**Appendix B**

**PROFORMA B**

**BRECKLAND COUNCIL**
PROFORMA FOR APPROVAL OF THE RELEASE OF RESOURCES
(CAPITAL AND REVENUE BUDGETS)

FROM: Mandy Ashton (Senior Accountant)

THIS PROFORMA PROVIDES THE FINANCIAL IMPLICATIONS
IN RESPECT OF THE ATTACHED

REPORT: Assisted Car Purchase Scheme
REPORT DATE: 24th January 2013

| | £ Year 1 2013/14 | £ Year 2 2014/15 | £ Year 3 2015/16 | £ Year 4 2016/17 | £ Year 5 2017/18 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| **Total Revenue** | **Unknown** | **Unknown** | **Unknown** | **Unknown** | **Unknown** |

| **Funding required:** | | **Considered by:** | **Date:** |
|---|---|---|---|
| Revenue Cost | Unknown | CMT | 28/01/13 |
| | | LJCC | 14/02/13 |
| | | GP | 27/02/13 |

**Financial Services Comments**
This report is to be debated by CMT to introduce a revised assisted car purchase scheme as a staff benefit and this Proforma b will be updated once the final policy is approved.

As the take up of the scheme is unknown it is not possible to detail the exact costs associated with this scheme. At a similar sized authority the take up has been 16 loans taken out over 4 years at an average loan cost of £4,000, totalling £64,000.

Cash flow is not considered a risk as take up is not expected to be high based on the experience of other local authorities who run a similar scheme. However, if take up was high this could become a cash-flow issue, similarly, if interest rates rise the margin of subsidy would increase. The extent of subsidy depends on the difference between the market rate and the fixed loan rate (linked to base rate) at the start of the loan. If interest rates rise throughout the term of the loan the level of subsidy will grow. Interest rates are at the lowest rate and can only increase.

**Financial Risk**
As detailed in the policy document, there is no risk whilst the employee is paid by the council as the loan repayments are collected through the payroll which will minimise the risk of bad debts. However, should redundancies/staff turnover occur debt repayment may become a risk and recovery arrangements will need to be put in place.

Should members approve a below market rates interest rate (currently around 6% APR) as suggested in the report of base +1% divided by 2 (currently 0.75%) the loans will be deemed “soft loans”, to be transparent soft loans and the employee benefit will be declared in the Financial Statement. In effect the Council will be subsidising the loans by the difference in the market rate* interest rate and the fixed rate for the period of the loan. The interest receivable forecast for 13/14 is based on an average interest rate of 2.04%.
* Decision required for which bank to use to determine market rate