

**Agenda Item 9
Report PP9/15**

Report to **Policy & Programme Committee**
 Date **2 June 2015**
 By **Chief Finance Officer**
 Title of Report **Provisional Outturn 2014/15**
 Purpose of Report **To advise the Committee of the 2014/15 provisional outturn position for both revenue and capital budgets and to seek approval for budget carry forwards.**

Recommendation: The Committee is recommended to:

- 1) **Note the provisional outturn position for both revenue and capital budgets for the financial year 2014/15.**
- 2) **Approve the following budget carry forwards to 2015/16 totalling £598,000:**

Local Plan	£120,000
IT Systems	£102,000
Neighbourhood Planning	£71,000
Miscellaneous Projects	£159,000
Staffing commitments	£30,000
Other commitments	£41,000
Purpose & Duty	£75,000

1. Introduction

- 1.1 This report sets out the South Downs National Park Authority's (the Authority) provisional outturn position for 2014/15 including:
 - Provisional Revenue Outturn
 - Provisional Capital Outturn
 - Treasury Management year end position
 - Reserves position
- 1.2 The provisional revenue outturn is an underspend of £33,000 compared to a forecast overspend of £54,000 reported to the Governance Committee as at quarter 3, a favourable movement of £87,000. The main reasons for this change are detailed below and it has therefore not been necessary to implement the mitigating action previously identified to ensure a break-even position.
- 1.3 Budget carry forward requests for unspent funds are detailed in sections 3.15 to 3.17 and require the approval of this Committee in accordance with Financial Regulations and Procedures.

2. Background

- 2.1 The Authority approved the revenue budget for 2014/15 on 25 March 2014. The adjusted budget shown in the report reflects the original budget plus any virements during the financial year. The adjusted budget also includes carry forwards from 2013/14 totalling £764,920 as approved at Policy & Programme Committee on 22 May 2014 together with the

carry forward of underspending for the Sustainable Communities Fund (SCF) of £374,148. The forecast outturn position has been reported on a quarterly basis to the Governance Committee throughout the year.

- 2.2 The capital programme for 2014/15 consisted of two schemes: the completion of the refurbishment of the South Downs Centre and the purchase of replacement vehicles.
- 2.3 The Treasury Management Policy Statement and Annual Investment Strategy was adopted by the Authority on 25 March 2014 and set out the policy and principles used to manage the Authority's investments during 2014/15. This policy was subsequently superseded by the Treasury Management Policy Statement and Annual Investment Strategy 2015/16 adopted by the Authority on 26 March 2015. Independent Member training on Treasury Management is to be provided by Capita on 14 July 2015 as agreed by the Governance Committee on 18 November 2014.

3. Overall Financial Position

Provisional Revenue Outturn

- 3.1 The provisional revenue outturn position as at the end of the financial year is a net underspend of £33,000 compared to a projected overspend of £54,000 at quarter 3. This position takes into account budget reductions resulting from requested carry forwards to 2015/16 as set out in sections 3.15 to 3.17. It also includes the transfers to earmarked reserves for the Sustainable Communities Fund (SCF) and the Major Projects Fund as set out in sections 3.7 and 3.8. The net underspend will be transferred to the General Reserve for allocation in due course.
- 3.2 Details of the provisional revenue outturn position compared to the quarter 3 forecast position are given in the following appendices:
 - **Appendix 1** – Provisional revenue outturn by expenditure type/subject.
 - **Appendix 2** – Provisional revenue outturn by service.
 - **Appendix 3** – Treasury Management performance compared to benchmarks.

The significant variances to the adjusted budget are given below:

Expenditure

- 3.3 The direct employee's provisional outturn is an underspend of £57,000 compared to a forecast underspend of £24,000 at quarter 3. This includes additional agency costs for IT offset by savings on the IT contract with the change since quarter 3 being mainly due to an underspend on staff advertising. There are also offsetting overspends and underspends across departments as detailed in **Appendix 1**. The overall underspend for direct employees should be considered alongside the spend on consultants fees which is included in the supplies and services expenditure below.
- 3.4 Premises costs are underspent by £150,000 compared to a forecast underspend of £78,000 at quarter 3. This underspend is mainly due to costs being lower than budgeted for the South Downs Centre, including business rates by £30,000, as well as a number of variances against budgets across cleaning, general repairs and utilities. The increase in underspend since quarter 3 has arisen from increased variances across several budget headings.
- 3.5 Transport costs are underspent by £15,000 compared to a forecast underspend of £55,000 at quarter 3. This is after reinstating the contribution to the vehicles reserve to £60,000 rather than £30,000 which had been identified as mitigating action to ensure a break-even position at year end. The underspend reflects a reduction in travel costs in respect of planning staff, as they are now based at the SDC, and an increased use of pool cars.
- 3.6 Supplies and services budgets are overspent by £306,000 compared to a forecast overspend of £182,000 at quarter 3, an increase in overspend of £124,000. The significant overspends were in the following areas:
 - Planning services overspent supplies and services budgets by £277,000 overall compared to £175,000 at quarter 3. The increase is mainly due to legal fees, for legal advice for

ongoing planning appeals, which were overspent by £161,000 compared to £55,000 at quarter 3; an increase of £106,000. Previously reported overspends included consultancy costs of £82,000 (£88,000 at quarter 3) to provide support to the planning service and IDOX (Planning system) at £22,000 for additional user licences.

- Strategy and Partnerships supplies and services budgets have an overall underspend of £12,000 at outturn. This reflects offsetting variances including the previously reported overspend within the Communications Team of £20,000 (£31,000 at quarter 3) for the new hosting arrangements for the website.
- Corporate Services supplies and services budgets have overspent by £37,000 compared to £11,000 at quarter 3. This includes an overspend of £23,000 for consultancy costs (£23,000 at quarter 3) and £40,000 for furniture and equipment within Property Services offset by underspends for IT cabling and telephony costs within IT services.

There are further offsetting overspends and underspends across supplies and services.

- 3.7 Payments in respect of SCF and Major Projects (MP) are also included within supplies and services. These are ring-fenced budgets which means that any underspends will be carried forward for spending against these funds in 2015/16. The SCF spent £184,000 against an adjusted budget of £499,000 therefore £315,000 will be carried forward to fund commitments and future schemes.
- 3.8 The MP budgets relate to 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 several years. A total of £1,218,000 was spent during 2014/15 against funding totalling £1,465,000, of which the Authority's funding contribution was £549,000 and associated expenditure was £363,000. This has resulted in a net budget carry forward of £186,000 which together with the remaining balance of the MP reserve, will be transferred to the new Strategic Fund.
- 3.9 The Purpose and Duty budget is also within supplies and services and at quarter 3 further budget allocations were suspended as mitigating action to ensure a break-even position would be achieved at year end. The provisional outturn position is now showing an underspend without the need for this action and therefore the unspent and unallocated budget is included in the carry forward requests to be transferred to the new Strategic Fund in 2015/16.
- 3.10 The Third Party Payments budget is overspent by £111,000 compared to a forecast underspend of £15,000 at quarter 3. The change since quarter 3 is mainly due to £75,000 for legal advice from West Sussex County Council and £35,000 in additional payments to Local Authorities.

Income

- 3.11 Planning income is historically unpredictable but is often significantly driven by the prevailing economic climate. This income was forecast to overachieve by £10,000 at quarter 3, however the provisional outturn position reflects an overachievement of £140,000 as below:

Planning Income	£'000
Quarter 1	239
Quarter 2	286
Quarter 3	242
Quarter 4	344
Total	1,111
Budget	971
Provisional over-achievement	140

- 3.12 Other grants and contributions show a favourable variance of £55,000 additional income which includes contributions from local authorities of £35,000 towards local plan assessment costs.
- 3.13 Other income has over-achieved by £54,000 which is mainly due to contributions towards administration costs within S.106 receipts.
- 3.14 Investment income has over-achieved by £24,000 which is due to cash balances being higher than forecast and comparatively favourable rates being achieved.

2014/15 Budget Carry Forwards

- 3.15 There are a number of projects and other agreed commitments for which the works and expenditure will not be incurred until 2015/16. Funding for these commitments needs to be carried forward to allow agreed projects to be completed without any financial impact on the 2015/16 budget.
- 3.16 Budget carry forward requests are recommended for approval where, for example, projects have been started and or committed but were not able to be finalised in 2014/15. In addition, unspent Purpose and Duty budget is included for carry forward and will be transferred to the new Strategic Fund.
- 3.17 The table below details the projects requiring carry forwards totalling £598,000 which are included in the provisional outturn:

Proposed Budget Carry Forwards to 2015/16		£'000
Local Plan	Examination and strategy costs for Planning	120
IT Systems	Grants/Evidence database and website/intranet development	102
Neighbourhood Planning	Support to Local Parishes in Neighbourhood Planning.	71
Miscellaneous Projects	Ongoing projects including Winchester City Mill interpretation project and the Southease interpretation project	159
Staffing commitments	Relocation costs	30
Other commitments	Unspent budget allocated to Big Chalk, webcasting, external fund-raising options	41
Purpose & Duty	Unspent and unallocated budget to be transferred to the Strategic Fund in 2015/16	75
Total Budget Carry Forwards		598

4. Capital Programme

- 4.1 The 2014/15 Capital Programme consisted of two schemes; the completion of the refurbishment of the South Downs Centre brought forward from 2013/14 and the purchase of replacement vehicles.
- 4.2 The South Downs Centre became operational with effect from 7 May 2014 and the expenditure in 2014/15 was £295,000 against a budget of £271,000. The shortfall of £24,000 has been funded from unallocated capital reserves.
- 4.3 The purchase of replacement vehicles comprised of two Land Rovers at cost of £51,000 which was within the budget of £60,000.

5. Reserves

- 5.1 The minimum level of working balance (General Revenue Reserves) was set at £550,000 for 2014/15 and was maintained at this level as part of the 2015/16 budget process. This is

considered to be a prudent level given the wider environment of financial uncertainty in the public sector.

5.2 The Planning Reserve is an important element of risk management for the Authority and assures financial resilience in the event of unplanned costs in relation to planning appeals or unexpected shortfalls in planning income. At this time it is recommended to retain the reserve at this level.

5.3 The table below details the reserves balances as at 31 March 2015:

Usable Reserves	Balance at 31 March 2014 £'000	Transfers/ Use of Reserves £'000	Balance at 31 March 2015 £'000
General Revenue Reserves			
Working Balance	550	0	550
Usable revenue reserves b/fwd	271		
14/15 Allocations		-193	
14/15 Provisional outturn – underspend		33	
Usable revenue reserves c/fwd *			111
Earmarked Revenue Reserves			
Planning Reserve	580	0	580
Sustainable Community Fund Reserve	375	-60	315
Major Projects Reserve/Strategic Fund **	513	-259	254
Carry Forwards ***	764	-165	599
South Downs Way Reserve	20	0	20
Volunteer Ranger Service reserve	31	0	31
Repairs and Renewals – Vehicles	129	9	138
Section 106 Receipts	534	49	583
Section 106 Interest	4	7	11
Capital Reserves/Grants Unapplied			
Capital Reserve - South Downs Centre	271	-271	0
Estates Management Reserve	244	122	366
Capital Receipts	24	-7	17
Total Usable Reserves	4,310	-735	3,575
*£60,000 of this balance has already been allocated to the Strategic Fund in 2015/16 as part of the budget process for major projects already committed.			
**The Major Projects Reserve will become the Strategic Fund Reserve in 2015/16.			
*** Carry Forwards include the unspent Purpose and Duty Fund which will be transferred to the Strategic Fund in 2015/16.			

6. Treasury Management

Economic Overview

6.1 After strong UK GDP growth in 2013 at an annual rate of 2.7%, followed by an annual rate for 2014 of 2.8% (the strongest growth rate since 2006), there are good grounds for

optimism that the growth rate will increase further during 2015 as the positive effects from the fall in the price of oil feeds through to consumers and other parts of the economy.

- 6.2 2014/15 has seen continued suppression of interest rates as a result of a combination of factors. These include the fall in inflation due to historically low crude oil prices in the second half of the year, which has put pressure on the Central Bank to leave official rates unchanged. Additionally, as a result of enhanced liquidity requirements for Banks under new regulations which came into force in the year, Banks have reduced interest rates that it pays on short term investments, which had an impact on the Authority as it saw its RBS facility investment rate fall from 1.10% to 0.25%. This led to a slight change in strategy, resulting in an increase in external investments with high quality counterparties for a longer time period in order to balance the loss of yield. The result was a maintenance of the Authority's average yield on investments in 2014/15 at 0.75% (2013/14 – 0.76%).
- 6.3 Domestic markets were caught by surprise by the results of the general election. With the market expecting a tighter fiscal squeeze than with a Labour-led government, this has seen market expectations in interest rate increases drift further into 2016.

Investments

- 6.4 The Authority's investments are made up of a £2.0m fixed deposit held with Nationwide Building Society 95 Day Notice account with Lloyds Bank with the remaining cash balance being invested via Brighton & Hove City Council. The table at **Appendix 3** summarises the performance of these investments over 2014/15.

7. Resources

- 7.1 This report details the position of the Authority's financial resources as at the end of 2014/15. The Authority's Statement of Accounts for 2014/15 will be reported to the Governance Committee.

8. Risk management

- 8.1 This report details the provisional outturn for the Authority. Regular monitoring of the Authority's financial position seeks to minimise and manage financial risks during the year, with mitigating action being taken as necessary. The process for sound budget management is established within the Authority with quarterly budget reports to the Governance Committee, monthly budget reports to the Strategic Management Team as well as continuous budget monitoring by all budget managers supported by finance staff.

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.

NIGEL MANVELL Chief Finance Officer

Contact Officer: Michelle Herrington

Tel: 01273 291507

email: michelle.herrington@brighton-hove.gcsx.gov.uk

- Appendices:
1. Provisional Revenue Outturn 2014/15 By Subject
 2. Provisional Revenue Outturn 2014/15 By Service
 3. Treasury Management Performance 2014/15

SDNPA Consultees

Chief Executive Officer, Monitoring Officer, Legal Services, Director of Strategy and Partnerships, Chief Executive, Director of Operations, Director of Corporate Services

Background Documents

[Quarterly Budget Monitoring Report to Governance Committee 24 February 2015](#)

PROVISIONAL OUTTURN 2014/15 BY SUBJECT

Variance at Quarter 3 £'000		Original Budget £'000	Budget Virements £'000	Adjusted Budget £'000	Provisional Outturn £'000	Variance To Budget £'000
	EXPENDITURE:					
-24	Direct Employees	4,974	195	5,169	5,112	-57
35	Indirect Employees	212	-16	196	222	26
-78	Premises	369	-20	349	199	-150
-55	Transport	245	-54	191	176	-15
182	Supplies & Services	2,394	1,004	3,398	3,704	306
-15	Third Party Payments	3,427	74	3,501	3,612	111
0	Capital Financing Costs	0	72	72	72	0
45	Total Expenditure	11,621	1,255	12,876	13,097	221
	INCOME:					
0	National Park Grant	-9,968	0	-9,968	-9,968	0
0	Other Grants	-492	-694	-1,186	-1,241	-55
-10	Planning Fees	-971	0	-971	-1,111	-140
19	Other Income	-44	-43	-87	-122	-35
0	Investment Income	-20	-7	-27	-51	-24
9	Total Income	-11,495	-744	-12,239	-12,493	-254
54	Net Budget	126	511	637	604	-33
0	Contribution from Reserves	-126	-511	-637	-637	0
54	Grand Total	0	0	0	-33	-33

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Provisional Outturn 2014/15, Salaries by Directorate

Salaries	Budget 14/15 £'000	Outturn £'000	Variance to Budget £'000	Comments
CHIEF EXECUTIVES OFFICE	166	153	-13	
STRATEGY & PARTNERSHIPS	1,041	1,048	7	New Volunteer Officer Support
PLANNING	1,399	1,282	-117	Various vacancies, offset by an overspend on consultant costs in Supplies and Services
CORPORATE SERVICES	1,117	1,177	60	IT agency, maternity leave. Also additional overspend under consultants costs in supplies and services
OPERATIONS	983	996	13	Assistant Ranger post not included until 15/16 but recruited 14/15
MEMBERS EXPENSES	101	94	-7	
MAJOR PROJECTS	362	362	0	
Grand Total Salaries	5,169	5,112	-57	
Other related costs for Staff that are shown under Consultant	40	145	105	Consultant costs: Planning £82k and Corporate Services £23k
Total Salaries Costs including Consultants	5,209	5,257	48	

PROVISIONAL OUTTURN 2014/15 BY SERVICE

Quarter 3	Service Area	Original Budget	Budget Virements	Adjusted Budget	Year end Actuals	Variance To Budget	Reason for Material Variance
£'000		£'000	£'000	£'000	£'000	£'000	
158	Chief Executive's Service	165	(11)	154	154	0	
158	Total Costs for Chief Executive's Services	165	(11)	154	154	0	
779	Corporate Services	786	(19)	767	814	47	Insurance & third party payments
267	Human Resources	255	(27)	228	221	(7)	
742	Property Services	671	1	672	614	(58)	Various over & under spends premises, supplies and services.
743	IT Services	646	119	765	701	(64)	Overspend - salaries. Underspends- cabling and telephones
339	Performance and Planning	288	97	385	345	(40)	Salaries & computer software
30	Evidence	31	(1)	30	26	(4)	
568	SCF	159	43	202	198	(4)	
350	Member Services	305	10	315	350	35	Salaries, mileage, subs, hospitality
3,818	Total Costs for Corporate Services	3,141	223	3,364	3,269	(95)	
552	Planning & Information System	501	(74)	427	471	44	Planning consultant
2,491	Planning Development Management	2,504	(67)	2,437	2,550	113	Legal fees overspend reduced by add. planning fee income
668	Planning Policy	487	59	546	496	(51)	Salaries, mileage and payments to LAs
214	Planning Minerals & Waste	194	30	224	178	(46)	Salaries and professional fees
292	Sustainable Futures	301	16	317	278	(39)	Salaries underspend reduced by Smart Project
4,217	Total Costs for Planning	3,987	(36)	3,951	3,975	24	
97	Strategy	96	3	99	104	5	
291	People and Places	277	15	292	286	(6)	

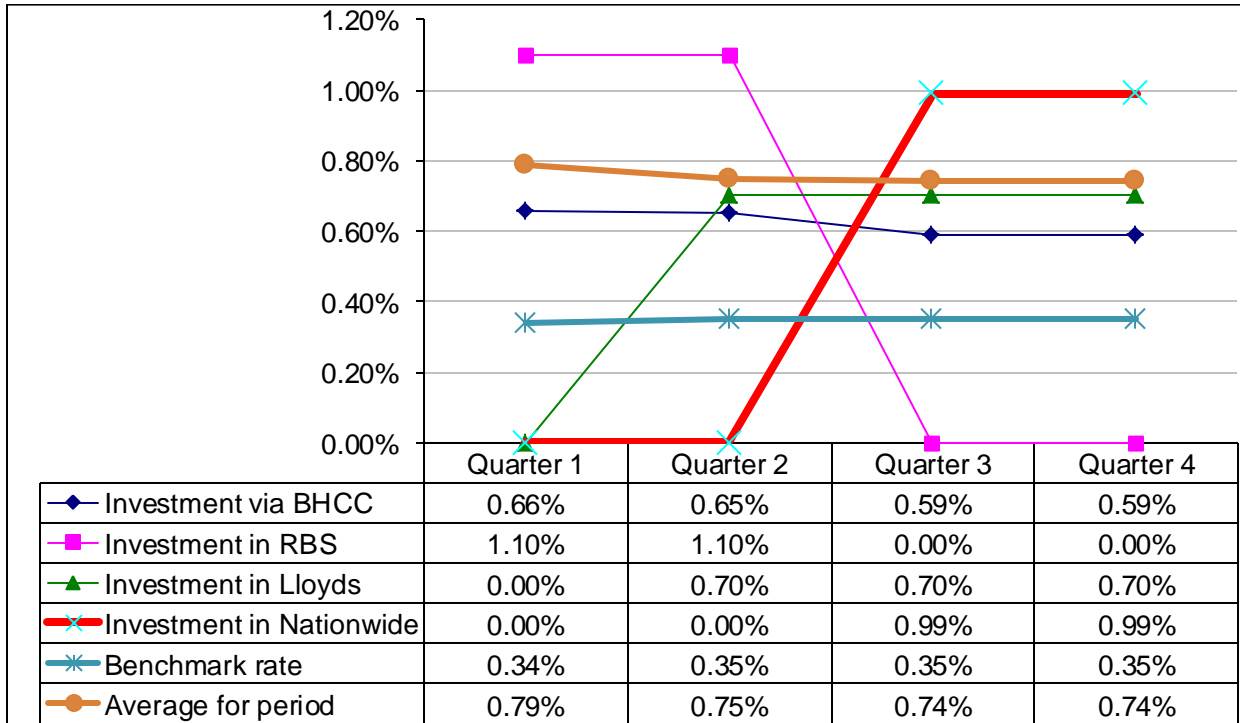
Quarter 3	Service Area	Original Budget	Budget Virements	Adjusted Budget	Year end Actuals	Variance To Budget	Reason for Material Variance
£'000		£'000	£'000	£'000	£'000	£'000	
420	Living Landscapes	392	0	392	427	35	Salaries
540	Communications	432	21	453	465	12	
93	Management Plan & Key Initiatives	0	85	85	68	(17)	
117	Volunteer Management	116	9	125	121	(4)	
1,558	Total Costs for Strategy and Partnerships	1,313	133	1,446	1,471	25	
46	Access land SDW	35	14	49	55	6	
32	Heathland Project	32	(6)	26	26	0	
1,123	Ranger Service	1,096	97	1,193	1,200	7	
1,201	Total Costs for Operations	1,163	105	1,268	1,281	13	
549	Major Projects	125	250	375	375	0	
200	Purpose and Duty Fund	200	(153)	47	47	0	
11,702	NET BUDGET	10,094	511	10,605	10,572	(33)	
(9,968)	Defra Grant	(9,968)	0	(9,968)	(9,968)	0	
(1,680)	Contribution from Reserves	(126)	(511)	(637)	(637)	0	
54	GRAND TOTAL	0	0	0	0	(33)	

**CONTINUED
MEMORANDUM ACCOUNT
PROVISIONAL OUTTURN 2014/2015 - MAJOR PROJECTS FUND**

MAJOR PROJECT	SDNPA Funding £'000	External Funding £'000	Total Funding £'000	Expenditure £'000	C/F Amount £'000	Variance £'000
Learning thru Landscapes	28	0	28	28	0	0
In the High Woods (LIDAR)	77	120	197	195	-2	0
Local Sustainable Transport Fund (LSTF)	104	337	441	393	-48	0
Linking Communities / Cycling	50	178	228	178	-50	0
Wooded Heaths	40	0	40	40	0	0
ARC Field Trip	20	0	20	20	0	0
Major Projects Strategy & Partnerships	319	635	954	854	-100	0
Nature Improvement Areas	91	192	283	213	-70	0
PAWS Woodfuel initiative	43	10	53	37	-16	0
Alice Holt (Forest Enterprise)	30	0	30	30	0	0
Water Vole Reintroduction Project	0	18	18	18	0	0
Major Projects Operations	164	220	384	298	-86	0
Fieldfare Leader Project	8	0	8	8	0	0
Leader (Sussex Downs & Low Weald)	8	0	8	8	0	0
Community Land Trust (AirS)	25	0	25	25	0	0
West Sussex Partnership	25	0	25	25	0	0
Major Projects Planning	66	0	66	66	0	0
Major Projects Total	549	855	1,404	1,218	-186	0

TREASURY MANAGEMENT 2014/15

Average Interest rate achieved on Investments compared to Benchmark (7 Day-LIBID)



Average amount invested (weighted by amount per day)

