

# Breckland Council

## Financial Report for the quarter ending 30 June 2012

This report has three sections

- Section 1 – Revenue budget
- Section 2 – Capital budget
- Section 3 – Treasury update

### Section 1 - Revenue Budget

The table below details the full year forecasted outturn against revised budget. This is calculated by taking actuals up to 30 June 2012 and the profiled budget for the remaining months. Significant variances are detailed in Table 4 and other budget risks are detailed below Table 5.

**Table 1 – Forecast Revenue Outturn**

	Place & Governance	Commissioning	Housing Benefit Grants	Total
	£	£	£	£
Approved Full Year Working Budget*	4,770,915	13,038,245	(162,750)	17,646,410
Budgeted efficiencies (table 2)	(334,120)	(414,260)	0	(748,380)
<b>Approved Full Year Budget Requirement at 30th June 2012</b>	<b>4,436,795</b>	<b>12,623,985</b>	<b>(162,750)</b>	<b>16,898,030</b>
Virements requiring approval (table 3)	0	0	0	0
Significant Variances (table 4)	190,750	(335,037)	(6)	(144,293)
<b>Estimated Full Year Outturn</b>	<b>4,627,545</b>	<b>12,288,948</b>	<b>(162,756)</b>	<b>16,753,737</b>

Actual spend to date against budget = 6.9% including Housing Benefit Grants  
= 17% excluding Housing Benefit Grants

Forecast outturn against budget = 99.1% or (£144,293) under-spend

### Salaries

The budgeted vacancy factor for 2012-13 is 5%. The current achieved vacancy factor is 1.71% giving a deficit of £66k to date which is already included in the forecast outturn detailed in Table 1. Where appropriate, deleted posts are accounted for within efficiencies made. Other variances are detailed in the significant variances detailed in Table 4.

### Financial Performance Report (FPR) – Variances over/(under) 5% or £5,000

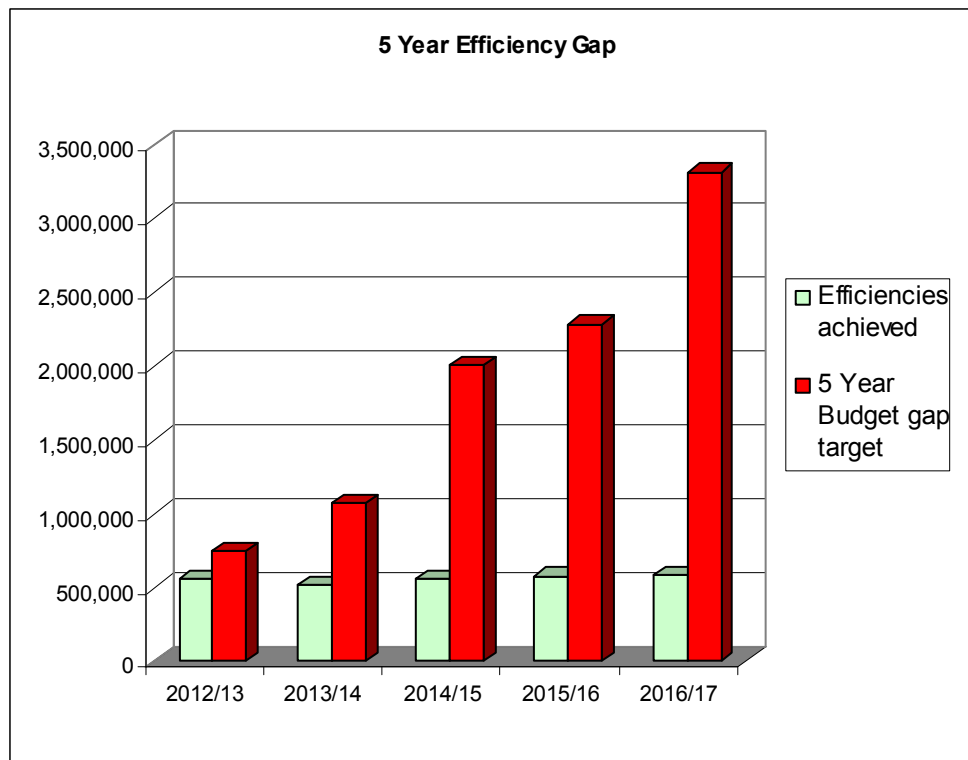
The monthly FPR which provides detail on individual cost centre projected over/(under) spends, from which the significant variances are shown in Table 4, is provided in the monthly member portfolio report.

\* Details behind these figures can be provided on request

## Table 2 – Efficiency Progress

The table below shows the cumulative effect of the budget gap over the next 5 years

	12-13	13-14	14-15	15-16	16-17
	£	£	£	£	£
Identified Efficiencies - already included in budget, but not achieved at budget time	748,380	1,071,060	1,087,120	1,074,010	1,084,210
Identified Efficiencies - Achieved to date	(239,260)	(257,020)	(267,480)	(284,930)	(290,480)
<b>Identified Efficiencies yet to be achieved</b>	<b>509,120</b>	<b>814,040</b>	<b>819,640</b>	<b>789,080</b>	<b>793,730</b>
Unidentified Efficiencies Required to Balance the Budget (From 14-15)	0	0	922,480	922,480	922,480
Unidentified Efficiencies Required to Balance the Budget (Additional from 15-16)	0	0	0	287,980	287,980
Unidentified Efficiencies Required to Balance the Budget (Additional from 16-17)	0	0	0	0	1,023,840
Unidentified Efficiency Requirement - Efficiencies identified & achieved to date	0	0	0	0	0
<b>Unidentified efficiencies yet to be achieved or identified</b>	<b>0</b>	<b>0</b>	<b>922,480</b>	<b>1,210,460</b>	<b>2,234,300</b>
Additional Efficiencies achieved to date (not identified at budget time)	(317,680)	(254,560)	(290,730)	(290,730)	(290,730)
<b>Total Efficiency Requirement Not Yet Achieved</b>	<b>191,440</b>	<b>559,480</b>	<b>1,451,390</b>	<b>1,708,810</b>	<b>2,737,300</b>



The **2012-13** efficiency achieved to date is **£556,940** against a target of £748,380

This equates to **74.4%** of the total

### Table 3 – Virement Decisions Required

The following budget amendments are required to reflect the latest forecasts of spend and income to ensure reported budget performance remains updated. By approving funding from identified efficiencies this increases the unidentified efficiency target.

<b>Supplementary Budget virements for approval:</b>	<b>£</b>
Capita contribution to planning & building Ctrl project	(30,000)
Contribution from above to capital programme	20,000
Additional revenue for developments for planning service	10,000
One off redundancy, pension strain & protection costs for Env Health review	83,820
Organisational development reserve funding	(83,820)

### Table 4 – Significant Variances

<b>Cost Centre</b>	<b>(Under)/ Over Spend £</b>	<b>Comments</b>
Capital Accounting	167,013	This overspend relates to reserve contributions which are not made until the spend occurs in service areas and is therefore offset by under spends elsewhere
Legal Services	40,667	Above budget hired services costs and efficiency targets not yet met
Treasury Management	(36,136)	Below budget external audit fees following fee reductions for 12-13 onwards
Commercial Property & Business Centres	120,527	Below budget rental income resulting from reduced lettings due to the current economic climate. In addition this creates additional rates costs for the vacant areas.
Car Parks	24,758	Above budget costs for car parks rates
Forward Planning	(82,153)	Local Plan Production below budget spend (partly offset by reserve contribution)
Public Lighting	(45,761)	Below budget street lighting costs to date. This will be offset by lower income from special expenses in future years
Waste Collection	(229,613)	Above budget recycling income received
Waste Collection	(57,800)	Below budget contract and recycling project spend to date. The final out-turn will not be known until later in the year.
Advice and Homelessness	(32,320)	Below budget spend to date on B&B and homelessness prevention initiatives
Elizabeth House	(23,944)	Below budget rates resulting from a review of the rateable value carried out
	10,469	Other minor miscellaneous variances
<b>TOTAL</b>	<b>(144,293)</b>	<b>Under Spend</b>

## Table 5 – Unallocated Reserve Balances

The table below shows the unallocated reserve balance as at the 30 June 2012. The balances within the table are funds that can be used for one off invest to save projects and unexpected events.

<b>Reserve Description</b>	<b>Unallocated Amount Available £</b>
Revenue Match Funding	(1,747,041)
Insurance	(25,827)
Commercial Property	(505,008)
PFI	(87,196)
Organisational Development	(2,311,824)
LABGI	(12,862)
Area Based Grant	(22,043)
Council Tax & NNDR	(2,000,000)
<b>Sub total</b>	<b>(6,711,801)</b>
General Fund	(2,580,750)
<b>Total unallocated reserves</b>	<b>(9,292,551)</b>

### Other Risks

The following areas are risks which the Council is facing, but the actual financial implications have not yet been quantified:

- Provisions have been made in the 2011-12 costs for an employment tribunal and an ongoing compensatable interests claim. There is a risk that the amount provided for could be too low or too high, resulting in either additional cost or an under spend to the Council.
- Funding has been received of £8.5k in 2012-13 to cover potential costs of any *Community Right to Challenges*. This is non-ringfenced funding and will also be received in 2013-14 and 2014-15. This has been contributed to the General Fund.
- A risk remains that future lease agreements could be classified as a finance lease in the accounts, reducing the amount of revenue income received, however checks are in place before major new agreements are put in place to ensure they can be classified as operating leases. An ongoing watch will be kept on future changes to accounting regulations in this area.

### Actions/Decisions

- Approve the virements detailed in table 3; or
- Not approve the virements detailed in table 3

## Section 2 – Capital Budget

This section reports on:

- Progress against 12-13 approved capital programme budget
- Available capital finance for the period 2012-13 – 2014-15
- Risks, issues and key messages

**Table 1 – Progress against 12-13 approved capital programme**

	Budget 2012-13 £	Actual @ 30/06/2012 £	Forecast £	Forecast (under)/overspend £
<b>Commissioning</b>				
Property (Land & Buildings)	1,212,388	66,523	483,424	(728,964)
ICT & Organisational Change	546,900	155,740	549,121	2,221
Grants	1,690,774	266,300	1,690,774	-
Not yet released	2,036,053	-	2,020,166	(15,887)
<b>Total Commissioning</b>	<b>5,486,115</b>	<b>488,563</b>	<b>4,743,485</b>	<b>(742,630)</b>
<b>Place and Governance</b>				
Property (Land & Buildings)	-	-	-	-
ICT & Organisational Change	-	-	-	-
Grants	70,447	-	70,447	-
Not yet released	184,448	-	184,448	-
<b>Total Place and Governance</b>	<b>254,895</b>	<b>-</b>	<b>254,895</b>	<b>-</b>
<b>TOTAL</b>	<b>5,741,010</b>	<b>488,563</b>	<b>4,998,380</b>	<b>(742,630)</b>

- Spend against budget                    8.51%
- Forecast outturn                            £4,998,380 or 87%

The forecast variance is explained as follows:

Project	(under)/ over spend £	Carry over to 2013-14 £	
Victory park		(18,207)	Budget still required but in 13/14. Spend delayed due to legal negotiations
Street Lighting		(589,057)	Budget still required but from 2013/14. Options for delivery are still being explored.
Dereham Play Areas		(137,587)	Budget still required but in early 2013/14.
	2,221		Other minor miscellaneous variances
<b>Total</b>	<b>2,221</b>	<b>(744,851)</b>	<b>= (742,630)</b>

Virements this qtr:

- £10k transferred from street lighting budget to Elizabeth House budget – to pay retention which was 10k more than anticipated

## Table 2 - Capital Financing Requirement (CFR)

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR) and is a gauge of the Council's capital borrowing need.

A negative value on the CFR is an indication of the resources available for new initiatives before there is a need to borrow.

	2012-13 £'000	2013-14 £'000	2014-15 £'000
Capital resources available - beginning of year	(2,540)	1,052	6,773
PFI scheme funded from revenue	(9,660)	(9,492)	(9,315)
<b>Total CFR at beginning of year</b>	<b>(12,200)</b>	<b>(8,440)</b>	<b>(2,542)</b>
<i>Planned Capital Investment:</i>			
Property (Land & Buildings)	2,955	5,002	950
ICT & Organisational Change	840	100	100
Capital Grants	1,946	1,205	1,121
Icelandic impairment reversal	-	-	-
MRP (PFI capital repayment)	168	177	186
<i>Sources of finance:</i>			
Capital Receipts	(865)	-	-
Specific funding	(1,284)	(586)	(502)
Sums set aside from revenue	-	-	-
<b>Forecast resources available @ end of year</b>	<b>(8,440)</b>	<b>(2,542)</b>	<b>(687)</b>
<b>( ) = resources available</b>	<b>(8,440)</b>	<b>(2,542)</b>	<b>(687)</b>

This shows a forecast negative CFR. There is forecast to be £687k available for new initiatives. This calculation assumes that all projects in the capital programme are released and fully spent as per the budget (although each project will require formal release). The forecast CFR includes the Riverside project (£6.257m)

There are potential additional resources from commercial land sale and uplift on development project in the region of £6.581m. These are not included in the above forecast until there is more certainty around the receipt of these sums

A wish list of future projects will be finalised as part of the 2013-14 budget setting process and we may need to address prioritisation of remaining resources, dependent on the level of new bids brought forward.

Projects are managed through Performance Plus and this section only reports on financial progress.

### Actions/Decisions

None

## Section 3 – Treasury

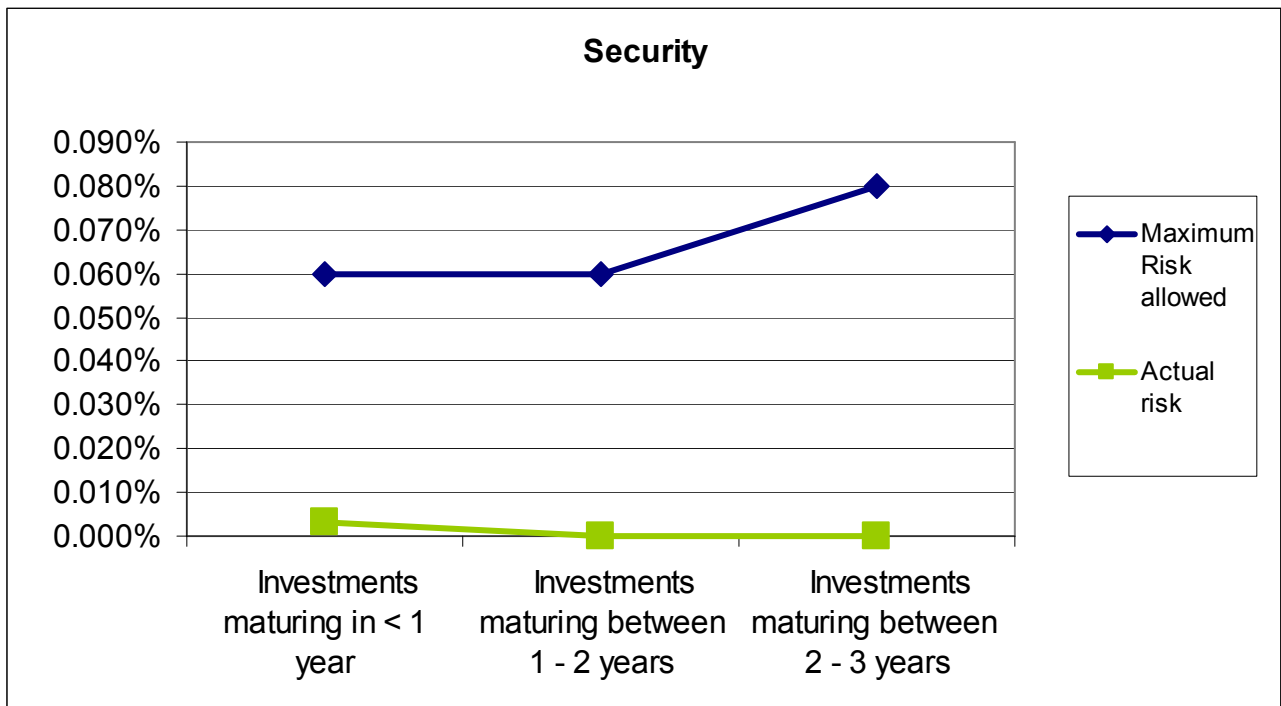
This section reports on:

- Security, Liquidity and Yield of Investment portfolio
- Risks, issues and key messages
- Icelandic Update

### 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.

As of 30 June 2012 there are only 2 UK counterparties available to the Council; Lloyds and Royal Bank Of Scotland, although Money Market Funds (MMFs) allow us to spread risk over separate institutions as each MMF has its own credit rating.



### Liquidity

#### Cash

The Council had an average of £21.7m instant access cash available during the reporting period. This is in excess of the working capital sum of £5m required but reflects the instant access nature of deposits in money market funds.

#### Bank overdraft

The council did not use its overdraft facility in this reporting period

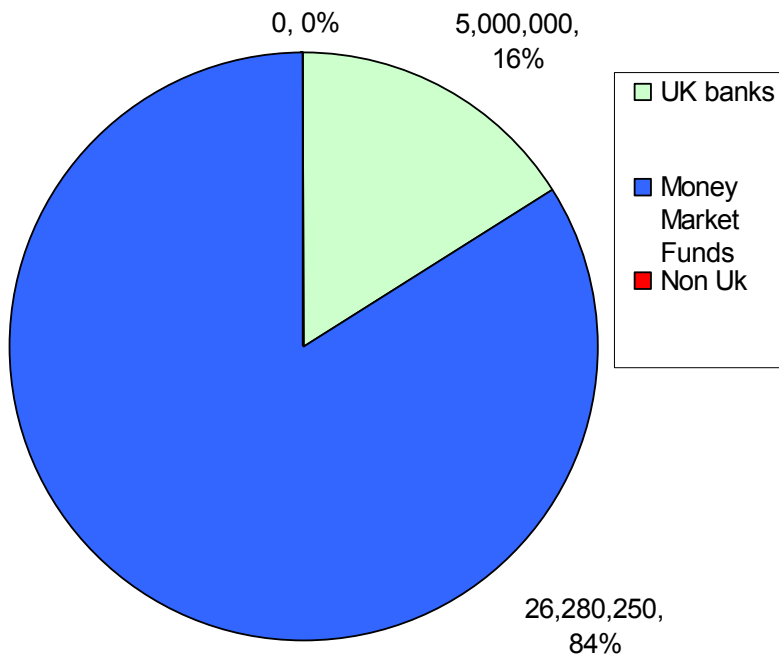
### Yield

Budgeted Interest 2012-13	£364,150
Forecast Interest 2012-13	£364,150
Target yield (3 month LIBID)	0.83%
Forecast yield	0.93%

Icelandic interest due in 2012-13 is £190,206

This is helping to keep the forecast yield above target, however the 3 month LIBID will be increasingly difficult to achieve due to the limited counterparty list.

### Counterparty Exposure

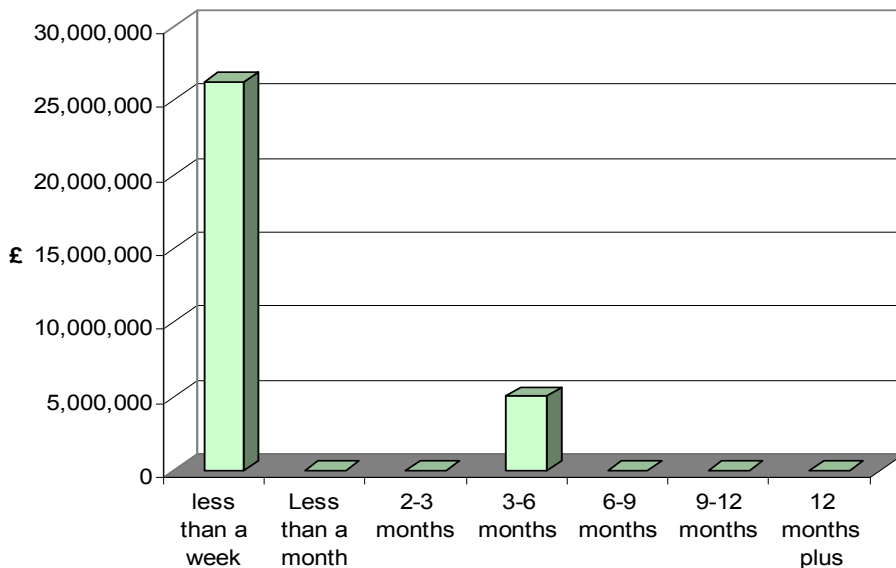


Because of the limited counterparty list – 84% of investments are instant access and held with MMF's.

The highest earning MMF is 0.67% (as at 30/6/2012)

The instant access nature of "investments" impacts on interest receivable

### Maturity structure of investments



The %age maturity structure of investments is:

- < 1 week= 84.0%
- < 1 mth= Nil
- 2-3 mths= Nil
- 3-6 mths= 16.0%
- 6-9 mths= Nil
- 9-12 mths= Nil
- > 12 mths= Nil

### Icelandic Update

As at 1<sup>st</sup> April 2012 £5,000,119 of Icelandic deposits were yet to be repaid. As at 30<sup>th</sup> June 2012, a further £1,197,754 has been received.

£436,599 in Icelandic Kroner is held in Escrow accounts on our behalf awaiting release and this is subject to exchange rate risk.

### Actions/Decisions required

None