

Breckland Council

Financial report for the quarter ended 30 September 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 – Forecast Revenue Outturn

	Budget £'000	Forecast Out-turn £'000	Forecast Variance £'000
Cost of Services			
1) Strategy Governance & Transformation	5,421	5,497	76
2) Growth & Commercialisation	1,368	1,385	17
3) Place	5,992	5,924	(68)
4) Housing Benefits	(88)	(142)	(54)
5) Cost of Services	12,693	12,664	(29)
6) Contributions to/from reserves	(602)	(326)	276
7) Total Cost of Services	12,091	12,338	247
Funding & Appropriations			
8) Appropriations	754	717	(37)
9) Government grants	(5,444)	(5,543)	(99)
10) Council Tax	(3,414)	(3,414)	-
11) Retained Business Rates	(3,987)	(3,883)	104
12) Total Funding	(12,091)	(12,123)	(32)
Contribution (to)/from the General Fund	-	215	215

Significant variances are detailed over the page.

Salaries

The budgeted vacancy factor for 2017-18 is 4% for Breckland staff and 2.5% for Anglia Revenues Partnership (ARP) staff.

The achieved vacancy factor is 0.1% above target 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 year.

Table 2 - Significant Variances

Cost Centre	Total Budget £	Total Variance £	Comments
1) High Impact			
1a) Efficiencies Achieved	(356,258)	240,741	One off and ongoing efficiencies achieved to date this year (including moving forward targets) are below budget at this stage, however work is due to start on projects later in the year to further savings. We expect to have an under-achievement for the current year but over the longer term the programme is still expected to deliver the full savings. Where savings are ongoing these have been factored into future year's budgets.
2) High Opportunity			
2a) Retained NNDR	(3,987,847)	104,498	The forecast NNDR income for 2017-18 is slightly above budget, this leads to an increase in the levy payable in the current year.
2b) Development Control	(100,204)	(18,682)	This variance is due to additional income from major planning applications which has been offset in part by additional expenditure. This has been factored into future year's budgets.
2c) Building Control	234,802	(16,967)	This reflects the latest forecasts for additional income and has been factored into future year's budgets.
2d) Appropriations	753,792	(36,778)	This variance relates to additional renewable energy business rates income, which has been included in future years, budgets.
3) One Offs			
3a) Human Resources	433,340	45,180	There are overspends throughout the cost centre to date (such as; i-trent system development, IR35 consultancy costs and interim staff recruitment) and also a moving forward target which has not yet been achieved.
3b) Democratic Services	733,708	(18,779)	This below budget cost is partly due to a vacant post within the structure and partly due to below budget member allowances.
3c) Forward Planning	729,264	(32,102)	Forecast costs for this are currently below budget, however additional funding may be required for projects later in the year as the plan progresses.
3d) Housing Benefit	(88,193)	(53,586)	This relates to increased overpayments and recovery income to date, as the year progresses forecasts become more accurate as this is a very volatile area of spend & income.
3e) Housing Benefit Direct Costs	(363,000)	(54,457)	Additional grant income received and retained in year compared to the budgeted amount.
3f) Government Grants	(5,444,308)	(98,306)	Additional funding received relating to New Homes Bonus returned funding and NNDR grants to offset costs of mandatory reliefs.
4) Low Impact			
4a) Thetford Enterprise	302,968	(100,000)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4b) Community Development – Reserves funded	70,000	(45,000)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4c) Miscellaneous	7,684,247	22,963	Net effect of other smaller value variances

Cost Centre	Total Budget £	Total Variance £	Comments
4d) Contributions from reserves	(602,311)	276,501	£95k of this variance relates to a lower amount (compared to budget) contributed from last financial year to offset timing differences in the moving forward programme. The remainder relates to under spends throughout all services which are offset by this variance.
5) TOTAL	-	215,226	

Collection Funds

Council Tax

The Council Tax collection fund account has a residual surplus of £477k overall, with Breckland's share being £47k. The forecast for 2017-18 is a surplus of £888k due to increased tax base with Breckland's share being £88k, which will be incorporated into next years budgets.

Retained Business Rates

The retained Business Rates (NNDR) collection fund account has a residual deficit of £126k overall, with Breckland's share being £50k. The forecast for 2017-18 is a surplus of £339k with Breckland's share being £135k, 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 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
- There are a number of planning appeals currently which could lead to additional legal costs in the year
- A long standing provision for a legal case may be resolved in the year at a lower amount than originally allowed for, leading to an under spend in the year

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 is currently on track to deliver most of the 2017-18 efficiencies and the enabling projects, however this is dependent on projects starting on time and delivering the full efficiency target in year. There is likely to be a shortfall in achievement of projects this year of around £316k which is partly offset by additional efficiencies achieved elsewhere, the under-achievement is a timing issue and the efficiencies are still expected to be achieved over the programme term. The approval of the 'Delivery Unit', once recruited to, will begin to push forward the projects which are programmed to deliver growth via the investment and growth fund. 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 £945k, 73% of the full year's target. 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 30 September 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
2017-18	(27)	(35)	(8)	(945)	(590)	355	(257)	(197)	60	(61)	(41)	20	0	(82)	(82)	(1,290)	(945)	345
2018-19	(28)	(36)	(8)	(1,325)	(533)	792	(583)	(345)	238	(81)	(41)	40	0	(8)	(8)	(2,017)	(963)	1,054
2019-20	(28)	(36)	(8)	(1,501)	(522)	979	(908)	(446)	462	(81)	(41)	40	0	(8)	(8)	(2,518)	(1,053)	1,465
2020-21	(28)	(36)	(8)	(1,528)	(536)	992	(908)	(446)	462	(81)	(41)	40	0	(8)	(8)	(2,545)	(1,067)	1,478
Minimum		£36k		Minimum		£579k	Minimum		£457k	Minimum		£41k	Minimum		£8k	Minimum		£1,121k
Target		£28k		Target		£1,528k	Target		£908k	Target		£81k	Target		£0k	Target		£2,545k
Maximum		£36k		Maximum		£1,743k	Maximum		£908k	Maximum		£81k	Maximum		£8k	Maximum		£2,776k

This table includes the current year efficiencies achieved/to be achieved (1a in table 2) but does not include any of the remaining variance of £215k.

Section 2 - Capital

Table 1 - Progress against 17-18 approved capital programme

	Budget £	Forecast Out-turn £	Forecast (under)/overspend £
Commercialisation			
Property (Land & Buildings)	629,153	630,843	1,690
Capital grants	2,010,000	1,191,000	(819,000)
Capital loans	1,073,595	610,219	(463,376)
Not yet released	1,912,338	1,912,338	-
Total Commercialisation	5,625,086	4,344,400	(1,280,686)
Strategy & Governance			
ICT & Organisational Change	529,555	500,000	(29,555)
Not yet released	92,339	-	(92,339)
Total Strategy & Governance	621,894	500,000	(121,894)
Place			
Property (Land & Buildings)	205,889	206,047	158
Grants	1,245,079	1,245,079	-
Not yet released	1,619,112	200,000	(1,419,112)
Total Place	3,070,080	1,651,126	(1,418,954)
TOTAL	9,317,060	6,495,526	(2,821,534)

Forecast outturn £6,495,526 or 69.7%

Table 2 - The variance is shown below:

Project	(under)/ over spend £	Carry over to Future £	
Commercialisation			
AMB Units Swaffham	1,690	-	Fees associated with the purchase are slightly over budget
Snetterton power upgrade	-	(819,000)	A better alternative power solution has been identified and therefore the time frame of this project has been slightly delayed, leading to some of the funding moving to future years.
Capital loans	-	(463,376)	The loan has not yet been drawn down as the project has not reached phase 2 approval & is therefore carried forward to next year.
Strategy & Governance			
ICT	-	(121,894)	This project is well underway and timings are more certain, leading to some budget being required in 18-19 rather than the current year.
Place			
Adoption of Roads	-	(601,535)	This work will now not be delivered in 2017-18. The budget will be reviewed as part of the 18-19 budget setting to confirm amount, profile and delivery arrangements. There is a risk that maintenance liabilities may increase over time & a backlog of adoptions may build up if the budget is not carried forward to future years.
Affordable Housing	-	(817,577)	Various options are being investigated to determine the best use of this funding. Budget is requested to be carried forward to 18-19. S106 funding of £292k is attached to this project, of which £206k has a spend by date of September 2018.
Car Park Surfacing	158	-	Small overspend on project.
Total	1,848	(2,823,382)	= (£2,821,534) 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%	0.030%	0.030%
Investments maturing between 1 - 2 years	0.060%	n/a	-
Investments maturing between 2 - 3 years	0.080%	n/a	-

Liquidity

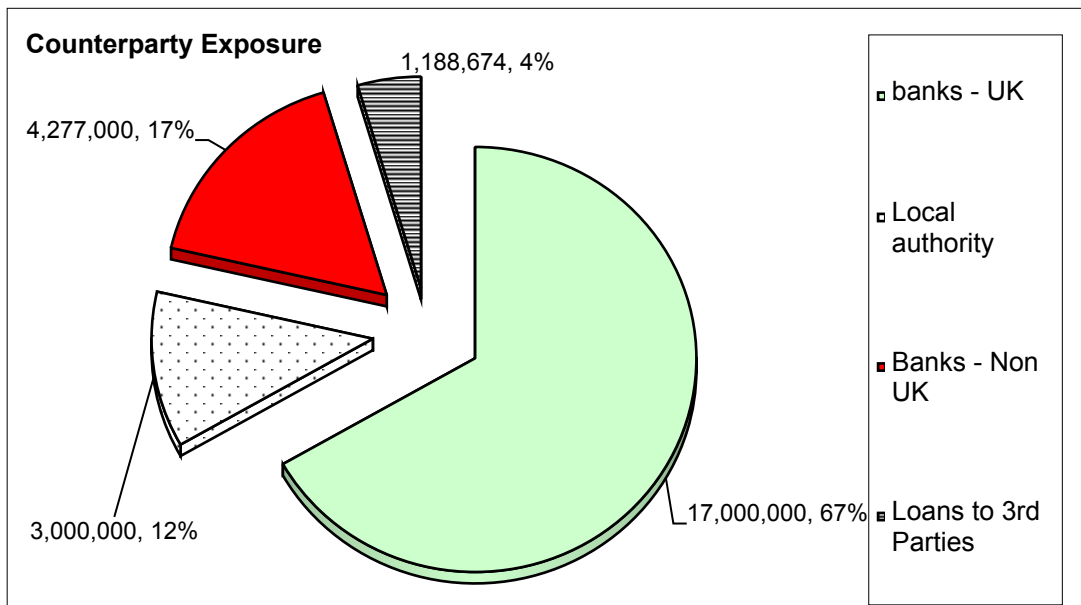
The Council had an average of £8.7m instant access cash available during the reporting period. This is in excess of the working capital sum required (£5m) but reflects the instant access nature of deposits in instant access accounts during this period of low returns. The council did not use its overdraft facility in this reporting period.

Yield

	Budget	Forecast	Variance
Interest receivable 2017-18	£102,308	£203,458	(£101,150)
Yield (3 month LIBID ¹)	0.179%	0.968%	(0.789%)

The rate of return of 0.968% includes cash investments and loans to 3rd parties and is higher than the target yield. The additional income is a result of loans to 3rd parties at market rates continuing for a longer time frame than originally budgeted.

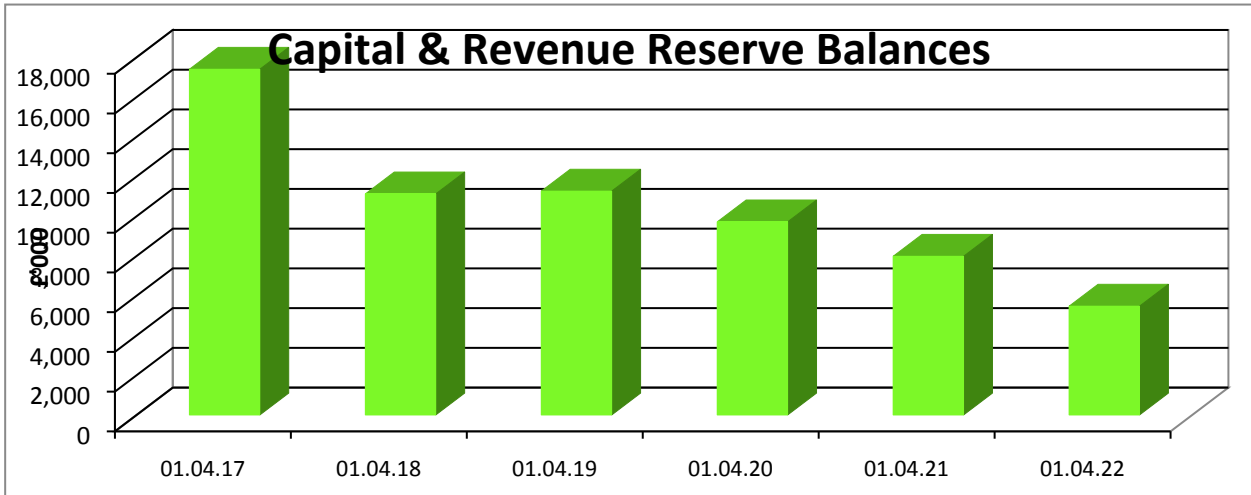
Our exposure to different counterparties is shown in the graph below.



Currently 32% of investments have a maturity of less than 1 week.

¹ LIBID – London Inter-bank Bid Rate

Based on the current forecasts the reserve balances held (which make up our investments) are expected to reduce over the medium term as detailed below.



Actions/Decisions required

None