

Breckland Council

Financial report for the year ended 31 March 2018

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	5,633	5,632	(1)
2) Growth & Commercialisation	849	616	(233)
3) Place	5,924	6,020	96
4) Housing Benefits	(96)	(70)	26
5) Cost of Services	12,310	12,198	(112)
6) Contributions to/from reserves	(219)	227	446
7) Total Cost of Services	12,091	12,425	334
Funding & Appropriations			
8) Appropriations	754	1,936	1,182
9) Government grants	(5,444)	(6,045)	(601)
10) Council Tax	(3,414)	(3,461)	(47)
11) Retained Business Rates	(3,987)	(4,673)	(686)
12) Total Funding	(12,091)	(12,243)	(152)
Contribution (to)/from the General Fund	-	182	182

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 0.93% above target, but the over achievement is mainly within the ARP area.

Table 2 - Significant Variances

Cost Centre	Total Budget £	Total Variance £	Comments
1) High Impact			
1a) Efficiencies Achieved	(136,205)	136,205	Efficiencies achieved to date (including some moving forward targets) are below budget. Work has started on the majority of projects to deliver the savings, however the areas of concern are raised at the Finance Board to ensure we keep on track for the overall savings targets.
1b) Recycling processing costs	247,090	73,502	The processing costs in 17-18 were higher than anticipated, negotiations are taking place regarding the costs for 2018-19 and future.
1c) Public Lighting	64,886	62,363	Over spends on repairs to lights. This will need to be recharged via the Special Expenses to 3 market towns which will significantly increase the cost to the Council Tax payer in the short term and may affect the Council's ability to change Council Tax in future years.
1d) Garden Waste	(1,211,290)	50,790	This budget had a target efficiency of £209k and has made excellent progress in meeting this, however still has a further £51k to meet. Work is continuing to review for 18-19 to determine if the efficiency can be reached.
2) High Opportunity			
2a) Appropriations	753,792	1,208,212	This variance relates to additional renewable energy and business rates income, which has been included in future years budgets and offsets the credit within retained NNDR. The remainder of this variance is offset by the additional income in Government grants.
2b) Retained NNDR	(3,987,847)	(684,543)	This includes the renewable energy and growth income which is realised in future years and this is offset by the appropriations code.
3) One Offs			
3a) Human Resources	438,020	84,020	Over spends in year relate mainly to IR35 consultancy costs, i-trent development costs and interim staff recruitment. These are only expected to affect 17-18 and will not impact in future years.
3b) PFI	347,914	62,916	Following the partial opening of Swaffham Leisure Centre (due to water damage) since September 2017 the Council have been liable (as per the terms of the management agreement with Parkwood Leisure) for their loss of income.
3c) Housing Benefit Direct Costs	(363,000)	(66,726)	Additional grant income received and retained in year compared to the budgeted amount.
3d) Government Grants	(5,444,308)	(600,621)	Additional funding received relating to New Homes Bonus returned funding and NNDR grants to offset costs of mandatory reliefs. This mostly offsets the variance within appropriations.
3e) Commercial Property	(1,862,360)	(204,367)	This majority of this value relates to a reduction in the amount set aside to fund potential provisions as the amounts are now more certain. In addition there are small savings within salaries and additional income compared to budgets.
4a) Miscellaneous	11,168,771	15,229	Net effect of other smaller value variances
4b) Development Control	(99,201)	(81,793)	This variance is mainly due to additional income from major planning applications which has been offset in part by additional expenditure. In addition the planning fees increase has led to increased income but this is offset within contributions to reserves as it is earmarked for future spend on planning activities. This has been factored into future year's budgets.

Cost Centre	Total Budget £	Total Variance £	Comments
4) Low Impact			
4c) Thetford Enterprise	302,968	(99,926)	This budget is reserve funded and therefore a lower than expected spend has a nil impact on the overall budget.
4d) Contributions from reserves	(219,230)	226,790	This offsets underspends in other areas, such as Thetford Enterprise Park, Development Control and also includes contributions to provisions for service review costs.
5) TOTAL	-	182,051	

Collection Funds

Council Tax

The Council Tax collection fund account has a residual surplus of £477k overall, with Breckland's share being £47k. The out-turn for 2017-18 is a surplus of £488k due to increased tax base with Breckland's share being £48k, which has been incorporated into future 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 out-turn for 2017-18 is a surplus of £855k with Breckland's share being £342k, which has been incorporated into future years budgets. NNDR income will be affected by any appeals which are made in future years.

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
 - A major commercial unit remains vacant which could have an impact ongoing into next 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 has delivered 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. The year-end shortfall in achievement of projects is £279k, the under-achievement is a timing issue and the efficiencies are still expected to be achieved over the programme term. The 'Delivery Unit' 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 £1,011k, 78% 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 31 March 2018.

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)	(643)	302	(257)	(212)	45	(61)	(49)	12	0	(72)	(72)	(1,290)	(1,011)	279
2018-19	(28)	(36)	(8)	(1,135)	(747)	388	(612)	(466)	146	(81)	(66)	15	0	(18)	(18)	(1,856)	(1,333)	523
2019-20	(28)	(36)	(8)	(1,363)	(796)	567	(937)	(674)	263	(81)	(66)	15	0	(18)	(18)	(2,409)	(1,590)	819
2020-21	(28)	(36)	(8)	(1,501)	(771)	730	(937)	(653)	284	(81)	(66)	15	0	(18)	(18)	(2,547)	(1,544)	1,003
2021-22	(28)	(36)	(8)	(1,581)	(828)	753	(937)	(668)	269	(81)	(66)	15	0	(18)	(18)	(2,627)	(1,616)	1,011
Minimum		£36k		Minimum		£828k	Minimum		£668k	Minimum		£81k	Minimum		£18k	Minimum		£1,631k
Target		£28k		Target		£1,581k	Target		£937k	Target		£81k	Target		£0k	Target		£2,627k
Maximum		£36k		Maximum		£1,743k	Maximum		£937k	Maximum		£81k	Maximum		£18k	Maximum		£2,815k

Section 2 - Capital

Table 1 - Progress against 17-18 approved capital programme

	Budget £	Actual Out-turn £	Actual (under)/overspend £
Commercialisation			
Property (Land & Buildings)	1,030,821	795,987	(234,834)
Capital grants	-	-	-
Capital loans	610,219	590,557	(19,662)
Not yet released	512,360	-	(512,360)
Total Commercialisation	2,153,400	1,386,544	(766,856)
Strategy & Governance			
ICT & Organisational Change	500,000	428,068	(71,932)
Not yet released	-	-	-
Total Strategy & Governance	500,000	428,068	(71,932)
Place			
Property (Land & Buildings)	283,045	261,314	(21,731)
Grants	1,415,960	1,061,967	(353,993)
Not yet released	501,702	-	(501,702)
Total Place	2,200,707	1,323,281	(877,426)
TOTAL	4,854,107	3,137,893	(1,716,214)

Actual outturn £3,137,893 or 64.6%

Table 2 - The variance is shown below:

Project	(under)/ over spend £	Carry over to Future £	
Commercialisation			
Riverside	-	(230,609)	Funding for fit out of remaining units once let agreed.
Re-investment Strategy	-	(512,360)	Funding for disposal & re-investment in higher performing assets (funded by capital receipts).
Capital Loans	-	(19,662)	Balance of loans not yet drawn down.
Other Miscellaneous	-	(4,226)	Other smaller value variances
Strategy & Governance			
ICT	-	(71,932)	Remaining infrastructure work continuing into 18-19.
Place			
Disabled Facilities Grants (DFG)	-	(177,509)	Remaining un-spent balance to be carried over (with £162k funding also carried over).
Enhancement Grants	-	(110,324)	Remaining un-spent balance to be carried over (fully funded).
Joint Use Swaffham	-	(200,000)	Balance not yet spent but required in future years.
Public Lighting	-	(340,000)	Funding not released in 17-18, therefore will be required in 18-19 to fund programme of works
Car Park Surfacing	-	(21,731)	Balance to be carried forward for 18-19 works.
Other Miscellaneous	(21,483)	(6,378)	Other smaller value variances
Total	(21,483)	(1,694,731)	= (£1,716,214) 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 balance of £1,694,731 is carried forward to 2018-19 to fund the capital projects.

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%	0.018%	0.042%
Investments maturing between 1 - 2 years	0.060%	n/a	-
Investments maturing between 2 - 3 years	0.080%	n/a	-

Liquidity

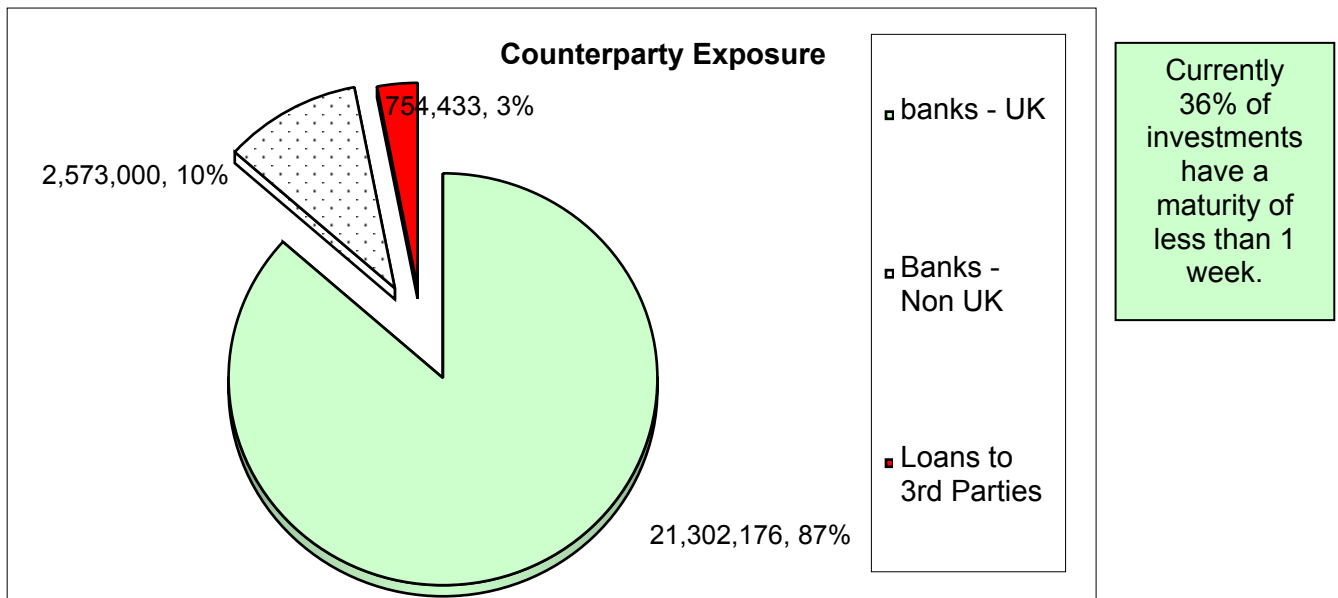
The Council had an average of £7.9m instant access cash available during the reporting period. This is in excess of the working capital sum required (£5m) but reflects the instant access or short term nature of deposits in instant access accounts during this period of low returns. The short term investments also reflect the expected rate rise. The council did not use its overdraft facility in this reporting period.

Yield

	Budget	Actual	Variance
Interest receivable 2017-18	£223,851	£257,333	(£33,482)
Yield (3 month LIBID ¹)	0.286%	0.839%	(0.553%)

The rate of return of 0.839% 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 and an increase to the base bank rate.

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



Actions/Decisions required

None

¹ LIBID – London Inter-bank Bid Rate