

Report to	Resources and Performance Committee
Date	8 March 2011
By	Chief Finance Officer
Title of Report	Budget Monitoring Report for Quarter 3, 2010/11
Purpose of Report	To advise the Committee of the overall financial position of the Authority for 2010/11 as at Quarter 3

Recommendation: The Committee is recommended to note the overall financial position as at Quarter 3.

1. Introduction

1.1 This report sets out the Authority's current financial position as at the third quarter of operation in its 2010/11 shadow year. This report therefore includes:

- Revenue Forecast Outturn including estimated revenue reserves
- Capital Programme including estimated capital reserves
- Treasury Management position

2. Background

2.1 The Authority approved a revised revenue budget for 2010/11 on 8 September 2010. As the Authority is in its shadow year the budgets mainly include 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 Forecast Outturn

3.1 The forecast outturn position as at Quarter 3 is a net underspend of £0.261 million compared to an underspend of £0.052 million as at Quarter 2. Appendix 1 details the forecast outturn position by both expenditure type and also functional headings. These tables provide a comparison of the forecast outturn with the Quarter 2 forecast position and also provide the actual spend to date (excluding commitments) and the profiled budget for Quarter 3.

Significant Variances

3.2 The main variances to the Revised Budget are:

Employees' costs

- 3.3 A saving of £0.739 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 reduction of £0.290 million in anticipated costs in relation to recruitment, relocation expenses and staff training. A sum to cover these costs is included in the 2011/12 Budget Report included on this agenda.

Premises costs

- 3.5 The forecast outturn includes £0.190 million underspending from savings in venue hire, interim office running costs and also an underspending in works to area offices which will now be completed in 2011/12 due to delays in obtaining approval from the respective landowners to adapt the required buildings. A sum of £0.174 million is included in the 2011/12 Budget to fund these works.
- 3.6 The premises underspending has been offset by 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 are forecast to underspend by £0.053 million from savings in car mileage and public transport expenses and also from a car leasing budget that was set up and is no longer required.
- 3.8 This underspending is offset by a contribution to capital reserves of £0.068 million to fund the purchase of vehicles after the 31 March 2011 as detailed in paragraph 4.2.

Supplies & Services

- 3.9 A saving of £0.094 million in consultancy fees (where support is now included within the corporate services contracts) and office expenses are offset by additional estimated costs of £0.109 million in respect of planning. The forecast includes £0.084 million for the implementation and development of a new planning system for the Authority and £0.025million for transitional costs, including printing and stationery and amendments to local authority planning IT systems for the branding of South Downs National Park for administering planning delegations.

Third Party Payments

- 3.10 The forecast includes savings of £0.053 million in respect of the Human Resources transactional contract where these services are currently being provided in house. This contract however will need to be procured before 1 April 2012.
- 3.11 In addition, there is a reduction of £0.040 million in the estimated costs of secondees to the planning service from other public sector bodies.

Capital Financing

- 3.12 The forecast includes a provision of £0.208 million to fund the capital programme for the purchase of a fleet of vehicles in order to ensure that the Authority can become 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.

Areas of Risk

- 3.13 It is essential that all budgets are monitored closely, particularly as the organisation is in its shadow year, to ensure that the year end figures can be predicted with certainty. The process for sound budget management is becoming established within the Authority with budget management reports to the Strategic Management team on a monthly basis as well as continuous budget monitoring by all budget managers supported by finance staff. 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

- 3.14 There are no budget virements to report to this meeting.

Revenue Reserves

- 3.15 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 current forecast underspending of £0.261 million has increased the forecast revenue reserves from £2.009 million to £2.270 million.

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 forecast position is shown in the table below.
- 4.2 The capital programme is currently projecting a scheme delay or 'slippage' of £0.068 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 £0.290 million in respect of Capron House due to delays in obtaining agreement with the trustees of the Gilbert Hannam Educational Foundation and the Charities Commission. The capital budget and associated funding in relation to any slippage will be automatically carried forward into 2011/12.

Capital Forecast	2010/11 Budget £'000	2010/11 Actual at Quarter 3 £'000	2010/11 Forecast Outturn £'000	Slippage to 2011/12 £'000
Vehicles	276	46	208	68
Capron House	1,090	0	800	290
Total	1,366	46	1,008	358

- 4.4 The capital reserves position is shown in the table below.

Capital Reserves	£'000
Opening balance at 1 April 2010	0
Plus:	
Defra Grant	1,250
Contributions from 2010/11 Revenue Outturn	890
Direct Revenue Funding from 2010/11 Revenue Outturn	208
Less	
Forecast expenditure during 2010/11	(1,008)
Estimated closing balance at 31 March 2011	1,340
Earmarked Capital Reserves at 31 March 2011:	
Capron House	1,272
Vehicles	68

5 Treasury Management

Brief overview of market

- 5.1 Money market rates remained fairly static during the third quarter of 2010/11, with the bias of policy decisions 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 third 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 3 (1st April to 31st December 2010)

	Average amount invested (weighted by amount per day)	Average interest rate (annualised)		Interest received / accrued in quarter
		Actual	Benchmark (7-Day LIBID)	
Quarter 1 Investment in Brighton & Hove City Council	£2,396,040	0.48%	0.39%	£2,865
Quarter 2 Investment in Brighton & Hove City Council	£3,024,966	0.59%		£4,466
Investment in Lloyds TSB	£1,358,696	1.08%		£3,699
Average for Period	£2,191,831	0.74%	0.41%	
Quarter 3 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%		£3,699
Average for Period	£3,974,769	0.91%	0.45%	
Benchmark rate		0.45%		
Rate over / (under benchmark rate)		0.46%		

Borrowing

- 5.5 There has been no borrowing in the three month period to 31st December 2010.

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 3.13.

8. Human Rights, Equalities, Health and Safety

- 8.1 There are no implications arising from this report.

9. External Consultees

- 9.1 None.

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Appendices 1. Revenue Forecast Outturn as at Quarter 3

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

Revenue Forecast Outturn as at Quarter 3
Subjective Analysis

Full Year Variance Quarter 2 £'000	Division	Quarter 3		Full Year Forecast		
		Profiled Budget £'000	Actual to date £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
	Expenditure:					
(339)	Employees	697	255	1,817	788	(1,029)
0	Premises	322	70	527	1,159	632
(6)	Transport	75	27	138	153	15
59	Supplies & Services	1,128	933	1,958	1,973	15
(42)	Third Party Payments	542	203	861	768	(93)
276	Capital Financing	0	0	0	208	208
(52)	Total Expenditure	2,764	1,488	5,301	5,049	(252)
	Income:					
0	National Park Grant	(4,864)	(4,864)	(7,290)	(7,290)	0
0	Investment Income	(10)	(11)	(20)	(29)	(9)
0	Total Income	(4,874)	(4,875)	(7,310)	(7,319)	(9)
(52)	Net Balance (change in reserves)	(2,110)	(3,387)	(2,009)	(2,270)	(261)

Functional Analysis

Full Year Variance Quarter 2 £'000	Division	Quarter 3		Full Year Forecast		
		Profiled Budget £'000	Actual to date £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
6	Rec, Management & Transport	1	0	2	8	6
10	Promoting Understanding	64	7	130	128	(2)
230	Rangers, Estates & Volunteers	0	0	96	355	259
21	Development Control	0	0	19	35	16
(41)	Forward Planning & Comm.	71	5	274	130	(144)
(103)	Corporate Services	817	606	1,249	1,184	(65)
104	Planning	288	182	638	503	(135)
(55)	Strategy	401	190	635	406	(229)
(67)	Delivery	0	0	367	160	(207)
(140)	Chief Executive	231	247	414	268	(146)
(124)	Human Resources	292	39	496	166	(330)
66	Property Services	287	55	480	1,209	729
15	IT Services	91	16	167	182	15
26	Corporate & Democratic Core	211	13	314	286	(28)
(52)	Net Expenditure	2,754	1,477	5,281	5,020	(261)
0	National Park Grant	(4,864)	(4,864)	(7,290)	(7,290)	0
(52)	Net Balance (change in reserves)	(2,110)	(3,387)	(2,009)	(2,270)	(261)