BRECKLAND COUNCIL FINANCIAL COMMENTS & APPRAISAL

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

FROM: **Alison Chubbock (Assistant Director Finance)**
REPORT: **Breckland Bridge Business Plan**
REPORT DATE: **June 2023**

Considered By: Cabinet / Full Council
Date: 3 July 2023

Financial Services Comments
The Breckland Bridge business plan supports the delivery of building houses on Council owned land. This land is valued at market values by an independent valuer at the time of transfer into the Breckland Bridge delivery scheme, this results in a one off capital receipt to the Council which is included in our budgets, supporting delivery of other capital projects.

Currently Breckland has a maximum limit within the Treasury Management Policy to provide up to £5 million of loans to Breckland Bridge companies. Loans are provided to the Breckland Bridge companies for the land loan and shareholder loan and the Council earns interest on these loans at circa 8%-10%, which provides an income to the Councils revenue budgets.

Where the Council chooses to (and within the financial limits set), we can provide construction loans for the companies, which also provides an income to the Councils revenue budgets. If the Council does not provide these construction loans the Breckland Bridge companies would have to source loans externally at the best rates available.
The current approved budgets assume that we will continue to provide loans to this maximum £5 million value and the forecast interest income has been included in the approved budget.

The ‘Small Sites’ work generates both capital and revenue one off income to the council, partly offset by the fees payable to The Land Group and the costs of sale and this forecast income is also included in the approved budgets.

Financial Risk
The key financial risks are highlighted below:

If the business plan is not approved, or schemes do not take place or are delayed, this could have a negative impact on the councils budgets through lost interest income and capital receipts, leading to efficiencies being required elsewhere within the council.

If construction costs increase and/or sales income decreases there may be no profit generated by the development scheme. This would lead to the Council having to cover the losses at their 50% shareholding level. This could also mean that loans and interest are not repaid and would need to be written off by the Council, resulting in unbudgeted costs. There are no reserves set aside to protect against this eventuality. However, each scheme is considered and approved by the Breckland Bridge Board before the scheme is delivered, this process includes an up-to-date assessment of costs and income and therefore scheme viability before delivery begins.

If schemes are delayed and/or delivery of a scheme takes longer than planned, then the financial exposure to Breckland Bridge loans could result in shortfalls of available cash balances for the Council and lead to a borrowing requirement.

The running costs of £70k per year cannot always be met from the ongoing projects, in these circumstances the Council will have to provide 50% of any shortfall each year, which will create a cost pressure. This is a particular risk whilst schemes are not progressing and there is no income into the companies, but less of a risk once schemes are in progress.

Breckland Bridge have not yet tested the market for external loans as, to date, the Council has provided the construction loans. The availability of external loans at market rates is dependent on the financial standing of Breckland Bridge.