

Breckland Council

Financial report for the year ended 31 March 2021

This report has three sections

- Section 1 – Revenue budget
- 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 (S&G) | 5,740 | 5,957 | 217 |
| 2) Growth & Commercialisation (G&C) | 2,410 | 3,826 | 1,416 |
| 3) Place (PL) | 6,432 | 8,088 | 1,656 |
| 4) Housing Benefits (HB) | 246 | 697 | 451 |
| 5) Total Cost of Services before reserves | 14,828 | 18,568 | 3,741 |
| 6) Contributions to/from reserves (RES) | (347) | (552) | (204) |
| 7) Total Cost of Services | 14,480 | 18,016 | 3,536 |
| Funding & Appropriations | | | |
| 8) Appropriations (APP) | 3,044 | 3,044 | - |
| 9) Government grants (GRA) | (7,261) | (9,726) | (2,465) |
| 10) Council Tax (CT) | (4,238) | (4,238) | - |
| 11) Retained Business Rates (NDR) | (6,025) | (6,025) | - |
| 12) Total Funding | (14,480) | (16,945) | (2,465) |
| Contribution (to)/from the General Fund | - | 1,071 | 1,071 |
| Proposed mitigations, subject to Council approval | - | (854) | (854) |
| Final Contribution (to)/from the General Fund | - | 217 | 217 |

Significant variances are detailed over the page.

Salaries

The budgeted vacancy factor for 2020-21 is 4% for Breckland staff and 2.5% for Anglia Revenues Partnership (ARP) staff.

The achieved vacancy factor for this year is 4% for Breckland staff and 1.4% for Anglia Revenues Partnership (ARP) staff. Whilst these values are on track currently we expect them to worsen as the year progresses due to less staff turnover in the current pandemic situation.

Table 2 - Significant Variances

| Cost Centre | Port- folio | Total Budget £ | Total Variance £ | Comments |
|-------------------------------|----------------|----------------------|------------------------|--|
| 1) High/Ongoing Impact | | | | |
| 1a) Efficiencies | All | | 425,157 | Due to the pandemic, work on identifying future efficiencies and progressing those already identified has ceased temporarily. During Q2 this work has re-started and will feed into budget setting for next financial year. |
| 2) High Opportunity | | | | |
| | | | | |
| 3) One Offs | | | | |
| 1a) Planning | PL | | 660,000 | Forecast lost income on Planning fees resulting from reduced demand during Covid-19 pandemic. |
| 1b) Housing Benefits | HB | | 451,121 | High costs of providing temporary accommodation through reduced options for accommodation exceed the amount available to recover through Housing Benefits. This value should reduce through quarters 2 to 4 as more accommodation is becoming available. |
| 1c) Commercial Income | S&G/ G&C | | 398,038 | Lost income on commercial, enforcement and consultancy activities through temporarily ceasing these services during the Covid-19 pandemic. |
| 1d) Other Covid-19 | All | | 331,825 | All other additional costs relating to Covid-19, such as: Provision of PPE for staff and buildings, additional cleaning in buildings, business rates costs of empty commercial property, emergency planning activity, high streets campaigns, etc. |
| 1e) Interest Income | G&C | | 257,823 | Reduced interest rates result in lower investment income of £80k. Temporary delays in Breckland Bridge projects due to Covid-19 staff priorities have changed timing of loans leading to less income this year although this will still be received in future years. |
| 1f) Commercial Property | G&C | | 254,511 | Additional bad debt provisions relating to potential higher debt resulting from rent deferrals and specific provision on larger tenants under voluntary credit arrangements. |
| 1g) Staffing | All | | 243,962 | Additional short term staffing requirements to support Covid-19 pandemic and expected vacancy factor pressures through reduced staff turnover this year. |
| 1h) Contract Payments | PL | | 229,000 | Forecast costs of re-opening certain activities and buildings. |
| 1i) Housing | PL | | 193,429 | Additional costs of housing rough sleepers and increased homelessness demand. This is partly offset by Government grant. |
| 1j) Leisure | PL | | 182,355 | Contractual and other costs relating to the leisure centres closure as a result of Covid-19 lock down. |
| 1k) Other Income | | | 152,251 | Other lost income such as: Licensing, Room hire, water sampling, legal fees, etc. |
| 1l) Grant contribution | | | 150,000 | One off contribution to Norfolk Business Rates Pool by all Norfolk authorities to support tourism and businesses throughout Norfolk in recovery from the Covid-19 pandemic lock downs (subject to Full Council approval). |

| Cost Centre | | Total Budget £ | Total Variance £ | Comments |
|-------------------------|-----|---------------------------|-----------------------------|---|
| 1m) Land Charges | PL | | 109,000 | Forecast lost income on Land Charges resulting from reduced demand during Covid-19 pandemic. |
| 1n) Building Control | PL | | 57,000 | Forecast lost income on Building Control resulting from reduced demand during Covid-19 pandemic. |
| 1o) Reserves | | | (204,317) | One off use of buffer fund to cover costs of large tenants bad debt provision. |
| 1p) Temporary Savings | All | | (354,940) | Identified savings throughout the Council from certain 'business as usual' activities reducing, such as: Staff & Member travel, reduced planning spend due to reduced income, focus change for internal audit, etc. |
| 1q) Proposed Mitigation | | | (853,555) | Proposals to mitigate overspend through use of reserves (subject to Full Council approval). |
| 1r) Government grants | | | (2,465,173) | Additional Government grants relating to Covid-19 costs and income, rough sleepers and grant administration costs. |
| 4) Low Impact | | | | |
| | | | | |
| 5) TOTAL | | - | 217,487 | |

Collection Funds

Council Tax

The Council Tax collection fund account had a residual deficit of £152k overall at the end of 2019-20, with Breckland's share being £16k. At this stage we have not been able to accurately forecast the 2020-21 position due to the Covid-19 impact in quarter 1. Data from quarter 2 will help us forecast later in this year.

Retained Business Rates

The retained Business Rates (NNDR) collection fund account had a residual surplus of £921k overall at the end of 2019-20, with Breckland's share being £391k. At this stage we have not been able to accurately forecast the 2020-21 position due to the Covid-19 and Government reliefs impacts in quarter 1. Data from quarter 2 will help us forecast later in this year.

Section 2 - Capital

Table 1 - Progress against 20-21 approved capital programme

| | Budget £ | Forecast Out-turn £ | Forecast (under)/overspend £ |
|--|-------------------|---------------------------|------------------------------------|
| Commercialisation | | | |
| Property (Land & Buildings) | 16,000 | 16,000 | - |
| Capital grants | 3,774,473 | 3,024,473 | (750,000) |
| Capital loans | 386,222 | 386,222 | - |
| Not yet released | 5,285,406 | 2,103,306 | (3,182,100) |
| Total Commercialisation | 9,462,101 | 5,530,001 | (3,932,100) |
| Strategy & Governance | | | |
| ICT and Vehicles & Equipment | - | - | - |
| Not yet released | 305,136 | 305,136 | - |
| Total Strategy & Governance | 305,136 | 305,136 | - |
| Place | | | |
| Property (Land & Buildings) | 67,200 | 67,200 | - |
| ICT and Vehicles & Equipment | 5,026,281 | 5,026,281 | - |
| Grants | 3,942,674 | 2,912,714 | (1,029,960) |
| Not yet released | 1,272,137 | 391,031 | (881,106) |
| Total Place | 10,308,292 | 8,397,226 | (1,911,066) |
| TOTAL | 20,075,529 | 14,232,363 | (5,843,166) |

Forecast outturn £14,232,363 or 71%

Table 2 - The variance is shown below:

| Project | (under)/ over spend £ | Carry over to Future £ | |
|----------------------------------|--------------------------------|------------------------------|--|
| Commercialisation | | | |
| Snetterton Power | - | (750,000) | Re-profile of project spend (fully grant funded). |
| Swaffham new build | - | (682,100) | Start on site expected Q4 subject to approval. |
| Roman house new units | - | (425,000) | Project not yet commenced. |
| Health hub Dereham | - | (2,000,000) | Project currently paused. |
| Air conditioning | - | (20,000) | Await outcome of Worksmart 2020 before committing. |
| Toilet conversion | - | (55,000) | Project currently paused & under review. |
| Strategy & Governance | | | |
| Place | | | |
| Temporary Housing | - | (881,106) | Start on site expected Q4, therefore reprofiled spend. |
| Thetford HIF Power | - | (1,029,960) | Re-profile of project spend (fully grant funded). |
| Total | - | (£5,843,166) | = (£5,843,166) Total |

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 lower 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

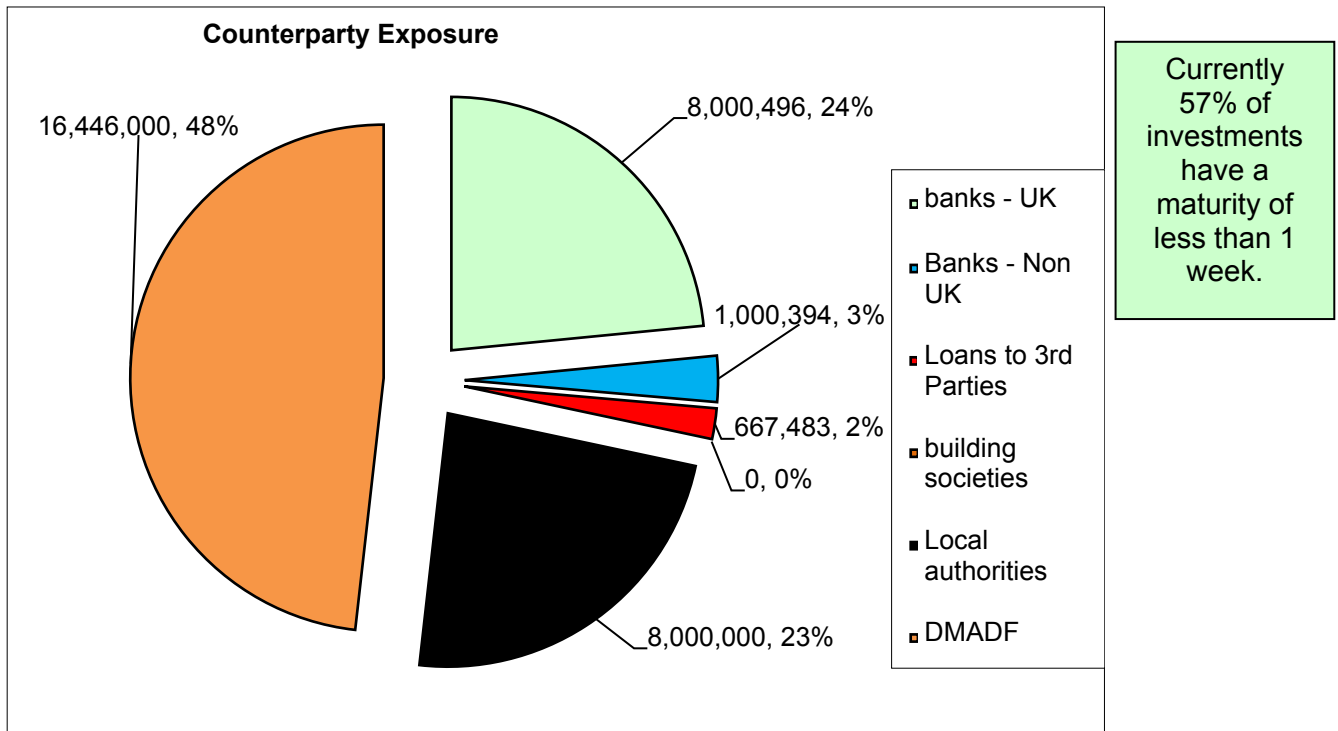
The Council had an average of £21.5m instant access cash available during the reporting period. This was exceptionally higher than our usual requirement of £5m due to the Government grants received in April, many of which were held short term to pay out grants, combined with a lack of available resource to make investments due to other priorities and low interest rates making investment deals more difficult. As the result of an error in the daily banking, the council used its overdraft facility once in this reporting period to the value of £366k, costing £23. The weighted average life (WAL) of investments was 52 days.

Yield

| | Budget | Forecast | Variance |
|-------------------------------------|----------|----------|----------|
| Interest receivable 2020-21 | £512,050 | £254,227 | £257,823 |
| Yield (3 month LIBID ¹) | 0.195% | 0.670% | (0.475%) |

The below budget income relates to expected loans to 3rd parties at market rates which will not be made this year due to timing delays, alongside reduced interest rates on general investments.

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



¹ LIBID – London Inter-bank Bid Rate