

Report to	Governance Committee
Date	21 February 2017
By	Chief Finance Officer
Title of Report	Budget Monitoring Report for Quarter 3 2016/17

Recommendation: The Committee is recommended to

- 1) Note the 2016/17 forecast overspend position of £33,000 as at Quarter 3**
- 2) Note the current Treasury Management overview and position**

1. Summary and Background

- 1.1 This report sets out the South Downs National Park Authority's (the Authority) forecast financial position at the end of the third quarter of operations, 2016/17.
- 1.2 The Authority approved the revenue budget for 2016/17 on the 24 March 2016. The adjusted budget shown in the report reflects the original budget approved by the Authority plus any approved virements during the financial year. The adjusted budget includes carry forward underspends for specific projects for 2015/16, totalling £329,000, as approved by Policy & Programme Committee on 26 May 2016.
- 1.3 There is currently no approved capital programme for 2016/17.
- 1.4 The Treasury Management Policy Statement and Annual Investment Strategy were adopted by the Authority on 24 March 2016 and set out the policy and principles used to manage the Authority's investments.

2. Revenue Forecast Quarter 3

- 2.1 The forecast outturn as at the end of quarter 3 is a net overspend of £33,000. This represents a favourable movement of £50,000 compared to the forecast overspend of £83,000 reported at quarter 2. The Authority maintains a sufficient level of working balance and unallocated reserves to mitigate against the risk of budget overspend, however the Operational Management Team have been tasked with the development of mitigating actions and recovery plans to reduce the risk of an outturn overspend.
- 2.2 The movement in the forecast position mainly relates to improved salary expenditure forecasts and a review of planning income, as well as revised expenditure forecasts. Significant variations are detailed below and summarised in the report appendices.

Expenditure

- 2.3 The direct employees budget is forecast to underspend by £220,000. This is mainly due to temporary vacancies of new posts and staff turnover across Countryside Policy & Management and Planning Services. The forecast represents a favourable movement compared to a £100,000 underspend forecast at quarter 2. Movement in the period has been achieved from maximising use of external funding for project related salary costs as well as unforeseen staff turnover and delays to recruitment.
- 2.4 The indirect employee budget is forecast to overspend by £20,000, compared to a zero variance forecast at quarter 2. This is due to higher than expected insurance costs for Employer and Public Liability. It is anticipated that this will not be a recurring budget pressure following recent Policy & Programme Committee approval to issue a tender for

insurance cover in partnership with other National Park authorities, which is expected to contain or reduce annual costs.

- 2.5 The premises budget is forecast to underspend by £32,000, compared to a zero variance forecast at quarter 2, mainly in respect of utilities such as gas, electricity and biomass pellets.
- 2.6 The transport budget is forecast to underspend by £13,000, compared to a zero variance forecast at quarter 2. The forecast underspend relates to reduced mileage costs linked to in-year vacancies and use of other staff travel options.
- 2.7 The supplies and services budgets are forecast to overspend by £182,000. This represents an adverse movement compared to a £140,000 overspend forecast at quarter 2. The overspend mainly relates to various one off expenditure items including;
- £26,000 within the Countryside Policy & Management service for one-off consultancy costs associated with additional studies for the A27 Project.
 - £50,000 within the Planning Service for specialist landscape advice. The service is currently reviewing options for the ongoing requirement and funding for this advice.
 - £40,000 within the Planning Service for one-off legal costs associated with public enquiries relating to Minerals and Waste policy.
 - £25,000 within the Planning Service for one-off consultants costs for renegotiation of delegated agreements.
 - £40,000 within Corporate Services for one-off additional software attached to the Uniform planning system to support Community Infrastructure Levy (CIL) calculations.
- 2.8 Third Party Payments budgets are forecast to underspend by £72,000, compared to a £70,000 variance forecast at quarter 2. This is mainly due to a negotiated cost reduction to 2016/17 delegated planning agreements with other authorities. Note that the expenditure shown under 'Actual to date' in **Appendix 1** is low as billing in relation to delegated agreements is currently behind schedule. This is also reflected in the 'Actual to date' for Performance and Technical Management within Planning shown in **Appendix 2**.

Income

- 2.9 The quarter 3 forecast for planning fee income is an underachievement of £195,000. This represents an adverse movement of £45,000 compared to a £150,000 underachievement forecast at quarter 2. This is based on a detailed review of the number and value of applications received in the year to date and anticipated income for the remainder of the year. In particular, the number of high value major planning applications has reduced compared to last financial year, which is forecast to have a significant impact on the achievement of the income budget. Income levels are demand led and dependant on the number of applications and major developments driven by the prevailing economic climate. Planning application income will be monitored and reported on a regular basis as part of the budget monitoring process.
- 2.10 Interest on investment income is forecast to overachieve by £30,000 for quarter 3, which represents no change from quarter 2. This is based on a review of the current investment portfolio and forecast investments for the remainder of the year.

3. Treasury Management

Economic Overview

- 3.1 The referendum result to leave the EU in June 2016 brought about an immediate fall in confidence reflected in indicators and business surveys at the beginning of August. This was interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. The Monetary Policy Committee responded to this expectation of a downturn with a stimulus package which included the reduction in the Base Rate down to 0.25%. However, surveys subsequently showed that consumer confidence bounced back and GDP in quarter 3, 2016 showed a modest growth. Therefore the anticipated economic slowdown following the referendum outcome did not materialise. However, there remain many uncertainties which could affect the performance of the UK economy, including the terms negotiated for the UK's departure from the EU, and the impact of a revision to US economic policy. It is likely that the Base Rate will remain suppressed in the medium term.

3.2 The investment income on the authority's portfolio has started reducing as expected following the reduction in base rate. Quarterly cash flow and investment reviews are undertaken to ensure the authority's investments are secure and continue to deliver value for money.

Investments

3.3 At 31 December 2016, the Authority's investments were made up of the following:

- Three £1.0m fixed deposits 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 (£4.415m at 31 December). The average interest rate earned in the quarter was 0.74%.

4. Governance Committee / P&P Committee / NPA Considerations

4.1 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.

5. Other Implications

Implication	Yes/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Any overspend at the year end would require funding from the working balance and/or unallocated reserves. This would have implications for the Medium Term Financial Strategy of the Authority as it impacts on the resource assumptions and projections over the longer term.
How does the proposal represent Value for Money?	The report is for noting only. Internal controls and governance are in place to ensure the economical, efficient and effective use of resources.
Are there any Social Value implications arising from the proposal?	No
Has due regard has 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
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

<ol style="list-style-type: none"> 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly 	
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6. Risks Associated with the Proposed Decision

6.1 There are no risks associated with this report as the recommendations are for noting only.

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South Downs National Park Authority

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Appendices

1. Revenue forecast outturn by Subject (by expenditure type)
2. Revenue forecast by Service Area.
3. Memorandum Accounts for the Strategic Fund.
4. Treasury Management Performance

SDNPA Consultees Chief Executive; Director of Countryside Policy and Management; Director of Planning; 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.

This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedures.

Revenue Forecast Outturn by Subject (by expenditure type)

Variance Quarter 2	Expenditure and Income by Subject	Adjusted Budget	Actual To Date	Forecast Quarter 3	Variance To Budget	Variance To Budget
£'000		£'000	£'000	£'000	£'000	%
	EXPENDITURE:					
(100)	Direct Employees	5,154	3,705	4,934	(220)	-4%
0	Indirect Employees	410	285	430	20	5%
0	Premises	281	166	249	(32)	-11%
0	Transport	175	108	162	(13)	-7%
140	Supplies & Services	3,282	1,673	3,464	182	6%
(70)	Third Party Payments	3,337	248	3,265	(72)	-2%
0	Capital Financing Costs	0	0	0	0	0%
(30)	Total Expenditure	12,639	6,185	12,504	(135)	0
	INCOME:					
0	National Park Grant	(9,963)	(7,538)	(9,963)	0	0%
0	Other Grants	(975)	(385)	(973)	2	0%
150	Planning Fees	(1,100)	(682)	(905)	195	-18%
(7)	Other Income	(23)	(26)	(23)	(0)	2%
(30)	Investment Income	(20)	(9)	(50)	(30)	150%
113	Total Income	(12,081)	(8,640)	(11,914)	167	0
83	Net (Surplus)/Deficit	558	(2,455)	591	33	0
0	Contribution from Reserves	(558)	0	(558)	0	0
83	Net Totals	0	(2,455)	33	33	0

MEMORANDUM ACCOUNT

Revenue Budget Monitoring 2016/2017

Salaries by Directorate Quarter 3

Variance Quarter 2 £'000	Salaries	Budget 16/17 £'000	Forecast Quarter 3 £'000	Variance to Budget £'000	Comments
-54	COUNTRYSIDE POLICY AND MANAGEMENT	1,973	1,871	-102	Largely due to a number of new posts being temporarily vacant during the restructure implementation. Movement from Quarter 2 mostly relates to use of external funding for project related expenditure and delays to recruitment of Ranger posts.
-53	PLANNING	1,433	1,321	-112	Largely due to a number of new posts being temporarily vacant during the restructure implementation and employee turnover. Movement from Quarter 2 mainly relates to staff turnover during the period.
7	CORPORATE SERVICES (inc. Member Expenses)	1,532	1,526	-6	Largely due to a number of new posts being temporarily vacant during the restructure implementation and use of external funds for project related expenditure.
0	STRATEGIC INVESTMENT FUND PROJECTS	216	216	0	
-100	Grand Total Salaries	5,154	4,934	-220	

Revenue Forecast by Service Area
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Variance Quarter 2 £'000	Service Area	Adjusted Budget £'000	Actual To Date £'000	Forecast Quarter 3 £'000	Variance To Budget £'000	Reason for Material Variance
4	Chief Executives Service	171	124	169	(2)	Minor net variance
67	Business Services	2,327	1,752	2,403	76	Salary overspend during restructure implementation of £66k and one off £40k costs of the IDOX software has been partly offset by over-achievement in investment income of (£30k)
(26)	Marketing and Income Generation	514	306	488	(26)	Mainly salary underspend due to vacancies
(12)	Governance and Support Services	520	377	501	(19)	Mainly salary underspend due to use of external funds for project related expenditure
33	Total Costs for Corporate Services	3,532	2,559	3,561	29	
7	Director of Planning	171	119	178	7	Minor net variance
(2)	Planning Development Mgmt	642	474	674	32	Overspend mainly associated with Legal costs relating to Mineral and Waste policy
87	Performance and Technical Management	2,221	(306)	2,316	95	Underachievement of Planning Income of £195k and consultancy expenditure for specialist advice and delegated agreements totalling £75k is partly offset by underspends in third party payments of (£70k) and salary underspend of (£90k) due to staff turnover and vacancies as well as other less significant underspends.
(22)	Planning Policy	828	335	765	(62)	Salaries underspend of (£26k) due to vacancies and consultants underspends of (£40k) due to Local Plan studies completed in house.
70	Total Costs for Planning	3,861	622	3,933	72	

Variance Quarter 2 £'000	Service Area	Adjusted Budget £'000	Actual To Date £'000	Forecast Quarter 3 £'000	Variance To Budget £'000	Reason for Material Variance
5	Director of Countryside Policy and Management	382	289	385	3	Minor net variance
(1)	Countryside and Policy Central	393	251	360	(33)	Salary underspends largely due to use of use of external funding for project related expenditure
(3)	Countryside and Policy Wealden Heath	372	190	363	(9)	Minor net variance
19	Research and Performance	534	275	542	8	Minor net variance
(3)	Countryside and Policy Eastern	570	382	570	0	Minor net variance
(37)	Countryside and Policy Western	453	320	415	(38)	Salary underspends due to new posts being temporarily vacant during the restructure implementation
(20)	Total Costs for Countryside Policy and Management	2,703	1,707	2,635	(69)	
0	Strategic Fund Projects	426	196	426	0	
83	NET BUDGET	10,522	5,084	10,555	33	
0	Defra Grant	(9,963)	(7,539)	(9,963)	0	
0	Contribution from Reserves	(558)	0	(558)	0	
83	GRAND TOTAL	0	(2,455)	33	33	Note: There may be a small variance due to roundings

Memorandum Accounts for the Strategic Fund

REVENUE BUDGET MONITORING 2016/2017 - STRATEGIC FUND AS AT QUARTER 3 BY SUBJECT

Expenditure and Income by Subject	Adjusted Gross Budget	Actual To Date	Forecast Quarter 3	Variance To Budget	Comments
	£'000	£'000	£'000	£'000	
EXPENDITURE:					
Direct Employees	216	161	216	0	
Indirect Employees	12	10	12	0	
Premises	2	1	2	0	
Transport	19	0	19	0	
Supplies & Services	980	305	980	0	
Third Party Payments	0	0	0	0	
Total Expenditure	1,230	477	1,230	0	
INCOME:					
Grants Income	(804)	(281)	(804)	0	
Total Income	(804)	(281)	(804)	0	
Net SDNPA Budget	426	196	426	0	

**MEMORANDUM
ACCOUNTS:**

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cont'd**

Strategic Fund Projects

Service Area	Gross Expenditure Budget	Grant Income Budget	SDNPA Adjusted Budget	Actual To Date	Forecast Quarter 3	Variance to Budget	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
In the High Woods (LIDAR)	328	(296)	32	184	32	0	
Local Sustainable Transport Fund (LSTF Stage I & II)	171	(86)	85	19	85	0	
Linking Communities / Cycling	81	0	81	(4)	81	0	
Heathlands Reuntied	325	(295)	30	71	30	0	
Health & Wellbeing	16	0	16	0	16	0	
Hampshire Historic Landscape	16	0	16	4	16	0	
Life Plus Bats Project	7	0	7	0	7	0	
Alphabet Book	5	0	5	5	5	0	
Nature Improvement Areas	5	(3)	2	3	2	0	
Forestry Partnership*	55	0	55	0	55	0	Budget setup but impact to park zero
Water Vole Reintroduction Project*	22	(22)	0	(22)	0	0	Budget setup but impact to park zero
Rampion WindFarm*	39	(39)	(0)	9	(0)	0	Budget setup but impact to park zero
West Sussex Partnership	10	0	10	10	10	0	
Food Enterprise Zone*	40	(40)	0	(34)	0	0	Budget setup but impact to park zero

Service Area	Gross Expenditure Budget	Grant Income Budget	SDNPA Adjusted Budget	Actual To Date	Forecast Quarter 3	Variance to Budget	Comments
	£'000	£'000	£'000	£'000	£'000	£'000	
Food and Drink Project	2	0	2	2	2	0	
Brighton Champ Project	25	0	25	(30)	25	0	
Centurion Way - West Dean to SDW	60	0	60	0	60	0	
Countryside and Policy Management	1,207	(781)	426	218	426	0	
Brambridge House*	23	(23)	0	(23)	0	0	Budget setup but impact to park zero
Planning	23	(23)	0	(23)	0	0	
NET BUDGET	1,230	(804)	426	196	426	0	

The table identifies the SDNPA direct budget contributions to Projects in this financial year and any forecast variances. Performance information is included elsewhere on this agenda. Currently all major projects are expected to be within budget and any underspends will be carried forward to 2017/18.

*Fully funded projects therefore net budget shown as zero.

Sustainable Communities Fund

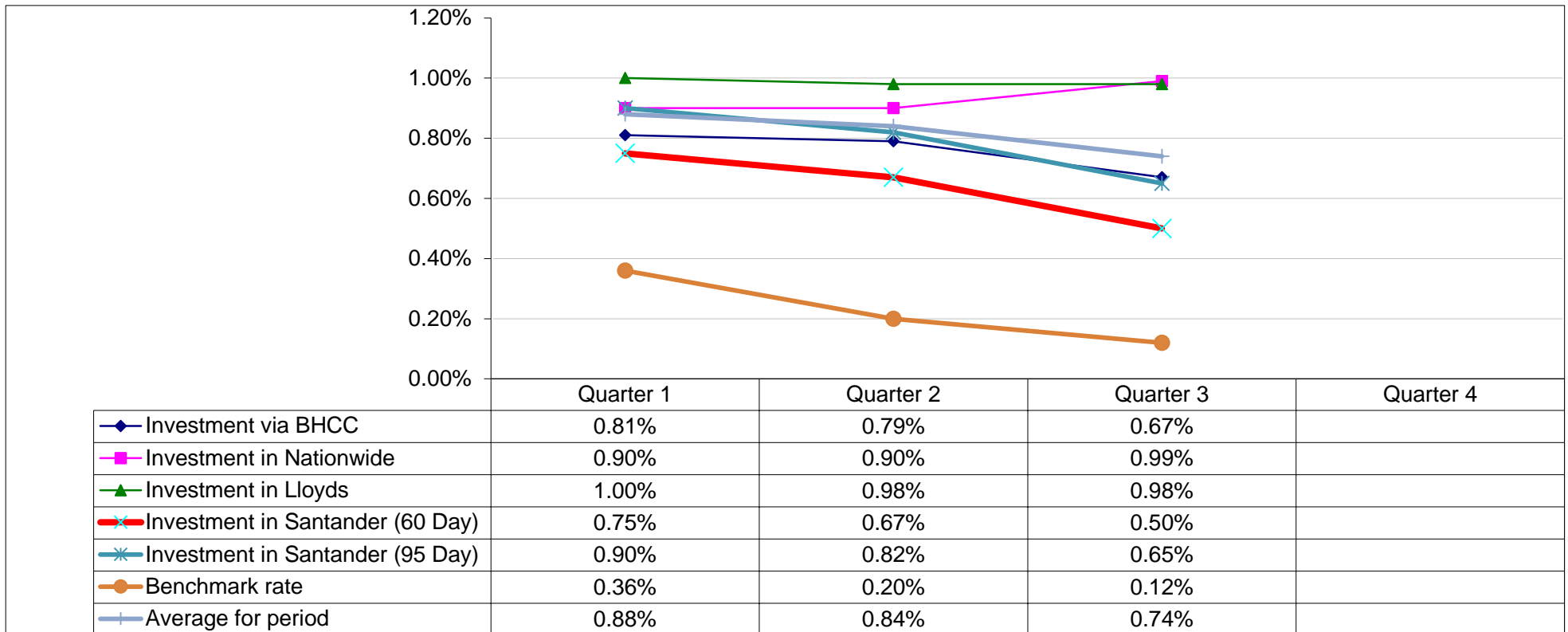
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Variance Quarter 2 £'000	Service Area	Adjusted Budget £'000	Actual To Date £'000	Forecast Quarter 3 £'000	Variance To Budget £'000	Reason for Material Variance
0	SCF Grant Funding	219	37	219	0	
0	NET BUDGET	219	37	219	0	

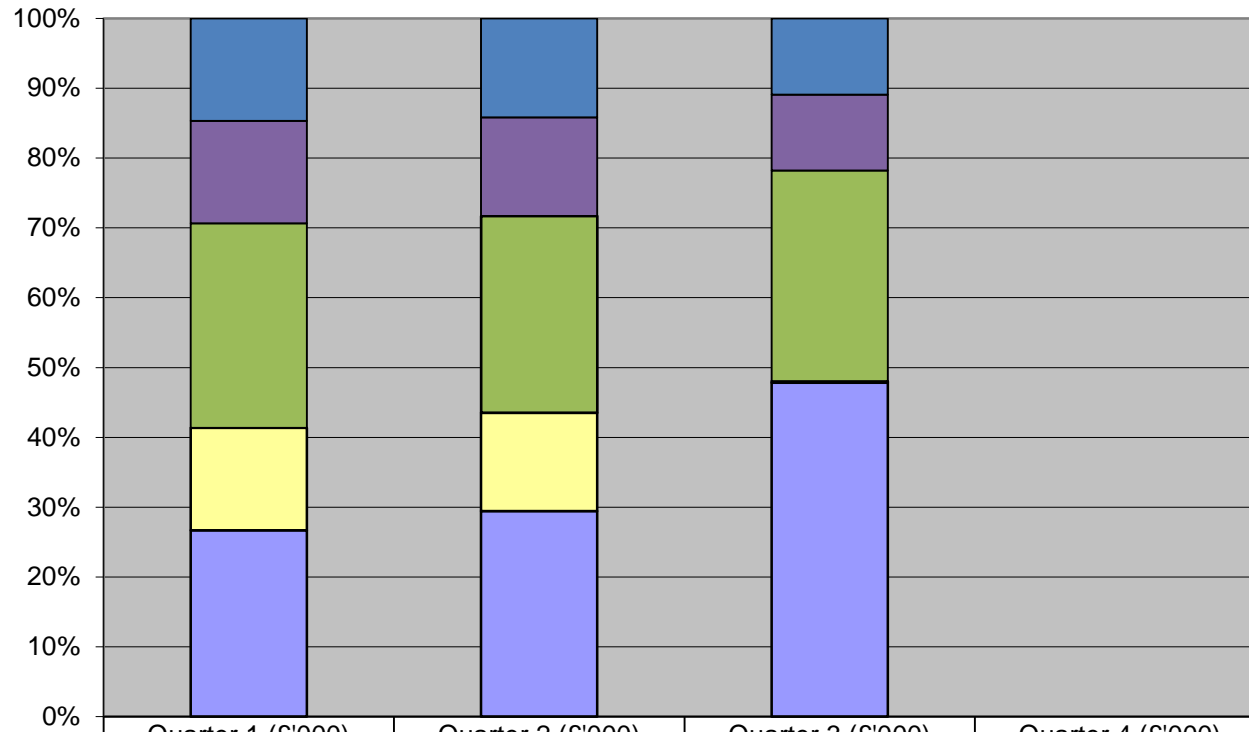
Treasury Management Performance

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



Average amount invested (weighted by amount per day)



	Quarter 1 (£'000)	Quarter 2 (£'000)	Quarter 3 (£'000)	Quarter 4 (£'000)
Investment in Santander (95 Day)	1,003	1,006	1,008	
Investment in Santander (60 Day)	1,003	1,005	1,006	
Investment in Lloyds	2,000	2,000	2,783	
Investment in Nationwide	1,000	1,000	22	
Investment via BHCC	1,825	2,091	4,415	