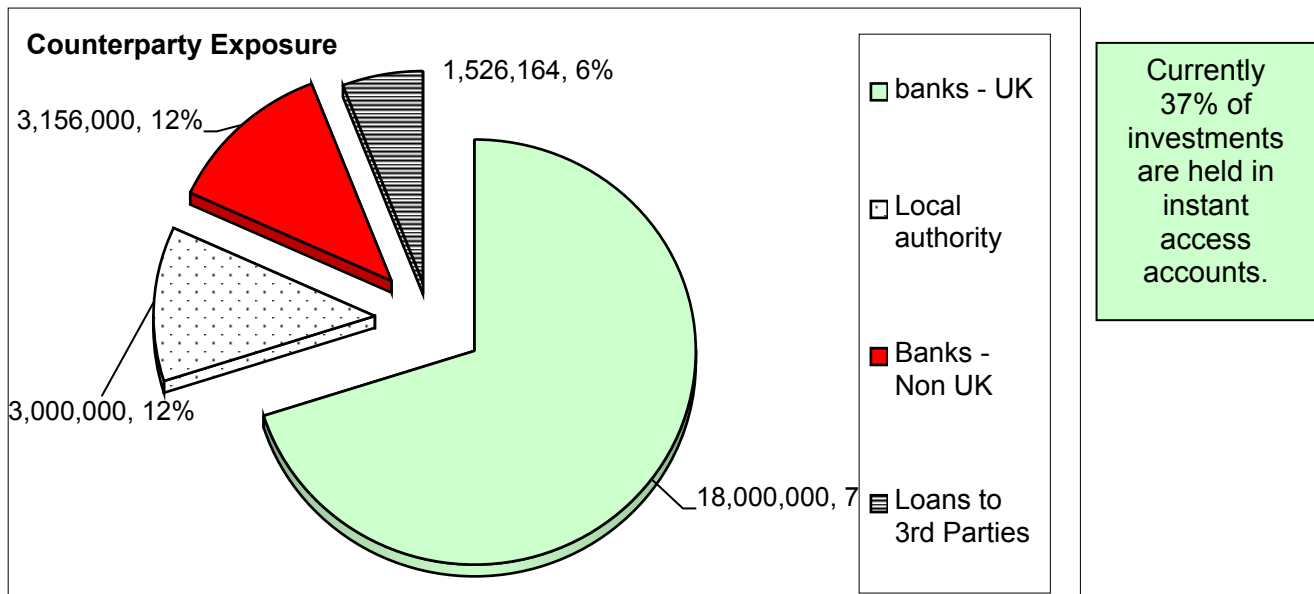
Liquidity

The Council had an average of £14.1m 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 instant access accounts during this period of low returns. The council did not use its overdraft facility in this reporting period.

Yield

	Budget	Actual	Variance
Interest receivable 2016-17	£258,010	£273,525	(£15,515)
Yield (3 month LIBID ¹)	0.315%	0.776%	(0.461%)

The rate of return of 0.776% includes cash investments and loans to 3rd parties and is higher than the target yield.



Actions/Decisions required

None

¹ LIBID – London Inter-bank Bid Rate