

## Breckland Council

### Financial report for the year ended 31 March 2024

This report has four sections

- Section 1 – Revenue budget
- Section 2 – Capital budget
- Section 3 – Treasury update
- Section 4 – Balance Sheet Management

*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
<b>Cost of Services</b>			
1) Health & Housing	2,901	2,846	(55)
2) Economy & Growth	2,159	2,489	330
3) Finance	1,746	1,325	(421)
4) People & Governance	3,752	3,745	(7)
5) Contracts & Operations	4,995	5,514	519
6) Property & Infrastructure	(214)	32	246
7) Housing Benefits	649	800	151
8) Total Cost of Services before reserves	15,988	16,751	763
9) Contributions to/from reserves	(719)	(963)	(245)
<b>10) Total Cost of Services</b>	15,269	15,788	519
<b>Funding &amp; Appropriations</b>			
11) Appropriations	2,069	2,078	9
12) Government grants	(7,442)	(7,442)	0
13) Council Tax	(5,219)	(5,219)	0
14) Retained Business Rates	(4,772)	(4,772)	0
<b>15) Total Funding</b>	(15,364)	(15,355)	9
<b>16) Net Cost of Services</b>	(95)	433	528
17) Evolve programme	(150)	(7)	143
<b>Contribution (to)/from the General Fund</b>	(245)	426	671

Significant variances are detailed over the page.

#### Salaries

The budgeted vacancy factor for 2023-24 is 4% for Breckland staff and 2.5% for Anglia Revenues Partnership (ARP) staff.

The combined vacancy factor for this year is presently on track to be achieved overall for Breckland and Anglia Revenues Partnership (ARP) staff.

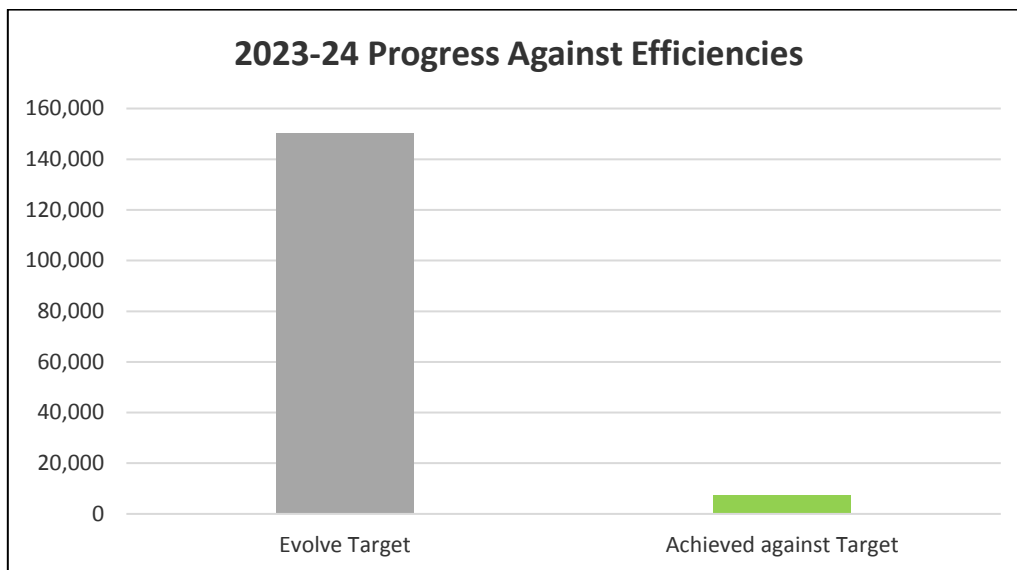
Table 2 - Significant Variances

Cost Centre	Portfolio Holder	Total Budget £	Total Variance £	Comments
1) Planning, Building Control & Land Charges	Cllr Suggitt	85,247	367,136	Income shortfalls due to downturn in the construction industry & housing market, potential effects of nutrient neutrality and increased contract inflation.
2) Waste, Street cleansing, Parks & Open Spaces and Garden Waste	Cllr Crane	2,065,945	190,937	Increase in inflation above budgeted amounts has resulted in the overspend. The closure of a local recycling processing centre has increased travel times, this will be addressed by reorganising rounds.
3) Housing Benefit Claims	Cllr Cowen	649,096	151,421	Increased costs of nightly paid temporary accommodation which cannot be reclaimed.
4) Evolve programme	Cllr Cowen	(150,000)	142,629	It is unlikely that this Evolve target will be met this financial year. Whilst work is in progress on the projects, the associated saving/income will not be achieved until next financial year.
5) Breckland Bridge	Cllr Hewett	(193,260)	140,173	Income sales for Breckland Bridge are forecast to occur earlier than expected, leading to a reduced drawdown on the loan from Breckland.
6) Trade Waste	Cllr Crane	(155,564)	78,487	The income target for this year is not forecast to be met at this stage, however work continues to increase customers and the target is on track to be met next year.
7) Recycling	Cllr Crane	642,632	121,619	An increase in the gate free at the materials recycling centre (MRF) compared to budget has resulted in an overspend. Funds are held in reserve form prior year savings in gate fee which can be used to offset overspends at the end of the year.
8) Procurement	Cllr Hewett	40,847	72,450	Loss of third party income from the consortium, discussions are in progress to mitigate where possible.
9) Leisure PFI	Cllr Ashby	991,326	63,956	Contract inflation has increased, leading to an overspend.
10) ICT & Digital	Cllr Webb	1,242,212	36,586	The forecast overspend is due to parallel running of a new planning system and increased telephony costs.
11) Business Centres	Cllr Hewett	(175,325)	51,188	Loss of a major tenant from Dereham has reduced income, this is partly offset by increased income in Thetford from a new tenant.
12) Footway Lighting	Cllr Hewett	44,000	29,903	Continued increased utilities costs has led to above budget costs.
13) Community Safety	Cllr Ashby	45,131	28,137	Implementation costs relating to a service review.
14) HR	Cllr Webb	410,659	19,395	Increased contract costs for counselling and occupational health, alternative delivery solutions are being explored.
15) Legal	Cllr Hewett	165,339	15,505	Overspend is due to complex one off legal case.
16) Local Elections	Cllr Webb	289,648	(48,411)	Windfall grant from Government to cover new elections costs for voter ID.

Cost Centre		Total Budget £	Total Variance £	Comments
17) Housing Options & Breckland accommodations	Cllr Bowes	725,632	(90,545)	Demand remains high in this area, however through the use of our own properties and other rental properties this variance helps offset the costs shown under Housing Benefit.
18) General Fund	Cllr Cowen	244,661	(244,661)	This allowance was put into the budget due to the unknowns surrounding inflation & utilities costs, however no contribution will be made to the General Fund whilst there is an overspend.
19) Corporate Finance	Cllr Cowen	(928,654)	(506,789)	Increased interest receivable from general investments due to interest rates increasing since the budgets were set and finance lease income from rentals.
20) Other miscellaneous		(6,284,233)	51,629	Other smaller value variances combined.
<b>TOTAL</b>		<b>(244,661)</b>	<b>670,745</b>	

### Table 3 – Progress Against Efficiency Targets

The Evolve programme target for the year is £150k and to date only a minimal amount has been achieved. It is unlikely that this Evolve target will be met this financial year. Whilst work is in progress on the projects, the associated saving/income will not be achieved until next financial year.



Targets will be re-set in the budget to ensure they remain up to date and deliverable.

### Collection Funds

#### Council Tax

The Council Tax collection fund account had an in-year surplus of £1,041k overall at the end of 2022-23, with Breckland's share being £107k, which will be included in future budgets. For 2023-24, the collection rate was slightly ahead of target as at the end of June 2023.

#### Retained Business Rates

The outturn for 2022-23 was an in-year surplus of £6,720k due to the ending of Covid reliefs and a reduction in the levels of appeals, with Breckland's share being £2,688k which will be included in future years' budgets.

For 2023-24, the in-year collection rate was slightly higher than the target for the end of June 2023.

## Section 2 - Capital

Table 1 - Progress against 23-24 approved capital programme

	Budget £	Forecast Out-turn £	Forecast (under)/overspend £
Economy & Growth	1,080,964	1,086,614	5,650
Property & Infrastructure	5,682,593	5,682,593	0
Contracts & Operations	4,484,576	3,784,576	(700,000)
Health & Housing	2,408,755	2,161,755	(247,000)
People and Governance	200,000	200,000	0
Capital Loans	2,309,958	2,105,322	(204,636)
<b>TOTAL</b>	<b>16,166,846</b>	<b>15,020,860</b>	<b>(1,145,986)</b>

Forecast outturn £15,020,861 or 93%

Table 2 - The variance is shown below:

Project	Portfolio Holder	(under)/ over spend £	Commentary
Future Leisure Provision Swaffham	Cllr Ashby	(700,000)	The Levelling Up bid was unsuccessful so other funding options need to be found, therefore spend is unlikely in 2023-24
Empty Homes	Cllr Bowes	(250,000)	This budget is not expected to be used this year as the Empty Homes Policy has not yet been agreed.
Capital Loans	Cllr Cowen	(204,636)	The Colkirk scheme is progressing well and it is anticipated that sales will start to come through towards the end of the year, removing the need for further drawdown of the agreed construction loan.
Air Quality Equipment	Cllr Crane	3,000	Purchase costs were slightly higher than budgeted due to inflation, resulting in a small overspend.
Planning and building control system	Cllr Suggitt	5,650	A small overspend is currently forecast on this project, however, implementation costs are being managed with the aim of coming in on budget if possible.
<b>Total</b>		<b>(1,145,986)</b>	

### 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%	0.006%	0.054%

#### Liquidity

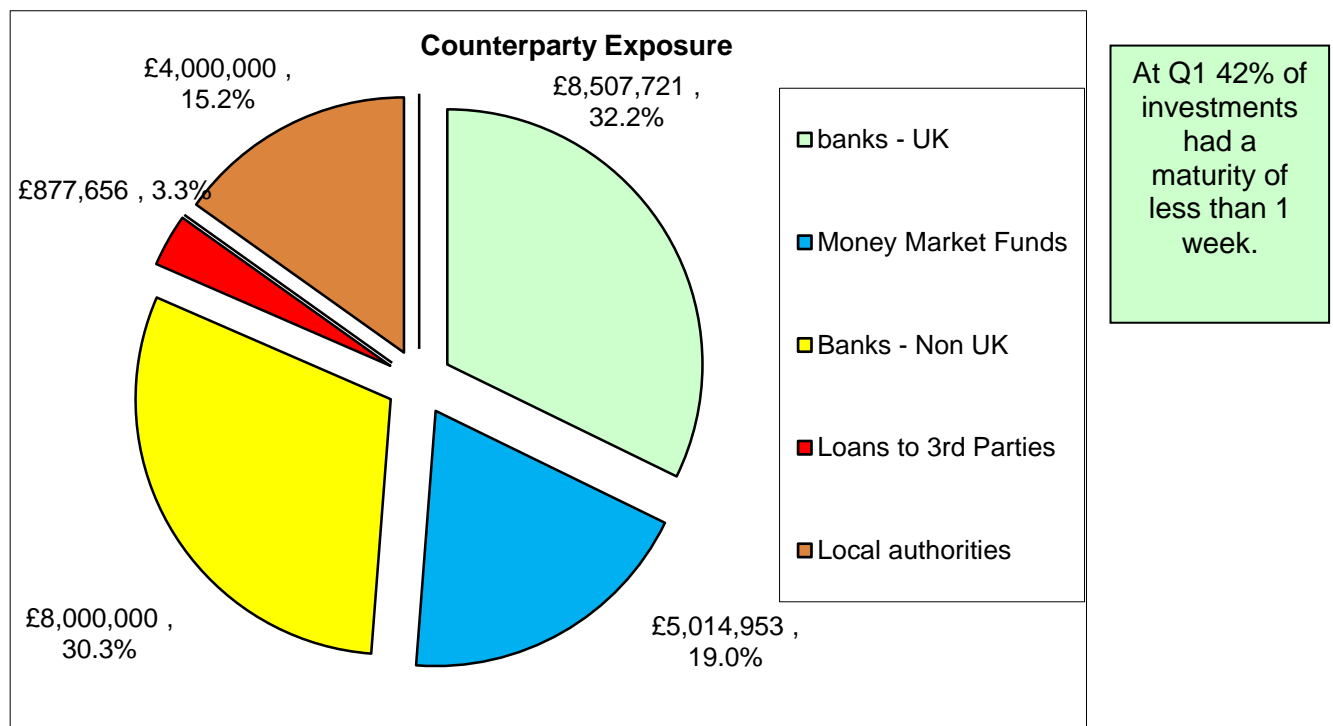
The Council had an average of £5.6m instant access cash available during the reporting period. This was slightly higher than our usual requirement of £5m. The council did not use its overdraft facility in this reporting period. The weighted average life (WAL) of investments was 73 days.

#### Yield

	Budget	Forecast Outturn	Variance
Interest receivable 2023-24	£1,250,153	£1,401,175	(£151,022)
Benchmark vs Overnight SONIA	4.367%	4.754%	(0.387%)

Interest receivable is above budget due to further interest rate rises this year, rising more sharply compared to when the budget was set, alongside an active treasury management strategy. This is partly offset by below budget interest relating to expected loans to 3<sup>rd</sup> parties at market rates as it is now anticipated that cash from house sales will mean that not all the agreed construction loan to Breckland Bridge will be required.

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



**Prudential Indicators**

The CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code for Capital Finance 2021 require us to report on our Prudential Indicators on a quarterly basis. Further information on the Prudential Indicators can be found in the Treasury Management Policy & Strategy on our website <https://www.breckland.gov.uk/info/strategies>

**Prudential Indicator 1 – Capital Expenditure and Financing**

Reported in section 2 of this report

**Prudential Indicator 2 – Capital Financing Requirement (CFR)**

£'000	2021-22 Actual	2022-23 Actual	2023-24 Estimate	2024-25 Estimate
<b>Opening CFR</b>	<b>(223)</b>	<b>203</b>	<b>1,889</b>	<b>4,980</b>
PFI Liability Opening Balance	7,780	7,511	7,227	6,929
<i>Opening Balance including PFI</i>	<i>7,557</i>	<i>7,714</i>	<i>9,116</i>	<i>11,909</i>
Unfinanced capital expenditure	966	2,263	3,731	(3,019)
Less Minimum Revenue Provision (MRP)	(809)	(861)	(938)	(1,658)
<i>Closing Balance including PFI</i>	<i>7,714</i>	<i>9,116</i>	<i>11,909</i>	<i>7,232</i>
Less PFI Liability	(7,511)	(7,227)	(6,929)	(6,614)
<b>Closing CFR</b>	<b>203</b>	<b>1,889</b>	<b>4,980</b>	<b>618</b>

A positive CFR indicates an underlying need to borrow, but the Council is presently able to borrow internally from its cash balances and avoid the need to borrow externally.

**Prudential Indicator 3 – Ratio of Financing Costs to net revenue stream**

Estimate	(6.04)%	
Quarter 1 Forecast	(7.84)%	Due to even sharper rise in interest rates than anticipated

Financing costs are net interest payable (on PFI) less interest receivable. Net Revenue stream is income from government grants, Council Tax and Business Rates. This figure is negative for Breckland as the Council receives more interest than it pays out.

**Prudential Indicator 4 – Actual External Debt**

£nil

**Prudential Indicator 5 – Gross Debt Against CFR**

Gross debt should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimate of any additional CFR for 2023-24 and the following 2 financial years.

The Council remains compliant with this indicator.

**Prudential Indicator 6 – Ratio of Net Income from Commercial and Service Investments to Net Revenue Stream**

Estimate	14.57%	
Quarter 1 Forecast	13.89%	Slightly lower as the net revenue stream is higher due to increased S31 Business Rate grants

**Prudential Indicator 7 – Operational Boundary**

Estimate	£6,929k	
Quarter 1 Forecast	£6,929k	This is the PFI scheme debt

**Prudential Indicator 8 – Authorised Limit**

Estimate	£8,929k	
Quarter 4	£8,929k	This is the PFI scheme debt plus £2m for external borrowing if required (this is not expected to be needed)

### Section 4 – Balance Sheet Management

This section focuses on the areas of our Balance Sheet which could pose risks to our financial sustainability. The main areas of risk are determined as:

Balance Sheet Area	Measure	Mitigations
Non-Current Assets	It is important that these are maintained in a suitable condition to deliver services and rental income.	Annual capital programme to ensure maintenance & replacement activity is captured and planned.
Cash & Investments	A shortfall in cash would represent an imminent problem to paying expenditure.	Daily cashflow monitoring in place. Investments placed so they mature at different times to ensure a constant cash inflow. Treasury Management Policy in place and Prudential Indicators monitored.
Provisions	Unexpected events may give rise to unexpected costs, which in turn could reduce usable reserves.	Regular dialogue to highlight potential new provisions (i.e. legal cases, NNDR Appeals).
Borrowing	It is important that the medium-term financial plan includes provision for repayment of debt and interest if required.	Currently internal borrowing is being utilised and no debt payments are required. However capital receipts will impact on the available cash if not received.
Usable reserves	Some reserves are held to protect against one off major events (i.e. loss of business rates through a major business leaving the area/ceasing trading). Other reserves provide funding for corporate priorities and development, without these balances future development is difficult to achieve without borrowing.	Regularly monitored and usage reported in Proforma B alongside remaining reserve balance. Report in financial performance report on large unplanned use of reserves.
General Fund	This is currently set at a minimum balance of £2.5m and should only be utilised in emergency situations.	Regularly monitored and any use would be reported through the financial performance report.

Currently the main risk area for Breckland is usable reserves and capital reserve, as due to budgetary pressures there are no plans currently to replenish any reserves or capital funding, which could lead to less funding in future to deliver new priorities and developments.