

Report to	<b>Policy &amp; Programme Committee</b>
Date	<b>25 May 2017</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Provisional Outturn and Budget Carry Forward Requests for 2016/17</b>

**Recommendation: The Committee is recommended to**

- 1) Note the provisional revenue outturn position for the financial year 2016/17 which is a net overspend of £29,000.**
- 2) Approve the budget carry forward requests to 2017/18 of £605,000 set out in Appendix 3.**
- 3) Note the impact on reserves and implications for the Medium Term Financial Strategy (MTFS).**
- 4) 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) provisional outturn (i.e. Month 12) position for 2016/17 and requests approval of budget carry forwards to 2017/18 and contributions to/from reserves in accordance with Financial Regulations and Procedures.
- 1.2 Note that there is not an approved capital programme for the 2016/17 financial year.
- 1.3 The provisional outturn will be reported to Governance Committee on 18 July 2017. 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 2017. The audited financial statements must be approved and published by 30 September 2017.

**2. Provisional Revenue Outturn**

- 2.1 The provisional revenue outturn is a net overspend of £29,000, subject to approval of the budget carry forward requests. This represents a favourable movement of £4,000 compared to the forecast overspend of £33,000 reported to Governance Committee as at quarter 3.
- 2.2 The table below summarises the provisional revenue position by service area. A more detailed explanation of variances and movements is given in **Appendix 1** and **Appendix 2**.

2016/17 Variance Quarter 3 £'000	Directorate	2016/17 Budget Outturn £'000	2016/17 Actuals Outturn £'000	2016/17 Variance Outturn £'000
29	Corporate Services	3,651	3,661	10
(69)	Countryside Policy and Management	2,467	2,345	(122)
73	Planning	2,693	2,834	141
0	Strategic Investment Fund	67	67	0
<b>33</b>	<b>Total</b>	<b>8,878</b>	<b>8,907</b>	<b>29</b>

- 2.3 Significant movements from the quarter 3 forecast variance include:
- Provisions totalling £107,000 made within the Planning Service to meet obligations relating to resolved planning appeals and challenges, where the exact value and timing of costs are uncertain but reliable estimates can be made.
  - Improvement within the Planning Performance and Technical Management service of approximately (£54,000), mainly relating to improved planning income and an underspend on CIL implementation costs.
  - Improvement within the Countryside Policy and Management's Wealden Heath service of approximately (£50,000), mainly relating to the Heathlands Reunite project, where work was funded from the Strategic Fund budget rather than the core service budgets.
- 2.4 Over the whole year, the main reasons for the net overspend position include:
- Salary budget underspends of (£107,000) within the Countryside Policy and Management service mainly due to a number of new posts being temporarily vacant during the restructure implementation and funding of posts from non-core budgets.
  - Overspend of £117,000 within the Planning Development Management service mainly due to legal costs relating to Minerals and Waste and the unforeseen provisions made to meet obligations relating to resolved planning appeals.
  - Net underachievement of Planning Income of £175,000. Income levels are demand led and dependant on the prevailing economic climate. Future planning income budgets have been adjusted to a more achievable level.
  - Overspends within the Planning service have been partly offset by salary underspends (£69,000), largely due to a number of new posts being temporarily vacant during the restructure implementation and employee turnover throughout the year; and other underspends in third party payments (£88,000) and Community Infrastructure Levy implementation costs (£24,000).
- 3. Provisional Capital Outturn**
- 3.1 There is not an approved capital programme for the 2016/17 financial year.
- 4. Budget Carry Forward Requests**
- 4.1 Budget carry forward approval is required for both unringfenced grant funded budgets and non-grant funded budgets in accordance with current accounting requirements and Financial Regulations and Procedures. A summary of budget carry forward requests is provided below, and more detailed explanations are given in **Appendix 3**:
- The non-grant funded element of carry forwards total £251,000. Details of these budgets are given in **Appendix 3**;
  - The unringfenced grant funding elements of carry forwards total £195,000. Under current financial reporting standards, grants received by the Authority that are unringfenced or do not have any conditions attached are recognised as income in the financial year they are received, and therefore formal approval is required for carry forward. Details of these budgets are given in **Appendix 3**;
  - The unspent Sustainable Community Fund budget at financial year end is £159,000. This includes funds commitment but not yet drawn down and these will be carried forward via the Sustainable Community Fund reserve;

- The unspent approved Strategic Fund budgets at financial year end is £384,000 and will be carried forward via the Strategic Fund Reserve.

## 5. **Impact on Reserves and Implications for the Medium Term Financial Strategy (MTFS)**

- 5.1 The Authority's approved MTFS sets out resource assumptions and projections over a 5 year term. The forecasted use of general reserves to fund the outturn position was reported within the budget report at £60,000, based on the Month 8 budget monitoring position. The provisional overspend forecast position will therefore have a favourable impact on the assumed resources available within the MTFS. The current available useable reserve balance as at 31st March 2017 is £525,000.

## 6. **Treasury Management**

### Economic Overview

- 6.1 The two landmark events that had a significant influence on financial markets during 2016/17 were the outcomes of both the UK EU referendum on 23 June and the US presidential election on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3, 2018 to quarter 4, 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts of a substantial decline in economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.
- 6.2 In the second half of 2016, the UK economy performed better than the Bank's pessimistic forecasts. After slow quarter 1 GDP growth of +0.2%, the three subsequent quarters of 2016 increased to +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 of more than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Thus, the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling.

### Investments

- 6.3 The Authority's investments at 31 March 2017 are made up of the following:
- £4.0m fixed deposits held with Lloyds Bank plc (held as four separate £1m deposits);
  - £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 (£1.467m at 31 March 2017).
- 6.4 The table at **Appendix 5** summarises the performance of these investments over 2016/17. The 2016/17 investment income budget was set assuming that an average interest rate of 0.60% would be earned in the year taking into account the uncertainty of the timing of a Bank Rate rise. The actual average interest rate earned in the year was 0.80% (comparable to the average interest rate of 0.81% in 2015/16). The portfolio has maintained the average interest rate as a result of effective management of the liquidity of the portfolio following the reduction in the Bank of England's Base Rate. A regular deposit cycle has been introduced with Lloyds deposits to optimise returns whilst maintaining liquidity. Officers regularly review cash flow forecasts to ensure sufficient liquidity remains within the portfolio.
- 6.5 The average rate of the investment portfolio has reduced during the year as new investments undertaken reflect the reduced interest rates available. It is anticipated that the interest rate environment will remain challenging. Consequently, it is expected that average investment returns will reduce further during 2017/18.

## 7. Governance Committee / P&P Committee / NPA 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 currently reported quarterly to the Governance Committee. The provisional outturn report will be presented to Governance Committee on 18 July 2017 together with the Unaudited Statement of Accounts. The audited Statement of Accounts will be presented to Governance Committee for consideration and approval on 26 September 2017.

## 8. Other Implications

Implication	Yes/No
Will further decisions be required by another committee/full authority?	Yes - The provisional outturn report will be presented to Governance Committee on 18 July 2017 together with the Unaudited Statement of Accounts. The audited Statement of Accounts will be presented to Governance Committee for consideration and approval on 26 September 2017.
Does the proposal raise any Resource implications?	Yes - The provisional overspend position will be funded from available usable general reserves. This has implications for the Medium Term Financial Strategy of the Authority as it impacts on the resource assumptions and projections over the longer term. The implications of this have been covered within the main body of the report.
How does the proposal represent Value for Money?	The proposed budget carry forwards ensure delivery of initiatives already approved and committed. 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: 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	No

## 9. Risks Associated with the Proposed Decision

Risk	Likelihood	Impact	Mitigation
Provisional overspend position could indicate insufficient budget for future service provision	2	2	The various reasons for the net provisional overspend position have been reviewed and are mostly considered to be non-recurring. The approved 2017/18 budget and Medium Term Financial Strategy has allocated funding to meet temporary and core funding requirements.  The process for sound budget management is established within the Authority with quarterly budget reports to Governance Committee and monthly budget reports to the Operational Management Team.
Budget carry forward requests are not approved	1	3	Alternative funding would need to be identified in 2017/18 to meet committed projects and expenditure.
Provision overspend position reduces available reserves and future resources	5	1	The Authority has sufficient working balances and useable reserves to fund the overspend position.  An overspend position was forecast as part of the approved 2017/18 budget and Medium Term Financial Strategy. Future resource assumptions and projections over the medium term therefore made provision for the provisional overspend position.

### **NIGEL MANVELL**

#### **Chief Finance Officer**

#### **South Downs National Park Authority**

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Appendices

1. Provisional Revenue Outturn 2016/17 by Subjective
2. Provisional Revenue Outturn 2016/17 by Service Area
3. Budget Carry Forward Requests
4. Strategic Fund Projects Memorandum Accounts
5. Treasury Management Performance

SDNPA Consultees: Chief Executive; Director of Countryside Policy and Management; Director of Planning; Monitoring Officer; Legal Services, Business Services 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.

Provisional Revenue Outturn 2016/17 by Subjective

2016/17 Variance Quarter 3 £'000	Expenditure and Income by Subjective	2016/17 Outturn Budget £'000	2016/17 Outturn Actual £'000	2016/17 Outturn Variance £'000	2016/17 Outturn Variance %
	EXPENDITURE:				
(220)	Direct Employees	5,361	5,186	(175)	(3.3%)
20	Indirect Employees	409	462	53	13.0%
(32)	Premises	281	216	(65)	(23.1%)
(13)	Transport	174	143	(31)	(17.8%)
182	Supplies & Services	2,363	2,571	208	8.8%
(72)	Third Party Payments	3,718	3,652	(66)	(1.8%)
0	Capital Financing Costs	0	0	0	0.0%
<b>(135)</b>	<b>Total Expenditure</b>	<b>12,306</b>	<b>12,230</b>	<b>(76)</b>	<b>(0.6%)</b>
	INCOME:				
0	National Park Grant	(9,963)	(9,963)	0	0.0%
3	Other Grants	(948)	(988)	(40)	(4.2%)
195	Planning Fees	(2,407)	(2,232)	175	7.3%
0	Other Income	(33)	(38)	(5)	(15.2%)
(30)	Investment Income	(40)	(65)	(25)	(62.5%)
<b>168</b>	<b>Total Income</b>	<b>(13,391)</b>	<b>(13,286)</b>	<b>105</b>	<b>(0.8%)</b>
<b>33</b>	<b>Net (Surplus) / Deficit</b>	<b>(1,085)</b>	<b>(1,056)</b>	<b>29</b>	<b>2.7%</b>

Provisional Outturn 2016/17 Salary Budget by Directorate

Variance Quarter 3 £'000	Variance Outturn £'000	Service Area	Explanation of Variances
<b>Corporate Services</b>			
(6)	<b>(6)</b>	Corporate Service	Minor net variance
(102)	<b>(107)</b>	Countryside Policy and Management	Mainly due to a number of new posts being temporarily vacant during the restructure implementation and funding of posts from non-core budgets.
(112)	<b>(69)</b>	Planning	Mainly due to a number of new posts being temporarily vacant during the restructure implementation and employee turnover throughout the year.
0	<b>7</b>	Strategic Investment Fund	Minor Variance
<b>(220)</b>	<b>(175)</b>	<b>Total Salaries Variance</b>	

Provisional Revenue Outturn 2016/17 by Service Area

2016/17 Variance Quarter 3 £'000	Directorate	2016/17 Budget Outturn £'000	2016/17 Actuals Outturn £'000	2016/17 Variance Outturn £'000	2016/17 Variance Outturn %
29	Corporate Services	3,651	3,661	10	0.3%
(69)	Countryside Policy and Management	2,467	2,345	(122)	(4.9%)
73	Planning	2,693	2,834	141	5.2%
0	Strategic Investment Fund	67	67	0	0.0%
<b>33</b>	<b>Total Directorate Budget</b>	<b>8,878</b>	<b>8,907</b>	<b>29</b>	<b>0.3%</b>
0	National Park Grant	(9,963)	(9,963)	0	0.0%
<b>0</b>	<b>Total Authority Budget</b>	<b>(1,085)</b>	<b>(1,056)</b>	<b>29</b>	<b>2.7%</b>

Revenue Budget Performance – Explanation of Movement and Variances

Variance Quarter 3 £'000	Variance Outturn £'000	Service Area	Explanation of Variances
<b>Corporate Services</b>			
(2)	<b>2</b>	Chief Executives Service	Minor net variance.
76	<b>69</b>	Business Services	Salary overspend during restructure implementation of £66k and one off £40k costs of the IDOX software has been partly offset by (£12k) reduction in development costs for IDOX and over achievement of investment income (£27k). Movement in variance is largely due to underspend on Development costs within IDOX.
(26)	<b>(21)</b>	Marketing and Income Generation	Mainly salary underspends due to vacancies.
(19)	<b>(40)</b>	Governance and Support Services	Mainly salary underspends due to use of external funds for project related expenditure. Movement in variance due to underspends in members mileage, training and internet costs.
<b>29</b>	<b>10</b>	<b>Total for Corporate Services</b>	
<b>Countryside Policy and Management</b>			
3	<b>9</b>	Director of Countryside Policy and Management	Minor net variance.
(33)	<b>(42)</b>	Countryside and Policy Central	Salary underspends largely due to use of external funding for project related expenditure.
(9)	<b>(36)</b>	Countryside and Policy Wealden Heath	Salary underspends due to vacancies. Movement in variance is due to the Heathlands Reunite project, where work was funded from the Strategic Investment Fund rather than the core service budget.
8	<b>0</b>	Research and Performance	Zero net variance.
0	<b>(8)</b>	Countryside and Policy Eastern	Minor net variance.

(38)	(45)	Countryside and Policy Western	Salary underspends due to new posts being temporarily vacant during the restructure implementation.
(69)	(122)	Total for Countryside Policy and Management	
Planning			
7	(8)	Director of Planning	Minor net variance.
32	117	Planning Development Management	Overspend mainly associated with Legal costs relating to Minerals and Waste. The movement in variance is due to provisions made to meet obligations relating to resolved planning appeals.
95	42	Performance and Technical Management	Underachievement of Planning Income of £175k and consultancy expenditure for specialist advice and delegated agreements totalling £70k is partly offset by underspends in third party payments of (£88k) and salary underspends of (£99k) due to staff turnover and vacancies as well as other less significant underspends. Movement in variance is due to better achievement of Planning income fees by £20k, underspend on CIL implementation costs by £24k, and an increased underspend on delegated agreements and salaries.
(62)	(10)	Planning Policy	Salary underspend of (£10k) due to vacancies and consultants underspends of approximately (£30k) due to Local Plan studies being completed in house. Offset by unforeseen costs of £30k provision made for planning appeals.
72	141	Total for Planning	
Strategic Investment Fund			
0	0	Strategic Investment Fund	
0	0	Total for Strategic Investment Fund	



Budget Carry Forward Requests

Carry Forward Request £'000	Service Area	Description / Reason for Carry Forward
Corporate Services		
4	Marketing & Communications	Web development work related to the establishment of the Trust, which is not due for completion until May 2017.
159	Sustainable Communities Fund	Sustainable Development Fund balance as at the end of the financial year. Grants maybe applied for but not yet requested.
163	Total Corporate Services	
Countryside Policy and Management		
4	Countryside and Policy Western	To fund the Chalk Streams commitment for a new report which is due to be completed in the summer 2017.
11	Countryside and Policy Eastern	Various committed projects including contribution to ESCC for Plumpton bridleway, interpretations panel at Tide Mills, Long Burgh Interpretation Panel and the Big Chalk Project.
13	Countryside and Policy Wealden Heath	Resource to support the Sustainable Economy & Tourism customer segmentation work planned for 2017/18 financial year as identified in the Sustainable Tourism Strategy.
32	Countryside and Policy Central	Various committed projects including Strategic Stone and the A27 Project.
18	South Downs Way	Costs for Licences paid but due to commence in 2017/18.
78	Total Countryside and Policy Management	
Planning		
169	Local Plan	To fund various assessments, studies and other associated work for the Local Plan.
30	Unringfenced grant – Local Planning Service Redesign & Capacity Building fund.	DCLG grant income for Business Development Work. Grant received in 2015/16, but not yet spent.
30	Unringfenced grant – Various	DCLG grant income received in 2016/17 but not spent. £15k relates to Brownfield Land register, and £15k relates to the Self and Custom Build Housing register.
135	Unringfenced grant – Neighbourhood Planning	DCLG grant income received in previous years for Neighbourhood Planning but not yet spent.
364	Total Planning	
605	Total Budget Carry Forward Requests	

## Strategic Fund Projects Memorandum Accounts

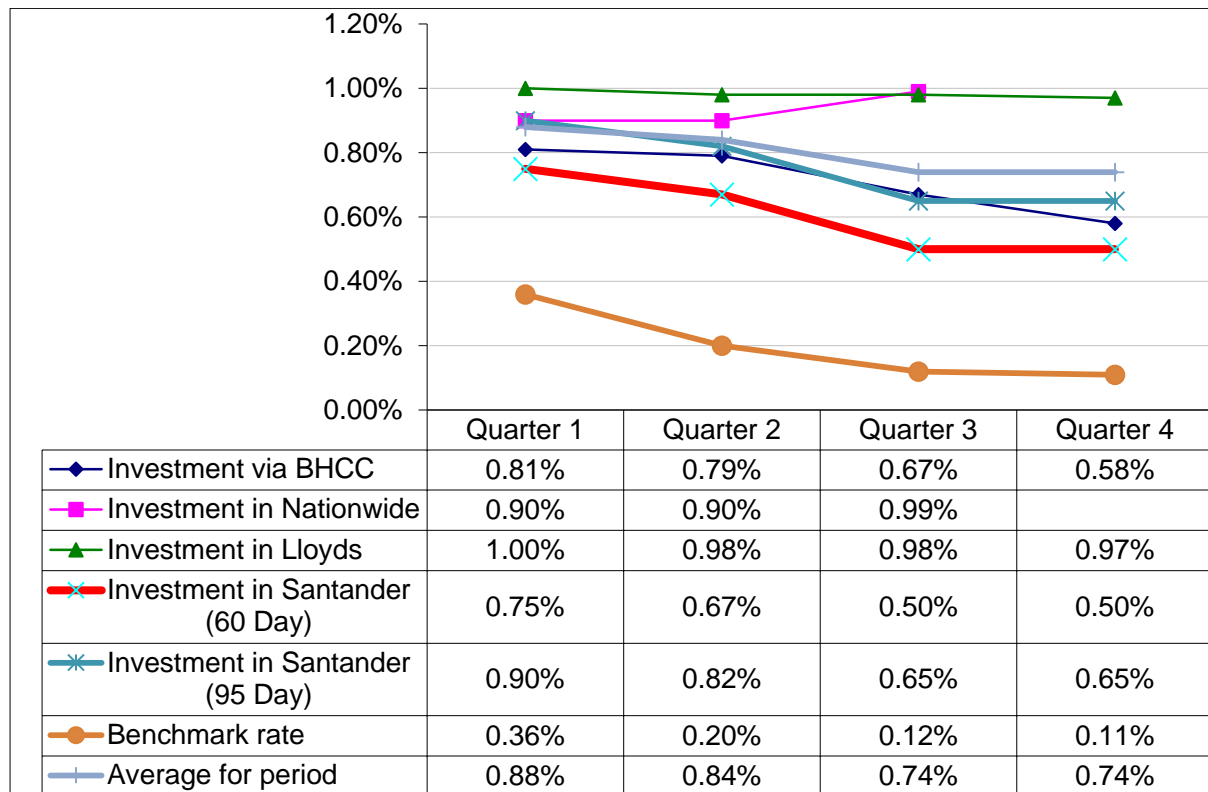
Expenditure and Income by Subject	2016/17 Outturn Budget £'000	2016/17 Outturn Actual £'000	2016/17 Outturn Variance £'000
Direct Employees	227	234	7
Indirect Employees	11	10	(1)
Premises	2	1	(1)
Transport	18	3	(15)
Supplies & Services	502	539	37
Third Party Payments	0	0	0
<b>Total Expenditure</b>	<b>760</b>	<b>787</b>	<b>27</b>
Grant Income	(693)	(720)	(27)
<b>Total Income</b>	<b>(693)</b>	<b>(720)</b>	<b>(27)</b>
<b>Net SDNPA Budget</b>	<b>67</b>	<b>67</b>	<b>0</b>

Project	2016/17 Expend' Budget £'000	2016/17 Income Budget £'000	2016/17 SDNPA Adjusted Budget £'000	2016/17 Actual Expend' £'000	2016/17 Outturn Variance £'000
In the High Woods (LIDAR)	267	(260)	7	7	0
Local Sustainable Transport Fund (LSTF Stage I & II)	113	(86)	27	27	0
Linking Communities / Cycling	22	0	22	22	0
Heathlands Reunited	208	(161)	47	47	0
Health & Wellbeing	16	0	16	16	0
Hampshire Historic Landscape	4	0	4	4	0
Life Plus Bats Project	0	0	0	0	0
Alphabet Book	5	0	5	5	0
Nature Improvement Areas	4	(3)	1	1	0
Forestry Partnership	0	0	0	0	0
Water Vole Reintroduction Project	7	(22)	(15)	(15)	0
Rampion WindFarm	28	(35)	(7)	(7)	0
West Sussex Partnership	10	0	10	10	0
Food Enterprise Zone	11	(40)	(29)	(29)	0
Food and Drink Project	2	0	2	2	0
Brighton Champ Project	38	(60)	(22)	(22)	0
Centurion Way - West Dean to SDW	0	0	0	0	0
<b>Countryside and Policy Management</b>	<b>735</b>	<b>(667)</b>	<b>69</b>	<b>69</b>	
Brambridge House	21	(23)	(2)	(2)	0
<b>Planning</b>	<b>21</b>	<b>(23)</b>	<b>(2)</b>	<b>(2)</b>	<b>0</b>
<b>Net SDNPA Budget</b>	<b>756</b>	<b>(690)</b>	<b>67</b>	<b>67</b>	<b>0</b>

The table identifies the SDNPA direct budget contributions to Projects within the financial year.

## Treasury Management Performance

### Average Interest Rate Achieved on Investments Compared to Benchmark (7 Day-LIBID)



### Average Amount Invested (Weighted by Amount per day)

