

BRECKLAND COUNCIL FINANCIAL COMMENTS & APPRAISAL

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

FROM: Margaret Bailey (Senior Accountant)
REPORT: Breckland Bridge Ltd Business plan
REPORT DATE: 30/01/2017

	£ Year 1 2016-17	£ Year 2 2017-18	£ Year 3 2018-19	£ Year 4 2019-20
Revenue				
Income				
N/A	(-)	(-)	(-)	(-)
Costs				
Strategic Plan Thetford Town centre				
307 **** ** Land Group fees		10,000	10,000	10,000
307 **** ** Third Party fees		34,000	33,000	33,000
New Subsidiary Breckland Bridge				
307 **** ** ****	10,000			82,500
Total Revenue	10,000	44,000	43,000	125,500
Capital				
Income				
Not certain therefore not included	(-)	(-)	(-)	(-)
Costs				
N/A	-	-	-	-
Total Capital	-	-	-	-
Considered By:	Council			
Date:	23/02/2017			

Financial Services Comments

This report requests release of £222,500 revenue funding.

Funding for recommendation 2 is to enable Breckland Bridge Ltd to prepare a strategic plan for Thetford. The funding is to pay an annual fee to Breckland Bridge Ltd (Land group) of £10,000 and £100,000 in respect of third party fees. The table above suggests funding will all be released over a three year period. Release of funding is subject to receiving a project plan with clear milestones and the release is subject to sign off by the S151.

If funding is approved, it should also be subject to the project plan being clear on the success criteria that will trigger any release of funding in order to manage spend and allow consideration of findings at each stage. The Council has funded previous Town Centre studies/master planning documents. This work will lead to further investment requirements which should be reviewed at each trigger point in order to manage expectations and to ensure that the outcome of this work leads to a tangible outcome rather than a report. Breckland Bridge Ltd is obliged to demonstrate value for money with its suppliers as set out in the Development Services Management Agreement (DSMA) (para 4.2.1 and 3.4). This is subject to market testing every three years.

Because the outcome is not clear, this request does not meet Investment or Growth fund criteria. However, **there is £1.212m available within the Organisation Development reserve which could be used to fund this project**

Funding for recommendation 3 is to enable an additional subsidiary to be set up on a 50/50 basis to manage three small sites. Working Capital of £82,500 is requested subject to an assessment by Breckland Bridge Ltd of potential surpluses (having taken tax advice). It is not clear whether a 50/50 arrangement can be undertaken before the Council has extended its partnership with Breckland Bridge

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Ltd which is currently due to take place in 2019/20. Whilst there is a potential for an investment surplus, at this stage the returns are not clear and are too far in the future to rely on. In addition the company set up indicates surpluses of £300,000 are to be retained by the company before returns are distributed. Whilst there is a requirement for Breckland Bridge Ltd to take tax advice on moving to a 50/50 arrangement, it would be prudent for the Council to take it's own legal and tax advice and a sum of £10,000 has been included for 2017/18.

Release of the £82,500 funding is therefore subject to Legal advice confirming such an arrangement can be undertaken and if so release of the funds to be by the S.151 Officer subject to satisfactory receipt of the necessary tax advice and satisfactory business case for the first three sites.

Again, the organisational development reserve could be used which after taking account of the £130,000 above, would then leave a balance of £989k available for other initiatives.

Risk

Recommendaton 2

If the success criteria for release of funding are not clear, the outcome may not be as expected or required and the full financial and other implications will not be known until the end of the process and may be unmanageable resulting in abortive costs.

Recommendation 3

Release of £82,500 funding is managed because it is dependent on legal advice regarding whether a 50/50 arrangement is possible pre extension of the partnership. The risk is, funding is earmarked pending the extension in 2019/20 which prohibits other initiatives that require funding in the meantime. Also tax advice may mean the arrangement is not cost effective. £10,000 neds to be spent but may not lead to a new profitable arrangement ie it is spent at risk

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