

Report to	Policy & Programme Committee
Date	26 May 2016
By	Chief Finance Officer
Title of Report	Provisional Outturn and Budget Carry Forward Requests 2015/16

Recommendation: The Committee is recommended to:

- 1) Note the provisional outturn position for both revenue and capital for the financial year 2015/16.**
- 2) Approve the following budget carry forwards to 2016/17:**

	£
Local Plan	£67,000
CIL Projects	£48,000
Miscellaneous Projects	£43,000
Other commitments	£45,000
TOTAL	£203,000

Neighbourhood Planning – un-ringfenced grants	£126,000
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- 3) Approve the following contributions to Earmarked Reserves for 2015/16 to be funded from underspends:**
 - i) Repairs and Renewals Reserve – Vehicles £32,000**
 - ii) Restructure/Redundancy Reserve £240,000**
 - iii) Estates Reserve – residual surplus, provisionally £233,000**

I. Summary and Background

- I.1** This report sets out the South Downs National Park Authority's (the Authority) provisional outturn position for 2015/16 and requests the approval of the budget carry forward requests and additional contributions to reserves in accordance with the Financial Regulations and Procedures.
- I.2** The provisional revenue outturn is an underspend of £505,000. This assumes the recommended budget carry forwards are approved but is before the additional contributions to Earmarked Reserves. The overall financial position includes:
 - Provisional Revenue Outturn
 - Provisional Capital Outturn
 - Treasury Management Year End Position
 - Reserves Position

- 1.3 The provisional outturn will be reported to Governance Committee on 5 July 2016. The final outturn position is subject to external audit review and will be shown in the Authority's financial statements which must be signed by the Chief Finance Officer by 30 June 2016. The audited financial statements must be approved and published by 30 September 2016.

2. Provisional Revenue Outturn

- 2.1 The provisional revenue outturn is an underspend of £505,000 (after the budget carry forwards but prior to the additional contributions to reserves) compared to a forecast outturn underspend position of £321,000 reported to Governance Committee as at quarter 3; an increase in the underspend of £184,000.

Variance at Quarter 3	Net Expenditure by Directorate	Adjusted Budget	Provisional Outturn	Variance To Budget	Movement from Quarter 3
£'000		£'000	£'000	£'000	£'000
	EXPENDITURE:				
2	Chief Executive's Services	169	173	4	2
32	Corporate Services	3,278	3,197	(81)	(113)
(302)	Planning	3,474	3,123	(351)	(49)
(31)	Strategy and Partnership	1,404	1,360	(44)	(13)
(22)	Operations	1,342	1,309	(33)	(11)
0	Strategy Fund	325	325	0	0
(321)	Net Budget	9,992	9,487	(505)	(184)
0	DEFRA grant	(9,795)	(9,795)	0	0
0	Contribution to/(from) reserves	(197)	308	505	505
(321)	Net Expenditure/ (Income)	0	(0)	0	321

- 2.2 The main changes since quarter 3 are against Corporate Services which includes additional interest of £38,000, an underspend against utilities of £20,000 and unapproved carry forwards of £37,000. Planning services have an additional underspend against minerals and waste budgets of £30,000. Further details can be found in Appendices 1 and 2. It is recommended that the revenue underspend be allocated £32,000 to the Vehicles Repairs and Renewals Reserve, £240,000 to the new Restructure/Redundancy Reserve and the balance, provisionally £233,000, to the Estates Reserve.
- 2.3 Over the whole year, the main causes of the underspend have been greater than anticipated income of £272,000, primarily increased planning fee income; underspends on salary budgets of £193,000 mainly due to Planning Service recruitment issues, and; lower than anticipated premises and utility costs of £70,000. The outturn underspend should be seen in the context of planning, for much of the year, for a challenging financial settlement in 2016/17 and beyond which is now known to be more favourable than expected. The outturn underspend will however enable the authority to mitigate against financial risks in 2016/17 and invest in initiatives and change that will ensure delivery of the Corporate Plan and Medium Term Financial Strategy.

3. Provisional Capital Outturn

- 3.1 The provisional capital outturn reflects the purchase of 4 new Land Rovers and 2 new Toyota Hilux. Additional capital spend was authorised under urgency powers to fund an additional two Land Rovers before production of the Defender model ceased. The overspend has been funded from the Vehicles Reserve and it is therefore recommended that an additional contribution from the revenue underspend be made to the Vehicles Reserve to maintain an adequate Vehicles reserve balance.

Schemes	Adjusted Budget £'000	Provisional Outturn £'000	Variance To Budget £'000
Vehicles	104	136	32
Total Capital	104	136	32

4. Carry Forward Requests

- 4.1 Budget carry forward approval is required for both un-ringfenced grant funded budgets and non-grant funded budgets in accordance with current financial accounting requirements and the Financial Regulations and Procedures.
- 4.2 The un-ringfenced grant funded budgets relate to unspent Neighbourhood Planning grants totalling £126,000 (2015/16 £71,000). This relates to income received for plans agreed but not yet drawn down.
- 4.3 The non-grant funded budget carry forwards totalling £203,000 (2015/16 £527,000) reflect a number of projects and commitments agreed in 2015/16 for which the expenditure will be incurred in 2016/17. They were considered by SMT and those recommended for approval are as detailed in the table below:

Category	£	Reason for request
Local Plan	£67,000	Examination and strategy costs for Planning to be incurred in 2016/17
CIL Projects	£48,000	Revised schedule for CIL examination
Miscellaneous Projects	£43,000	Ongoing projects including impact of A27 on special qualities
Other commitments	£45,000	Unspent budget allocations including communications and chapel common
TOTAL	£203,000	

- 4.4 The unspent budget on the Sustainable Community Fund (SCF) at year-end was £199,000. This includes funds committed but not yet drawn down and will be carried forward via the SCF reserve.
- 4.5 The unspent Strategic Fund (SF) budgets totalling £261,000 will also be carried forward and re-profiled via the SF Reserve.

5. Treasury Management

Economic Overview

- 5.1 Market expectations for the first increase in Bank Rate moved considerably during 2015/16 starting at Q3 2015 but by the end of the year, market expectations had moved back to Q2 2018. This move was due to various factors including concerns about China's economic growth; the potential destabilisation of some emerging market countries particularly exposed to a Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties. These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has fallen steadily from an annual rate of 2.9% in Q1 2015 to 2.1% in Q4.
- 5.2 The upcoming EU referendum has also caused some turbulence in the markets in recent months.

Investments

- 5.3 The Authority's investments are made up of the following:
- £1.0m fixed deposit held with Nationwide Building Society;
 - £2.0m fixed deposit held with Lloyds Bank plc;
 - £1.0m in a 60 Day notice account held with Santander (UK) plc;
 - £1.0m in a 95 Day notice account held with Santander (UK) plc;
 - The remaining cash balance is invested via Brighton & Hove City Council (£0.665m at 31 March 2016).
- 5.4 The table at **Appendix 4** summarises the performance of these investments over 2015/16. The 2015/16 investment income budget was set assuming an average interest rate of 0.60% would be earned in the year as a result of the uncertainty of the timing of a Bank Rate rise. The actual average interest rate earned in the year was 0.81% (increased from the average interest rate of 0.75% in 2014/15). This increase is as a result of close active management of the council's cash flow requirements and as a result the placement of a larger proportion of the Authority's funds externally, taking advantage of attractive investment rates with high quality counterparties. This has the effect of lengthening the maturity profile of the investment portfolio. Officers regularly review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.

6. Reserves

- 6.1 The minimum level of working balance (General Revenue Reserves) was set at £550,000 for 2015/16, to be increased to £570,000 as part of the 2016/17 budget process. This is considered a prudent level and is based on approximately 5% of the DEFRA grant and planning fee income.
- 6.2 Following discussions at SMT, it is proposed that the underspend be carried forward as additional contributions to Earmarked Reserves as follows:
- A contribution of £32,000 to the Vehicles Reserve is recommended to reimburse the overspend in 2015/16 and to ensure funds are available in 2016/17 should the need arise.
 - A contribution of £240,000 to the new Restructure/Redundancy Reserve is recommended to fund approved redundancy payments and the associated severance and pension payments arising from the current restructure.
 - An additional contribution, provisionally of £233,000, to the Estates Reserve is recommended in view of the future commitments including the Stanmer Park Estate redevelopment and the Queen Elizabeth Country Park. Further details and resource requirements will be presented to this Committee for approval in due course.
- 6.3 The table below details the reserves balances as at 31 March 2016 assuming approval of the recommendations:

Usable Reserves	Balance at 31/03/2015 £'000	Transfers/ Use of Reserves £'000	Balance at 31/03/2015 £'000
General Revenue Reserves *	631	-61	570
Earmarked Reserves:			
Planning Reserve	580	0	580
Sustainable Community Fund	316	-117	199
Strategic Fund	254	135	389
Carry Forwards	597	-268	329
South Downs Way	20	0	20

Usable Reserves	Balance at 31/03/2015 £'000	Transfers/ Use of Reserves £'000	Balance at 31/03/2015 £'000
Volunteer Reserve	31	0	31
Repairs and Renewals - Vehicles	138	-104	34
Section 106 Receipts	583	538	1121
Section 106 Interest	10	13	23
Restructure/Redundancy Reserve	0	240	240
Capital Reserves:			
Estates Management	366	232	598
Capital Receipts	17	17	34
Total Usable Reserves	3,543	625	4,168

*Includes £60,000 contribution to Strategic Fund per 2015/16 budget.

7. Governance Committee/Policy & Programme Committee/National Park Authority Considerations

- 7.1 Annual budgets are agreed by Policy & Programme Committee and approved by the National Park Authority (NPA). Budget monitoring is a key component of the Authority's overall performance monitoring and control framework and is reported quarterly to the Governance Committee. The provisional outturn report will be presented to Governance Committee on 5 July 2016 together with the Unaudited Statement of Accounts. The audited Statement of Accounts will be presented to Governance Committee for consideration and approval on 29 September 2016.

8. Other Implications

Implication	Yes/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	No - proposals are within the overall budget approved for 2015/16
How does the proposal represent Value for Money?	The proposed carry budget forwards ensure delivery of initiatives already approved and set aside funding for future commitments
Are there any Social Value implications arising from the proposal?	No
Has due regard been taken of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Not directly applicable to decisions in this report, however, all expenditure and programmes undertaken by the National Park Authority are compliant with the Equality Act.
Are there any Human Rights implications arising from the proposal?	No
Are there any Crime & Disorder implications arising from the proposal?	No

Implication	Yes/No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy?	No

9. Risks Associated with the Proposed Decision

9.1 The proposals reduce the risk of financial pressures arising in 2016/17, in particular:

- Those arising from timing differences i.e. by carrying forward appropriate budgets;
- Demands on the Estates Reserve for future developments.

Risk	Likelihood	Impact	Mitigation
Budget carry forward requests not approved	Low	Medium	Alternative funding would need to be identified in 2016/17 for committed projects
Restructure/Redundancy Reserve not approved	Low	Medium	Alternative funding would need to be identified in 2016/17 and it would need to be identified as a contingent liability in the Statement of Accounts.
Demand on Estates Reserve exceeds available resources	Low (in 2016/17)	Medium	Timescales for developments require forward planning for resource requirements however external factors, such as partnership working and grant funding has an impact.

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Appendices

1. Provisional Outturn 2015/16 By Subject
2. Provisional Outturn 2015/16 By Service
3. Strategic Fund Projects – Memorandum Account
4. Treasury Management Performance 2015/16

SDNPA Consultees: Chief Executive; Director of Strategy & Partnerships; Director of Planning; Director of Operations; Director of Corporate Services; Chief Finance Officer; Monitoring Officer; Legal Services, Business Service Manager

External Consultees: None

Background Documents: Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.

PROVISIONAL OUTTURN 2015/16 BY SUBJECT

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Variance at Quarter 3	Expenditure and Income by Subject	Adjusted Budget	Provisional Outturn	Variance To Budget
£'000		£'000	£'000	£'000
	EXPENDITURE:			
(192)	Direct Employees	5,665	5,472	(193)
(13)	Indirect Employees	216	230	14
(39)	Premises	297	227	(70)
(14)	Transport	174	151	(23)
159	Supplies & Services	4,130	4,195	65
8	Third Party Payments	3,317	3,291	(26)
0	Capital Financing Costs	106	106	0
(91)	Total Expenditure	13,905	13,672	(233)
	INCOME:			
0	National Park Grant	(9,795)	(9,795)	(0)
(5)	Other Grants	(2,241)	(2,245)	(4)
(129)	Planning Fees	(1,604)	(1,742)	(138)
(96)	Other Income	(35)	(139)	(104)
0	Investment Income	(33)	(59)	(26)
(230)	Total Income	(13,708)	(13,980)	(272)
(321)	Net Budget	197	(308)	(505)
0	Contribution from Reserves	(197)	(197)	0
(321)	Grand Total	0	(505)	(505)

MEMORANDUM ACCOUNT

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Provisional Outturn – Salaries 2015/16 by Directorate

Salaries	Budget 15/16 £'000	Provisional Outturn £'000	Variance to Budget £'000	Comments
CHIEF EXECUTIVES OFFICE	132	135	3	
STRATEGY AND PARTNERSHIP	1,127	1,104	-23	Vacant Posts
PLANNING	1,608	1,456	-152	Vacant Posts
CORPORATE SERVICES (inc. Member Expenses)	1,357	1,361	5	Unbudgeted spend on interim Director and Agency IT resources, but offset by vacant post
OPERATIONS	1,115	1,089	-26	Underspend on budgeted employers pension contributions as several staff not in the pension Scheme
STRATEGIC INVESTMENT FUND PROJECTS	327	327	0	
Grand Total Salaries	5,665	5,472	-193	

PROVISIONAL OUTTURN 2015/2016 BY SERVICE

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Service Area	Adjusted Budget £'000	Provisional Outturn £'000	Variance To Budget £'000	Reason for Material Variance
Chief Executives Service	169	173	4	
Total Costs for Chief Executives Services	169	173	4	
Corporate Services	736	815	79	Overspend - Salaries (mainly relating to income generation initiative)
Human Resources	277	255	(22)	Underspend - Staff Advertising, Staff Training and Relocation Costs
Property Services	578	528	(50)	Underspend - Electricity and Heating Costs
IT Services	592	652	60	Overspend – indirect staff costs and setup of new IT Contract Underspend Third Party Payments and Professional Fees
Performance and Planning	429	341	(88)	Underspend – Salaries (vacancies)
Evidence	33	21	(12)	Underspend - Third Party Payments
SCF	176	145	(31)	Underspend - Computer Software
Member Services	457	440	(17)	Underspend - Salaries and Mileage
Total Costs for Corporate Services	3,278	3,197	(81)	
Planning & Information System	426	395	(31)	Underspend - Consultants
Planning Development Mgmt	1,978	1,786	(192)	Underspend - Salaries and Delegated Agreements Overachievement in Planning Income and Durand Overspend Legal fees and Consultants

Service Area	Adjusted Budget £'000	Provisional Outturn £'000	Variance To Budget £'000	Reason for Material Variance
Planning Policy	452	427	(25)	Underspend - Salaries
Planning Minerals & Waste	278	182	(96)	Underspend - Salaries and Third Party Payments
Sustainable Futures	340	333	(7)	Underspend - salaries
Total Costs for Planning	3,474	3,123	(351)	
Strategy	104	106	2	
People and Places	282	283	1	
Living Landscapes	447	445	(2)	
Communications	469	420	(49)	Underspend - Salaries, Events, and Media Costs
Mgt Plan & Key Initiatives	0	0	0	
Volunteer Management	102	106	4	
Total Costs for Strategy and Partnerships	1,404	1,360	(44)	
Access to Land Management/Enhancement	22	19	(3)	
South Downs Way National Trail	22	20	(2)	
Heathland Management	16	18	2	

Service Area	Adjusted Budget £'000	Provisional Outturn £'000	Variance To Budget £'000	Reason for Material Variance
Ranger Service	1,282	1,252	(30)	Underspend - Salaries and Contract Payments
Total Costs for Operations	1,342	1,309	(33)	
Strategic Fund	325	325	0	
NET BUDGET	9,992	9,487	(505)	
Defra Grant	(9,795)	(9,795)	0	
Contribution from Reserves	(197)	(197)	0	
GRAND TOTAL	0	(505)	(505)	

Sustainable Communities Fund

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Service Area	Adjusted Budget £'000	Provisional Outturn £'000	Variance To Budget £'000	Reason for Material Variance
SCF Grant Funding	136	136	0	Unpaid grants to be re-profiled to 2016/17
NET BUDGET	136	136	0	

MEMORANDUM ACCOUNT

STRATEGIC FUND PROJECTS

PROVISIONAL OUTTURN 2015/2016 BY SUBJECT

Expenditure and Income by Subject	Adjusted Gross Budget	Provisional Outturn	Variance To Budget	Comments
	£'000	£'000	£'000	
EXPENDITURE:				
Direct Employees	327	327	0	
Indirect Employees	9	9	0	
Premises	5	5	0	
Transport	5	5	0	
Supplies & Services	1,922	1,922	0	
Third Party Payments	0	0	0	
Total Expenditure	2,268	2,268	0	
INCOME:				
Grants Income	(1,943)	(1,943)	0	
Total Income	(1,943)	(1,943)	0	
Net SDNPA Budget	325	325	0	

PROVISIONAL OUTTURN BY STRATEGIC FUND PROJECTS
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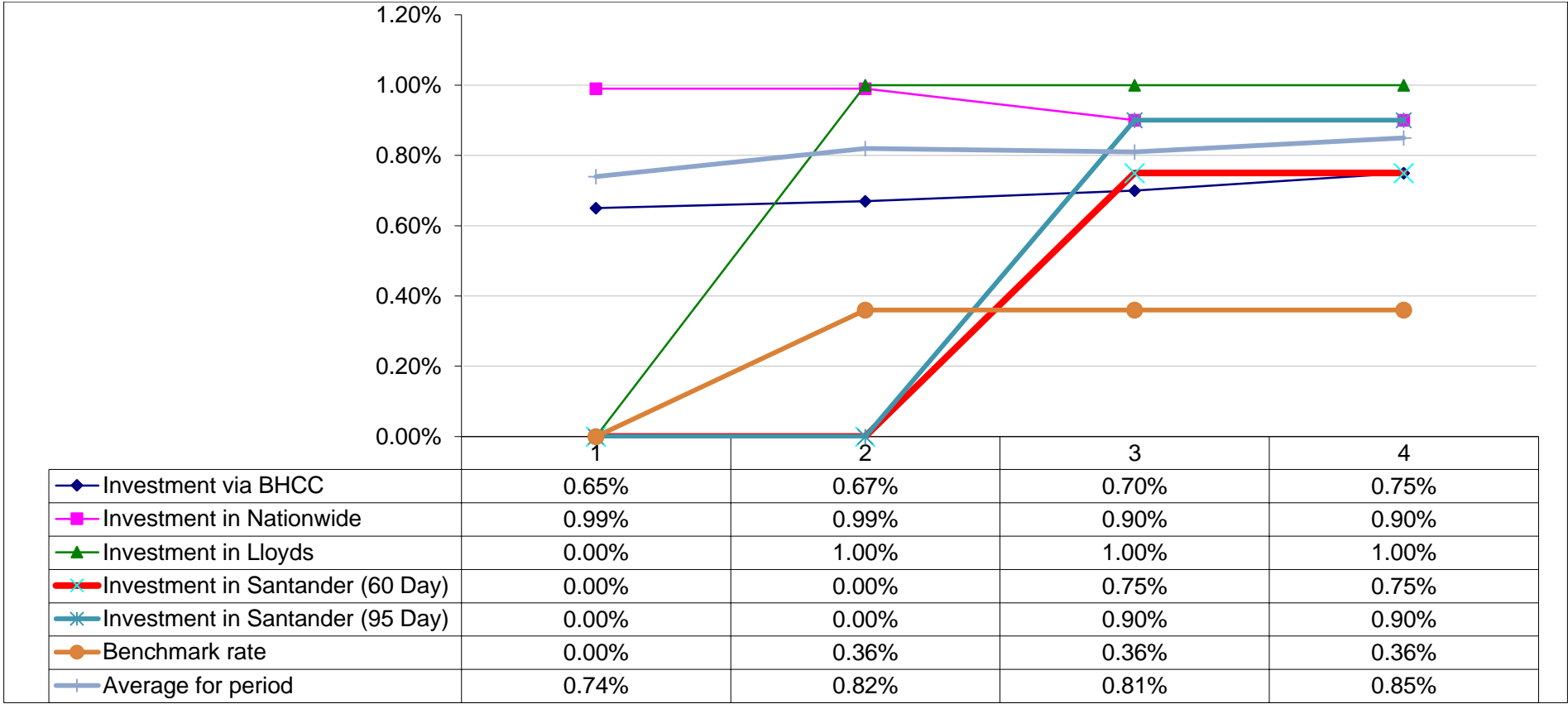
Service Area	Gross Expenditure Budget	Grant Income Budget	SDNPA Adjusted Budget Net	Actual to date Net	Variance to Budget Net	Comments
	£'000	£'000	£'000	£'000	£'000	
In the High Woods (LIDAR)	218	(208)	10	10	0	
Local Sustainable Transport Fund (I & II)	646	(604)	42	42	0	
Linking Communities / Cycling	1,051	(1,031)	20	20	0	
Wooded Heaths (Heathlands Reunited)	26	0	26	26	0	
Celebrating Historic Buildings	3	0	3	3	0	
Health & Wellbeing	33	0	33	33	0	
Hampshire Historic Landscape	0	0	0	0	0	
Barbastelle Bats Project	14	(3)	11	11	0	
Alphabet Book	9	0	9	9	0	
Strategy & Partnerships Projects	2,000	(1,846)	154	154	0	
Nature Improvement Areas	100	(22)	78	78	0	
South Downs Forestry Partnership	23	(10)	13	13	0	
Water Vole Reintroduction Project*	12	(12)	0	0	0	
Rampion WindFarm*	46	(44)	2	2	0	
Operations Projects	181	(88)	93	93	0	
Community Land Trust (AirS)	15	0	15	15	0	
Fieldfare Leader Project	5	0	5	5	0	
West Sussex Partnership	25	0	25	25	0	
Food Enterprise Zone*	9	(9)	0	0	0	
Food and Drink Project	8	0	8	8	0	
Brighton Champ Project	25	0	25	25	0	
Planning Projects	87	(9)	78	78	0	
NET BUDGET	2,268	(1,943)	325	325	0	

The table identifies the SDNPA direct budget contributions to Projects in this financial year and any forecast variances.

*Fully funded projects therefore net budget shown as zero.

TREASURY MANAGEMENT 2015/16

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



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Average amount invested (weighted by amount per day)

