

Breckland Council

Financial report for the quarter ended 31 December 2016

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 – Forecast Revenue Outturn

	Budget £'000	Forecast Out-turn £'000	Forecast Variance £'000
Cost of Services			
1) Strategy Governance & Transformation	5,188	5,276	88
2) Growth & Commercialisation	2,175	1,758	(417)
3) Place	6,604	6,511	(93)
4) Housing Benefits	(211)	(194)	17
5) Contributions to/from reserves	(1,974)	(1,702)	272
6) Appropriations	639	561	(78)
7) Total Cost of Services	12,421	12,210	(211)
Funding			
8) Government grants	(6,193)	(6,195)	(2)
9) Financing and Investment	74	74	-
10) Council Tax	(3,563)	(3,563)	-
11) Retained Business Rates	(2,739)	(2,769)	(30)
12) Total Funding	(12,421)	(12,453)	(32)
Contribution (to)/from the General Fund	-	(243)	(243)

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 3.3% to date. This is on track to achieve the full 4% by the end of the year, however the forecast assumes that posts will be filled for the remainder of this year and this will be monitored throughout the remainder of the year.

Table 2 - Significant Variances

Cost Centre	Net Budget £	(Under)/ Over Budget £	Comments
1) High Impact			
1a) Efficiencies Achieved	-	(128,088)	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	194,309	88,246	Income is lower than anticipated to date as a result of lower numbers of requests so far this year.
2) High Opportunity			
2a) Waste Collection, Garden Waste & Recycling processing	1,486,291	(112,312)	The 2015-16 price adjustment factor contract cost is lower than the original estimated values for both waste collection and garden waste. Contamination costs are also lower than estimated, leading to reduced recycling processing costs.
2b) ARP Partnership	1,812,552	(107,816)	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
2c) Appropriations	639,364	(77,953)	This variance represents the 15-16 element of additional renewable energy business rates retained in full by the Council, which due to accounting rules is recognised in the following year.
2d) Economic Development	234,587	(43,945)	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.
2e) Thetford Business Centre	(43,292)	(43,271)	Increased occupancy rates this year has led to additional rental and service charge income. Reduced spend on repairs and maintenance in year has resulted in £24k below budget spend.
2f) Registration of Electors	174,094	(18,539)	Below budget spend on postages as a result of increased digitalised contact with the electorate.
2g) Breckland Training Services	(18,140)	33,012	Fixed term staff posts have been extended whilst future options are considered by the Council.
2h) Breckland Bridge	(139,477)	132,144	Delays in letting the Riverside units has resulted in lower income this year, but the project is on track to achieve the budgeted income in future years.
3) One Offs			
3a) PFI	220,237	(50,166)	Below budget spend on salaries and Joint Use costs. The Joint Use below budget spend assumes there are no un-expected costs in quarter 4 of this year
3b) ARP Direct Costs	(1,038,536)	(45,682)	Additional income received from Norfolk County Council following changes to council tax discounts.
3c) Community Development	149,573	(40,929)	Below budget spend throughout the service currently as a result of the service review which is in progress, any ongoing efficiencies will form part of the service review savings.
3d) Enabling	152,899	(34,129)	Below budget salaries costs resulting from a long term vacancy within the service currently.
3e) Local Elections	88,180	(17,017)	The neighbourhood plan referendum expected in 16-17 will now not take place until 17-18.

Cost Centre	Total Variance £	Total Variance £	Comments
3f) Legal Services	176,615	37,359	Increased use of external legal advice has increased forecast costs, however the programmed service review is in progress and should take effect from the new year.
3g) Community Safety	294,808	40,785	Additional maintenance works have been carried out this year as a one off event.
3h) Commercial Property	(1,955,370)	41,140	A one off deed of variation for one tenant will result in £110k less income this year, this is partly offset by increased income achieved resulting from a 99% occupancy rate currently.
3i) ICT	924,568	88,386	Additional costs to date as a result of reviewing the service and project spend on essential services. Some of the costs are offset by income and some may be chargeable to the shared services contract at the end of the year.
4) Low Impact			
4a) Thetford Enterprise Park	350,000	(162,756)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4b) Development Control	51,519	(35,351)	Planning income is higher than anticipated to date as a result of a large application in November.
4c) Environmental Protection	949,518	(17,012)	Below budget spend on the cleansing contract as a result of contract performance deductions
4d) Housing Company	25,000	(16,000)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4e) Forward Planning	61,156	(13,671)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4f) Miscellaneous	12,998,506	(7,822)	Net effect of other smaller value variances
4g) Land Charges	(39,986)	28,858	Search fees income has reduced due to an increased choice of service provider in the market.
4h) Contributions from reserves	(1,981,404)	271,645	This budget is funding from reserves and is fully offset by under spends in other areas.
4i) Funding	(15,767,571)	(32,766)	The retained business rates income has increased above budget (to date), this increases the levy payable on growth (50% paid to central Government). Due to the accounting rules, the costs are incurred in the current year, but the income is not recognised until the following year.
5) TOTAL	-	(243,650)	

Collection Funds

Council Tax

The Council Tax collection fund account has a residual deficit of £545k overall, with Breckland's share being £54k. The forecast for 2016-17 is a surplus of £584k, with Breckland's share being £58k, leading to a minor value variance at the end of the year, which will be incorporated into next 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 forecast for 2016-17 is a deficit of £84k, with Breckland's share being £34k, leading to surplus of £74k at the end of the year, which will be incorporated into next years budgets. Current year forecasts show income to be as expected to date, however this will be affected by any appeals which are made during the year.

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
- A provision made for compensation in a previous year is likely to be resolved at a lower level by the end of the year, which could result in a saving to the Council of around £200k by the end of the year

Full risk registers are held within the corporate improvement team.

Actions/Decisions

- Recommend to Full Council that the full year below budget spend is contributed to the Organisational Development Reserve to cover the timing shortfall of the Moving Forward programme for 2017-18

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 is currently well on track to deliver the 2016-17 efficiencies and the 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 108% to date of the full years target. Many of the service reviews (due to deliver efficiencies in 17-18) have started and are on track to complete in this financial year, 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 December.

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					
16-17	(26)	(34)	(8)	(296)	(193)	103	0	(83)	(83)	(67)	(42)	25	0	(70)	(70)	(389)	(422)	(33)					
17-18	(27)	(35)	(8)	(1,211)	(520)	691	(303)	(249)	54	(81)	(41)	40	0	(11)	(11)	(1,622)	(856)	766					
18-19	(28)	(36)	(8)	(1,333)	(508)	825	(606)	(317)	289	(81)	(41)	40	0	(11)	(11)	(2,048)	(913)	1,135					
19-20	(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			£1,671k	Maximum			£908k	Maximum			£81k	Maximum			£11k	Maximum			£2,707k

This table includes the current year efficiencies achieved of £128k (1a in table 2) but does not include any of the remaining variance of £115k.

Section 2 - Capital

Table 1 - Progress against 16-17 approved capital programme

	Budget 2016-17 £	Forecast Out-turn £	Forecast (under)/overspend £
Commercialisation			
Property (Land & Buildings)	6,640,398	5,938,094	(702,304)
Capital grants	10,083	10,083	-
Capital loans	1,370,518	1,370,518	-
Not yet released	2,495,219	-	(2,495,219)
Total Commercialisation	10,516,218	7,318,695	(3,197,523)
Strategy & Governance			
ICT & Organisational Change	998,290	49,669	(948,621)
Not yet released	636,951	636,951	-
Total Strategy & Governance	1,635,241	686,620	(948,621)
Place			
Property (Land & Buildings)	3,000	2,688	(312)
Grants	1,623,384	1,604,610	(18,774)
Not yet released	2,256,010	217,000	(2,039,010)
Total Place	3,882,394	1,824,298	(2,058,096)
TOTAL	16,033,853	9,829,613	(6,204,240)

Forecast outturn £9,829,613 or 61.3%

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
Land @ Shipdham	(2,304)	-	Minor underspend on final purchase & landscaping
Comm. Property rolling maintenance	-	(23,132)	This amount is requested to be carried forward to add to the 17-18 allocation of £150,000
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.
Re-investment Strategy	-	(581,550)	To date £458k of the overall budget has been released and will be spent in 16-17, the remainder is requested to be carried forward to 17-18 as no further purchases or disposals have been identified for this year
Industrial Estate Car Parking	(195,000)	-	This business case for this project did not support proceeding, therefore this is no longer required
Strategy & Governance			
Digital Strategy	1,379	-	Minor over spend on completed project
Better Broadband		(950,000)	The better broadband for Norfolk project is continuing and Norfolk County Council have confirmed that this funding is not expected to be required until 2019-20
Place			
Match funding	(16,475)	-	Below budget spend on completed projects
Car park resurfacing	(312)		Minor under spend on completed project
Disabled Facilities Grant	(389,197)	-	Additional external funding above the budgeted amount has been awarded for 2016-17, thus reducing the overall costs
Joint Use Agreement	-	(165,000)	£35k of the original budget has been released in 2016-17, leaving the remaining £165k budget which is requested to be carried forward pending outcomes of the ongoing discussions with the centres

Project	(under)/ over spend £	Carry over to Future £	
Affordable Housing	-	(817,577)	Spend is dependent on approval of a new housing strategy & therefore is requested to be carried forward
Adoption of Roads	-	(669,535)	This project is not yet fully scoped and therefore spend will take place in future years
Total	(2,997,446)	(3,206,794)	= (£6,204,240) 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

- 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%	0.007%	0.053%
Investments maturing between 1 - 2 years	0.060%	n/a	-
Investments maturing between 2 - 3 years	0.080%	n/a	-

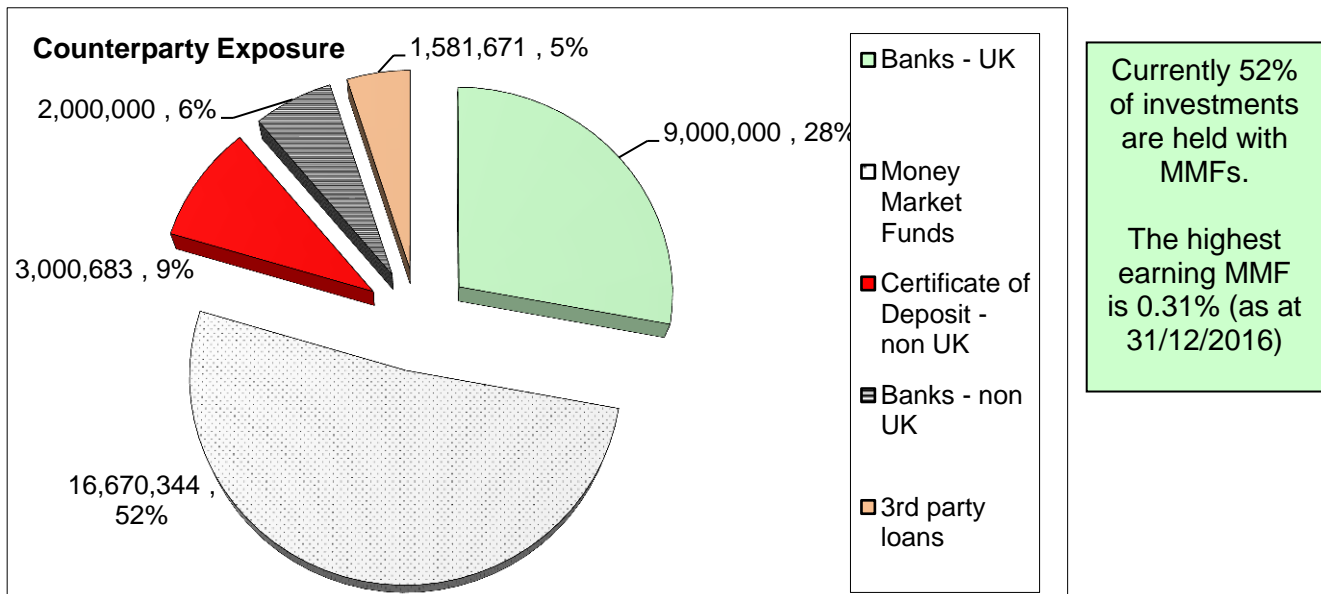
Liquidity

The Council had an average of £13.9m 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 during this period of economic uncertainty and low returns. The council did not use its overdraft facility in this reporting period.

Yield

	Budget	Forecast	Variance
Interest receivable 2016-17	£258,010	£270,298	(£12,288)
Yield (3 month LIBID ¹)	0.344%	0.735%	(0.391%)

The rate of return of 0.735% includes cash investments and loans to 3rd parties (0.563% excluding these items) and is higher than the target 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