

**SOUTH DOWNS NATIONAL PARK AUTHORITY**

**Report RPC 01/10**

**RESOURCES AND PERFORMANCE COMMITTEE**

**28 JULY 2010**

**BUDGET MONITORING REPORT FOR QUARTER 1, 2010/11**

**REPORT BY THE CHIEF FINANCE OFFICER**

**Purpose of the report** - To advise the Committee of the overall financial position of the Authority for 2010/11 as at Quarter 1.

**Resource implications** - there are no resource implications arising from this report.

**1. RECOMMENDATIONS**

- 1.1 The Committee is recommended to:
- Approve the format of the quarterly financial monitoring as shown in this report
  - Approve the overall financial position as at Quarter 1
  - Note the confirmed grant funding for 2010/11 and that a revised budget for 2010/11 will be reported to the September Authority meeting.

**2. INTRODUCTION**

- 2.1 This report details the Authority's financial position during the first quarter of operation in its 2010/11 shadow year and compares the Authority's forecast outturn position against the Interim Budget. As this is the first report the information available is minimal. The Authority does not currently have a capital programme and therefore capital does not form part of the financial position at this stage. Members are asked however to approve the report format for future quarterly reporting.

**3 BACKGROUND**

- 3.1 The Interim Budget and Business Plan 2010/11 was based on the National Park Grant indicative award from Defra of £8.108 million. The Interim 2010/11 Revenue Budget was approved at the Authority meeting on 11 May 2010. Figures were based on running costs for the delivery of the shadow year, costs of setting up the new organisation during the shadow year, and the costs in establishing permanent staff. The Interim budget therefore includes mainly assumptions for set up costs such as; IT equipment, recruitment and initial project work, running costs such as staffing costs, member's allowances, accommodation, support services and other supplies and services.
- 3.2 The Authority has now received notification from Defra of the final 2010/11 grant allocation which is £7.290 million.
- 3.3 The budget is also being reviewed in the light of the final grant allocation and a revised budget will be reported to this Committee and the Authority meeting during September 2010. The final grant allocation figure has however been included in the forecasting in this report.

**4. REVENUE FORECAST OUTTURN**

- 4.1 The following tables summarise the actual spend to date (excluding commitments) and the profiled budget by expenditure type and by functional headings (Quarter 1 Budget). They also show the full year Interim Budget against the forecast outturn and resulting variance.

### Subjective Analysis

Division	Quarter 1		Full Year Forecast		
	Profiled Budget £'000	Actual to date £'000	Interim Budget £'000	Forecast Outturn £'000	Variance £'000
<b>Expenditure:</b>					
Employees	23	7	3,566	2,480	(1086)
Premises	40	24	535	494	(41)
Transport	28	2	235	138	(97)
Supplies & Services	300	226	2472	2,460	(12)
Third Party Payments	0	2	900	688	(212)
<b>Total Expenditure</b>	<b>391</b>	<b>261</b>	<b>7,708</b>	<b>6,260</b>	<b>(1,448)</b>
<b>Income:</b>					
National Park Grant	(2,432)	(2,432)	(8,108)	(7,290)	818
Investment Income	0	(3)	0	(20)	(20)
<b>Total Income</b>	<b>(2,432)</b>	<b>(2,435)</b>	<b>(8,108)</b>	<b>(7,310)</b>	<b>(798)</b>
<b>Net Balance (change in reserves)</b>	<b>(2,041)</b>	<b>(2,174)</b>	<b>(400)</b>	<b>(1,050)</b>	<b>(650)</b>

### Functional Analysis

Division	Quarter 1		Full Year Forecast		
	Profiled Budget £'000	Actual to date £'000	Interim Budget £'000	Forecast Outturn £'000	Variance £'000
Natural Environment	0	0	0	0	0
Cultural Heritage	0	0	0	0	0
Rec., Management & Transport	0	0	0	0	0
Promoting Understanding	0	0	0	0	0
Rangers, Estates & Volunteers	0	0	0	0	0
Development Control	0	0	0	0	0
Forward Planning & Communities	0	0	0	0	0
Service Management & Supp Servs					
Corporate Services	312	134	6,693	3,411	(3,282)
Planning	5	32	20	788	768
Strategy	0	0	495	1,023	528
Delivery	0	0	210	474	264
Chief Executive	27	68	110	323	213
Corporate & Democratic Core	47	24	180	221	41
<b>Net Expenditure</b>	<b>391</b>	<b>258</b>	<b>7,708</b>	<b>6,240</b>	<b>(1,468)</b>
National Park Grant	(2,432)	(2,432)	(8,108)	(7,290)	818
<b>Net Balance (change in reserves)</b>	<b>(2,041)</b>	<b>(2,174)</b>	<b>(400)</b>	<b>(1,050)</b>	<b>(650)</b>

- 4.2 As expected, the Authority has spent little during the first quarter, £0.261 million against a profiled expenditure budget of £0.391 million. The nature of the shadow year is that the majority of the spending will occur in quarters 3 and 4, as more staff are recruited and actual delivery commences. In addition, the terms of the contracts for support services, such as finance and ICT are that the Authority would be invoiced each quarter in arrears and therefore no payments will appear until quarter 2.

### Significant Variances

- 4.3 The forecast outturn position reflects officers' early work in reviewing and reducing the Interim budget and to prepare revised budget proposals. These reflect both the final grant

allocation and the required increased level of reserves of £1.050 million as highlighted in the Interim Budget report and detailed further in section 4.8. The result is a net underspend of £1.050 million which will be used to fund general and specific reserves.

- 4.4 It is difficult to report an accurate variance because of the estimation process used in establishing the interim budget forecasts. However, it should be noted that:
- Employee costs are forecast to be £1.086 million lower than budgeted as the organisation set up has been slower than predicted when the budget was originally planned and submitted to Defra
  - Third party payments include payments to other local authorities for providing services such as ICT, Finance and Human Resources and other special project work. The forecast outturn shows a reduction in the area because of the uncertainties that surrounded the forecasting when first completed.
  - The National Park Grant shows an overspend of £0.818m reflecting the final allocation of £7.290 million being lower than the indicative award of £8.108m.

#### **Areas of Risk**

- 4.5 This section would normally include details of forecasts where there is a risk that the outturn cannot be predicted with any great certainty or where the income or expenditure is outside of the Authority's control (for example due to legislation).
- 4.6 It is essential that all budgets are monitored closely, particularly as the organisation is in its shadow year and in the process of developing revised budgets, to ensure that the year end figures can be predicted with certainty. Close attention will be given to profiling the revised budgets to match predicted spend patterns to ensure that budgets are fully spent by year end.

#### **Budget Virements**

- 4.7 This section would normally include details of budget virements which highlight any transfer of resources. There are however none to report at this stage. Officers are currently reviewing all budgets incorporating the required increased level of reserves and the revised grant funding allocation which will be reported through the revised budget to the Authority meeting in September 2010.

#### **Revenue Reserves**

- 4.9 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to review and report to Members on the level and adequacy of reserves. The Interim Budget identified a need to increase revenue reserves from £0.400 million to £1.050 million. The table below which is included in the current forecast outturn reflects this position.

	<b>Balance at 1 April 2010</b>	<b>2010/11 Approved</b>	<b>New Variations</b>	<b>Projected 31 Mar 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>General Reserve</b>	0	400	150	550
<b>Specific Reserves:</b>				
Planning Risk	0		250	250
Planning Delivery	0		200	200
Insurance	0		50	50
<b>Total Reserves</b>	<b>0</b>	<b>400</b>	<b>650</b>	<b>1,050</b>

- 4.10 As the organisation is still being developed and the operational risks being identified the adequacy of reserves is still under review and this may result in further changes to the reserves outlined above as part of the Revised Budget 2010/11 report.

## **5. TREASURY MANAGEMENT**

#### **Brief overview of market**

- 5.1 The financial market remains difficult to predict. However, little has changed in the markets in the three months prior to June 2010, and the worst of the financial crisis is considered in the past. Signs of global economic growth are being reported, albeit at low

levels, although the UK the Bank of England has kept the official interest rate unchanged at ½% and the quantitative easing programme (whereby HM Treasury provides financial support to the economy) is being maintained at £200 billion. Inflation (the consumer prices index) remains above the 2% target rate.

### Investments

- 5.2 The first tranche of grant funding was received by the Authority on 1 April 2010. This funding, less any used to meet costs incurred by the Authority, has been invested in Brighton & Hove City Council. This has provided a low risk investment whilst maintaining maximum liquidity to fund the cost of the Authority's weekly cheque runs.
- 5.3 Performance on the investment for the first quarter has exceeded the benchmark rate.
- 5.4 The following table summarises the average amount invested in the council together with the average interest rate achieved and the benchmark rate (7-Day LIBID). The 7-Day LIBID represents the interest rate at which the UK major banks are prepared to lend to each other.

#### Period - 1 April 2010 to 30 June 2010

	Average amount invested (weighted by amount per day):	Average interest rate (annualised):		Interest received / accrued in quarter
		Actual	Benchmark (7-Day LIBID)	
Investment in Brighton & Hove City Council				
April 2010	£2,432,400	0.46%	0.32%	£920
May 2010	£2,420,386	0.47%	0.41%	£966
June 2010	£2,334,523	0.51%	0.44%	£979
Average for Quarter	£2,396,040	0.48%	0.39%	£2,865
Benchmark rate		0.39%		
Rate over / (under benchmark rate)		0.09%		

- 5.5 Officers will be preparing more detailed budget profiles as part of the Revised Budget process which will provide information to forecast future cashflows. This will enable some Investments to be invested over a longer period attracting a slightly higher interest rate.

### Borrowing

- 5.6 There has been no borrowing in the three month period to June 2010. If borrowing were to be required, this section would detail the borrowing raised and with whom, date of borrowing and maturity, interest rate and total costs.

## 6. RESOURCES

- 6.1 This report details the position of the Authority's financial resources.

## 7. RISK MANAGEMENT

- 7.1 The monthly monitoring of the Authority's financial position seeks to minimise and manage financial risks. The key risks are highlighted in section 4.5.

## 8. HUMAN RIGHTS, EQUALITIES, HEALTH & SAFETY

- 8.1 There are no implications arising from this report.

## 9. CONSULTEES

## 9.1 The National Park Officer, Monitoring Officer, Legal Services

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