

Report to	Policy & Resources Committee
Date	27 February 2018
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report for Quarter 3 2017/18

Recommendation: The Committee is recommended to

- 1) Note the 2017/18 revenue forecast position of £63,000 underspend variance as at Quarter 3 2017/18.**
- 2) Note the 2017/18 capital forecast position of zero variance as at Quarter 3 2017/18.**
- 3) 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 forecast financial position at the end of quarter 3 2017/18.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were approved by the Authority on 30 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 quarter 3 2017/18.

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

Revenue Forecast

- 3.1 The 2017/18 forecast outturn as at the end of quarter 3 is a net underspend of £63,000. This represents a movement of £47,000 compared to the forecast underspend of £110,000 at quarter 2. A summary of the forecast position is provided below and a more detailed summary is given at **Appendix 1** and **Appendix 2** to this report.
- 3.2 The direct employee budget is forecast to underspend by £9,000. The variance relates to the net financial bearing of the employed establishment across the Authority over the first 3 quarters with projections of changes for the final quarter. 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 substantially 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.

- 3.3 The indirect employee budget is forecast to overspend by £21,000. This represents a movement of £79,000 compared to a forecast underspend of £58,000 at quarter 2. The movement mainly relates to one off costs of early retirement and redundancy decisions, including additional contributions to the pension fund, made in accordance with the Authority's business case criteria. These costs are partly offset by the underspend for the tender of the new insurance partnership with other National Park authorities, which has reduced the annual costs by approximately £58,000.
- 3.4 The premises budget is forecast to underspend by £52,000. This represents a movement of £35,000 compared to the forecast underspend of £17,000 at quarter 2. The forecast variance is due to an underspend in utility costs, building repairs and property insurance following the new partnership contract, and includes the additional one-off £8,000 cost of relocating the eastern area ranger service following the Stanmer premises becoming unfit for purpose. Ongoing rental costs at the Sussex Innovation Centre and increasing rentals elsewhere mean that this underspend is unlikely to be repeated in future years.
- 3.5 The transport costs are forecast to overspend by £3,000. 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.
- 3.6 There are a number of variances within supplies and services budgets that have resulted in a net forecast overspend of £24,000. This represents a movement of £54,000 compared to the £30,000 underspend reported at quarter 2. The main reasons for the variance include:
- A net £16,000 cost relating to hosting the National Parks Conference. This has not previously been reported as the final costs after income from partners has only recently been confirmed.
 - £15,000 required for an evidence and research project to underpin the Cultural and Heritage Strategy.
 - £11,000 overspend for Press Notices within Planning due to more planning applications coming in house as a result of called-in services.
 - £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.
 - £10,000 annual contribution to Rural Sussex Partnership for the promoting and support of small business in West Sussex.
 - £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 resolved planning appeals and challenges. One of these appeals was resolved resulting in costs being £47,000 less than originally anticipated.
- 3.7 The quarter 3 forecast for planning fee income is an overachievement of £50,000. This forecast has been developed following a detailed review of the number, value and type of applications received during the year to date and previous year's trends. The forecast reflects the recent central government decision to allow a 20% increase in planning fees from January 2018. An increase in the volume of planning applications yields additional income to the Authority but also results in additional costs.

Capital Forecast

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

Treasury Management

- 3.9 The Monetary Policy Committee (MPC) increased Bank of England (BoE) Bank Rate by 0.25% to 0.50% in its meeting on 2 November 2017. This increase had been signalled at its previous meeting and had therefore been expected by markets. The MPC also gave forward guidance that they expected to increase the Base Rate twice more by 2020. Inflation reached

3.1% in November, breaching 3.0%, which triggered the requirement for the Governor of the Bank of England, Mark Carney, to write a letter to the Chancellor explaining why the central bank had missed its inflation target. December saw inflation falling back to 3.0% with many commentators suggesting this was a sign that inflation had now peaked.

3.10 The BoE is forecasting inflation as having peaked in 2017, gradually reducing to its target rate during 2018. Some UK growth estimates for 2017 have been revised upwards following a strong growth in manufacturing in Quarter 4, 2017. However, the average forecast of GDP growth for 2017 is 1.6% which would result in 2017 growth being the weakest in 5 years. There are many uncertainties which will weigh on the prospects of interest rates going forward. These include the negotiations over the terms of the UK exiting the EU, the breadth of US economic and trade policy and geo-political concerns.

3.11 The Authority's investments at 31 December 2017 are made up of the following:

- £3.0m fixed deposits held with Lloyds Bank plc (held as three 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 (£2.749m at 31 December 2017).

A regular deposit cycle has been introduced with Lloyds 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.

3.12 The table at **Appendix 4** summarises the performance of these investments in Quarter 3. The actual average interest rate earned in the quarter was 0.66% (down from 0.68% in quarter 2). The average rate earned had declined over 2017/18 as a result of the reduced Bank of England Base Rate (between August 2016 and November 2017) and the devaluation of sterling impacting on investment rates. The average investment rate is expected to remain suppressed for the remainder of 2017/18 until current deposits (undertaken whilst Bank Rate was at 0.25%) mature and are replaced by new deposits that are invested at a rate reflecting the recent increase in Base Rate. Investment income is expected to remain relatively low through 2018/19 but to be on a gradual rising trend over the next few years. Any further increases in investment income will be largely dependent on the timing and pace of interest rate increases.

4. Options & cost implications

4.1 An 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.

5. Next steps

5.1 Annual budgets are 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

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes. An 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
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 the recommendations are for noting only.

NIGEL MANVELL

Chief Finance Officer

South Downs National Park Authority

Contact Officer:	Steven Bedford, Principal Accountant
Tel:	01273 293047
email:	steven_bedford@brighton-hove.gov.uk
Appendices	<ol style="list-style-type: none"> 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.

Agenda Item 8 Report PR01/18 Appendix I

2017/18 Revenue Forecast by Subjective

2017/18 Variance Quarter 2 £'000	Expenditure and Income by Subjective	2017/18 Quarter 3 Budget £'000	2017/18 Quarter 3 Forecast £'000	2017/18 Quarter 3 Variance £'000	2017/18 Quarter 3 Variance %
	EXPENDITURE:				
(18)	Direct Employees	5,522	5,513	(9)	0%
(58)	Indirect Employees	206	227	21	10%
(17)	Premises	282	230	(52)	-18%
14	Transport	165	168	3	2%
(30)	Supplies & Services	3,371	3,395	24	1%
(1)	Third Party Payments	3,099	3,100	1	0%
0	Capital Financing Costs	160	160	0	0%
(110)	Total Expenditure	12,805	12,793	(12)	0%
	INCOME:				
0	National Park Grant	(10,135)	(10,135)	0	0%
0	Other Grants	(686)	(687)	(1)	0%
0	Planning Fees	(1,000)	(1,050)	(50)	5%
0	Other Income	(74)	(74)	(0)	292%
0	Investment Income	(40)	(40)	0	0%
0	Total Income	(11,935)	(11,986)	(51)	0%
(110)	Net (Surplus) / Deficit	870	807	(63)	-7%

2017/18 Direct Employees Forecast by Service Area

2017/18 Variance Quarter 3 £'000	Service Area	Explanation of Variances
87	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.
(68)	Countryside Policy and Management	Variance mainly due to vacant posts in the first quarter of the financial year during implementation of a new service structure.
(28)	Planning	Variance mainly due vacant posts in the first and third 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
(9)	Total Salaries Variance	

Agenda Item 8 Report PR01/18 Appendix 2

2017/18 Revenue Forecast by Service Area

2017/18 Quarter 2 Variance £'000	Service Area	2017/18 Quarter 3 Budget £'000	2017/18 Quarter 3 Forecast £'000	2017/18 Quarter 3 Variance £'000	2017/18 Quarter 3 Variance %
18	Corporate Services	3,791	3,877	86	2%
(72)	Countryside Policy and Management	2,710	2,674	(36)	-1%
(56)	Planning	4,034	3,921	(113)	-3%
0	Strategic Investment Fund	470	470	0	0%
(110)	Total Budget	11,005	10,942	(63)	-0.5%
0	National Park Grant	(10,135)	(10,135)	0	0%
0	Contribution to / from Reserves	(870)	(807)	0	0%
(110)	Total Authority Budget	0	(63)	(63)	-

2017/18 Revenue Forecast by Service Area – Explanation Variances

2017/18 Variance Quarter 3 £'000	Service Area	Explanation of Variances
22	Chief Executive's Service	Salary overspend due to additional costs for maternity leave cover and contribution to National Parks Partnership.
(1)	Business Services	Salary overspend of £95,000 to meet temporary service requirements and other exceptional staff costs. Other overspends totalling £37,000 relate to staff advertising, legal costs and Brighton Biosphere study. Underspend due to new insurance partnership of (£58,000), net premises utilities/property costs underspend of (£49,000), (£15,000) underspend on audit fees and (£12,000) underspend on Idox Development.
34	Marketing and Income Generation	Salaries - Overspend of £11,000 due to short term costs for additional staff to support the National Parks conference and one off costs for annual subscription to Southern England Local Partners (SELP) licence of £7,000. £16,000 net cost of National Parks conference.
31	Governance and Support Services	Salaries – Overspend due to additional administration 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 and maternity leave.

Agenda Item 8 Report PR01/18 Appendix 2

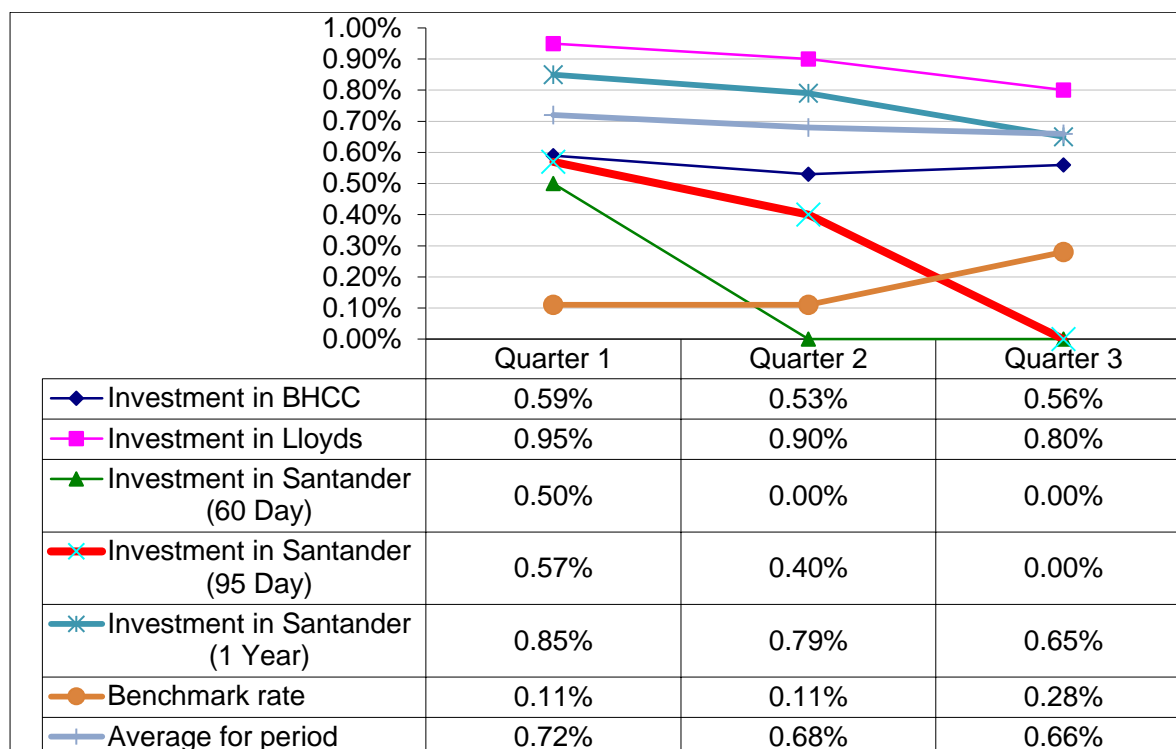
86	Total Corporate Services Variance	
3	Director of Countryside Policy and Management	Minor net variance.
(11)	Countryside and Policy Central	Salaries - Underspend due to vacant posts during implementation of new service, partly offset by interim cover used for tourism lead.
(1)	Countryside and Policy Wealden Heath	Minor net variance
15	Research and Performance	Overspend due to a new Project Management Officer post to be recruited to following an internal audit recommendation.
(4)	Countryside and Policy Eastern	Salaries - Underspend due to vacant posts during implementation of new service structure.
(38)	Countryside and Policy Western	Salaries - Underspend due to vacant posts during implementation of new service structure.
(36)	Total Countryside Policy and Management Variance	
5	Director of Planning	Minor net variance.
(97)	Planning Development Management	Vacant posts resulting in an underspend of (£53,000), and an underspend in legal costs relating to a provision made at end of the 2016/17 financial year for an unresolved planning challenge (£47,000).
(32)	Performance and Technical Management	Net salary overspends of £10k mainly due to additional Design Officer post, as well as increased employee mileage costs. Planning Fees are forecast to overachieve by (£50,000) due to increase in Planning Fees from January 18.
11	Planning Policy	Salary overspend due to payments to planning staff.
(113)	Total Planning Variance	
0	Strategic Fund Projects	Zero Variance
0	Total Strategic Fund Projects	

2017/18 Capital Forecast

2017/18 Quarter 2 Variance £'000	Capital Project	2017/18 Quarter 3 Budget £'000	2017/18 Quarter 3 Forecast £'000	2017/18 Quarter 3 Variance £'000	2017/18 Quarter 3 Variance %
0	National Park Signage Project	160	160	0	0.0%
0	Events Vehicle	45	45	0	0.0%
0	Total Capital Budget	205	205	0	0.0%

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)

