

Breckland Council

Financial report for the quarter ending 30 September 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 forecast outturn against revised budget. This is calculated by taking actuals up to 30 September 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*	4,948,174	13,306,568	(190,750)	18,063,992
Budgeted efficiencies (table 2)	(334,120)	(414,260)	0	(748,380)
Approved Full Year Budget Requirement at 30th September 2012	4,614,054	12,892,308	(190,750)	17,315,612
Virements requiring approval (table 3)	0	0	0	0
Significant Variances (table 4)	(303,131)	141,028	0	(162,103)
Estimated Full Year Outturn	4,310,923	13,033,336	(190,750)	17,153,509

Actual spend to date against budget = 20.4% including Housing Benefit Grants
= 40.4% excluding Housing Benefit Grants

Forecast outturn against budget = 99.1% or (£162,103) under-spend

Salaries

The budgeted vacancy factor for 2012-13 is 5%. The current achieved vacancy factor is 4.26% giving a deficit of £27k 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

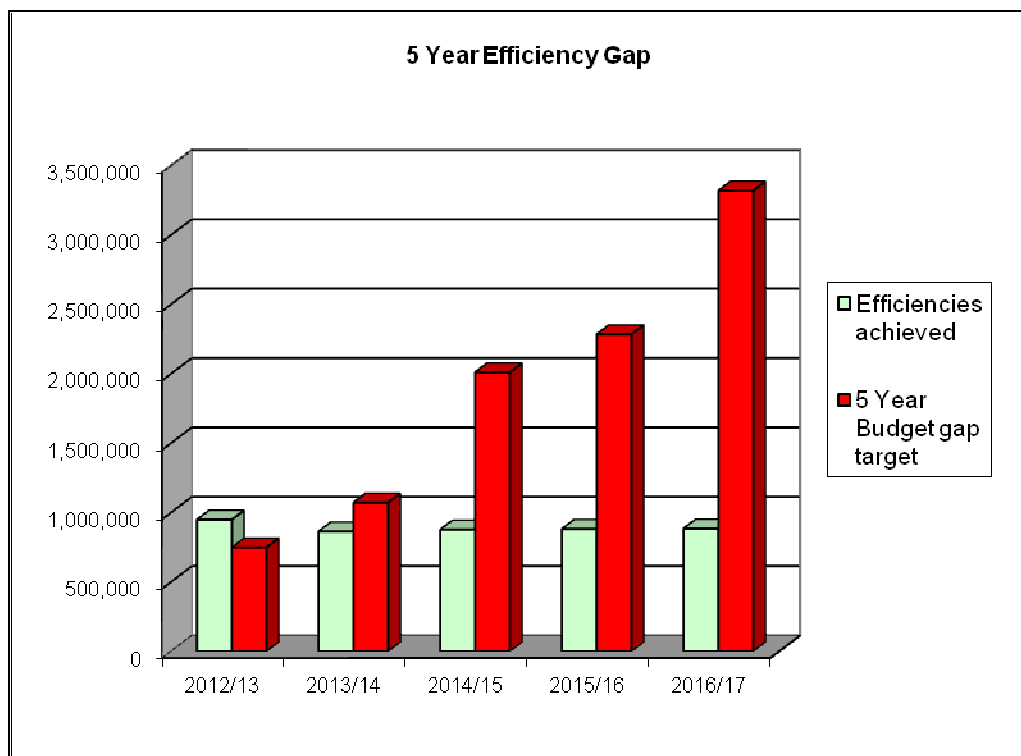
The monthly FPR which provides detail on individual cost centre projected over/(under) spends, from which the significant variances are shown in Table 4, is provided in the monthly portfolio holder report.

* 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, based on the original budget approved by Full Council on 19 Jan 2012. Once we are further into the budget process we will revise future years forecasts.

	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	(541,590)	(549,310)	(556,670)	(561,550)	(564,020)
Identified Efficiencies yet to be achieved	206,790	521,750	530,450	512,460	520,190
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
Unidentified efficiencies yet to be achieved or identified	0	0	922,480	1,210,460	2,234,300
Additional Efficiencies achieved to date (not identified at budget time)	(407,250)	(314,060)	(320,230)	(320,230)	(320,230)
Total Efficiency Requirement Not Yet Achieved	(200,460)	207,690	1,132,700	1,402,690	2,434,260



The **2012-13** efficiency achieved to date is **£948,840** against a target of **£748,380**

This equates to **126.8%** 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.

Supplementary Budget virements for approval:	£
Major development control applications Qtr 1 – Capita charge	52,053
Major development control applications Qtr 1 – income	(52,053)
Major development control applications Qtr 2 – Capita charge	19,890
Major development control applications Qtr 2 – income	(19,890)
Additional income – recharge to South Holland - Democratic Services	(14,940)
Efficiency met – Democratic Services	14,940
Additional income – recharge to South Holland - Housing	(5,676)
Interim staff – Housing	5,676
Additional income – recharge to South Holland - Environmental Services	(11,150)
Interim staff – Environmental Services	11,150
<i>District by elections costs</i>	22,010
<i>By elections funded from the General Fund (Full Council approval required)</i>	(22,010)
Additional HB subsidy income	(28,000)
Additional efficiency	28,000

Table 4 – Significant Variances

Cost Centre	(Under)/ Over Spend £	Comments
Corporate Management	30,743	Updated salary costs
Legal Services	50,398	Efficiency target not yet met and additional spend on external legal advice
Capital Accounting	93,309	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
Treasury Management	(54,405)	Additional interest receivable due to better than forecast rates on investments
Corporate Contingency	(394,475)	Additional efficiencies made in 12-13
Pride	(36,378)	Vacant post, offset by funding from reserve
Building Control	73,649	Below budget income based on latest projections and current economic climate
Development Control	43,974	Below budget income based on latest projections and current economic climate. Above budget legal and hired services costs
Advice & Homelessness	(26,221)	Vacant post and project start delayed
Commercial Property & Business Centres	177,225	Below budget rental income resulting from reduced lettings
PFI	(25,441)	Vacant post and PFI benchmarking project under spend offset by funding from reserve
Public Lighting	(63,270)	Below budget costs to date, which will be offset by reduced income from special expenses in future years
ICT	(29,482)	Vacant posts
	(1,729)	Other minor miscellaneous variances
TOTAL	(162,103)	Under Spend

Table 5 – Unallocated Reserve Balances

The table below shows the unallocated reserve balance as at the 30 September 2012. 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	(1,733,016)
Insurance	(30,827)
Commercial Property	(505,008)
PFI	(87,196)
Organisational Development	(2,209,024)
LABGI	(12,862)
Area Based Grant	(22,043)
LDF	(90,000)
Council Tax & NNDR	(2,000,000)
Sub total	(6,689,976)
General Fund	(2,580,750)
Total unallocated reserves	(9,270,726)

Other Risks

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

- Changes to future funding as a result of Central Government changes to Council Tax benefit subsidy and Business Rates retention will impact future funding streams and therefore shift the risk from Central government to Local Authorities.
- 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.

Actions/Decisions

- Approve the virements detailed in table 3 and recommend to Full Council (where necessary); 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 @ 30/09/2012 £	Forecast £	Forecast (under)/overspend £
Commissioning				
Property (Land & Buildings)	1,209,388	66,522	480,424	(728,964)
ICT & Organisational Change	803,784	290,873	804,226	442
Grants	1,690,774	881,874	1,589,711	(101,063)
Not yet released	2,040,587	0	298,030	(1,742,557)
Total Commissioning	5,744,533	1,239,269	3,172,391	(2,572,142)
Place and Governance				
Property (Land & Buildings)	0	0	0	0
ICT & Organisational Change	0	0	0	0
Grants	75,247	0	75,247	0
Not yet released	179,648	0	179,648	0
Total Place and Governance	254,895	0	254,895	0
TOTAL	5,999,428	1,239,269	3,427,286	(2,572,142)

- Spend against budget 20.7%
- Forecast outturn £3,427,286 or 57.1%

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
Transfer of Play Areas to Dereham Town Council		(121,700)	Budget still required but in 13-14, revised profile will be presented as part of the budget setting 13-14
	442		Other minor miscellaneous over spends
Decent Homes grants		(101,063)	Budget still required but in 13-14, revised profile will be presented as part of the budget setting 13-14
Car Parks re-surfacing		(226,670)	Budget still required but in 13-14, revised profile will be presented as part of the budget setting 13-14
Riverside Regeneration		(1,500,000)	Budget still required but in 13-14, revised profile will be presented as part of the budget setting 13-14
Other transfer of Play Areas	(15,887)		Saving – available for other capital projects
Total	(15,445)	(2,556,697)	= (2,572,142)

Virements this qtr:

- None

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	2015-16 £'000	2016-17 £'000
Capital resources available - beginning of year	(2,540)	(1,342)	6,801	9,013	9,847
PFI scheme funded from revenue	(9,660)	(9,492)	(9,315)	(9,129)	(8,932)
Total CFR at beginning of year	(12,200)	(10,834)	(2,514)	(116)	915
<i>Planned Capital Investment:</i>					
Property (Land & Buildings)	177	7,269	1,493	366	366
ICT & Organisational Change	1,202	133	100	100	-
Capital Grants	2,182	1,295	1,173	854	773
Icelandic impairment reversal	-	-	-	-	-
MRP (PFI capital repayment)	168	177	186	196	207
<i>Sources of finance:</i>					
Capital Receipts	(865)	-	-	-	-
Specific funding	(1,498)	(554)	(554)	(485)	(404)
Sums set aside from revenue	-	-	-	-	-
Forecast resources available @ end of year () = resources available	(10,834)	(2,514)	(116)	915	1,857

This shows a forecast negative CFR until 15-16 when the CFR turns positive, 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 (£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

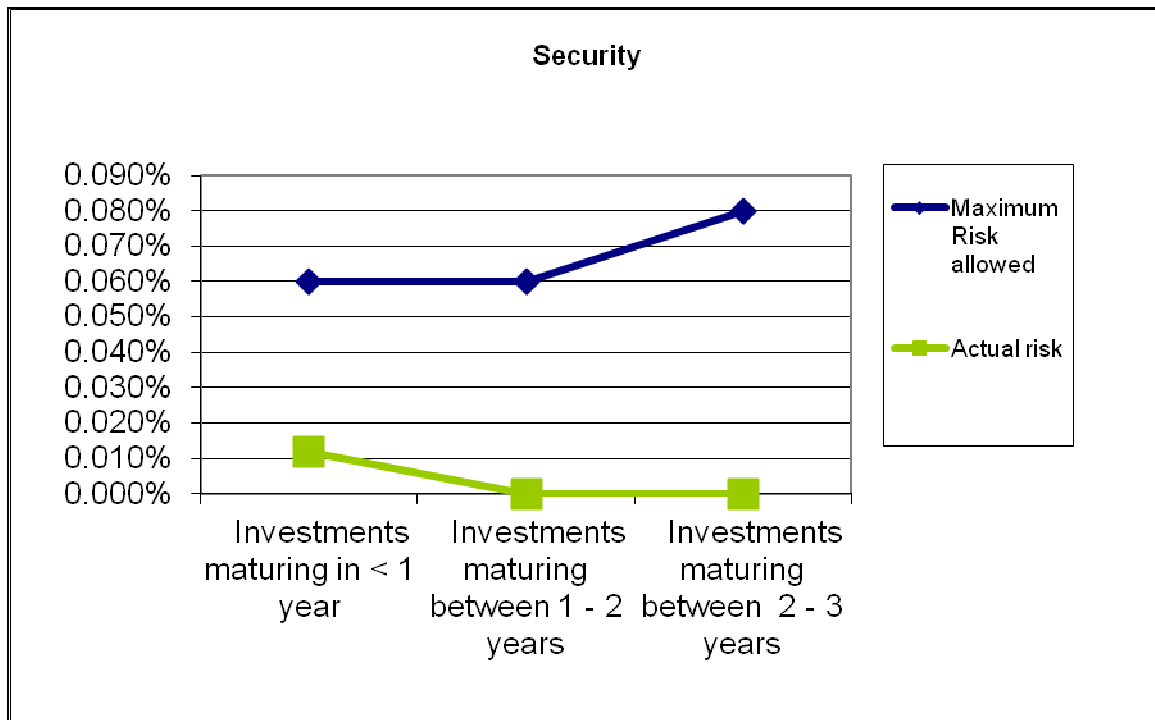
This section reports on:

- 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 September 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 £23.1m 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

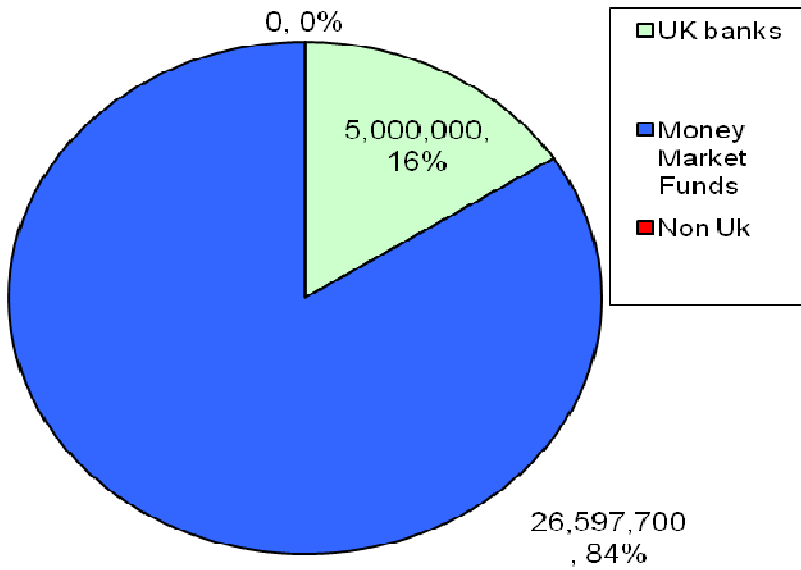
Yield

Budgeted Interest 2012-13	£364,150
Forecast Interest 2012-13	£418,555
Target yield (3 month LIBID)	0.73%
Forecast yield	0.85%

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

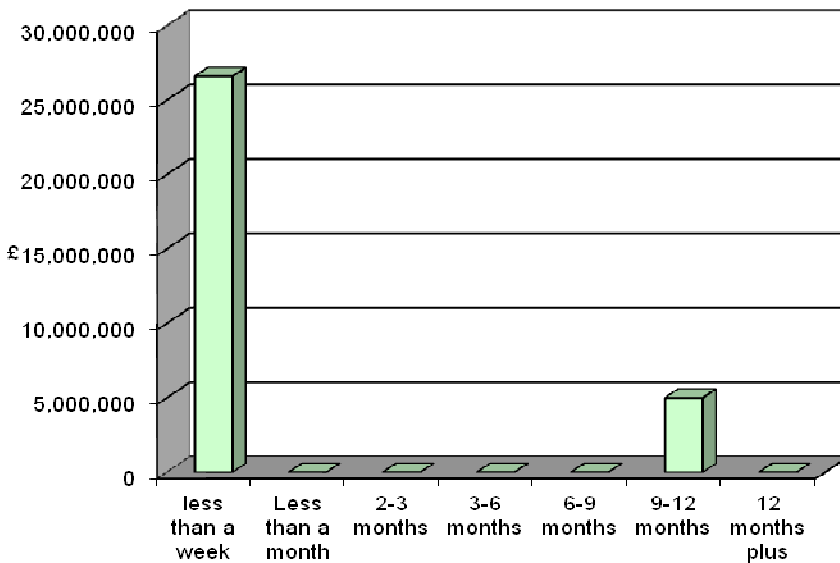


Because of the limited counterparty list – 84% of investments are instant access and held with MMF's.

The highest earning MMF is 0.61% (as at 30/09/2012)

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

Maturity structure of investments



The %age maturity structure of investments is:

- < 1 week= 84%
- < 1 mth= Nil
- 2-3 mths= Nil
- 3-6 mths= Nil
- 6-9 mths= Nil
- 9-12 mths= 16%
- > 12 mths= Nil

Icelandic Update

As at 1st April 2012 £5,000,119 of Icelandic deposits were yet to be repaid. As at 30th September 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