South Downs
National Park Authority

Agenda Item 9
Report RPC 09/12

Report to	**Resources and Performance Committee**
Date	**21 June 2012**
By	**Chief Finance Officer**
Title of Report	**Provisional Outturn, 2011/12**
Purpose of Report	**To advise the Committee of the provisional outturn position for both capital and revenue budgets for 2011/12**

Recommendation: The Committee is recommended to

1. **note the provisional outturn position for both revenue and capital budgets for the financial year 2011/12 and approve the carry forwards listed in paragraph 3.16.**

1. Introduction

1.1 This report sets out the Authority's provisional outturn position for 2011/12. The report includes:

- Revenue Provisional Outturn
- Capital Provisional Outturn
- Treasury Management year end position
- Reserves position at 31 March 2012

2. Background

2.1 The Authority approved the revenue and capital budgets for 2011/12 on 29 March 2011. This budget represents the first operational year of the Authority and includes carry forward underspendings of £0.512 million in relation to recruitment, staff advertising, relocation expenses and staff training and uniforms, premises costs, the planning system and a local study. The adjusted budget shown in the report reflects the original budget approved by the Authority plus any virements during the financial year**.** The forecast outturn position has been reported on a quarterly basis to Resources and Performance Committee throughout the year.

2.2 The Treasury Management Policy Statement and Annual Investment Strategy was adopted by the Authority on 29 March 2011 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 £0.968 million compared to an underspend of £0.438 million as at Quarter 3. This position takes into account the budget reductions resulting from the budget carry forwards (set out in section 3.16) and transfers to earmarked reserves (for the Sustainable Communities Fund and Major Partnership Fund).

3.2 **Appendix 1** details the provisional outturn position by both expenditure type and directorate. These tables provide a comparison of the provisional outturn with the Quarter 3 forecast position.

Significant Variances

3.3 The main outturn variances to the adjusted budget are:

Employees' costs

3.4 Direct employees costs have underspent by £0.807 million as a result of a number of vacancies in permanent posts being recruited to later than originally anticipated.

3.5 Indirect employee costs underspend has increased to £0.316 million in relation to staff training, staff advertising, relocation and recruitment costs which are lower than originally expected.

Premises costs

3.6 The underspend in relation to the review of premises costs as part of the preparation of the estates strategy and the planning for Capron House is now £0.384 million, although these resources are needed in the future to undertake the work at the area offices, and the relocation to Capron House. Therefore the 2012/13 Budget includes £0.300 million allocated to area offices and one off revenue funding for cabling, furniture and temporary office leases.

Supplies & Services

3.7 Supplies and services budgets have overspent by a net of £0.785 million which is mainly due to the following significant variances:

- An overspend of £0.914 million from the use of interim staff which are mainly offset by the £0.807 million underspend in employees resulting in a net overspend of £0.107 million on total staffing.
- Additional costs of £0.067 million in relation to visitor surveys for gathering evidence to inform the Management Plan.
- An overspend of £0.108 million in the Collabor8 project where the majority of this spend had been budgeted within third party payments (as detailed in paragraph 3.10).
- An underspend of £0.064 million in professional fees in development control due to less planning applications in the first year being considered by the Authority than anticipated.
- A general underspend of £0.068 million in Management Plan.
- An underspend of £0.156 million in respect of Volunteers, Rights of Way and Access to Land works due to a lower level of volunteer expenditure than anticipated and delays to Rights of Way spend whilst the responsibilities of both the Local Highway Authorities and SDNPA are being agreed through the Accord.

3.8 Payments in respect of the Sustainable Communities Fund are also included within supplies & services. Although the entire Sustainable Communities Fund budget of £0.400 million had been committed by the end of March, only £0.224 million had been paid across in grant. The Sustainable Communities Fund is treated as a ring fenced fund and therefore the underspending of £0.176 million will be carried forward for spending against this fund in 2012/13.

3.9 The Major Partnerships Fund provides funding for projects that typically span more than one year. These partnerships take time to develop and there are now a number of projects approved during Quarter 4 and some still awaiting approval which will put more pressure on this fund in the following financial years. This fund of £0.300 million is also treated as ring fenced fund of which £0.022 million has been spent and the remaining balance of £0.278 million will be carried forward for spending against these projects in 2012/13.

Third Party Payments

3.10 Third party payments has underspent by £0.420 million (an increase of £0.201 million from Quarter 3) from the following significant variances:

- The planning policy budget has underspent by £0.232 million of which £0.089 million was from spending occurring within supplies and services rather than third party payments and the remaining £0.143 million, from lower than anticipated costs for developing Local Delivery Frameworks and commissioning other evidence required.
- Payments to the 15 local planning authorities (LPA's) under the delegation arrangements which were budgeted at £3.740 million underspent by £0.052 million. This was due to one LPA delivering some of their 2012/13 efficiency savings in 2011/12 rather than 2012/13 and also because the original budget included a small contingency to cover any additional set up costs occurring after 1 April 2011.
- An underspend of £0.021 million within Human Resources in respect of the transactional contract where these services are currently being provided in house.
- An underspend of £0.087 million from the Collabor8 project from spending occurring within supplies and services (as detailed in paragraph 3.7) rather than third party payments.

Income

3.11 The planning applications achieved a shortfall in income of £0.402 million compared to the budget. The budget was originally set based on levels of fee income actually received in each LPA over 2 previous years. It appears, however, that due to a number of circumstances, fee income is lower than expected, both within the National Park and across the wider areas covered by our partner LPAs. The difficult economic climate generally has clearly had a major impact, with some speculative applications not being pursued and related concerns about the housing market and house prices generally also contributing. Commercial schemes have also been affected and with investment decisions and access to funding also being very difficult, there appears to have been a general downturn in the type of planning activity that might otherwise, in more settled economic conditions, bring in higher levels of fee income.

3.12 Analysis of planning application activity in the National Park since 1st April 2011 shows that the types of planning application submitted is also having an impact on income. Certain types of planning application attract no fee at all and these include works to trees, applications for Listed Building and Conservation Area Consent and revisions to previously resubmitted schemes within a prescribed period (where the original fee went to the LPA). There have been quite a high number of such cases. The additional planning controls that designation has brought to some parts of the National Park and increased public awareness of them since 1st April 2010 may well have had some impact in this regard. Finally, there is some evidence that not all opportunities to generate income had been taken within some parts of the National Park by some LPAs which will be reviewed for 2012/13.

3.13 Overall, planning fee income is historically unpredictable, but is often significantly driven by the prevailing economic climate, as at present. The application fee structure presently operated also created uncertainty, with fees being applied for some types of application, but not others and with much higher fees applying for some types of development. The reduction in fee income has been reflected in the 2012/13 Budget.

3.14 The Authority has received investment income of £0.082 million, as detailed in section 6, which has resulted in an overachievement of £0.057 million from higher interest rates than expected.

Budget Virements

3.15 There were no budget virements to report to this meeting.

2011/12 Budget Carry Forwards

3.16 This is the Authority's first operational year and a number of staff were recruited during the financial year which has led to a delay on various projects, which although the funds were committed the projects were not completed by 31 March 2012 resulting in an underspend. This is simply a timing issue and therefore the funding for these projects needs to be carried forward to allow projects already agreed to be completed without any financial impact on the 2012/13 Budget. The table below details the projects requiring carry forward funding totalling £0.528 million.

Proposed 2011/12 Budget Carry Forwards to 2012/13	£ '000
South Downs Way projects – Balmer Down and People Counters	65
Studies within Strategy & Partnerships including Access to Natural Greenspace Development, Carbon Footprint of the Downs, Land Management Scenarios.	89
Completion of the Visitor Surveys	49
Planning various studies including Energy (Phase 1) and landscape assessments.	71
Set up costs for new contracts (which were delayed during the year) including ICT, GIS, Telephony.	164
Development of Corporate Services strategies and other costs	90
Total Budget Carry Forward	**528**

4 Capital Programme

4.1 The capital programme approved on 29 March 2011 consists of the purchase of vehicles (£0.086 million) and the purchase and refurbishment of Capron House (£0.670 million).

4.2 The capital expenditure for the year totalled £0.019 million from spending on vehicles, plant and equipment which was funded from revenue contributions of £0.013 million and £0.006 million from capital reserves.

4.3 The capital programme total slippage is £0.750 million. Slippage of £0.670 million in respect of Capron House will be reprofiled into 2012/13 along with the slippage of £1.015 million from 2010/11 which will be used to complete the purchase of Capron House and to undertake the refurbishment works. There is also slippage of £0.080 million in respect of the purchase of new vehicles due to an Estates Strategy being produced, which is to incorporate an analysis of vehicle requirements.

5 Reserves

5.1 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 minimum level of working balances (general revenue reserves) is £0.650 million which is considered to be a prudent level given the wider environment of financial uncertainty in the public sector.

5.2 The provisional outturn underspending of £0.968 million, has resulted in the useable revenue reserve balance of £1.046 million at 31 March 2012. The 2012/13 Budget Report approved at the Authority meeting on 29 March 2012 included various changes to reserves which, along with the increase to the capital programme for Capron House approved on 24 May 2012, have been reflected below reducing the useable revenue reserves to £0.348 million as at 31 March 2013.

Revenue Reserves	Balance at 1 April 2011 £'000	Transfers during 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers during 2012/13 £'000	Balance at 31 March 2013 £'000
General Revenue Reserve					
Working Balance	650		650		650
Unallocated useable revenue reserves	78	968	1,046	(698)	348
Earmarked Revenue Reserves:					
Planning Risk	600		600		600
Insurance	50		50		50
Planning Delivery	400		400	(120)	280
Sustainable Communities Fund	200	(24)	176	(176)	0
Major Projects Fund	0	278	278	(278)	0
Residual Set up costs	370		370	(370)	0
Underspending carried forward	511	17	528	(528)	0
Heathlands Project	29	(5)	24	(24)	0
Vehicles Repairs & Renewal	0	63	63	60	123
Estates Area Offices				250	250
Collabor8	30		30		30
Capital Reserves	2,083	(6)	2,077	(1944)	133
Total Reserves	**5,001**	**1,291**	**6,292**	**(3,828)**	**2,464**

6 Treasury Management

Brief overview of market

6.1 Money market rates continued to be volatile during the fourth quarter of 2011/12. The bias of policy decisions by the Bank of England was maintained towards stimulating the UK economy. The Bank's official rate has remained at ½% but a further £50 billion was injected into the economy through the quantitative easing (QE) programme (bringing the total to £325 billion). Inflation fell during the quarter but still remained above the Bank's target of 2%. Interest rates have remained stable throughout the quarter.

Investments

6.2 The short-term nature of the Authority's investment portfolio has been maintained given the continuing uncertainty in the financial markets. Investment in the quarter has concentrated on lending funds to Brighton & Hove City Council, the only exception being an investment in Lloyds Bank for three months. It is unlikely this strategy will change in the near future but the strategy has resulted in investment performance being above benchmark yields whilst at the same time ensuring capital preservation and liquidity to meet the expenses of the Authority.

6.3 The risk within the investment portfolio remains well within the 0.05% approved by the Authority. Performance on the investments in the fourth quarter has exceeded the benchmark rate.

6.4 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) for the quarter to

March 2012. 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 2012)

	Average amount invested (weighted by amount per day)	Average interest rate (annualised)		Interest received / accrued in quarter
		Actual	Benchmark (7-Day LIBID)	
Quarter 4				
Investment in Brighton & Hove City Council	£7,529,144	0.87%		£16,252
Investment in Lloyds TSB	£1,758,242	1.30%		£5,699
Investment in Lloyds TSB	£741,758	1.40%		£2,588
Average for Period	**£10,029,144**	**0.98%**	**0.47%**	**£24,539**
Benchmark rate		0.47%		
Rate over / (under benchmark rate)		0.51%		

6.5 The performance for the year to March 2012 is summarised below:

	Average amount invested	Average interest rate		Interest
		Actual	***Benchmark (7-Day LIBID)***	
Year 2011-12				
Investment in Brighton & Hove City Council	5,733,746	0.86%		£49,249
Investment in Lloyds TSB	2,370,924	1.36%		£32,317
Average for Period	**8,104,670**	**1.00%**	**0.47%**	**£81,566**
Benchmark rate		0.47%		
Rate over / (under benchmark rate)		0.53%		

Borrowing

6.6 There has been no borrowing during the financial year.

7 Resources

7.1 This report details the position of the Authority's financial resources. The Authority's Statement of Accounts for 2011/12 will be reported to the Audit Committee.

8 Risk Management

8.1 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.

9 Human Rights, Equalities, Health and Safety

9.1 There are no implications arising from this report.

10 External Consultees

10.1 None.

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Appendices	1. 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 Adjusted Budget £'000	Provisional Outturn £'000	Variance £'000
	Expenditure:			
(687)	Direct Employees	3,658	2,851	(807)
(209)	Indirect Employees	598	282	(316)
(389)	Premises	603	219	(384)
(25)	Transport	191	162	(29)
875	Supplies & Services	2,327	3,112	785
(219)	Third Party Payments	5,036	4,616	(420)
0	Capital Financing Costs	25	38	13
(130)	Contingency	130	0	(130)
(784)	**Total Expenditure**	**12,568**	**11,280**	**(1,288)**
	Income:			
0	National Park Grant	(11,373)	(11,373)	0
(6)	Other Grants	(328)	(353)	(25)
402	Planning Fees	(1,179)	(777)	402
(50)	Investment Income	(25)	(82)	(57)
346	**Total Income**	**(12,905)**	**(12,585)**	**320**
(438)	**Sub Total**	**(337)**	**(1,305)**	**(968)**
0	**Approved contribution from reserves**	**(712)**	**(712)**	**0**
(438)	**Net Balance (change in reserves)**	**(1,049)**	**(2,017)**	**(968)**

Directorate Analysis

Full Year Variance Quarter 3 £'000	Division	Provisional Outturn Adjusted Budget £'000	Provisional Outturn £'000	Variance £'000
(5)	Chief Executive's Service	218	207	(11)
208	Strategy & Partnerships	1,620	1,689	69
101	Planning	4,685	4,639	(46)
(275)	Operations	1,552	1,121	(431)
(15)	Governance	279	259	(20)
(322)	Corporate Services	2,311	1,907	(399)
	Corporate Items:			
(130)	Contingency	130	0	(130)
0	SDF/Community Grants	224	224	0
0	Major Partnership Fund	22	22	0
(438)	**Net Expenditure**	**11,036**	**10,068**	**(968)**
0	National Park Grant	(11,373)	(11,373)	0
(438)	**Sub Total**	**(337)**	**(1,305)**	**(968)**
0	**Approved contribution from reserves**	**(712)**	**(712)**	**0**
(438)	**Net Balance (change in reserves)**	**(1,049)**	**(2,017)**	**(968)**