

# Breckland Council

## Financial report for the quarter ended 30 June 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 – Forecast Revenue Outturn**

|  | Budget<br>£'000 | Forecast<br>Out-turn<br>£'000 | Forecast<br>Variance<br>£'000 |
|--|-----------------|-------------------------------|-------------------------------|
| <b>Cost of Services</b>                        |                 |                               |                               |
| 1) Strategy Governance & Transformation        | 5,054           | 5,237                         | 183                           |
| 2) Growth & Commercialisation                  | 704             | 1,256                         | 552                           |
| 3) Place                                       | 5,740           | 6,008                         | 268                           |
| 4) Housing Benefits                            | (127)           | (143)                         | (16)                          |
| 5) Total Cost of Services before reserves      | 11,371          | 12,358                        | 987                           |
| 6) Contributions to/from reserves              | 2,668           | 2,838                         | 170                           |
| <b>7) Total Cost of Services</b>               | <b>14,039</b>   | <b>15,196</b>                 | <b>1,157</b>                  |
| <b>Funding &amp; Appropriations</b>            |                 |                               |                               |
| 8) Appropriations                              | 1,057           | 868                           | (189)                         |
| 9) Government grants                           | (5,442)         | (5,487)                       | (45)                          |
| 10) Council Tax                                | (3,786)         | (3,786)                       | -                             |
| 11) Retained Business Rates                    | (5,868)         | (5,883)                       | (15)                          |
| <b>12) Total Funding</b>                       | <b>(14,039)</b> | <b>(14,288)</b>               | <b>(249)</b>                  |
| <b>Contribution (to)/from the General Fund</b> | <b>-</b>        | <b>908</b>                    | <b>908</b>                    |

Significant variances are detailed over the page.

#### Salaries

The budgeted vacancy factor for 2018-19 is 4% for Breckland staff and 2.5% for Anglia Revenues Partnership (ARP) staff.

The achieved vacancy factor is currently below target, however this is expected at this early stage of The year and will be monitored as the year progresses.

**Table 2 - Significant Variances**

| Cost Centre                     | Total Budget<br>£ | Total Variance<br>£ | Comments  |
|---------------------------------|-------------------|---------------------|---|
| <b>1) High Impact</b>           |                   |                     |   |
| 1a) Commercial Property         | (2,257,903)       | 402,645             | Reduced income from a major tenant and a long term vacant unit has impacted on the income expected for the year. The variance assumes nil income from the long term empty unit, but this may improve. Additional costs of business rates for empty units has also created a variance.   |
| 1b) Efficiencies Achieved       | (309,497)         | 309,497             | Efficiencies achieved to date including the 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. It is likely that we will need to request use of one off funding in year to cover the shortfall, but future years will be addressed during budget setting. |
| 1c) Building Control            | 214,955           | 77,231              | This is due to below budget income due to bigger development work being undertaken by approved inspectors rather than the Council's building control team. The fee work we are undertaking is smaller in scale results in less income to the Council.   |
| 1d) Breckland Business Centres  | (359,673)         | 45,634              | Below budget percentage let in Thetford, partially offset by above budget in Dereham.   |
| <b>2) High Opportunity</b>      |                   |                     |   |
| 2a) Appropriations              | 1,057,386         | (189,582)           | This variance relates to additional renewable energy business rates income, which has been included in future years budgets. Additional income is also expected from 2019-20 in this area.  |
| <b>3) One Offs</b>              |                   |                     |   |
| 3a) PFI                         | 259,809           | 73,662              | 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 and this will continue through to November 2018.   |
| 3b) Human Resources             | 402,447           | 21,947              | Over spends in year relate mainly to I-Trent licence costs and additional staff hours implemented after the restructure.  |
| 3c) Pollution Control           | 300,616           | 20,101              | Over spend is due to costs awarded following a legal case against the Council.  |
| 3d) Retained NNDR               | (5,867,747)       | (15,232)            | Additional retained NNDR income forecast, however this is always at risk form appeals in year.  |
| 3e) Government Grants           | (5,442,083)       | (44,570)            | Additional funding received in year above the amounts notified in the Local Government Settlement.  |
| 3f) Land Management             | 113,975           | (28,501)            | Additional income through granting of easements within the year.  |
| <b>4) Low Impact</b>            |                   |                     |   |
| 4a) Contributions from reserves | 2,668,027         | 170,121             | £48k of this variance relates to the additional 20% planning fees income which was not budgeted for. The remainder of the variance is offset by under spends within service areas.  |

| <b>Cost Centre</b>      | <b>Total Budget<br/>£</b> | <b>Total Variance<br/>£</b> | <b>Comments</b>   |
|-------------------------|---------------------------|-----------------------------|---|
| 4b) Development Control | (153,640)                 | 54,036                      | The number of applications received by the Council is still high, however, the value of the application is less than had been forecast to date, however this could increase as the year progresses. 20% of the income received has been contributed to a reserve for future innovation in the Planning Service as per Government legislation. |
| 4c) Miscellaneous       | 9,119,749                 | 32,876                      | Net effect of other smaller value variances   |
| 4d) Insurance account   | 103,580                   | 28,758                      | Additional insurance cover for GDPR which was not budgeted for and higher than anticipated costs for public liability and employers liability insurance.  |
| 4e) Match funding       | 150,000                   | (50,000)                    | Reduced grant spend to date – this variance is fully offset by an overspend within contributions to/from reserves.  |
| <b>5) TOTAL</b>         | <b>-</b>                  | <b>908,623</b>              |   |

## **Collection Funds**

### **Council Tax**

The Council Tax collection fund account has a residual surplus of £965k overall, with Breckland's share being £95k. The forecast for 2018-19 is currently slightly higher than budget due to increased tax base and this will be factored into budget setting for next year.

### **Retained Business Rates**

The retained Business Rates (NNDR) collection fund account has a residual surplus of £728k overall, with Breckland's share being £291k. The forecast for 2018-19 is currently a surplus of around £700k with Breckland's share being £280k, which will be incorporated into future years budgets. NNDR income will be affected by any appeals which are made in future years and therefore the current year value is likely to change as the year progresses.

### **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 fully quantified:

- Moving forward targets not achieved has led to some one off reserve funding required in year and the targets will be flexed accordingly in future year's budgets.
- A major commercial unit remains vacant which impacts income received.
- The garden waste tonnage income is likely to be lower this financial year due to weather conditions.

Full risk registers are held within the corporate improvement team.

## 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 2018-19 efficiencies including service reviews and the enabling projects, however this is dependent on projects starting on time and delivering the full efficiency target in year. The forecast shortfall in achievement of projects for this year is £310k, some of these efficiencies are now unlikely to be realised and the Finance Board is reviewing these along with the phase 2 projects to flex the budget for future years. It is however likely that some one-off reserve funding will be required in the current year to cover the shortfall. 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 £1,799k, 68% of the overall target. Re-profiling of project start and end dates are made as necessary.

The table below shows the progress against the programme as at 30 June 2018.

| Year           | Digitalisation  |                   |                  | Commercialisation |                   |                  | Organisational Design |                   |                  | Aligning Public Services |                   |                  | Other           |                   |                  | TOTAL           |                   |                  |
|----------------|-----------------|-------------------|------------------|-------------------|-------------------|------------------|-----------------------|-------------------|------------------|--------------------------|-------------------|------------------|-----------------|-------------------|------------------|-----------------|-------------------|------------------|
|                | Target<br>£'000 | Achieved<br>£'000 | Balance<br>£'000 | Target<br>£'000   | Achieved<br>£'000 | Balance<br>£'000 | Target<br>£'000       | Achieved<br>£'000 | Balance<br>£'000 | Target<br>£'000          | Achieved<br>£'000 | Balance<br>£'000 | Target<br>£'000 | Achieved<br>£'000 | Balance<br>£'000 | Target<br>£'000 | Achieved<br>£'000 | Balance<br>£'000 |
| 2018-19        | (28)            | (36)              | (8)              | (1,127)           | (818)             | 309              | (612)                 | (533)             | 79               | (81)                     | (81)              | 0                | 0               | (70)              | (70)             | (1,848)         | (1,538)           | 310              |
| 2019-20        | (28)            | (36)              | (8)              | (1,363)           | (868)             | 495              | (937)                 | (771)             | 166              | (81)                     | (81)              | 0                | 0               | (18)              | (18)             | (2,409)         | (1,774)           | 635              |
| 2020-21        | (28)            | (36)              | (8)              | (1,501)           | (843)             | 658              | (937)                 | (751)             | 186              | (81)                     | (81)              | 0                | 0               | (18)              | (18)             | (2,547)         | (1,729)           | 818              |
| 2021-22        | (28)            | (36)              | (8)              | (1,581)           | (899)             | 682              | (937)                 | (765)             | 172              | (81)                     | (81)              | 0                | 0               | (18)              | (18)             | (2,627)         | (1,799)           | 828              |
| <b>Minimum</b> |                 | £36k              |                  | <b>Minimum</b>    |                   | £899k            | <b>Minimum</b>        |                   | £765k            | <b>Minimum</b>           |                   | £81k             | <b>Minimum</b>  |                   | £18k             | <b>Minimum</b>  |                   | £1,799k          |
| <b>Target</b>  |                 | £28k              |                  | <b>Target</b>     |                   | £1,581k          | <b>Target</b>         |                   | £937k            | <b>Target</b>            |                   | £81k             | <b>Target</b>   |                   | £0k              | <b>Target</b>   |                   | £2,627k          |
| <b>Maximum</b> |                 | £36k              |                  | <b>Maximum</b>    |                   | £1,743k          | <b>Maximum</b>        |                   | £937k            | <b>Maximum</b>           |                   | £81k             | <b>Maximum</b>  |                   | £18k             | <b>Maximum</b>  |                   | £2,815k          |

## Section 2 - Capital

**Table 1 - Progress against 18-19 approved capital programme**

|  | Budget<br>£      | Forecast<br>Out-turn<br>£ | Forecast<br>(under)/overspend<br>£ |
|--|------------------|---------------------------|------------------------------------|
| <b>Commercialisation</b>               |                  |                           |                                    |
| Property (Land & Buildings)            | 234,129          | 266,312                   | 32,183                             |
| Capital grants                         | 2,525,470        | 2,525,470                 | -                                  |
| Capital loans                          | 483,038          | 483,038                   | -                                  |
| Not yet released                       | 1,702,360        | 1,702,360                 | -                                  |
| <b>Total Commercialisation</b>         | <b>4,944,997</b> | <b>4,977,180</b>          | <b>32,183</b>                      |
| <b>Strategy &amp; Governance</b>       |                  |                           |                                    |
| ICT & Organisational Change            | 271,932          | 271,932                   | -                                  |
| Not yet released                       | -                | -                         | -                                  |
| <b>Total Strategy &amp; Governance</b> | <b>271,932</b>   | <b>271,932</b>            | <b>-</b>                           |
| <b>Place</b>                           |                  |                           |                                    |
| Property (Land & Buildings)            | 21,731           | 21,947                    | 216                                |
| ICT & Organisational Change            | 41,930           | 41,930                    | -                                  |
| Grants                                 | 1,473,635        | 1,473,635                 | -                                  |
| Not yet released                       | 2,259,731        | 2,259,731                 | -                                  |
| <b>Total Place</b>                     | <b>3,797,027</b> | <b>3,797,243</b>          | <b>216</b>                         |
| <b>TOTAL</b>                           | <b>9,013,956</b> | <b>9,046,355</b>          | <b>32,399</b>                      |

Forecast outturn £9,046,355 or 100%

Table 2 - The variance is shown below:

| Project                          | (under)/<br>over spend<br>£ | Carry over<br>to Future<br>£ |  |
|----------------------------------|-----------------------------|------------------------------|--|
| <b>Commercialisation</b>         |                             |                              |  |
| DWP                              | 32,183                      | -                            | It is likely that £24k of this over spend cannot be recovered from DWP. Investigation work is underway to determine if there are any recharges to Sth Holland. |
| <b>Strategy &amp; Governance</b> |                             |                              |  |
|                                  | -                           | -                            |  |
| <b>Place</b>                     |                             |                              |  |
| Car Park resurfacing             | 216                         | -                            | Minor overspend on retention sum.  |
| <b>Total</b>                     | <b>32,399</b>               | <b>-</b>                     | <b>= £32,399 Total</b>   |

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.
- There is £3.96m of not released capital funding, if this is not released soon then the projects are unlikely to complete in year and funding will need to be carried over to future years.

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

### Liquidity

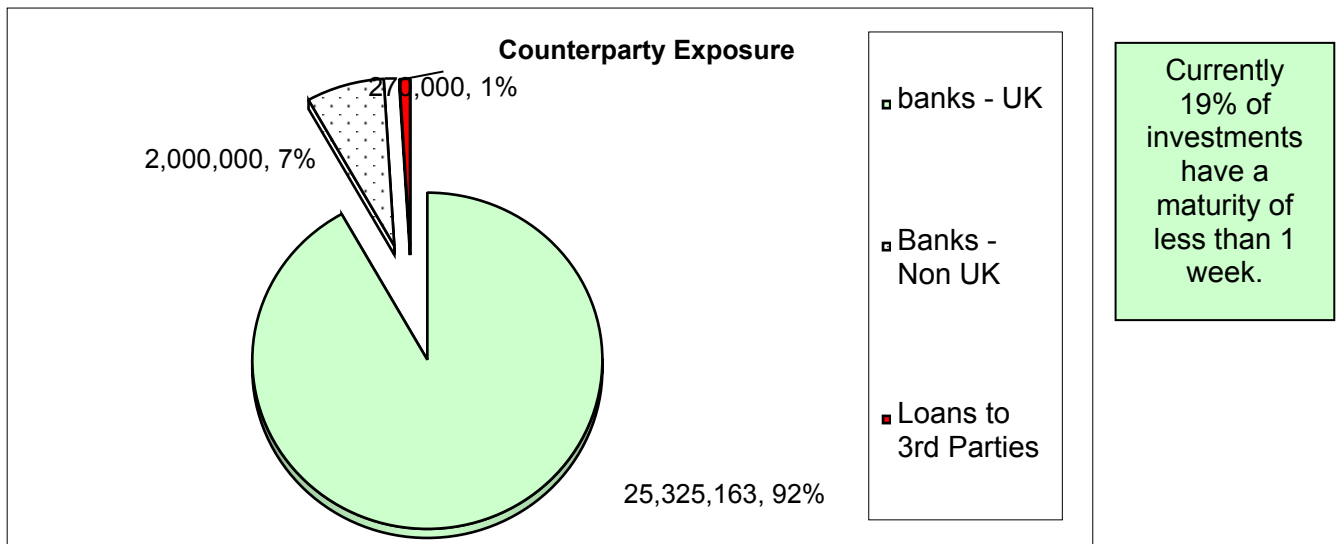
The Council had an average of £5.8m instant access cash available during the reporting period. This is slightly in excess of the working capital sum required (£5m) but reflects the instant access or short term nature of deposits in instant access accounts during this period of low returns. The short term investments also reflect the expected rate rise. The council did not use its overdraft facility in this reporting period.

### Yield

|                                     | Budget   | Forecast | Variance  |
|-------------------------------------|----------|----------|-----------|
| Interest receivable 2018-19         | £114,796 | £155,778 | (£40,982) |
| Yield (3 month LIBID <sup>1</sup> ) | 0.553%   | 0.574%   | (0.021%)  |

The rate of return of 0.574% includes cash investments and loans to 3<sup>rd</sup> parties and is higher than the target yield. The additional income is a result of loans to 3<sup>rd</sup> 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

<sup>1</sup> LIBID – London Inter-bank Bid Rate