

SOUTH DOWNS NATIONAL PARK AUTHORITY

Report: RPC 03/10

RESOURCES AND PERFORMANCE COMMITTEE

8 SEPTEMBER 2010

REVISED REVENUE BUDGET 2010/11

REPORT BY THE CHIEF FINANCE OFFICER

Purpose of the report - This report sets out the revised 2010/11 Budget and recommended level of reserves for the Authority

Resource implications - Financial implications are included in the body of the report.

1. RECOMMENDATIONS

- 1.1 That the Committee recommends the National Park Authority to approve:
1. The Revised Revenue Budget for 2010/11 as shown in Appendix 1;
 2. The increase in general and earmarked reserves as detailed in paragraphs 4.7 to 4.9

2. INTRODUCTION

- 2.1 South Downs National Park Authority (SDNPA) approved the Interim Revenue Budget 2010/11 on 11 May 2010. It was highlighted in the Interim Budget report that a revised budget would be required later in the year which would reflect the actual Defra award, rather than indicative award of £8.108 million, and an increased level of reserves.
- 2.2 This report details the revised revenue budget for 2010/11 and required increases to general and earmarked reserves.
- 2.3 This report does not include a Capital Programme. The Authority's capital requirements still need to be determined and options for funding them explored. These might include capital grant allocations from Defra, making direct revenue contributions to capital expenditure or making use of prudential borrowing powers should this be affordable

3 BACKGROUND

- 3.1 National Park Authorities operate under the Environment Act 1995 and within a complex framework of local authority legislation. The basis for their revenue expenditure is defined by the 'Special Purposes' for which National Parks were designated under the Environment Act 1997. Section 65 of this Act determines the Special Purposes as conserving and enhancing the natural beauty, wildlife and cultural heritage of National Parks, and for promoting opportunities for the understanding and enjoyment of the Parks by the public. Authorities also have a duty that seeks to foster the economic and social well-being of local communities within the National Park.

- 3.2 The government Comprehensive Spending Review determines the grant allocation of the National Park Authorities which is allocated through the Department for Environment, Food and Rural Affairs (Defra).
- 3.3 Significant legislation for the financial arrangements of Authorities includes the Local Government Act 1972 and the Local Government and Housing Act 1989. These statutory frameworks are supported by other Codes of Practice, specific regulations issued by the Government, and professional accounting standards issued by the Joint Standards Boards. National Park Authorities must present accounts in line with other local authorities using the CIPFA Best Value Accounting Code of Practice (BVACOP) and the Statement of Recommended Accounting Practice (SORP).

4. REVISED BUDGET 2010/11

- 4.1 The South Downs National Park Authority (SDNPA) is required to set a balanced budget in accordance with legislation. SDNPA is currently operating a shadow year with the transfer of its full powers and responsibilities from 1 April 2011. This report sets out a revised 2010/11 budget for the shadow year based on the National Park Grant award from Defra and reflects anticipated spending requirements to establish an operationally functional Authority by 1 April 2011.
- 4.2 The interim budget, approved on 11 May 2010, was formed entirely on the data in the initial Defra grant application which was based on the cost for the shadow year of setting up a new organisation, the appointment of a full establishment of permanent staff and running costs for the delivery of the shadow year. The application assumed that full responsibilities for planning would start on 1 April 2011. Since the SDNPA does not have a historical expenditure profile, the initial budget therefore mainly included assumptions about set up costs such as IT equipment, recruitment and initial project work, running costs such as staffing costs, members' allowances, accommodation, support services and supplies and services.
- 4.3 The Authority has now received notification from Defra of the final 2010/11 grant allocation which is £7.290 million. This is reflected in the revised budget along with £0.020 million investment income from interest on the Authority's balances. The revised budget also shows a reduction in the projected expenditure budgets from £7.708 million to £5.281 million. The £2.427 million reduction is mainly in respect of:
- Appointment of staff has been slower than originally predicted. It should be noted that the cost of interim consultants is included in supplies and services.
 - £1.100m set aside for purchase of ICT hardware and software is no longer required as this will now be provided through a managed service.
 - The set up costs of contracted services included in the budget were funded by Natural England.
 - It is likely that some set up costs originally included in the budget will occur in the following financial year. Therefore, a residual set up costs reserve of £0.339 million has been created allowing the Authority to use this reserve during either 2010/11 or 2011/12
- 4.4 As the authority does not have a historical expenditure profile, it is still difficult to accurately estimate the revised expenditure requirements. However the revised budgets will be profiled to reflect the anticipated increased expenditure during the remaining months on:
- Possible transfer of staff from the South Downs Joint Committee (SDJC).

- Recruitment of new staff from August.
- Establishment of premises for first year of operation.
- Early stakeholder engagement and launch activity.
- Evidence gathering for the development of the National Park Management Plan.
- Development of operational systems to deliver the delegated planning function.

4.5 It should be noted that the shadow year of 2010/11 does not provide a guide to funding requirements for 2011/12 and beyond. Some of the costs anticipated this year will not be repeated next year. For example, recruitment and procurement costs are likely to be higher in this establishment year, while the need to create or replenish reserves is unlikely to be as high in future years. Equally, the budget for future years will require higher funding for statutory and operational functions than is contained in the budget for this shadow year.

4.6 The Revised Budget shown in Appendix 1 is reported based on the functional headings as required by the CIPFA Best Value Accounting Code of Practice and the Defra grant application.

Reserves

4.7 Section 25 of the Local Government Act 2003 requires the S151 Officer to review and report to Members on the level and adequacy of reserves. Putting in place appropriate levels of reserves is essential to provide the authority with a safety net for risks, unforeseen or other circumstances. The working balance must last the lifetime of the authority unless contributions are made from future years' revenue budgets. Determining the appropriate levels of reserves is not a precise exercise or a formula but must be a professional judgement based on local circumstances including the overall budget size, risks, robustness of budgets and assumptions, other reserves and provisions and the authority's budget management track record. This is evidenced by an analysis of other National Parks general and earmarked reserves which has identified that these range in total from between 8% and 52% of their annual turnover.

4.8 The National Park Grant application included a sum of £400,000 for general reserves. A review of the required level of reserves has identified this is inadequate and that there is also a need for several earmarked reserves, particularly as this is a new organisation still in its shadow year and therefore with no previous history. Table 1 below details the recommended level of general and earmarked reserves totalling £2.009 million, which represents approximately 18% of the estimated turnover for 2011/12.

Table 1: Recommended level of reserves

	Interim Budget	Revised Budget	Increase
	£'000	£'000	£'000
General Reserve	400	550	150
Earmarked Reserves:			
Long Term:			
Planning Risk		470	470
Insurance		50	50
Short/Medium Term:			
Planning Delivery		400	400
Community Grants		200	200
Residual Set up costs		339	339
Total reserves	400	2,009	1,609

4.9 The General Reserves are the working balance which must cover the lifetime of the authority and is calculated based on 5% of expected turnover from 2011/12. The earmarked reserves have been recommended to cover the following:

- 1) Planning Risk: this is a long term reserve, to cover public inquiries, high cost decisions and any appeals.
- 2) Insurance: this is a long term reserve to provide for a small level of self insurance and to cover any excess on insurance policies.
- 3) Planning Delivery: this is a short to medium term reserve to reflect the current risks around establishing a new system of delegation decisions and operations where significant assumptions are being made about projected costs. There also needs to be failsafe provision in the unlikely event that the delegation arrangements run into unforeseen difficulties. A more accurate figure will be quantified following the analysis of Local Authorities planning data during September.
- 4) Community Grants: this is a short term reserve to complement the Sustainable Development Fund in the first operational year through providing small community grants which support community action to deliver local and national Park priorities.
- 5) Residual Set Up Costs: this is a short term reserve to fund any additional set up costs not included in the 2010/11 budget such as (but not exhaustive) costs of TUPE transfer, purchase of South Downs Joint Committee assets, future pay harmonisation and any additional training. This reserve may also be required during 2010/11.

5. RESOURCES

5.1 This report sets out the revised 2010/11 Budget for the Authority and therefore financial implications are included in the body of the report.

6. RISK MANAGEMENT

6.1 There are risks associated with the assumptions underlying the revised budget, particularly due to this being the shadow year of the authority. These risks have been taken into consideration in developing the revised budget and planned levels of reserves. The ongoing budget monitoring process should help to ensure that significant future issues are identified promptly and reported as necessary to this committee.

6. HUMAN RIGHTS, EQUALITIES, HEALTH & SAFETY

7.1 There are no implications arising out of the proposal.

8. CONSULTEES

8.1 The National Park Officer, Monitoring Officer, Legal Services

Catherine Vaughan
Interim Chief Finance Officer

Contact Officer: Sue Chapman,
tel 01273 293105 email sue.chapman@brighton-hove.gov.uk

Appendices:

1. Revised Budget 2010/11

South Downs National Park Authority Revised Budget 2010/11

Appendix 1

Analysed by CIPFA Best Value Accounting Code of Practice and the Defra grant application headings

Interim Budget £	REVISED BUDGET	Employees £	Premises £	Transport £	Supplies & Services £	Third Party Payments £	Support Services £	Revised Budget Total £
	EXPENDITURE							
335,760	Conservation of the Natural Environment	-	-	-	-	-	135,800	135,800
269,700	Conservation of Cultural Heritage	-	-	-	-	-	169,740	169,740
405,460	Recreation Management & Transport	1,000	500	-	250	-	305,540	307,290
844,100	Promoting Understanding	-	2,000	-	128,500	-	509,240	639,740
338,640	Rangers, Estates and Volunteers	95,880	-	-	-	-	203,700	299,580
726,980	Development Control	-	-	-	19,000	-	755,730	774,730
1,818,360	Forward Planning and Communities	7,000	7,000	-	199,750	60,000	1,953,020	2,226,770
2,789,000	Service Management & Support Services	-	-	-	-	-	-	-
180,000	Corporate and Democratic Core	147,390	32,000	30,000	104,520	-	413,550	727,460
7,708,000	Total Expenditure	251,270	41,500	30,000	452,020	60,000	4,446,320	5,281,110
	INCOME							
(8,108,000)	National Park Grant							(7,290,000)
(8,108,000)	Total Income							(7,290,000)
(400,000)	Net Balance (change in reserves)							(2,008,890)
(400,000)	General Reserves at Year End							(2,008,890)

Note: Support services also includes expenditure in respect of delivery, strategy and planning as detailed in the following table.

Revised Budget 2010/11: Analysis of Service Management and Support Services costs

Support Services Subjective Analysis	Employees £	Premises £	Transport £	Supplies & Services £	Third Party Payments £	Total Expenditure £	Income £	Net Expenditure £
Corporate Services	173,320	10,000	28,880	669,160	387,740	1,269,100	(20,000)	1,249,100
Planning Services	253,330	-	21,070	208,250	155,150	637,800		637,800
Strategy	486,000	-	14,830	82,760	51,680	635,270		635,270
Delivery	218,800	-	36,240	111,970	-	367,010		367,010
Chief Executive Services	5,000	-	7,020	359,820	41,710	413,550		413,550
Human Resources	423,670	-	-	20,000	52,500	496,170		496,170
Property Services	5,420	475,000				480,420		480,420
IT Services	-			100,000	67,000	167,000		167,000
Total	1,565,540	485,000	108,040	1,551,960	755,780	4,466,320	(20,000)	4,446,320