

Report to	Resources and Performance Committee
Date	20 June 2013
By	Chief Finance Officer
Title of Report	Provisional Outturn, 2012/13
Purpose of Report	To advise the Committee of the 2012/13 provisional outturn position for both capital and revenue budgets.

Recommendation: The Committee is recommended to;

- 1) note the provisional outturn position for both revenue and capital budgets for the financial year 2012/13; and**
 - 2) approve the carry forwards as detailed in section 3.14 to 3.15 of the report.**
-

1. Introduction

- 1.1 This report sets out the South Downs National Park Authority's (the Authority) provisional outturn position for 2012/13 and includes:
 - Revenue Provisional Outturn
 - Capital Provisional Outturn
 - Treasury Management year end position
 - Reserves position

2. Background

- 2.1 The Authority approved the revenue budget for 2012/13 on 13 March 2012. The adjusted budget shown in the report reflects the original budget approved by the Authority plus any virements during the financial year. The adjusted budget therefore includes budgets for the carry forward underspend for specific projects from 2011/12, totalling £528,000 (as approved at Resources & Performance Committee on 21 June 2012) and new projects (such as Nature Improvement Area and Local Sustainable Transport Fund (LSTF)) approved during the year. The forecast outturn position has been reported on a quarterly basis to Resources and Performance Committee throughout the year.
- 2.2 The capital programme for 2012/13 consists of three schemes: purchase and refurbishment of South Downs Centre, Western Area Barn and purchase of Vehicles.
- 2.3 The Treasury Management Policy Statement and Annual Investment Strategy was adopted by the Authority on 13 March 2012 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 £111,000 compared to an underspend of £60,000 as at Quarter 3. This position takes into account the budget reductions resulting from the requested budget carry forwards to 2013/14 (set out in section 3.14 to 3.15) and transfers to earmarked reserves (for the Sustainable Communities Fund (SCF) and Major Projects Fund (MPF)).
- 3.2 **Appendix I** 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 The employee's budget underspent by £285,000 from vacancy management and posts taking longer to recruit to than expected at budget setting, for example, the Finance & Procurement Manager and Enforcement Officer. As the permanent establishment is now fully in place, this level of underspend is unlikely to occur in future years.

Premises costs

3.5 Premises costs underspent by £75,000 from programmed maintenance, gas, waste management, contract cleaning and testing of equipment.

Transport

3.6 The transport overspend includes an agreed contribution of £20,000 to the capital programme to fund the purchase of an exhibition vehicle.

Supplies & Services

3.7 Supplies and services budgets resulted in a net overspend of £343,000 which is from a number of areas:

- The Strategy & Partnerships budgets overspent by £103,000. This is the cumulative effect of a number of changes including underspends in relation to the work of Strategy Leads and agreed overspends within the year for Communications items such as interpretation works (£50,000) and Contact Management System (£50,000).
- The Idox project overspent by £218,000 from additional consultants costs required to rectify some teething problems and implement new modules.
- An investment of £25,000 for additional enforcement officers on a temporary basis to deal with the backlog inherited from the recovered service area, including some complex cases requiring detailed assessment to draw to a close long standing issues.
- An agreed overspend of £17,000 in relation to Access Land works within the Operations service where the budget was not properly identified at budget setting. A net underspending of £15,000 for Volunteer Services from various supplies and services budgets.
- A contribution of £33,000 match-funding to the partnership project (Environment Agency, Wildlife Trust and others) to reintroduce Water Voles and establish a self-sustaining population along the River Meon, following habitat improvements, targeting of Environmental Stewardship and other enhancement measures.
- A contribution of £35,000 towards the Up Marden cart/shelter shed restoration project.
- A net underspending against various budgets totalling £115,000 for Collabor8, LSTF and Lidar projects which are offset by compensating reductions in grant income.
- The GIS project includes additional expenditure of £31,000 in relation to funding implementation costs.

3.8 Payments in respect of the SCF and MPF are also included within supplies & services. These are ring fenced funds which means that any underspends will be carried forward for spending against these funds in 2013/14. The SCF spent £185,453 during 2012/13 and therefore £290,847 will be carried forward to fund commitments and future schemes.

3.9 The Major Projects Fund provides funding for projects that typically span more than one year. These partnership projects take time to develop and there are now a number of projects approved which will be spent over the next three years. A total of £242,587 was spent during 2012/13 resulting in a net carry forward balance of £436,363 for future years.

Third Party Payments

- 3.10 Third party payments underspend has reduced from £175,000 to £34,000 from a mixture of some requested carried forwards in relation to planning strategy work that were not previously included in the forecast and a payment of a £50,000 refund of S106 receipts to Lewes District Council.

Income

- 3.11 Other grants income includes a reduction in Collabor8 income of £47,000 where the amount of grant received is less than originally anticipated. This overspend has been partly offset by a reduction in expenditure in supplies and services of £29,000 resulting in a net overspend on the project of £18,000 from exchange rate variations and a funding cap on schemes as the project comes to an end. In addition there are reductions in the Lidar and LSTF income, also offset by reductions in supplies and services.
- 3.12 It is always difficult to be able to accurately predict planning fee income for a whole variety of factors, some are economic, but there also other factors too such as changes in planning controls. Planning is a demand led service therefore the Authority has little control over the levels of work or activity. Fee income was expected to be higher during the last quarter of 2012/13 due to the long awaited 15% national increase in fees from November 2012 (the first for over 4 years) and as a result of the introduction of the Authority pre-application advisory service, some of which attracts a fee. However, the numbers of applications submitted was also slightly higher than expected. In consequence, fee income proved to be higher than anticipated and exceeded the income budget by £107,000.
- 3.13 Investment income from interest on balances has exceeded the budget by £49,000 as a result of higher balances than expected at budget setting (due to delays in the purchase and refurbishment of South Downs Centre), therefore gaining more interest income.

2012/13 Budget Carry Forwards

- 3.14 The Quarter 3 budget monitoring forecast identified a number of projects and other agreed commitments, where it was likely that works and spend will not be incurred until 2013/14. These projects and commitments have increased from £587,000 at Quarter 3 to £943,550. The funding for these commitments needs to be carried forward to allow projects already agreed to be completed without any financial impact on the 2013/14 Budget. This level of carry forwards has occurred mainly because some staff involved in projects were not in post for the full financial year, and systems to support project planning and monitoring were still in development. It is therefore unlikely that carry forwards will occur at this level in future years.
- 3.15 Officers will carry out a Mid Term review of the 2013/14 budgets and performance of progress against projects and commitments, and for those where performance is unsatisfactory, carry forwards will not be permitted for the following year. The table below details the projects requiring carry forward funding totalling £943,550 which are included in the provisional outturn.

Proposed 2012/13 Budget Carry Forwards to 2013/14	£ '000
IT systems:	
• Contact Management System (identified as a carry forward at budget setting 2013/14)	50
• IDOX implementation and training of new modules	44
• Implementation of other IT systems (eg. Cams, Microsoft upgrade, community planning toolkit, intranet and GIS)	65
Computer cabling, furniture, equipment and event costs for South Downs Centre	152

South Downs Way surfacing improvements and ground works at Queen Elizabeth delayed due to the extreme weather conditions	51
Neighbourhood Plan and Front runners grant to be allocated during 2013/14	73
Examination and strategy costs for Planning (joint working with Lewes, East Hants, Mid Sussex Local authorities)	155
A number of studies, audits and assessments (eg. Equalities Impact, Habitat, Seascape, Green Infrastructure, Sustainability, Cultural Heritage)	149
Communications items including Interpretation works, developing a brand, and media training	114
Miscellaneous Projects, including Up Marden cart/shelter shed restoration, travel grant for schools and aerial photography	91
Total Budget Carry Forward	944

4 Capital Programme

- 4.1 The 2012/13 capital programme consists of three schemes: purchase and refurbishment of South Downs Centre (£2,689,000), Western Area Scheme (£113,000) and purchase of vehicles (£112,000).
- 4.2 Due to delays in the purchase and the subsequent refurbishment of the South Downs Centre, project expenditure was £982,000 resulting in slippage of £1,707,000, which will be carried forward to the 2013/14 capital programme.
- 4.3 Area offices are being reviewed as part of the Estates Strategy. For the Western Area Scheme, consultants have been commissioned to undertake a full feasibility study based on new information obtained from the Forestry Commission regarding the long term vision of the site. Therefore, until a project is approved this funding of £113,000 will transfer to the office maintenance and refurbishment reserve.
- 4.4 There is also slippage of £100,000 (of the total budget of £112,000) in the Vehicles programme which will be carried forward and spent in the 2013/14 capital programme. The slippage is due to the Land Rovers requiring specialist fitting resulting in the purchase taking longer than expected and the requirements of the communications vehicle being finalised at the end of the financial year.

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 table below details the reserves balances as at 31 March 2013.

Revenue Reserves	Balance at 31 March 2012	Transfers /Use of reserves during 2012/13	Balance at 31 March 2013
	£'000	£'000	£'000
General Revenue Reserve			
Working Balance	650	0	650
Useable revenue reserves	1,063	(1,045)	18
Earmarked Revenue Reserves:			
Planning Risk	600	(600)	0
Planning Delivery	400	(400)	0
Planning Reserve	0	580	580
Insurance	50	(50)	0
Sustainable Communities Fund	176	115	291
Major Projects Fund	278	158	436
Residual Set up costs	370	(370)	0
Underspending carried forward	528	415	943
Heathlands Project	24	(24)	0
South Downs Way Reserve	0	20	20
Volunteer Ranger Service	0	31	31
Vehicles Repairs & Renewal	63	60	123
Collabor8	30	(30)	0
Capital Reserves / Grants unapplied:			
South Downs Centre	2152	683	2,835
Vehicles	0	102	102
Office Maintenance & Refurbishment	0	222	222
Total Reserves	6,384	(133)	6,251

6 Treasury Management

Brief overview of market

- 6.1 Data was generally weak in the first quarter of 2013, and it is widely agreed that the economy narrowly avoided a triple dip recession. Industrial production and manufacturing output were both down in the quarter. Additionally bad weather at the end of the quarter is likely to have depressed activity in certain sectors such as retail and construction. Household spending has started the year on a strong foothold, with a rise in retail and non-high street (e.g. Car Registration) sale in February.
- 6.2 Employment growth has slowed further, and unemployment rose for the first time in a year. Inflation remains stubbornly above the Monetary Policy Committee's (MPC) 2% target (mainly driven by high energy prices), and real pay continues to fall, with pay growth remaining at levels below inflation.
- 6.3 The government's Funding for Lending Scheme has helped bring down some mortgage rates, which is helping to support house prices. However, early signs of weakness were seen in the housing market in the first quarter of 2013, with lenders seeing mortgage approvals fall in the quarter.
- 6.4 Three members of the MPC, including Governor, Mervyn King, voted for further quantitative easing. The size of the Bank's asset purchase programme has remained at £375bn since November.
- 6.5 There are fears of a further Eurozone crisis after it was agreed that bank deposits could be subject to a "haircut" as part of an international bail-out package for Cyprus. While a bailout package agreed by European Finance Ministers should avert disaster, the episode has raised fears about the safety of bank deposits in other periphery countries. Meanwhile the Eurozone economy remained weak, with a data suggesting a contraction in the quarter.
- 6.6 In February 2013 Moody's downgraded the UK's AAA credit rating one notch to AA+. There was little reaction in financial markets, as this had been widely anticipated.

Investments

- 6.7 The return on the amount invested with Brighton & Hove City Council (BHCC) has reduced marginally in the quarter as the financial markets factor in lower short-term interest rates.
- 6.8 During the quarter, short term rates have reduced following HM Treasury's initiatives to stimulate the economy. The Lloyds TSB investment was renewed for two months. This combined with falling interest rates resulted in a lower return. In March, an opportunity to invest for 95 days in RBS at an enhanced rate was taken. This has mitigated reduced returns being achieved on other investments.
- 6.9 The remaining cash balance will continue, for the time being, to be invested in BHCC as this results in investment performance being above benchmark yields whilst at the same time ensuring capital preservation and liquidity to meet the expenses of the Authority.
- 6.10 The risk within the investment portfolio remains well within the 0.05% approved by the Authority. Performance on the investments in the third quarter has exceeded the benchmark rate.
- 6.11 The following table summarises the average amount invested together with the average interest rate achieved against 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 2013)

	Average amount invested (weighted by	Average interest rate (annualised)		Interest received / accrued in quarter
	amount per day)	Actual	Benchmark (7-Day LIBID)	
Quarter 1				
Investment in BHCC	£6,571,985	0.87%		£14,251
Investment in Lloyds TSB	£2,500,000	1.40%		£8,726
Average for Period	£9,071,985	1.02%	0.44%	£22,977
Benchmark rate		0.44%		
Rate over benchmark rate		0.58%		
Quarter 2				
Investment in BHCC	£5,810,004	0.75%		£10,838
Investment in Lloyds TSB	£2,500,000	1.39%		£8,736
Average for Period	£8,310,004	0.93%	0.44%	£19,574
Benchmark rate		0.44%		
Rate over benchmark rate		0.49%		
Quarter 3				
Investment in BHCC	£5,139,018	0.62%		£7,942
Investment in Lloyds TSB	£4,211,956	1.33%		£13,997
Average for Period	£9,350,974	0.93%	0.40%	£21,939
Benchmark rate		0.40%		
Rate over benchmark rate		0.53%		
Quarter 4				
Investment in BHCC	£5,868,437	0.52%		£7,527
Investment in Lloyds TSB	£83,333	1.30%		£267
Investment in Lloyds TSB	£1,638,890	0.41%		£1,688
Investment in RBS	£1,300,000	1.10%		£3,526
Average for Period	£8,890,660	0.59%	0.40%	£13,008
Benchmark rate		0.40%		
Rate over / (under benchmark rate)		0.19%		

6.12 The performance for the year to March 2013 is summarised below:

	Average amount invested	Average interest rate		Interest
		Actual	Benchmark (7-Day LIBID)	
Year 2012-13				
Investment in BHCC	5,857,817	0.69%		£40,588
Investment in Lloyds TSB	2,739,726	1.22%		£33,414
Investment in RBS	320,548	1.10%		£3,526
Average for Period	8,918,091	0.87%	0.40%	£77,498
Benchmark rate		0.40%		
Rate over / (under benchmark rate)		0.47%		

Borrowing

6.13 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 2012/13 will be reported to the Standards and 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 Sustainability

10.1 There are no implications arising from this report.

11 External Consultees

11.1 None.

CATHERINE VAUGHAN

Chief Finance Officer

Contact Officer: Sue Chapman, Deputy Chief Finance Officer

Tel: 01273 293105

email: sue.chapman@brighton-hove.gov.uk

Appendices I. 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:			
(185)	Direct Employees	4,194	3,909	(285)
(34)	Indirect Employees	184	165	(19)
(69)	Premises	319	244	(75)
24	Transport	137	160	23
415	Supplies & Services	2,820	3,163	343
0	Capital Financing Costs	33	33	0
(175)	Third Party Payments	4,032	3,998	(34)
(24)	Total Expenditure	11,719	11,672	(47)
	Income:			
0	National Park Grant	(10,981)	(10,981)	0
21	Other Grants	(732)	(643)	89
(2)	Planning Fees & Other Income	(838)	(952)	(114)
(55)	Investment Income	(25)	(74)	(49)
(36)	Total Income	(12,576)	(12,650)	(74)
(60)	Sub Total	(857)	(978)	(121)
0	Contribution from reserves	857	867	10
(60)	Net Balance (change in reserves)	0	(111)	(111)

Directorate Analysis

Full Year Variance Quarter 3 £'000	Division	Provisional Outturn		
		Adjusted Budget £'000	Provisional Outturn £'000	Variance £'000
(14)	Chief Executive's Service	193	184	(9)
59	Strategy & Partnerships	1,975	2,021	46
119	Planning	4,111	4,283	172
97	Operations	1,162	1,208	46
(321)	Corporate Services	2,683	2,307	(376)
(60)	Net Expenditure	10,124	10, 003	(121)
0	National Park Grant	(10,981)	(10,981)	0
(60)	Sub Total	(857)	(978)	(121)
0	Contribution from reserves	857	867	10
(60)	Net Balance (change in reserves)	0	(111)	(111)