

Report to	<b>Policy &amp; Resources Committee</b>
Date	<b>21 November 2017</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Budget Monitoring Report for Quarter 2 2017/18</b>

**Recommendation: The Committee is recommended to**

- 1) Note the 2017/18 revenue forecast underspend position of £110,000 as at Quarter 2.**
- 2) Note the 2017/18 capital forecast position of zero variance as at Quarter 2.**
- 3) Note the current Treasury Management overview and position.**

**1. Summary and Background**

- 1.1 The Authority approved the revenue and capital budget for 2017/18 on the 30 March 2017. The adjusted budget shown in the report reflects the original budget approved by the Authority plus any approved virements during the financial year. The budget monitoring and control framework is reported monthly to Operational Management Team and quarterly to Senior Management Team and Policy & Resources Committee.
- 1.2 This report sets out the South Downs National Park Authority's (the Authority) forecast financial position at the end of the second quarter of operations, 2017/18.
- 1.3 The Treasury Management Policy Statement and Annual Investment Strategy were adopted by the Authority on 30 March 2017 and set out the policy and principles used to manage the Authority's investments.

**2. Revenue Forecast**

- 2.1 The 2017/18 forecast outturn as at the end of quarter 2 is a net underspend of £110,000. This represents a movement of £5,000 compared to the forecast underspend of £115,000 at quarter 1. The forecast position is explained below and a more detailed summary is provided at **Appendix 1** and **Appendix 2** to this report.

Expenditure

- 2.2 The direct employee budget is forecast to underspend by £18,000. This represents a movement of £3,000 compared to the forecast underspend of £21,000 at quarter 1. The forecast underspend relates to the net impact of the currently employed establishment across the Authority. The variance is mainly due to vacancies during the first quarter of the financial year within the Countryside Policy & Management and Planning services, where recruitments are now completed or currently underway, resulting in the organisation being close to a full staffing complement. The underspend from vacancies are partly offset by overspends due to costs of maternity cover and recruitment to posts to cover permanent and temporary service requirements.

- 2.3 The indirect employee budget is forecast to underspend by £58,000. This represents no change from the forecast at quarter 1. The variance is mainly due to the tender for the new insurance partnership with other National Park authorities, which has reduced the annual costs by approximately this value.
- 2.4 The premises budget is forecast to underspend by £17,000, compared to a zero forecast variance at quarter 1. The forecast variance is due to an underspend in utility costs and property insurance following the new partnership contract. However, recent issues at some of the area offices, particularly in relation to Stanmer, will put upward pressure on this budget before the end of the financial year.
- 2.5 The transport costs are forecast to overspend by £14,000, compared to a zero forecast variance at quarter 1. The forecast variance is mainly due to extra travel within the Planning service as a result of called-in services and consultations relating to the local plan.
- 2.6 The supplies and services budgets are forecast to underspend by £30,000. This represents a movement of £7,000 compared to the underspend forecast of £37,000 at quarter 1. This underspend mainly relates to the following one off items.
- £47,000 underspend for legal fees within the Planning Service. A provision was created at the 2016/17 financial year end to meet obligations relating to unresolved planning appeals and challenges. One of the appeals has now been resolved with costs being £47,000 less than originally anticipated.
  - £10,000 cost for a one-off contribution to National Parks Partnership within Corporate Services, which had not been budgeted for due to unknown timing. The contribution has been made on a non-recurring basis to support the Partnership in its early years as agreed when the National Park Authority (NPA) originally approved the Authority's involvement in this new vehicle.

### 3. Capital Forecast

- 3.1 There is a zero forecast variance on the capital programme at quarter 1. A summary of the capital programme is provided at **Appendix 3** to this report.

### 4. Treasury Management

#### Economic Overview

- 4.1 The Bank of England's Monetary Policy Committee raised the official Bank Rate to 0.50% in its meeting of 2 November 2017 with a vote of 7-2. The rate rise was following the committee signalling a possible imminent rate increase in its previous meeting in response to growing economy and inflation concerns. Further rate rises are likely to be gradual, with the November 2017 inflation report signalling two further 0.25% rate increases over the next two years. The indication of further rate rises being gradual resulted in a fall in sterling against both the dollar and the euro. Longer term investment rates have also eased as markets appeared to have previously expected a faster pace of bank rate increases.
- 4.2 Bank of England governor, Mark Carney, commented that the Brexit negotiations were the single biggest factor for the next move on rates, with uncertainty of the outcome of the negotiations currently weighing on UK investment. There are other uncertainties which will weigh on the prospects of interest rates going forward. These include the breadth of US economic and trade policy and geo-political concerns.

#### 4.3 Investments

The Authority's investments at 30 September 2017 are made up of the following:

- £4.0m fixed deposits held with Lloyds Bank plc (held as four separate £1m deposits);
- £2.0m fixed deposit held with Santander (UK) plc; (held as two separate £1m deposits);
- The remaining cash balance is invested via Brighton & Hove City Council (£1.848m at 30 September 2017).

- 4.4 The table at **Appendix 4** summarises the performance of these investments in Quarter 2. The actual average interest rate earned in the quarter was 0.68% (down from 0.72% in quarter 1).
- 4.5 The average rate earned declined in the quarter as a result of the Bank of England Base Rate and devaluation of sterling impacting on investment rates. A regular deposit cycle has been introduced with Lloyds deposits to optimise return whilst maintaining liquidity. Income is likely to be suppressed in the medium term, but will be largely dependent on the timing and pace of interest rate increases. Officers review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.
- 5. Policy & Resources Committee / NPA Considerations**
- 5.1 Annual budgets are agreed by Policy & Resources 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 Policy & Resources Committee

**6. Other Implications**

<b>Implication</b>	<b>Yes/No</b>
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes – A underspend budget variance at the end of the financial year could add to reserves and may have implications for the Medium Term Financial Strategy of the Authority.
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: 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

## **7. Risks Associated with the Proposed Decision**

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

### **NIGEL MANVELL**

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**South Downs National Park Authority**

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Appendices

1. 2017/18 Revenue Forecast by Subjective
2. 2017/18 Revenue Forecast by Service Area
3. 2017/18 Capital Forecast
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 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.

2017/18 Revenue Forecast by Subjective

2017/18 Variance Quarter 1 £'000	Expenditure and Income by Subjective	2017/18 Quarter 2 Budget £'000	2017/18 Quarter 2 Forecast £'000	2017/18 Quarter 2 Variance £'000	2017/18 Quarter 2 Variance %
	EXPENDITURE:				
(21)	Direct Employees	5,482	5,464	(18)	0%
(58)	Indirect Employees	217	159	(58)	-27%
(3)	Premises	282	265	(17)	-6%
4	Transport	165	179	14	8%
(37)	Supplies & Services	3,329	3,299	(30)	-1%
0	Third Party Payments	3,099	3,098	(1)	0%
0	Capital Financing Costs	160	160	0	0%
<b>(115)</b>	<b>Total Expenditure</b>	<b>12,734</b>	<b>12,624</b>	<b>(110)</b>	<b>-1%</b>
	INCOME:				
0	National Park Grant	(10,135)	(10,135)	0	0%
0	Other Grants	(647)	(647)	0	0%
0	Planning Fees	(1,000)	(1,000)	0	0%
0	Other Income	(19)	(19)	0	0%
0	Investment Income	(40)	(40)	0	0%
<b>0</b>	<b>Total Income</b>	<b>(11,841)</b>	<b>(11,841)</b>	<b>0</b>	<b>0</b>
<b>(115)</b>	<b>Net (Surplus) / Deficit</b>	<b>893</b>	<b>783</b>	<b>(110)</b>	<b>-12%</b>

2017/18 Direct Employees Forecast by Service Area

2017/18 Variance Quarter 2 £'000	Service Area	Explanation of Variances
67	Corporate Service	Overspend due to the recruitment of additional support for the National Parks conference, implementation of the Local Plan and temporary summer cover for South Downs Centre.
(72)	Countryside Policy and Management	Variance due to vacant posts in the first quarter of the financial year during implementation of a new service structure.
(13)	Planning	Variance due vacant posts in the first quarter of the financial year, partly offset by recruitment to a post not included in the original budget and other staff related payments
0	Strategic Investment Fund	Zero variance
<b>(18)</b>	<b>Total Salaries Variance</b>	

2017/18 Revenue Forecast by Service Area

2017/18 Quarter 1 Variance £'000	Service Area	2017/18 Quarter 2 Budget £'000	2017/18 Quarter 2 Forecast £'000	2017/18 Quarter 2 Variance £'000	2017/18 Quarter 2 Variance %
20	Corporate Services	3,766	3,784	18	0%
(80)	Countryside Policy and Management	2,710	2,638	(72)	-3%
(55)	Planning	4,034	3,978	(56)	-1%
0	Strategic Investment Fund	518	518	0	0%
<b>(115)</b>	<b>Total Budget</b>	<b>11,028</b>	<b>10,918</b>	<b>(110)</b>	<b>-1%</b>
0	National Park Grant	(10,135)	(10,135)	0	0%
0	Contribution to / from Reserves	(893)	(893)	0	0%
<b>(115)</b>	<b>Total Authority Budget</b>	<b>0</b>	<b>(110)</b>	<b>(110)</b>	<b>-</b>

2017/18 Revenue Forecast by Service Area – Explanation Variances

2017/18 Variance Quarter 2 £'000	Service Area	Explanation of Variances
28	Chief Executives Service	Overspend due to additional costs for maternity leave cover and contribution to National Parks Partnership
(32)	Business Services	Underspend mainly due to the new contract for insurance and premises costs, partly offset by salary overspends within the service
10	Marketing and Income Generation	Salaries - Overspend due to short term costs for additional staff to support the National Parks conference
12	Governance and Support Services	Salaries - Overspend due to additional support to the Planning Policy service on a temporary basis during the implementation of the Local Plan and temporary summer cover for the South Downs Centre
<b>18</b>	<b>Total Corporate Services Variance</b>	
(3)	Director of Countryside Policy and Management	Miner net variance.
(6)	Countryside and Policy Central	Salaries - Underspend due to vacant posts during implementation of new service, partly offset by interim cover used for tourism lead.
(36)	Countryside and Policy Wealden Heath	Salaries - Underspend due to vacant posts during implementation of new service structure
26	Research and Performance	Overspend due to a new Project Management Officer post to be recruited to following an internal audit recommendation
(17)	Countryside and Policy Eastern	Salaries - Underspend due to vacant posts during implementation of new service structure.
(36)	Countryside and Policy Western	Salaries - Underspend due to vacant posts during implementation of new service structure.

<b>(72)</b>	<b>Total Countryside Policy and Management Variance</b>	
7	Director of Planning	Minor net variance.
(93)	Planning Development Management	Vacant posts resulting in an underspend of (£46k) mainly due to vacancies, and underspend an in legal costs relating to a provision made at end of the 2016/17 financial year for an unresolved planning challenge (£47k)
14	Performance and Technical Management	Net salary overspends of £10k mainly due to additional Design Officer post not included in original budget, as well as increased employee mileage costs
16	Planning Policy	Salary overspend due to payments to planning staff
<b>(56)</b>	<b>Total Planning Variance</b>	
0	Strategic Fund Projects	Zero Variance
<b>(110)</b>	<b>Total for Strategic Investment Fund</b>	

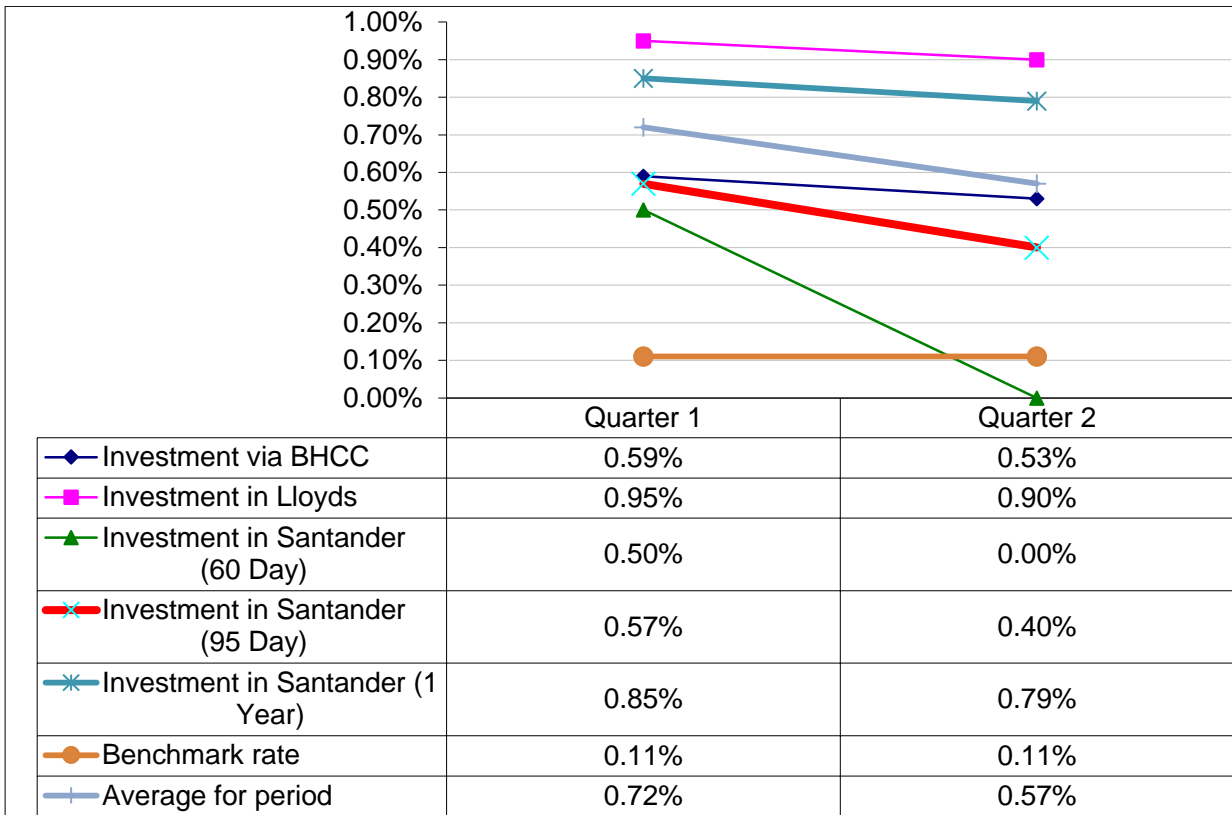
2017/18 Capital Forecast

2017/18 Quarter 1 Variance £'000	Capital Project	2017/18 Quarter 2 Budget £'000	2017/18 Quarter 2 Forecast £'000	2017/18 Quarter 2 Variance £'000	2017/18 Quarter 2 Variance %
0	National Park Signage Project	160	160	0	0.0%
0	Events Vehicle	45	45	0	0.0%
<b>0</b>	<b>Total Capital Budget</b>	<b>205</b>	<b>205</b>	<b>0</b>	<b>0.0%</b>



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)

