



**SOUTH DOWNS NATIONAL PARK AUTHORITY**

**RESOURCES AND PERFORMANCE COMMITTEE**

**22 NOVEMBER 2010**

**BUDGET MONITORING REPORT FOR QUARTER 2, 2010/11**

**REPORT BY THE CHIEF FINANCE OFFICER**

**Purpose of the report** - To advise the Committee of the overall financial position of the Authority for 2010/11 as at Quarter 2.

**Resource implications** - there are no resource implications arising from this report.

**1. RECOMMENDATION**

- 1.1 The Committee is recommended to note the overall financial position as at Quarter 2.

**2. INTRODUCTION**

- 2.1 This report sets out the Authority's current financial position as at the second quarter of operation in its 2010/11 shadow year.

**3 BACKGROUND**

- 3.1 The Authority approved a revised 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 in establishing 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, member's allowances, accommodation, support services and other supplies and services.

**4. REVENUE FORECAST OUTTURN**

- 4.1 The following tables summarise the actual spend to date (excluding commitments) and the profiled budget by expenditure type and by functional headings (Quarter 2 Budget). They also show the full year Revised Budget against the forecast outturn and resulting variance.

## Subjective Analysis

Division	Quarter 2		Full Year Forecast		
	Profiled Budget £'000	Actual to date £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
<b>Expenditure:</b>					
Employees	213	107	1,817	1,478	(339)
Premises	121	29	527	527	0
Transport	51	21	138	132	(6)
Supplies & Services	679	557	1,958	2,017	59
Third Party Payments	365	79	861	819	(42)
Capital Financing				276	276
<b>Total Expenditure</b>	<b>1,429</b>	<b>793</b>	<b>5,301</b>	<b>5,249</b>	<b>(52)</b>
<b>Income:</b>					
National Park Grant	(4,864)	(4,864)	(7,290)	(7,290)	0
Investment Income	(10)	(11)	(20)	(20)	0
<b>Total Income</b>	<b>(4,864)</b>	<b>(4,875)</b>	<b>(7,310)</b>	<b>(7,310)</b>	<b>0</b>
<b>Net Balance (change in reserves)</b>	<b>(3,445)</b>	<b>(4,082)</b>	<b>(2,009)</b>	<b>(2,061)</b>	<b>(52)</b>

## Functional Analysis

Division	Quarter 2		Full Year Forecast		
	Profiled Budget £'000	Actual to date £'000	Interim Budget £'000	Forecast Outturn £'000	Variance £'000
Natural Environment	0	0	0	0	0
Cultural Heritage	0	0	0	0	0
Rec., Management & Transport	0	0	2	8	6
Promoting Understanding	18	7	130	140	10
Rangers, Estates & Volunteers	0	0	96	326	230
Development Control	0	3	19	40	21
Forward Planning & Communities	30	0	274	233	(41)
Service Management & Support Services					
Corporate Services	505	298	1,249	1,146	(103)
Planning	192	90	638	742	104
Strategy	157	69	635	580	(55)
Delivery	0	0	367	300	(67)
Chief Executive	154	155	414	274	(140)
Human Resources	87	26	496	372	(124)
Property Services	100	27	480	546	66
IT Services	31	16	167	182	15
Corporate & Democratic Core	145	91	314	340	26
<b>Net Expenditure</b>	<b>1,419</b>	<b>782</b>	<b>5,281</b>	<b>5,229</b>	<b>(52)</b>
National Park Grant	(4,864)	(4,864)	(7,290)	(7,290)	0
<b>Net Balance (change in reserves)</b>	<b>(3,445)</b>	<b>(4,082)</b>	<b>(2,009)</b>	<b>(2,161)</b>	<b>(52)</b>

- 4.2 As expected, the Authority has spent little during the first half of the year as the nature of the shadow year is that the majority of the spending will occur in quarters 3 and 4, as more staff are recruited.

### **Significant Variances**

- 4.3 The forecast outturn position against the revised budget is a net underspend of £0.052 million. The main variances highlighted by the second quarters monitoring are:

#### Employees costs

- 4.4 A saving of £0.224 million from a mixture of a small 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. In addition, there is a reduction of £0.115 million in anticipated costs in relation to recruitment, relocation expenses and staff training.

#### Supplies & Services

- 4.5 A saving of £0.075 million in consultancy fees where support is now included within the corporate services contracts. This is offset by additional estimated costs of £0.104 million for the implementation and development of a new planning system for the Authority and £0.050 million 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

- 4.6 The provisional forecast also includes savings of £0.043 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 from 1 April 2011.

#### Capital Financing

- 4.7 The forecast now includes a provision of £0.276 million to fund a capital programme for the purchase of a range of vehicles in order to ensure that the Authority can become fully operational in its ranger service by 31 March 2011. Further details are provided in the Procurement of Vehicles report also included on this agenda, which seeks approval from the Authority to set the Capital Programme for 2010/11.

### **Areas of Risk**

- 4.8 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.

### **Revenue Reserves**

- 4.9 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 £0.052 million has increased the forecast general reserves from £0.550 million to £0.602 million. The Revised Budget included an increase in earmarked and revenue reserves to £2.009 million compared to the forecast outturn of £2.061 million as shown in the table below.

	<b>Revised Budget</b>	<b>Full Year Forecast</b>
	<b>£'000</b>	<b>£'000</b>
<b>General Reserve</b>	<b>550</b>	602
<b>Earmarked Reserves:</b>		
Long Term:		
Planning Risk	<b>470</b>	470
Insurance	<b>50</b>	50
Short/Medium Term:		
Planning Delivery	<b>400</b>	400
Community Grants	<b>200</b>	200
Residual Set up costs	<b>339</b>	339
<b>Total reserves</b>	<b>2,009</b>	<b>2,061</b>

## 5. TREASURY MANAGEMENT

### Investments

- 5.1 The second quarter of grant funding was received by the Authority on 2 July 2010. £2.5 million of the Authority's funds have now been invested for three months with Lloyds TSB. 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.
- 5.2 Performance on the investments in the second quarter has exceeded the benchmark rate.
- 5.3 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 – 1 July 2010 to 30 September 2010

	<b>Average amount invested (weighted by amount per day):</b>	<b>Average interest rate (annualised):</b>		<b>Interest received / accrued in quarter</b>
		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%		£3,699
<b>Average for Period</b>	<b>£2,191,831</b>	<b>0.74%</b>	<b>0.41%</b>	
Benchmark rate		0.41%		
Rate over / (under benchmark rate)		0.33%		

### **Borrowing**

- 5.4 There has been no borrowing during the first two quarters of the financial year.

## **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 4.5.

## **8. HUMAN RIGHTS, EQUALITIES, HEALTH & SAFETY**

- 8.1 There are no implications arising from this report.

## **9. CONSULTEES**

- 9.1 The National Park Officer, Monitoring Officer, Legal Services

Sue Chapman  
Interim Deputy Chief Finance Officer  
Tel 01273 293105  
email: sue.chapman@brighton-hove.gov.uk