

Report to	<b>Resources and Performance Committee</b>
Date	<b>9 June 2011</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Provisional Outturn, 2010/11</b>
Purpose of Report	<b>To advise the Committee of the provisional outturn position for both capital and revenue budgets for 2010/11</b>

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**Recommendation: The Committee is recommended to note the provisional outturn position for both revenue and capital budgets for the financial year 2010-11.**

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## **1. Introduction**

- 1.1 This report sets out the Authority's provisional outturn position in its 2010/11 shadow year. The report includes:
- Revenue Provisional Outturn
  - Capital Provisional Outturn
  - Treasury Management year end position
  - Reserves position at 31 March 2011

## **2. Background**

- 2.1 The Authority approved a revised revenue budget for 2010/11 on 8 September 2010. As the Authority was in its shadow year, the budgets mainly included running costs for the delivery of the shadow year, costs of setting up the new organisation and the costs of recruiting permanent staff. The budget includes assumptions for set up costs such as IT equipment, recruitment and initial project work, running costs such as staffing costs, members' allowances, accommodation, support services and other supplies and services.
- 2.2 The capital programme was approved at the Authority meeting on 9 December 2010 and consists of two schemes:
- The purchase of a fleet of vehicles
  - The purchase and refurbishment of Capron House.
- 2.3 The Treasury Management Policy Statement and Annual Investment Strategy was adopted by the Authority on 20 April 2010 and sets out the policy and principles used to manage the Authority's investments.

## **3 Overall Financial Position**

### **Revenue Provisional Outturn**

- 3.1 The provisional outturn position as at the end of the financial year is a net underspend of £0.372 million compared to an underspend of £0.261 million as at Quarter 3. Appendix 1 details the provisional outturn position by both expenditure type and also functional headings. These tables provide a comparison of the provisional outturn with the Quarter 3 forecast position.

### **Significant Variances**

- 3.2 The main variances to the Revised Budget are:
- Employees' costs

- 3.3 A saving of £0.951 million from a mixture of slippage in the recruitment programme, a change in the assumptions in relation to the funding of those staff transferring from the South Downs Joint Committee during the transition period and a reduction in anticipated salary grades for new posts.
- 3.4 In addition, resulting from the slippage in the recruitment timetable into the 2011/12 financial year, there is a underspending of £0.328 million in relation to recruitment, staff advertising, relocation expenses and staff training. As this expenditure will now occur during 2011/12, the revised budget has been reduced by £0.225 million to reflect a carry forward of funding into 2011/12.

#### Premises costs

- 3.5 The provisional outturn shows an increase in underspending from £0.190 million to £0.419 million realised by savings in venue hire, interim office running costs and slippage in works to area offices which will now be completed in 2011/12. Slippage has been due to delays in obtaining approval from the respective landowners to adapt the required buildings. A sum of £0.174 million has been included in the 2011/12 Budget to fund some of these works. However, as the underspending and associated slippage has increased, a sum of £0.150 million will be carried forward to fund this expenditure in 2011/12 and the revised budget has been reduced to reflect this.
- 3.6 The provisional outturn also includes a contribution to capital reserves of £0.822 million to fully fund the purchase and refurbishment of Capron House planned over the next two years.

#### Transport

- 3.7 Transport costs have underspent by £0.088 million from savings in car mileage expenses, public transport expenses and from a car leasing budget that was set up and was not longer required.

#### Supplies & Services

- 3.8 Supplies and services have a net underspend of £0.091 million. Expenditure in relation to the planning system, staff uniforms and a local study will now occur during 2011/12, instead of 2010/12. Therefore £0.136 million underspending will be carried forward into 2011/12 and the revised budget has been reduced to reflect this.

#### Third Party Payments

- 3.9 The third party payments budget has underspent by £0.076 million which includes savings of £0.053 million in respect of the Human Resources transactional contract where these services are currently being provided in house.

#### Capital Financing

- 3.10 The outturn includes a contribution to capital reserves of £0.276 million to fund the capital programme for the purchase of a fleet of vehicles in order to ensure that the Authority was fully operational by 31 March 2011. Further details are provided in the Procurement of Vehicles report approved at the Authority meeting on 9 December 2010.

#### Income

- 3.11 Investment income has overachieved by £0.014 million compared to budget due to a mixture of greater balances than anticipated and higher interest rates. Income from grants and contributions includes the transfer of balances from South Downs Joint Committee in relation to the Heathland project and also contributions from Natural England of £0.013 million to support projects within Strategy & Partnerships.

#### **Budget Virements**

- 3.12 There were no budget virements to report to this meeting.

#### **Revenue Reserves**

- 3.13 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 2011/12 Budget Report approved at the Authority meeting on 29 March 2011 highlighted the need to increase some reserves which has been reflected below. The minimum level of working balances (general revenue reserves) is slightly higher than the level proposed at £0.650 million (calculated as 5% of expected future turnover) in the Budget report, but this is considered to be a prudent level given the wider environment of financial uncertainty in the public sector and the risks faced by a new organisation in its first operational year.
- 3.14 The provisional outturn underspending of £0.372 million, the carry forward of underspending items of £0.512 million and transfer of Heathlands project balances has increased the overall revenue reserves from £2.009 million to £2.922 million as shown in the table below.

<b>Revenue Reserves</b>	<b>Revised Budget 2010/11</b>	<b>Balance at 31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>General Revenue Reserve</b>	550	761
<b>Earmarked Revenue Reserves:</b>		
Planning Risk	470	600
Insurance	50	50
Planning Delivery	400	400
Community Grants	200	200
Residual Set up costs	339	370
Underspending carry forward	0	512
Heathlands Project	0	29
<b>Total Reserves</b>	<b>2,009</b>	<b>2,922</b>

#### **4 Capital Programme**

- 4.1 The 2010/11 capital programme was approved on 9 December 2010 and includes the purchase of a fleet of vehicles and the purchase and refurbishment of Capron House. The provisional outturn is shown in the table below.
- 4.2 There is a scheme delay or 'slippage' of £0.086 million in respect of the purchase of new vehicles which will not be delivered until after 31 March 2011.
- 4.3 In addition, there is slippage of £1.015 million in respect of Capron House partly due to delays in obtaining agreement with the trustees of the Gilbert Hannam Educational Foundation and the Charities Commission. It is also now anticipated that the actual payment for Capron House will be made in July 2012 and therefore the capital budget and associated funding will be carried forward to 2012/13 as detailed below.

<b>Capital Outturn</b>	<b>2010/11 Budget</b>	<b>2010/11 Provisional Outturn</b>	<b>Slippage to 2011/12</b>	<b>Slippage to 2012/13</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Vehicles	276	190	86	0
Capron House	1,090	75	0	1,015
<b>Total</b>	<b>1,366</b>	<b>265</b>	<b>86</b>	<b>1,015</b>

- 4.4 The capital reserves are £2.083 million as at 31 March 2012 which will be used to fully fund the approved capital programme over the next two years.

## 5 Treasury Management

### Brief overview of market

- 5.1 Money market rates continued to be fairly static during the fourth quarter of 2010/11, with the bias of policy decisions maintained towards the stimulation of the economy. The Bank of England left both the official bank rate and quantitative easing (QE) unchanged at ½% and £200 billion respectively. With inflation continuing to be above the upper target range of 3% the markets have factored in increases in interest rates in the latter part of 2011. This has resulted in yields for periods in excess of 6 months increasing marginally during the quarter.

### Investments

- 5.2 The £2.5 million investment in Lloyds was renewed during the quarter for a further period of three months. The balance has remained invested in Brighton & Hove City Council. This has allowed a higher yield to be achieved for the Authority, as well as ensuring sufficient liquidity to fund the cost of the Authority's weekly cheque runs.
- 5.3 Performance on the investments in the fourth 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 – Quarters 1 to 4 (1st April to 31st March 2011)**

	Average amount invested (weighted by amount per day)	Average interest rate (annualised)		Interest received /accrued in quarter
		Actual	Benchmark (7-Day LIBID)	
<b>Quarter 1</b> Investment in Brighton & Hove City Council	£2,396,040	0.48%	0.39%	£2,865
<b>Quarter 2</b> Investment in Brighton & Hove City Council	£3,024,966	0.59%		£4,466
Investment in Lloyds TSB	£1,358,696	1.08%		*£3,772
<b>Average for Period</b>	<b>£2,191,831</b>	<b>0.74%</b>	<b>0.41%</b>	<b>£8,165</b>
<b>Quarter 3</b> Investment in Brighton & Hove City Council	£1,474,769	0.62%		£2,277
Investment in Lloyds TSB				
- Loan No 1	£1,126,374	1.08%		£3,033
- Loan No 2	£1,373,626	1.08%		*£3,769
<b>Average for Period</b>	<b>£3,974,769</b>	<b>0.91%</b>	<b>0.45%</b>	<b>£9,009</b>
Investment in Brighton & Hove City Council	£4,233,882	0.68%		£7,211
Investment in Lloyds TSB				
- Loan No 2	£1,138,889	1.08%		£3,033
- Loan No 3	£1,277,778	1.22%		£3,812
<b>Average for Period</b>	<b>£6,650,549</b>	<b>0.86%</b>	<b>0.45%</b>	<b>£14,056</b>
Benchmark rate		0.45%		
Rate over / (under benchmark rate)		0.41%		

\*revised figures

5.5 The performance for the year to March 2011 is summarised below:

	Average amount invested	Average interest rate		Interest
		Actual	Benchmark (7-Day LIBID)	
<b>Year 2010-11</b>				
Investment in Brighton & Hove City Council	£2,774,768	0.61%		£16,815
Investment in Lloyds TSB	£1,575,343	1.11%		£17,423
<b>Average for Period</b>	<b>£4,350,111</b>	<b>0.79%</b>	<b>0.43%</b>	<b>£34,238</b>
Benchmark rate		0.43%		
Rate over / (under benchmark rate)		0.36%		

### **Borrowing**

5.6 There has been no borrowing during the financial year.

### **6. Resources**

6.1 This report details the position of the Authority's financial resources. The Authority's Statement of Accounts for 2010/11 will be reported to the Audit Committee.

### **7. Risk Management**

6.1 This report details the provisional outturn for the Authority. The monthly monitoring of the Authority's financial position seeks to minimise and manage financial risks during the year.

### **8. Human Rights, Equalities, Health and Safety**

8.1 There are no implications arising from this report.

### **9. External Consultees**

9.1 None.

## **CATHERINE VAUGHAN**

### **Chief Finance Officer**

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Appendices	Revenue Provisional Outturn
SDNPA Consultees	Chief Executive Officer, Director of Corporate Services, Head of Planning, Head of Operations, Chief Finance Officer, Monitoring Officer.

## Subjective Analysis

Full Year Variance Quarter 3 £'000	Division	Provisional Outturn		
		Revised Budget £'000	Provisional Outturn £'000	Variance £'000
	<b>Expenditure:</b>			
(1,029)	Employees	1,598	544	(1,054)
(190)	Premises	376	107	(269)
822	Premises –contribution to capital reserves	(822)	0	822
15	Transport	138	50	(88)
15	Supplies & Services	1,822	1,867	45
(93)	Third Party Payments	861	785	(76)
208	Capital Financing	(276)	0	276
<b>(252)</b>	<b>Total Expenditure</b>	<b>3,697</b>	<b>3,353</b>	<b>(344)</b>
	<b>Income:</b>			
0	National Park Grant	(7,290)	(7,290)	0
(9)	Investment Income	(20)	(34)	(14)
0	Other Grants & Contributions	(29)	(43)	(14)
<b>(9)</b>	<b>Total Income</b>	<b>(7,339)</b>	<b>(7,367)</b>	<b>(28)</b>
<b>(261)</b>	<b>Net Balance (change in reserves)</b>	<b>(3,642)</b>	<b>(4,014)</b>	<b>(372)</b>

## Functional Analysis

Full Year Variance Quarter 3 £'000	Division	Provisional Outturn		
		Revised Budget £'000	Provisional Outturn £'000	Variance £'000
0	Natural Environment	(29)	(29)	0
6	Recr'tn, Management & Transport	2	10	8
(2)	Promoting Understanding	110	15	(95)
259	Rangers, Estates & Volunteers	(180)	29	209
16	Development Control	(59)	48	107
(144)	Forward Planning & Comm.	236	101	(135)
(65)	Corporate Services	1,248	1,210	(38)
(135)	Planning	638	469	(169)
(229)	Strategy	639	399	(240)
(207)	Delivery	367	100	(267)
(146)	Chief Executive	415	328	(87)
(330)	Human Resources	271	119	(152)
729	Property Services	(492)	142	634
15	IT Services	167	108	(59)
(28)	Corporate & Democratic Core	315	227	(88)
<b>(261)</b>	<b>Net Expenditure</b>	<b>3,648</b>	<b>3,276</b>	<b>(372)</b>
0	National Park Grant	(7,290)	(7,290)	0
<b>(261)</b>	<b>Net Balance (change in reserves)</b>	<b>(3,642)</b>	<b>(4,014)</b>	<b>(372)</b>