

NEW FOREST NATIONAL PARK AUTHORITY

AUTHORITY MEETING - 16 NOVEMBER 2006

BUDGETARY CONTROL REPORT FOR THE PERIOD TO 30 SEPTEMBER 2006

Report by: Pat Higgins, Chief Finance Officer, and George Trevelyan, Finance and Performance Manager

Summary:

This report summarises actual expenditure for the six months to 30 September 2006, together with a current forecast of expenditure on the General Fund for the financial year 2006/07. It reflects discussion at the Resources and Performance Committee meeting on 8 November 2006.

At the Committee meeting members were recommended to note:

- i) the current budget forecast for the National Park Authority, and the circumstances which will lead to a significant underspend in our first operational year;
- ii) that proposals for managing underspends will be made at the end of Quarter 3;
- iii) that work is on-going by Directors to identify areas where underspends can be deployed to catch up on work held up as a result of delays in recruitment.
- iv) the transfer of £2,764 to General Reserve.

These recommendations were **agreed** after discussion, subject to some follow-up action (see paragraph 4.2).

Recommendation:

The Authority is recommended to **note** this report.

Resources:

Routine.

Papers:

NFNPA 139/06: Cover paper
NFNPA 139/06: Annex 1 – Summary New Forest National Park revenue
accounts for the period 1 April-30 September 2006

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1 Introduction

- 1.1 This report summarises actual expenditure for the six months to 30 September 2006, together with a current forecast of expenditure on the General Fund for the financial year 2006/07. It reflects discussion at the Resources and Performance Committee on 8 November 2006.

2 General Fund budget

- 2.1 The budget of £4,827,102 for the financial year 2006/07 was approved by members at their meeting of 25 April this year; the authorised budget comprised operating costs of £4,037,627 and set up costs of £789,475, financed as follows:

	£
Planning Fees	200,000
Defra Grants:	
Special grant for set up costs	1,200,000
Partnership Development grant	200,000
Sustainable Development Fund	200,000
Basic annual grant	<u>3,420,000</u>
	5,220,000
<u>Less:</u> Transfer to Reserve	<u>392,898</u>
Net income to finance approved budget	<u>4,827,102</u>

- 2.2 Actual grants receivable from Defra for Sustainable Development and Annual grant amount to £3,622,764, the increase of £2,764 now being transferred to the General Reserve.
- 2.3 Grant is drawn from Defra quarterly, in advance, based on a forecast of the incidence of expenditure. To date £4,001,025 for the first three quarters has been received; this includes the full grant for set up costs

and the Sustainable Development Fund, and £1,580,687 for basic grant. This represents 80% of the annual basic and partnership grants.

- 2.4 The grant for initial set up costs has been contained within a separate budget for 2006/07 only, and are reflected in Corporate Management and Administration **Annex 1**.
- 2.5 Each budget is profiled to reflect anticipated incidence of spend throughout the financial year. Profiles have recently been reviewed with relevant budget responsible officers and amended where appropriate. However it is very difficult to predict expenditure in the Authority's first year of operation, particularly when it is still recruiting key staff. The forecast shown in **Annex 1** therefore shows budget variations between current profiles and actual spend to date, but does not attempt to predict the end-year position with any accuracy.
- 2.6 Provision is made in the Authority's Financial Regulations for virements (transfer from one budget to another) and supplementary budget estimates, to meet in-year variations to approved budgets. The Chief Executive has delegated authority to approve individual additional budget allocations and virements up to £25,000, but has not seen the need to make any such adjustments at this stage in the year.
- 2.7 Amounts in excess of £25,000 require member approval. Any such proposals will be brought forward to members of the Resources and Performance Committee as part of these regular budget monitoring reports.

3 General Fund current position

- 3.1 The current detailed forecast for the General Fund budget is attached as **Annex 1** to this report.
- 3.2 Column 1 'Current Approved Budget' shows the original approved budget for expenditure of £4,827,102, offset by budgeted planning income of £200,000; the budget is summarised against each of the Defra standard function/service headings for national parks (This is not the way our budget allocations are managed, and we will present alternative breakdowns at the Committee and Authority meetings).
- 3.3 Column 2 shows actual expenditure to date, offset by planning income; column 3 shows the balance of remaining budgets for the financial year.
- 3.4 Column 4 'Budget year to date' shows the budget profiled for the six months from 1 April to 30 September 2006; column 5 'Variance to date' shows the budget variation between profiled budget (col.4) and actual expenditure for the same 6 month period.

- 3.5 The summary shows an under-spend of £615,244 between the budget profile and actual expenditure for the period to 30 September. The main reasons for this variation are set out below:
- 3.5.1 The provision for salaries shows a net under-spend of £253,975, after setting off the net cost of employing temporary agency staff to cover for some permanent posts not yet appointed.
- 3.5.2 Other notable areas of under spend against profile are set out below. (Most budgets show a slight under spend at this stage but are not itemised here:
- Historic and listed buildings grants and supplies
£20,000
 - Training and Staff Development
£22,130
 - IT Infrastructure
£41,480
 - Start-up costs (particularly relocation and interview costs)
£162,380.
- 3.6 These are offset to some extent by overspends against profile for a number of items in addition to the temporary agency staff mentioned above:
- 3.6.1 Income from Planning Application Fees (and sales of copies) has been higher than originally forecast and is currently £140,540 against a profiled budget for the period to the end of September of £100,000, a net increase of £40,540
- 3.6.2 Although no budget provision was made for investment interest, £39,103 has been earned to the end of this period. This is forecast to rise to £100,000 by the end of the financial year.
- 3.7 It would be possible to start a process of transferring funds from underspent to overspent budgets at this stage in the year. Similarly major underspends which cannot be reversed could be transferred to newly-created reserves (for example, for sustainable development or staff training) or to the General Reserve Fund. However there are also quite strong arguments for not doing so before the end of the third quarter.
- 3.8 First is that the Authority's staffing is still not completed, seven months after becoming fully operational, and considerable uncertainty remains about what sums will be available for transfer at the year end. Lack of staff has inhibited activity in many programme areas. Many of the late appointees who are arriving in the next six weeks are key specialist

staff whose impact on the Authority's activity in the closing months could be significant.

- 3.9 Second is that it is open to the Authority's management to accelerate expenditure where possible but particularly to try and retrieve some of the slippage in work programmes. This would mean that spending schedules would be met more closely in the second half of the year than in the first. This is true in virtually all areas of activity: the twin purposes, the development of the Management Plan, and the completion of Phase 3 of the Authority's development project.
- 3.10 Both these factors mean that there is uncertainty about the amounts which can or should be vired between programmes or transferred to reserve. Moreover there is some prospect of learning what our National Park basic grant for 2007-08 will be in the next few weeks, which may affect our willingness to make transfers to reserves. Taking action later rather than sooner will prevent the number of transfers multiplying as more information becomes available later in the year.
- 3.11 However, the formal position is that, until we transfer funds into reserve, our expected out-turn for the year remains the same as the current approved budget of £4,627,102.

4 Resources and Performance Committee 8 November 2006

- 4.1 Members were recommended to note:
- i) the current budget forecast for the National Park Authority, and the circumstances which will lead to a significant underspend in our first operational year;
 - ii) that proposals for managing underspends will be made at the end of Quarter 3;
 - iii) that work is on-going by Directors to identify areas where underspends can be deployed to catch up on work held up as a result of delays in recruitment.
 - v) the transfer of £2,764 to General Reserve as indicated in para 2.2.
- 4.2 These recommendations were **agreed** after discussion. In addition officers were asked to make proposals for presenting the budget information under headings which would provide a clearer breakdown of spend in functional and management terms; and to provide a clear end-financial-year forecast of spend by the end of the calendar year.

Recommendation

The Authority is recommended to **note** this report.

NFNPA 139/06
Annex 1

Summary New Forest National Park Revenue Accounts for the period 1 April - 30 September 2006					
	Current approved budget	Actual	Total Variance	Budget year to date	Variance to date
	£	£	£	£	£
Conservation of Natural Environment	415,173	107,890	(307,283)	156,485	(48,595)
Conservation of Cultural Heritage	684,176	128,736	(555,440)	232,503	(103,767)
Recreation Management	221,771	54,629	(167,142)	82,919	(28,290)
Promoting Understanding, Information, Interpretation and Education	584,817	162,597	(422,220)	242,774	(80,177)
Traffic and Transport	118,039	53,588	(64,451)	49,900	3,688
Ranger Services	9,349	1,305	(8,044)	2,008	(703)
Development Control	745,658	239,413	(506,245)	354,028	(114,615)
Forward Planning	397,580	119,148	(278,432)	188,817	(69,669)
Training and Staff Development	47,500	2,064	(45,436)	23,750	(21,686)
Corporate Management and Administration	1,403,039	567,125	(835,914)	718,556	(151,431)
Total Deficit / (Surplus);	4,627,102	1,436,496	(3,190,606)	2,051,740	(615,244)
Investment and Interest Income	-	(39,103)	(39,103)	-	(39,103)