

Breckland Council

Financial report for the quarter ending 31 March 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 actual outturn against revised budget. Significant variances are detailed in Table 4 and other budget risks are detailed below Table 5.

Table 1 – Actual Revenue Outturn

	Place & Governance	Commissioning	Housing Benefit Grants	Total
	£	£	£	£
Approved Full Year Working Budget*	6,377,792	6,449,693	(190,750)	12,636,735
Budgeted efficiencies (table 2)	(334,120)	(414,260)	0	(748,380)
Approved Full Year Budget Requirement at 31 March 2013	6,043,672	6,035,433	(190,750)	11,888,355
Virements requiring approval (table 3)	0	0	0	0
Significant Variances (table 4)	(201,502)	514,172	(364,066)	(51,396)
Actual Full Year Outturn	5,842,170	6,549,605	(554,816)	11,836,959

Actual outturn against budget= 99.6% or (£51,396) under spend.

This is after contributing £585,000 into the communities reserve and making provisions for future spend (as detailed in table 4).

Salaries

The budgeted vacancy factor for 2012-13 was 5%. The full year achieved vacancy factor is 4.93% giving a small deficit of £5k which is already included in the actual 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

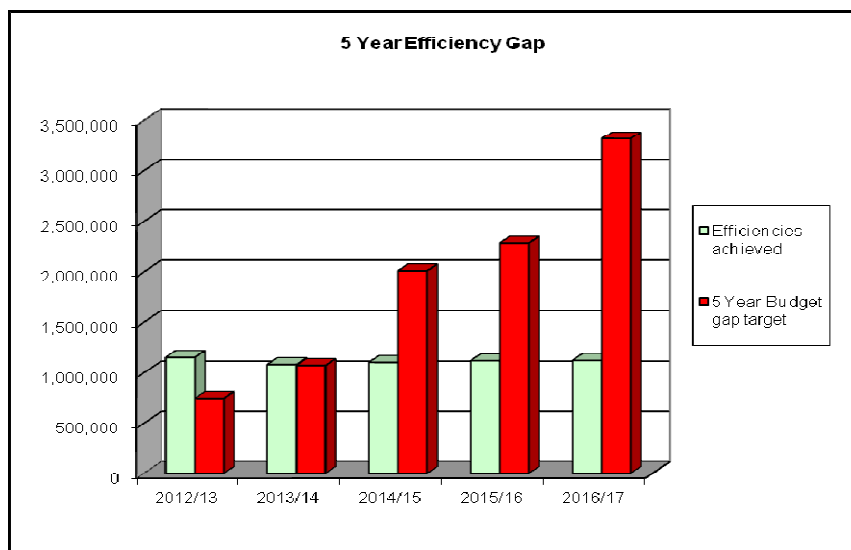
The monthly FPR which provides detail on individual cost centre over/(under) spends, from which the significant variances are shown in Table 4, is provided in the monthly portfolio holder report.

* 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. The future year's efficiency requirements have changed as a result of the most recent budget and will be reported in the 2013-14 quarterly reports.

	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	(633,984)	(765,940)	(781,060)	(797,470)	(799,950)
Identified Efficiencies yet to be achieved	114,396	305,120	306,060	276,540	284,260
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)	(515,693)	(314,060)	(320,230)	(320,230)	(320,230)
Total Efficiency Requirement Not Yet Achieved	(401,297)	(8,940)	908,310	1,166,770	2,198,330



The **2012-13** efficiency achieved is **£1,149,677** against a target of **£748,380**

This equates to **153.6%** of the total

In the Medium Term Financial Plan, the new efficiency requirements moving forward are as detailed in the table below. These will be reported on in the 2013-14 quarterly reports and a future report on this and the transformation programme will be reported to Members in due course.

	13-14	14-15	15-16	16-17	17-18
	£	£	£	£	£
Cumulative Efficiency/(Contingency)	(303,910)	1,156,100	1,838,190	2,491,230	2,567,260

Table 3 – Virement Decisions Required

The following budget amendments are required to reflect the latest spend and income to ensure reported budget performance remains updated.

Supplementary Budget virements for approval:	£
Major applications Q3 expenditure	40,658
Major applications Q3 income	(40,658)
Dilapidations – Guildhall expenditure	1,500
Dilapidations – Guildhall income	(1,500)
REV Active – expenditure	146,189
REV Active – grant income	(146,189)

Table 4 – Significant Variances

Cost Centre	(Under)/ Over Spend £	Comments
Corporate Contingency	(480,969)	Efficiencies made in 12-13
HB Grants	(364,066)	Additional council tax subsidy received compared to forecasts and caseloads have not increased as predicted in housing benefit claims
Waste Collection	(105,400)	Reduced contract costs £68k (above those already reported in efficiencies) and increased recycling income
Garden Waste Scheme	(155,095)	Increases in volumes of garden waste recycled has generated additional recycling credits of £56k and above budget scheme income of £98k
Pride	(81,908)	Team Leader vacant post and below budget spend on projects offset by funding from reserve
Treasury Management	(81,829)	Additional interest received and below budget interest paid (on PFI contract)
Public Lighting	(73,291)	Below budget costs to date, which will be offset by reduced income from special expenses in future years
PFI	(65,971)	Below budget salary costs and Joint Use charges. Benchmarking budget not spent £35k and this is offset by funding from reserve
Community Safety	(63,892)	CCTV contract under review, report due around quarter 1 of 13-14
Forward Planning	(55,577)	Local Plan Production below budget spend, partly funded from reserves
Advice & Homelessness	(53,538)	Homelessness prevention initiative projects below budget spend, partly offset by contribution from reserves. Below budget spend due to vacant posts and a higher percentage repayment of Bed & Breakfast charges
ARP	(43,071)	Below budget share of partnership costs. This has been contributed to reserves until the ARP Joint Committee meeting in June.
Policy & Communications	(41,607)	Below budget spend on Voice, Marketing & Promotion and Hired Services and reduced salary costs
Thetford Riverside	(35,746)	Project continuing into next year and offset by contribution on reserves
Treasury Management	(32,299)	Exchange rate gains on Icelandic investments
Internal Audit	(17,302)	Costs reduced during 2012-13
Building Control	83,919	Below budget income based on current economic climate

Cost Centre	(Under)/ Over Spend £	Comments
Development Control	93,191	Below budget income based on current economic climate and above budget legal fees and hired services
Legal Services	123,862	Legal services review implementation delayed until 2013-14 and therefore efficiency target not met
Commercial Property & Business Centres	207,324	Below budget rental income resulting from reduced lettings in all areas
Capital Accounting	263,646	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 (mainly Pride, PFI, Riverside, Advice & Homelessness, Car Parks and Forward Planning).
	(2,777)	Other minor miscellaneous variances
SUB TOTAL	(982,396)	Under Spend
Major Provisions Made		
Land Charges	195,000	Provision made for Environmental Search claims income
Commercial Property & Business Centres	151,000	Additional provision made relating to an ongoing compensation claim
SUB TOTAL	(636,396)	Under Spend
Contribution to Reserve (if approved)		
Capital Accounting	585,000	Contribution to reserves to fund community based projects (if approved by Full Council)
TOTAL	(51,396)	Under Spend

An initial review has highlighted approximately £184k of this saving will continue into future years effectively reducing the efficiency requirement in each of the years shown in the medium term plan. Table 2 shows the additional efficiencies achieved during the year which have already been factored into the budgets. This reduces future years budgets by around £320k per year. However there remains a risk that the level of Building Control and Development Control income will continue to add pressure to revenue budgets, unless there is a turnaround in these areas.

Further work taking place on the transformation programme on these and other areas will reduce the efficiency requirement moving forward.

Table 5 – Unallocated Reserve Balances

The table below shows the unallocated reserve balance as at the 31 March 2013. The balances within the table are funds that can be used for one off projects and unexpected events.

Reserve Description	Unallocated Amount Available £
Revenue Match Funding	(1,643,365)
Insurance	(30,827)
Commercial Property	(467,556)
PFI	(87,196)
Organisational Development	(2,193,269)
LABGI	(12,862)
Area Based Grant	(22,043)
LDF	(90,000)
Council Tax & NNDR	(2,000,000)
Communities reserve	(585,000)
Sub total	(7,132,118)
General Fund	(2,580,750)
Total unallocated reserves	(9,712,868)

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.
- There is a major risk that if the Public Lighting costs increase when a new contract is entered into, we will not be able to increase the Special Expenses charge to the towns without calling a referendum on council tax increases. This could also impact on the amount which Breckland can raise its Council Tax charge by (if applicable).

Actions/Decisions

- Recommend to Full Council that £585,000 be contributed to a new Communities Reserve to allow the Council to fund communities based projects and approve the provisions totalling £346,000 (as detailed in table 4) and approve the virements detailed in table 3

To Note

In addition to these recommendations, the amount contributed from the Commercial Property Reserve to the budgets has been reduced to their actual out-turn of £1.76m rather than the budgeted amount of £1.99m.

Section 2 – Capital Budget

This section reports on:

- Out-turn against 12-13 approved capital programme budget
- Available capital finance for the period 2012-13 – 2016-17

Table 1 – Out-turn against 12-13 approved capital programme

	Budget 2012-13 £	Actual @ 31/03/2013 £	Actual (under)/overspend £
Commissioning			
Property (Land & Buildings)	450,154	332,841	(117,313)
ICT & Organisational Change	1,077,587	414,495	(663,092)
Grants	1,661,492	1,031,315	(630,177)
Not yet released	124,483	-	(124,483)
Total Commissioning	3,313,716	1,778,651	(1,535,065)
Place and Governance			
Property (Land & Buildings)	201,863	201,863	-
ICT & Organisational Change	-	-	-
Grants	254,895	36,666	(218,229)
Not yet released	-	-	-
Total Place and Governance	456,758	238,529	(218,229)
TOTAL	3,770,474	2,017,180	(1,753,294)

Actual outturn £2,017,180 or 53.5% of the approved capital programme.

The variance is explained as follows:

Project	(under)/ over spend £	Carry over to 2013-14 £	
Skate Park Land		(20,000)	Carry over request in capital out-turn report
Scarning & Thetford Bridges		(19,820)	Carry over request in capital out-turn report
Adoption of roads		(10,000)	Carry over request in capital out-turn report
Anchor Hotel		(69,463)	Carry over request in capital out-turn report
Disabled Facilities Grants	(18,277)		Small under spend
Decent Homes Grants		(104,079)	Carry over request in capital out-turn report
Affordable Housing		(500,000)	Carry over request in capital out-turn report
Planning & Building Control		(8,723)	Carry over request in capital out-turn report
Environmental Health review		(309,912)	Carry over request in capital out-turn report
Air Quality/Noise Monitoring		(26,484)	Carry over request in capital out-turn report
Customer Services Telephony & LAGAN upgrade		(27,420)	Carry over request in capital out-turn report
Disaster recovery		(27,182)	Carry over request in capital out-turn report
NCC shared service infrastructure		(143,547)	Carry over request in capital out-turn report
Waveney & Suffolk Coastal ICT		(9,109)	Carry over request in capital out-turn report

Project	(under)/ over spend £	Carry over to 2013-14 £	
ARP Licences	(100,000)		Alternative delivery method identified
Approved match funding		(51,417)	Carry over request in capital out-turn report
Un-allocated match funding		(166,812)	Carry over request in capital out-turn report
Un-released		(124,483)	Carry over request in capital out-turn report
	(16,566)		Other minor miscellaneous under spends
Total	(134,843)	(1,618,451)	= (1,753,294)

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)	(1,963)	6,996	9,208	10,043
PFI scheme funded from revenue	(9,660)	(9,492)	(9,315)	(9,129)	(8,933)
Total CFR at beginning of year	(12,200)	(11,455)	(2,319)	79	1,110
<i>Planned Capital Investment:</i>					
Property (Land & Buildings)	371	7,389	1,493	366	366
ICT & Organisational Change	415	810	100	100	-
Capital Grants	1,231	2,291	1,173	854	773
MRP (PFI capital repayment)	168	177	186	196	207
<i>Sources of finance:</i>					
Capital Receipts	(142)	(745)	-	-	-
Specific funding	(1,298)	(786)	(554)	(485)	(404)
Forecast resources available @ end of year					
() = resources available	(11,455)	(2,319)	79	1,110	2,052

This shows a forecast negative CFR until 14-15 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 (£6.2m).

The CFR above only includes £745k potential capital receipts from commercial projects which are currently under progress and does not include the costs for any additional potential purchases.

As part of the budget setting process for 14-15 we will need to address prioritisation of remaining resources, dependent on the level of new bids brought forward.

Progress against projects are managed through Performance Plus and this section only reports on financial progress.

Actions/Decisions

- None (approval for carrying over budget to the new financial year have already been requested in the Capital Out-turn report)

Section 3 – Treasury

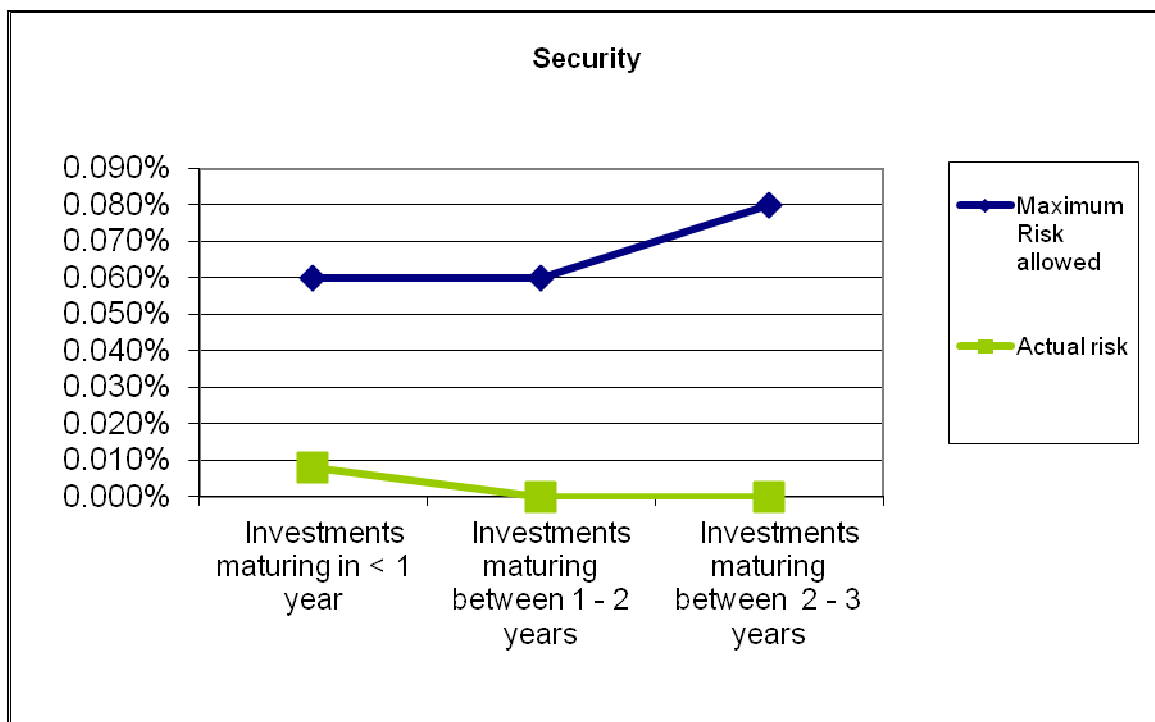
This section reports on:

- 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.

Since Audit Committee approval in November to extend our counterparty list, we have a number of new counterparties available to the council for lending of up to 3 months. However some of these require larger deposits than our policy allows, but we are continuing to explore these 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 £20.0m 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.

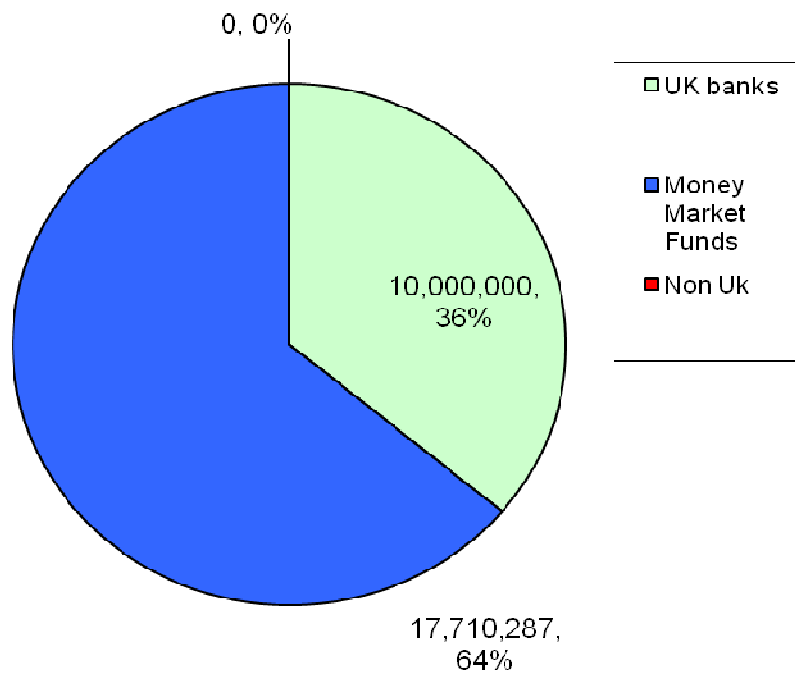
Yield

Budgeted Interest 2012-13	£364,150
Actual Interest 2012-13	£416,800
Target yield (3 month LIBID)	0.56%
Actual yield	0.80%

Icelandic interest in 2012-13 was £180,917

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

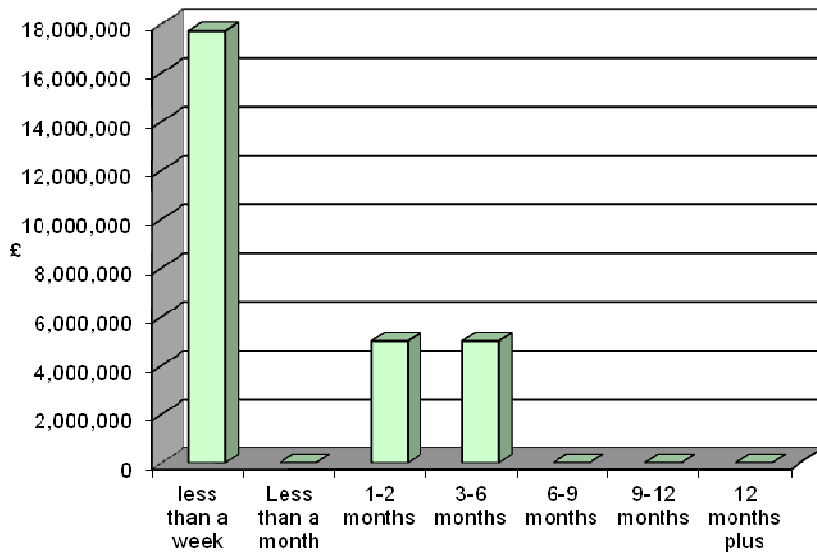


Because of the limited counterparty list – 64% of investments are instant access and held with MMF's.

The highest earning MMF is 0.40% (as at 31/03/2013)

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

Maturity structure of investments



The %age maturity structure of investments is:

- < 1 week= 64%
- < 1 mth= Nil
- 2-3 mths= 18%
- 3-6 mths= 18%
- 6-9 mths= Nil
- 9-12 mths= Nil
- > 12 mths= Nil

Icelandic Update

As at 1st April 2012 £5,000,119 of Icelandic deposits were yet to be repaid. As at 31st March 2013, a further £1,695,008 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