

Report to	Policy & Resources Committee
Date	24 May 2018
By	Chief Finance Officer
Title of Report (Decision)	Provisional Outturn and Budget Carry Forward Requests for the Financial Year 2017/18

Recommendation: The Committee is recommended to:

- 1) Note the provisional revenue outturn position of net £486,000 below budget variance for the 2017/18 financial year.**
- 2) Approve the revenue budget carry forward requests from 2017/18 to 2018/19 of £839,000 as set out in Appendix 2.**
- 3) Approve the capital budget variation of £139,000 to carry forward the unspent budget for the signage project.**
- 4) Note the provisional capital outturn position of zero variance for the 2017/18 financial year.**
- 5) Note the contributions to reserves as set out in the report and implications for the Medium Term Financial Strategy (MTFS).**
- 6) Note the current Treasury Management overview and position.**

1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for 2017/18 on the 30th March 2017. In accordance with financial procedures, reports on the Authority's projected income and expenditure compared with the budget shall be submitted at least quarterly to Policy & Resources Committee. This report sets out the Authority's provisional financial position for the 2017/18 financial year.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were approved by the Authority on 30th March 2017. In accordance with financial procedures, the Policy & Resources Committee shall receive quarterly treasury management update reports. This report provides an overview of the current economic and treasury management position as at the 2017/18 financial year end.

2. Policy Context

- 2.1 The revenue and capital budget is developed to align with the Corporate Plan and Partnership Management Plan priorities. The budget monitoring process reports on variances against approved budgets to identify changes and new resource requirements at the earliest opportunity.

3. Issues for consideration

Provisional Revenue Outturn

- 3.1 The provisional revenue outturn is a net £486,000 below budget variance, subject to approval of the budget carry forward requests. This represents a movement of £423,000

compared to the forecast of £63,000 below budget variance as at quarter 3 reported to Policy and Resources Committee.

3.2 The table below summarises the provisional revenue position by service area. More detailed explanations of variances and movements are given in **Appendix I**.

2017/18 Variance Quarter 3 £'000	Directorate	2017/18 Budget Outturn £'000	2017/18 Actuals Outturn £'000	2017/18 Variance Outturn £'000
86	Corporate Services	3,751	3,775	24
(36)	Countryside Policy and Management	2,901	2,782	(119)
(113)	Planning	3,578	3,187	(391)
0	Strategic Investment Fund	229	229	0
(63)	Total	10,459	9,973	(486)

3.3 Over the whole year, the main reasons for the variance position include:

- Corporate contract efficiencies within Corporate Services totalling approximately £103,000. The tender of a new insurance partnership with other National Park authorities has reduced the annual costs by £58,000 and review of various ICT contracts have resulted in reduced costs totalling £45,000;
- Net below budget variance of £80,000 within the Countryside Policy and Management salary budget, mainly due to vacant posts early in the financial year during implementation of a new service structure;
- Below budget variance of £128,000 on planning delegated agreements following implementation of new payment by application contracts and a lower level of applications than anticipated in the final quarter of the year;
- Planning income overachievement of £82,000 mainly due to the recent government decision to allow a 20% increase in planning fees from January 2018;
- Below budget variance of £55,000 within the Affordable Housing budget. An ongoing £100,000 budget was provided from the 2017/18 financial year, however there has not been that level of commitments required during the financial year;
- A provision was created at the 2016/17 financial year end to meet obligations relating to unresolved planning appeals and challenges. One of these appeals was resolved resulting in costs being £47,000 less than originally anticipated.

3.4 Significant movements from the quarter 3 forecast variance include:

- £128,000 unanticipated reduction in the cost of planning delegated agreements;
- £45,000 reduced costs for the IT support contract;
- £10,000 reduced costs on the IDOX contract;
- £30,000 reduced costs on Property Services for general repairs, utilities and lease properties;
- £35,000 of previously forecast costs not spent on M27 Cultural Heritage expenditure as work was carried out in house or within existing contracts;
- £28,000 reduced costs on Countryside Policy and Management supplies and services budgets including learning and education, volunteers and the GIS contract;
- £55,000 not spent on the Affordable Housing budget;
- £30,000 additional planning fee income from previous forecasts;
- £20,000 not required against Planning Policy/Local Plan;
- £20,000 reduced costs against Development Management Minerals and Waste budgets for legal and professional fees;
- £10,000 Community Infrastructure Levy (CIL) admin income.

Budget Carry Forward Requests

3.5 Budget carry forward approval is required by Policy & Resources Committee for both unringfenced grant funded budgets and non-grant funded budgets in accordance with 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 2**.

- The non-grant funded element of carry forwards total £434,000. Details of these budgets are given in **Appendix 2**;
- The unringfenced grant funding elements of carry forwards total £251,000. 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 2**;
- The unspent Sustainable Community Fund budget at financial year end is £154,000. This includes funds committed but not yet drawn down and will be carried forward via the Sustainable Community Fund Reserve;
- The unspent approved Strategic Fund budgets at financial year end total £275,000 and will be carried forward via the Strategic Fund Reserve.

Provisional Capital Outturn

3.6 The provisional capital outturn is a zero variance, subject to the approval of the budget variation as detailed in **Appendix 3**. This is unchanged to the forecast at quarter 3. Policy & Resources Committee approval is required for capital budget variations over £25,000 in accordance with Financial Regulations and Procedures.

Impact on Reserves and Implications for the Medium Term Financial Strategy (MTFS)

3.7 The Authority's approved MTFS sets out resource assumptions and projections over a 5 year term. It was proposed to the Authority in March 2018 that any variation to the 2017/18 revenue budget will be transferred to/from the Partnership Management Plan (PMP) Reserve. The forecasted contribution to the PMP reserve was reported as £63,000, based on the quarter 3 budget monitoring position. The provisional outturn position of £486,000 will therefore have a favourable impact on the assumed resources available within the MTFS.

3.8 It is proposed that the outturn variance be transferred to reserves as follows. This proposal will make use of the below budget variance on planning delegated agreements within the year in anticipation of increased demand in planning applications in the 2018/19 financial year, and contribute to the reserves held to fund future strategic priorities of the Authority. The Chief Finance Officer has reviewed the proposed reserves and provisions movements at the financial year end and considers that they are appropriate and proper for the Authority to hold.

Reserve	Existing Balance £'000	Proposed Transfer £'000	Proposed Balance £'000
Planning Reserve	580	128	708
Partnership Management Plan Reserve	329	79	408
Strategic Fund	682	79	761
Estates Management Reserve	593	200	793
		486	

Treasury Management - Economic Overview

3.9 During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon the Bank Rate would start on a rising trend. After the UK economy saw a strong growth in the second half of 2016, growth in 2017 was weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012.

The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure.

- 3.10 However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the Monetary Policy Committee (MPC) would be heading in the direction of imminently raising the Bank Rate. The minutes of the MPC meeting of 14th September indicated that the MPC was likely to raise the Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting delivered a raise in the Bank Rate from 0.25% to 0.50%.
- 3.11 The 8th February MPC meeting minutes then revealed MPC's expectations of a more imminent and faster pace of increases in Bank Rate than had previously been expected which resulted in the markets expecting a further rate rise as soon as May 2018, which did not materialise. However, expectations of an imminent rate rise have seen some reversal after the first quarter of 2018 showed an unexpected slowdown in UK growth. Consequently, economists are now predicting the Bank of England will not raise rates until at least August 2018 (with many forecasting the first rise as late as 2019).

Treasury Management - Investments

- 3.12 The Authority's investments at 31st March 2018 are made up of the following:
- £3.500m fixed deposits held with Lloyds Bank plc (held as three separate deposits);
 - £2.000m fixed deposits held with Santander Bank plc (held as two separate deposits);
 - The remaining cash balance is invested in Brighton & Hove City Council (£2.952m at 31st March 2018).
- 3.13 The table at **Appendix 4** summarises the performance of these investments over 2017/18. The actual average interest rate earned in quarter 4 was 0.69% (up from 0.65% in quarter 3), and the average interest rate earned for the year was 0.69% (0.80% in 2016/17). The average rate of the investment portfolio has reduced in 2017/18 as a result of the impact of the reduced Bank of England Base Rate (between August 2016 and November 2017) and the devaluation of sterling. Deposits undertaken whilst the Bank Rate was at 0.25% are starting to mature and are being replaced by new deposits that are invested at a rate reflecting the November 2017 increase in Base Rate. The average rate on the investment portfolio should therefore rise gently in the short term. However, the market expectation of further delay in interest rate rises have had an impact on current investment rates. Therefore, any further increases in investment income will be largely dependent on the timing and pace of interest rate increases.
- 3.14 A regular deposit cycle has been introduced with deposits to optimise return whilst maintaining liquidity. Officers regularly review cash flow forecasts to ensure sufficient liquidity remains within the portfolio; the deposit cycle has been scheduled to ensure adequate cash is available when required.

4. Options & cost implications

- 4.1 It is proposed that the provisional budget variance will be transferred to reserves as set out above, therefore increasing the available resources available in future years. The proposed transfer to reserves is considered to be the best use of available funding following a review of reserves and expected future commitments.

5. Next steps

- 5.1 The final outturn position will be reflected in the 2017/18 Statement of Accounts. The audited Statement of Accounts will be presented to this Committee for approval on 19th July 2018.

6. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes. The provisional budget variance will result in contributions to the Authority's financial reserves. This has implications for the Medium Term Financial Strategy of the Authority as it impacts on the future resources assumptions and financial projections. The resource implications have been covered within the main body of the report.
How does the proposal represent Value for Money?	The proposed carry forwards ensure delivery of initiatives already approved and committed. Internal controls and governance arrangements are in place to ensure the economical, efficient and effective use of resources.
Are there any Social Value implications arising from the proposal?	No
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	There are no implications arising directly from this report. The Authority's equality duty shall be taken into account in respect to all expenditure and programmes undertaken by the National Park Authority.
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 Data Protection implications?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy.	No

7. Risks Associated with the Proposed Decision

- 7.1 There are no risks associated with this report as recommendations are either for noting only or are within approved budgets for 2017/18.

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Appendices	<ol style="list-style-type: none"> 1. 2017/18 Revenue Outturn by Service Area 2. 2017/18 Budget Carry Forward Requests 3. 2017/18 Capital Outturn and Variation Request 4. 2017/18 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	<p>Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.</p> <p>This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedures.</p>

2017/18 Revenue Outturn by Service Area

2017/18 Quarter 3 Variance £'000	Service Area	2017/18 Outturn Budget £'000	2017/18 Outturn Actual £'000	2017/18 Outturn Variance £'000	2017/18 Outturn Variance %
86	Corporate Services	3,751	3,775	24	0.6%
(36)	Countryside Policy and Management	2,901	2,782	(119)	(4.1%)
(113)	Planning	3,578	3,187	(391)	(10.9%)
0	Strategic Investment Fund	229	229	0	0.0%
(63)	Total Budget	10,459	9,973	(486)	(4.6%)
0	National Park Grant	(10,135)	(10,135)	0	0
(63)	Total Authority Budget	324	(162)	(486)	

2017/18 Revenue Outturn by Service Area – Explanation of Variances

2017/18 Variance Quarter 3 £'000	2017/18 Variance Outturn £'000	Service Area	Explanation of Variances
22	15	Chief Executive's Service	Additional salary costs due for maternity leave cover and contribution to National Parks Partnership.
(1)	4	Business Services	Net salary costs £87,000 above budget to meet temporary service requirements and other exceptional staff costs. Other above budget variances totalling £75,000 relates to staff advertising, staff training, and consultants fees for corporate projects. Offset by various efficiencies and other reductions including new insurance partnership of (£58,000), net premises utilities/property cost variance of (£80,000), plus reduced costs for the IT support contract (£45,000).
34	1	Marketing and Income Generation	Minor net variance overall.
31	4	Governance and Support Services	Minor net variance overall.
86	24	Total Corporate Services Variance	
3	6	Director of Countryside Policy and Management	Minor net variance overall.
(11)	(38)	Countryside and Policy Central	Salaries – below budget variance due to vacant posts during implementation of new service, partly offset by interim cover used for tourism lead.
(1)	(23)	Countryside and Policy Wealden Heath	Cost reduction is due to consultants costs for A27 work completed in house or within existing contracts.

15	4	Research and Performance	New Project Management Officer post recruited to following an internal audit recommendation, offset by various minor cost reductions.
(4)	(28)	Countryside and Policy Eastern	Salaries – below budget variance due to vacant posts during implementation of new service, partly offset by interim cover used for tourism lead.
(38)	(40)	Countryside and Policy Western	Salaries – below budget variance due to vacant posts during implementation of new service, partly offset by interim cover used for tourism lead.
(36)	(119)	Total Countryside Policy and Management Variance	
5	(1)	Director of Planning	Minor net variance overall.
(97)	(125)	Planning Development Management	Vacant posts resulting in a reduced spend of (£55,000), and a saving against budget in legal costs relating to a provision made at end of the 2016/17 financial year for an unresolved planning challenge (£47,000) as well as a further below budget variances for legal and professional fees (£20,000).
(32)	(262)	Performance and Technical Management	Reduced spend of (£128,000) on planning delegated agreement following implementation of new payment by application contracts and lower level of applications than anticipated. Net salary additional costs of £8,000 mainly due to additional Design Officer post, as well as increased employee mileage costs. Planning Fees overachieved by (£82,000) due to increase in Planning Fees from January 18 plus CIL admin income (£10,000). Below budget variance against Affordable Housing budget (£55,000).
11	(3)	Planning Policy	Net salary costs £26,000 above budget due to payments to planning staff, offset by reduced costs against Local Plan budget.
(113)	(391)	Total Planning Variance	
0	0	Strategic Fund Projects	Zero Variance
(63)	(486)	Total Revenue Budget Projects	

2017/18 Budget Carry Forward Requests

Carry forward Outturn £'000	Service Area	Description / Reason for Carry Forward
Corporate Services		
22	Marketing & Communications	Various committed Marketing and Communications projects not yet completed.
139	Marketing & Communications	Unspent capital funding for Signage project - project due to be finished in 18/19.
154	Sustainable Communities Fund	Sustainable Development Fund - Balance left at end of 2017/18. Includes funds committed but not yet drawn down.
10	Corporate Services	Modification of old SDNPA events van - Work will not be completed until 18/19.
325	Total Corporate Services	
Countryside Policy and Management		
27	Research and Performance	Contribution to Local Wildlife Officer Sussex Bio Diversity for the next 3 years.
7	Research and Performance	Online community work for Citizen Panels to test the usability of the SDNPA website.
5	Research and Performance	Redigital of the Natural Park Boundary.
30	Farm Clusters	Farm Officer post committed over a number of years.
19	Farm Clusters	Income received from Rural Payment agency not yet spent carried forward for projects in 2018/19.
4	Eastern Area	Work to Purchase order build and install furniture for Access Land committed but not completed.
92	Total Countryside and Policy Management	
Planning		
192	Neighbourhood Planning	Grant income received in 2017/18 and previous years for Neighbourhood Planning not yet spent.
17	Neighbourhood Planning	Income received for Neighbourhood Advice in 17/18 by Neighbourhood Planning Teams: income ring-fenced to be spent within the service.
30	Performance and Technical Management	Affordable Housing - consultancy fees
60	Performance and Technical Management	Shoreham Cement Works area action plan
38	Local Plan	Various consultants and evidence works relating to the Local Plan committed but not yet completed.
35	Local Plan	Income received from DCLG not spent in 2017/18 for Brownfield Register and Custom Build grants therefore budget to be carried forward 2018/19.

50	Policy Minerals and Waste	Minerals and Waste examination costs for 2018/19.
422	Total Planning	
839	Total Budget Carry Forwards Requests	

Strategic Investment Fund - Information Only - Carry forwards are unspent Grants and SDNPA Funding		
8	Local Sustainable Transport Phase 1	
49	Forestry (Paws)	
130	Heathland Reunited (due to partners contributions been claimed)	
6	Local Sustainable Transport Phase 2	
4	Rampion Planning	
26	Linking Communities	
1	Historic Landscapes	
1	Rural Enterprise	
25	Big Chalk	
7	Centurion Way	
18	Active Access	
275	Total Strategic Fund	

2017/18 Capital Outturn

Capital Project	2017/18 Quarter 3 Budget £'000	2017/18 Variation to Budget £'000	2017/18 Outturn Budget £'000	2017/18 Outturn Actual £'000	2017/18 Outturn Variance £'000	2017/18 Outturn Variance %
National Park Signage Project	160	(139)	21	21	0	0%
Events Vehicle	45	(5)	40	40	0	0%
Total Capital Budget	205	(144)	61	61	0	0%

Budget Variations Request over £25,000

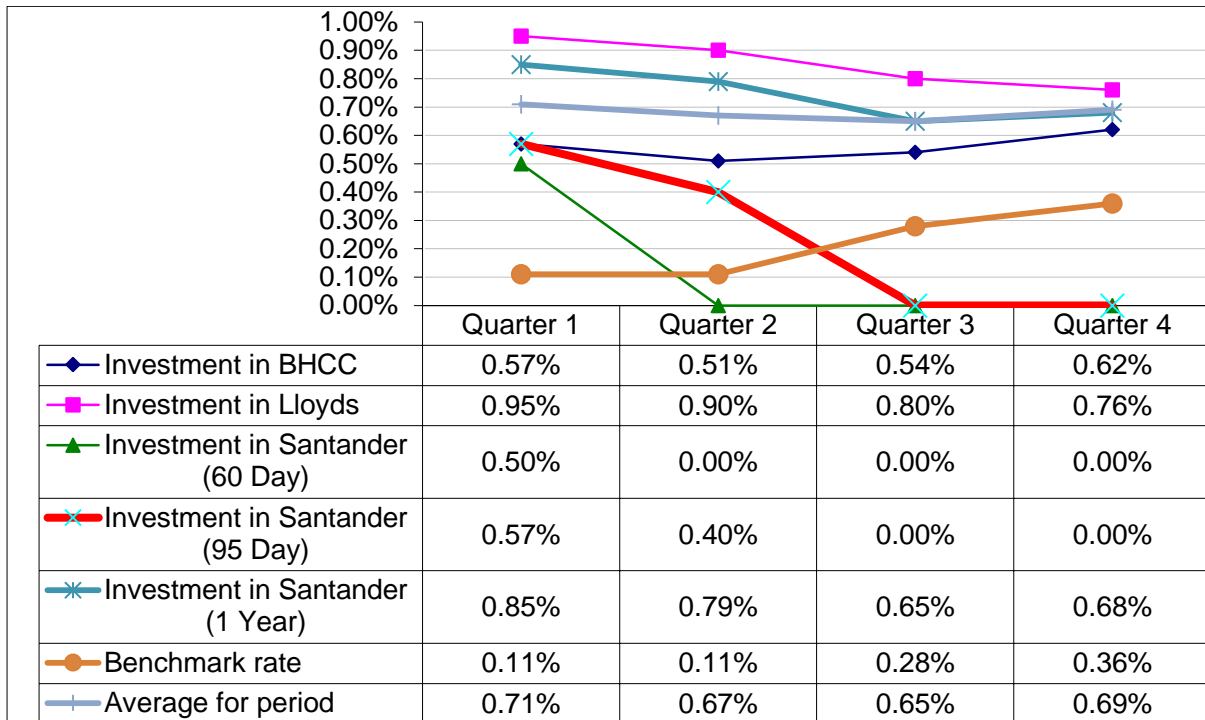
Directorate:	Corporate Services				
Project Title:	National Park Signage Project				
Total Project Costs:	£260,000				
Project Purpose, Benefits and Risks:					
The project involves placing a limited number of National Park signs at appropriate entry sites to the National Park. The aims of the project are to raise the profile of the National Park, add value to local businesses, enhance the sense of place, encourage behaviour change and support income generation.					
Reason for variation:					
Delay in sign off of final design.					
Revised Capital Expenditure Profile (£'000):					
Year	2017/18	2018/19	2019/20	2020/21	2021/22
Direct Revenue Funding	21	189	50	0	0
Total Estimated Project Costs	21	189	50	0	0
Financial Implications:					
The capital costs will be funded from Direct Revenue Funding. Funding for the project has been identified and allocated as part of the Medium Term Financial Strategy. It is anticipated that any ongoing costs associated to the maintenance of signs will be funded from approved revenue budgets.					

Budget Variations under £25,000

The Events vehicle budget variance of £5,000 below budget will be re-profiled to 2018/19 to cover the residual costs for the new vehicle such as signwriting.

2017/18 Treasury Management Performance

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



Average amount invested (weighted by amount per day)

