

Breckland Council

Financial report for the quarter ending 30 September 2013

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 forecast outturn against revised budget. This is calculated by taking actuals up to 30 September 2013 and the profiled budget for the remaining months. Significant variances are detailed in Table 2 and other budget risks are detailed below Table 5.

Table 1 – Forecast Revenue Outturn

| Net Cost of Services | Place & Governance | Commis- sioning | Housing Benefit Grants | Total |
|---|--------------------|------------------|------------------------|------------------|
| | £ | £ | £ | £ |
| Expenditure Budget | 10,422,928 | 18,366,297 | 35,622,923 | 64,412,148 |
| Expenditure Forecast Actuals | 11,102,755 | 18,300,034 | 35,622,923 | 65,025,712 |
| Expenditure Forecast Variance (table 2) | 679,827 | (66,263) | - | 613,564 |
| Income Budget | (5,175,456) | (10,449,092) | (35,890,893) | (51,515,441) |
| Income Forecast Actuals | (5,873,431) | (10,487,310) | (35,890,893) | (52,251,634) |
| Income Forecast Variance (table 2) | (697,975) | (38,218) | - | (736,193) |
| Total Forecast Variance (table 2) | (18,148) | (104,481) | - | (122,629) |
| Un-identified Efficiencies Required | - | - | - | - |
| Additional Efficiencies Identified | (40,432) | (440,614) | (112,320) | (593,366) |
| Efficiencies Forecast Variance (table 3) | (40,432) | (440,614) | (112,320) | (593,366) |
| Total Forecast Variance & Efficiencies | (58,580) | (545,095) | (112,320) | (715,995) |

Actual spend to date against budget = 40.3% (excluding Housing Benefit Grants)

Forecast outturn against budget = 94.7% or (£715,995) under-spend

| Funding | Budget | Forecast Actuals | Forecast Variance |
|---|--------------------|---------------------|-------------------|
| | £ | £ | £ |
| Retained Business Rates | (3,458,904) | (3,722,211) | (263,307) |
| Revenue Support Grant & Other Gov't Funding | (5,217,066) | (5,217,066) | - |
| New Homes Bonus | (1,107,699) | (1,107,699) | - |
| Total Funding Forecast | (9,783,669) | (10,046,976) | (263,307) |

NB: Additional income from Business Rates and Council Tax is not receivable until next financial year & is subject to change before the end of the year.

| Council Tax | Budget | Actuals @ 30 Sept 2013 | Variance @ 30 Sept 2013 |
|-----------------------------|--------|------------------------|-------------------------|
| Council Tax Base | 37,565 | 37,841 | 276 |
| Council Tax Collection Rate | 96.3% | 56.8% to date | On track |

Salaries

The budgeted vacancy factor for 2013-14 is 4%. The current achieved vacancy factor is 5.78% giving a surplus of £0.6k 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 2.

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 2, is provided in the monthly portfolio holder report.

Table 2 – Significant Variances

| Cost Centre | (Under)/ Over Spend £ | Comments |
|--------------------------|-----------------------------|--|
| Expenditure | | |
| Community Safety | (58,470) | CCTV contract currently under review |
| Waste Collection | (39,216) | Below budget spend mainly due to contract savings in year |
| Policy & Comms | (31,009) | Mainly due to the cessation of voice issues to date and below budget salaries |
| Member Services | (19,506) | Below budget spend on Member allowances, training & travel |
| PFI | (17,705) | Below budget spend on joint use facility and below budget spend to date for benchmarking consultant (this is funded by a cont'n from reserves) |
| Commercial Property | (15,836) | Below budget spend on routine repairs & maintenance (demand led) and lower rates costs resulting from fewer empty/vacant units |
| Human Resources | (14,675) | Below budget spend on training due to a pending e-learning project |
| Treasury Management | (14,002) | Below budget spend on legal & treasury fees to date, however this budget is expected to be fully spend by the end of the year |
| Customer | (12,291) | Salaries underspend resulting from vacant hours & posts currently |
| Elections IER transition | (9,348) | This is funded from a Government grant & will be fully spent by the end of the year |
| Public Lighting | (9,222) | Only re-active work taking place – work progressing on alternative options for delivery |
| Other Miscellaneous | (3,029) | Other small value variances (full details can be found in the monthly portfolio reports) |
| Business Development | 24,916 | Above budget staff costs to date, funding is currently in the process of being approved |
| Development Control | 29,686 | Above budget spend resulting from major applications and district valuer fees for viability assessments (which are partly offset by income) |
| Car Parks | 39,914 | Negotiations on going with Valuation Office to appeal against the rateable value & therefore reduce this cost |
| Elections – NCC | 45,840 | This is offset by additional income |
| Thetford Growth Point | 717,517 | Above budget spend is mainly offset by income |
| | | |
| | | |

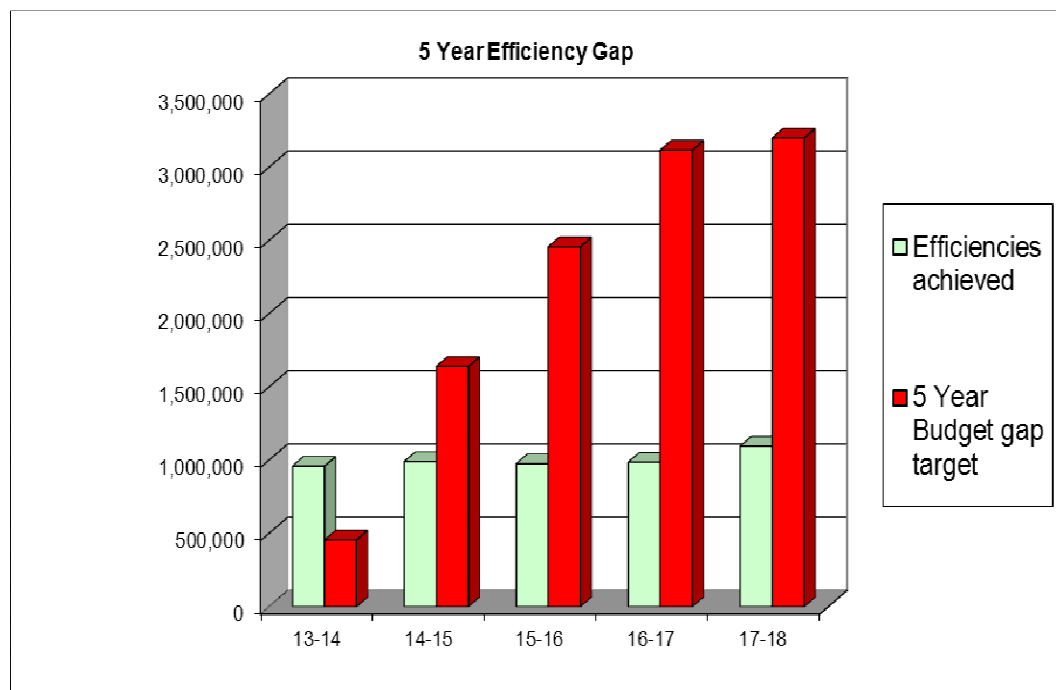
| Cost Centre | (Under)/ Over Spend £ | Comments |
|--|-----------------------------|--|
| Income | | |
| Thetford Growth Point | (717,346) | Above budget income offsets additional spend |
| Commercial Property | (51,618) | Above budget income resulting from higher lettings |
| Elections - NCC | (45,753) | Above budget income offsets additional spend |
| PFI | (24,854) | Above budget income relating to PFI defaults |
| Garden Waste Recycling | (16,260) | Income relating to additional garden waste tonnage recycled |
| Housing Benefit | (15,696) | Additional grant received from Central Government, report pending to approve spend |
| Land Charges | (14,116) | Above budget income from land searches |
| Corporate Management | (13,158) | Above budget income due to recharge of interim CEX to SHDC |
| Human Resources | (12,389) | Above budget income for training places sold |
| Business Development | (11,831) | Windfall income for project work carried out for SHDC |
| Other Miscellaneous | 10,668 | Other small value variances (full details can be found in the monthly portfolio reports) |
| Pest Control & Dog Warden | 11,168 | Below budget income resulting from seasonal conditions affecting the requirement of pest control |
| Waste Collection | 13,993 | Below budget income for wheeled bins. Income is dependent on new builds |
| Local Election | 21,380 | Service review due to commence Qtr 3, therefore efficiency not likely to be achieved until 14-15 |
| Building Control | 25,020 | Below budget rental income resulting from current economic climate |
| Registration of Electors | 25,387 | Service review due to commence Qtr 3, therefore efficiency not likely to be achieved until 14-15 |
| Offices | 36,083 | Below budget income due to lower occupancy on offices available for rent |
| Transfers to/from reserves | 43,129 | This is fully offset by smaller underspends elsewhere |
| TOTAL | (122,629) | Under Spend |
| Efficiencies – Additional efficiencies achieved, not previously identified in the original budget | | |
| Planning | (192,554) | Savings generated from contract negotiations |
| Commercial Property | (126,062) | Additional income from purchase of new commercial property |
| Housing Benefit | (112,320) | Additional forecast subsidy through maintained good performance |
| Grants | (85,310) | Various additional grants |
| Budget Challenge | (48,015) | In year saving from CMT budget challenge |
| Other | (29,105) | Other miscellaneous smaller value efficiencies achieved |
| TOTAL | (593,366) | New Efficiencies |

Table 3 – Efficiency Progress

The table below shows the cumulative effect of the budget gap over the next 5 years, based on the original budget approved by Full Council on 28 February 2013.

The monthly efficiency report which provides detail on individual efficiencies, is provided in the monthly portfolio holder report.

| | 13-14 | 14-15 | 15-16 | 16-17 | 17-18 |
|--|------------------|----------------|------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| Identified Efficiencies | | | | | |
| Amounts included in budget | 456,820 | 485,410 | 620,980 | 627,770 | 634,760 |
| Achieved to date | (367,297) | (351,878) | (361,378) | (369,048) | (376,938) |
| Identified Efficiencies Not Achieved/(Over Achieved) | 89,523 | 133,532 | 259,602 | 258,722 | 257,822 |
| Un-identified Efficiencies | | | | | |
| Amounts Required | - | 1,156,100 | 1,838,190 | 2,491,230 | 2,567,260 |
| Identified & achieved to date | (593,366) | (641,301) | (616,234) | (618,664) | (720,404) |
| Un-identified Efficiencies Not Achieved/(Over Achieved) | (593,366) | 514,799 | 1,221,956 | 1,872,566 | 1,846,856 |
| Total Efficiencies Not Achieved/(Over Achieved) | (503,843) | 648,331 | 1,481,558 | 2,131,288 | 2,104,678 |



The 2013-14 efficiency achieved to date is **£960,663** against a target of £456,820

This equates to 210.3% of the total

The contingency amount of £303,910 for 2013-14 will increase the Council's General Fund and therefore be available for future years as a one off funding contribution if the timing of efficiencies is delayed and is not shown in the table or graph above.

Table 4 – 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.

| Supplementary Budget virements for approval: | £ |
|---|-----------|
| Interim Environmental Services Manager SHDC element | 7,100 |
| Interim Environmental Services Manager SHDC recharge income | (7,100) |
| Additional Housing Benefit Subsidy income to efficiencies | (112,320) |
| Additional Housing Benefit Subsidy income to efficiencies | 112,320 |

Table 5 – Unallocated Reserve Balances

The table below shows the unallocated reserve balance as at the 30 September 2013. The balances within the table are funds that can be used for one off 'invest to save' projects and unexpected events.

| Reserve Description | Unallocated Amount Available £ |
|-----------------------------------|---------------------------------------|
| Revenue Match Funding | (1,631,267) |
| Insurance | (30,827) |
| Commercial Property | (467,556) |
| PFI | (87,196) |
| Organisational Development | (2,055,966) |
| LABGI | (19,786) |
| Area Based Grant | (22,043) |
| LDF | (90,000) |
| Council Tax & NNDR | (2,000,000) |
| Community Projects | (585,000) |
| Sub total | (6,989,641) |
| General Fund | (2,611,821) |
| Total unallocated reserves | (9,601,462) |

Other Risks

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

- 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.
- There may be further future pressures on income generating activities such as Planning and Building Control fees.
- Reduced funding is expected from the Spending Review (SR13) which will increase our efficiency requirement.
- Change in legislation (26 week rule) relating to major planning applications could result in lost income to the council

Actions/Decisions

- Approve the virements detailed in table 4 & recommend to Full Council that the additional housing benefit subsidy income of £112,320 is vired to efficiencies; or
- Not approve the virements detailed in table 4 or make the recommendation to Full Council

Section 2 – Capital Budget

This section reports on:

- Progress against 13-14 approved capital programme budget
- Available capital finance for the period 2013-14 to 2017-18
- Risks, issues and key messages

Table 1 – Progress against 13-14 approved capital programme

| | Budget 2013-14 £ | Actual @ 30/09/2013 £ | Forecast £ | Forecast (under)/overspend £ |
|-----------------------------------|------------------------|-----------------------------|------------------|------------------------------------|
| Commissioning | | | | |
| Property (Land & Buildings) | 2,854,507 | 1,377,631 | 2,830,397 | (24,110) |
| ICT & Organisational Change | 585,377 | 122,035 | 543,268 | (42,109) |
| Grants | 1,292,718 | 857,914 | 1,218,639 | (74,079) |
| Not yet released | 6,999,483 | - | 968,109 | (6,031,374) |
| Total Commissioning | 11,732,085 | 2,357,580 | 5,560,413 | (6,171,672) |
| Place and Governance | | | | |
| Property (Land & Buildings) | - | - | - | - |
| ICT & Organisational Change | - | - | - | - |
| Grants | 64,309 | 29,120 | 64,309 | - |
| Not yet released | 313,920 | - | 313,920 | - |
| Total Place and Governance | 378,229 | 29,120 | 378,229 | - |
| TOTAL | 12,110,314 | 2,386,700 | 5,938,642 | (6,171,672) |

- Spend against budget 19.7%
- Forecast outturn £5,938,642 or 49.0%

The forecast variance is explained as follows:

| Project | (under)/ over spend £ | Carry over to 2014-15 £ | |
|------------------------------------|-----------------------------|-------------------------------|---|
| Victory Park | (18,207) | | Budget no longer required |
| Commercial Property acquisition | (5,903) | | Budget no longer required |
| Decent homes | | (74,079) | Budget still required but in 14-15. Fully funded, so no budget implications |
| ICT Strategy (released) | | (42,109) | Funding still required, but in 14-15 against a detailed programme of works |
| ICT Strategy (un- released) | | (31,374) | Funding still required, but in 14-15 against a detailed programme of works |
| Riverside regeneration | | (6,000,000) | Project now forms part of LABV, budget may not be required if LABV goes ahead |
| Total | (24,110) | (6,147,562) | = (£6,171,672) |

Virements this qtr:

- Virement of £7,255 from LAGAN upgrade to customer services telephony

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.

| | 2013-14 £'000 | 2014-15 £'000 | 2015-16 £'000 | 2016-17 £'000 | 2017-18 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Capital resources available - beginning of year | (2,227) | 646 | 8,682 | 9,518 | 10,253 |
| PFI scheme funded from revenue | (9,492) | (9,315) | (9,129) | (8,933) | (8,726) |
| Total CFR at beginning of year | (11,719) | (8,669) | (477) | 585 | 1,527 |
| <i>Planned Capital Investment:</i> | | | | | |
| Property (Land & Buildings) | 2,855 | 7,493 | 366 | 366 | 366 |
| ICT & Organisational Change | 736 | 173 | 100 | - | - |
| Capital Grants | 2,347 | 1,247 | 854 | 773 | 773 |
| MRP (PFI capital repayment) | 177 | 186 | 196 | 207 | 218 |
| <i>Sources of finance:</i> | | | | | |
| Capital Receipts | (1,980) | (250) | - | - | - |
| Specific funding | (1,085) | (627) | (484) | (404) | (404) |
| Sums set aside from revenue | - | - | - | - | - |
| Forecast resources available @ end of year | (8,669) | (447) | 585 | 1,527 | 2,480 |
| () = resources available | (8,669) | (447) | 585 | 1,527 | 2,480 |

This shows that the CFR turns positive during 2015-16, indicating that borrowing will be required at this time. 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 and all projects which could become part of the LABV.

The capital programme continues to be reviewed as part of the budgeting process, to prioritise and look at potential alternative funding methods. Any updates from this will be reflected in this report in future.

The CFR above does not include potential capital receipts until there is some certainty over the actual receipt. At the time of this report the above forecast includes six projects which are currently underway.

Projects are managed through the performance system and this section only reports on financial progress.

Actions/Decisions

- Approve the budget carry overs of £6,147,562 to 2014-15; or
- Not approve the carry overs to 2014-15

○ Section 3 – Treasury

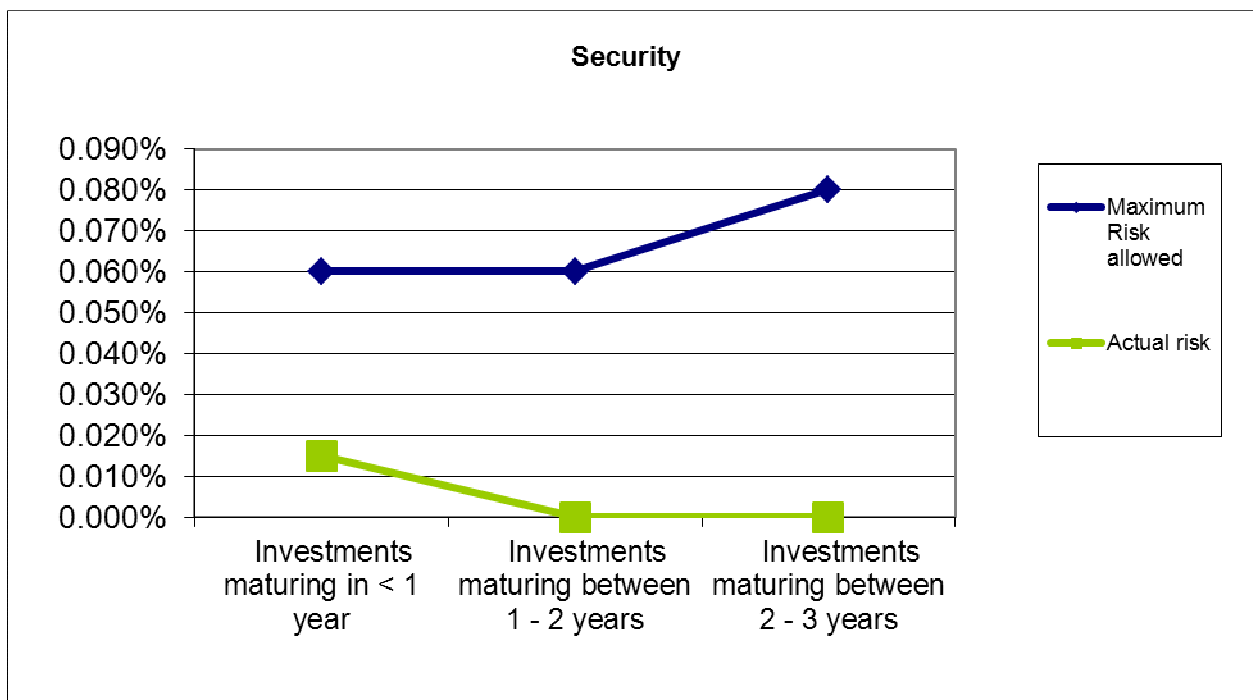
This section reports on:

- 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.

Whilst our counterparty list remains small for the size of deposit our policy allows, we continue to explore other options in order to achieve higher returns on the cash held. Money Market Funds (MMFs) continue to allow us to spread risk over separate institutions as each MMF has its own credit rating.



Liquidity

Cash

The Council had an average of £19.0m 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

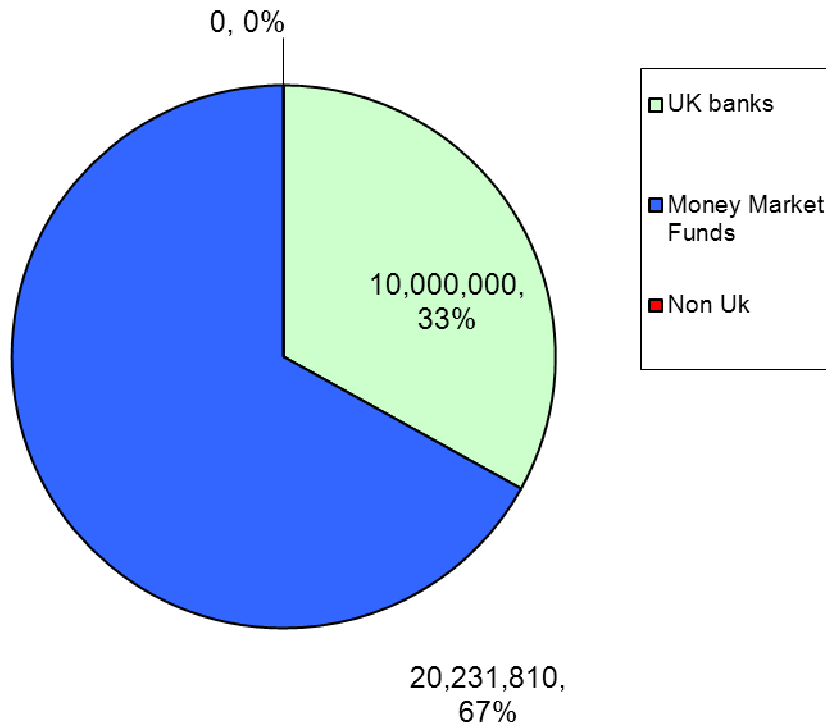
| | |
|--|----------|
| Budgeted Interest 2013-14 | £334,620 |
| Forecast Interest 2013-14 | £334,620 |
| Target yield (3 month LIBID ¹) | 0.39% |
| Forecast yield | 0.70% |

¹ LIBID – London Inter-bank Bid Rate

Icelandic interest due in 2013-14 is £159,321

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

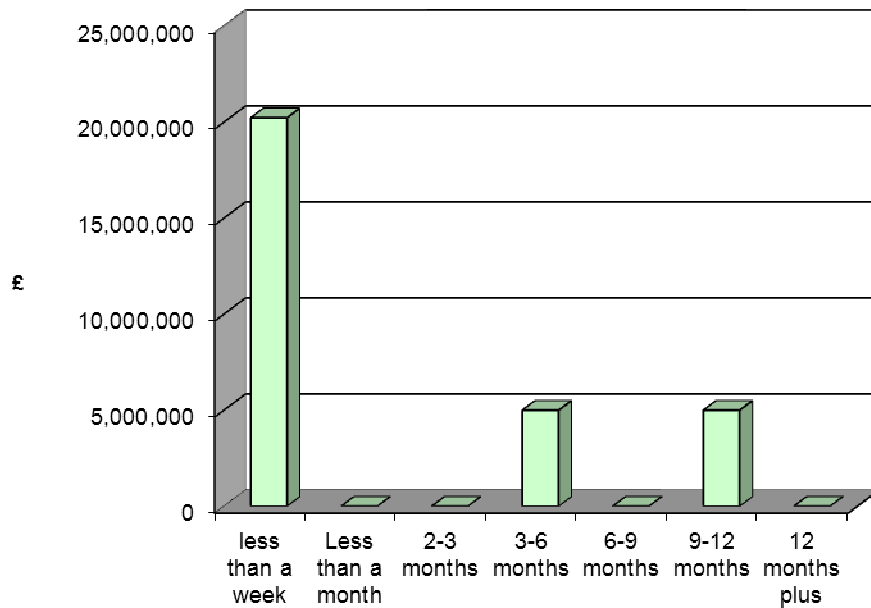


Because of the limited counterparty list – 67% of investments are instant access and held with MMF's.

The highest earning MMF is 0.40% (as at 30/09/2013)

The instant access nature of “investments” impacts on interest receivable

Maturity structure of investments



The %age maturity structure of investments is:

- < 1 week= 67%
- < 1 mth= Nil
- 2-3 mths= Nil
- 3-6 mths= 16.5%
- 6-9 mths= Nil
- 9-12 mths= 16.5%
- > 12 mths= Nil

Icelandic Update

As at 1st April 2013 £3,523,240 of Icelandic deposits were yet to be repaid. As at 30 September 2013, a further £445,967 has been received. £487,773 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