

Report to	Policy & Resources Committee
Date	27 September 2018
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report for Month 4 2018/19

Recommendation: The Committee is recommended to

- 1) Note the 2018/19 revenue forecast position as at month 4, 2018/19**
- 2) Note the 2018/19 capital forecast position as at month 4, 2018/19**
- 3) Note the current Treasury Management overview and position as at month 4, 2018/19**

1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for 2018/19 on the 22 March 2018. 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 month 4 2018/19.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were approved by the Authority on 22 March 2018. 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 end of month 4 2018/19.

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 2018/19 forecast outturn as at the end of month 4 is a net below budget variance of (£165,000). The table below summarises the provisional revenue position by service area. A more detailed summary is given at **Appendix I** to this report.

Service Area	Budget £'000	Actuals £'000	Variance £'000
Corporate Services	3,813	3,904	91
Countryside Policy and Management	2,898	2,821	(77)
Planning	4,140	3,961	(179)
Strategic Investment Fund	164	164	0
Total Service Budget	11,015	10,850	(165)

- 3.2 Corporate Services: A net above budget variance of £51,000 has been generated by salary related expenditure, the cost of preparing the new office accommodation and a one-off payment to HMRC. Income of £40,000 received within the Income Generation Fund is to be contributed to other service areas to support activities across the National Park instead of drawing from the strategic reserve.
- 3.3 Countryside Policy and Management: Various vacancies and external funding of posts across the service has resulted in a net below budget variance of (£89,000). Recruitment is underway where vacancies currently exist. There is also a one-off cost of £12,000 for data gathering and analysis to inform the Cultural Heritage Strategy, as approved by the Senior Management Team.
- 3.4 Planning: Vacancies and other employee related activities have resulted in a forecasted (£29,000) below budget variance.

The planning fee income forecast is an overachievement of (£150,000). 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 years' trends. The number and value of applications in the first four months of the year have exceeded original budgets and forecasts for the rest of the financial year are based on historical trends and service expectations. This also reflects the 20% increase in planning fees that was applied earlier in the year. An increase in the volume of planning applications yields additional income to the Authority but also results in additional costs which have been considered as part of the service forecast. Recruitment of an additional short term post will assist with peak workload, particularly in relation to neighbourhood planning.

Capital Forecast

- 3.5 There is a zero forecast variance on the capital programme at month 4. The revised capital programme includes a variation to the National Park Signage Project to reprofile £20,000 of budget to the 2019/20 financial year. This variation has been made in accordance with responsibilities defined by the Authority's Financial Regulations and Standard Financial Procedures, and does not require further approval from this Committee. A summary of the capital programme is provided at **Appendix 2** to this report.

Treasury Management Overview and Position

- 3.6 The Monetary Policy Committee (MPC) increased the Bank of England Base Rate to 0.75% in August 2018, which is the first time the official rate has been above 0.50% since 2009. The committee had expected to increase interest rates in May, but delayed the decision following slower than expected growth in Quarter 1 2018. The decision to raise the official rate was undertaken as the MPC were confident that the first quarter's dip was temporary, and the economy had seen sufficient recovery in the second quarter. The Bank of England's Governor, Mark Carney, stated that they still expected further rate rises to be limited and gradual. Much of the focus as to the path of future rate rises is dependent upon the Brexit negotiations and whether or not the UK will reach a deal with the European Union.

- 3.7 The Authority's investments at 31 July 2018 are made up of the following:
- £4.0m fixed deposits held with Lloyds Bank plc (held as one £1m deposit & two separate £1.5m deposits);
 - £1.0m fixed deposit held with Santander (UK) plc;
 - The remaining cash balance is invested in Brighton & Hove City Council (£6.433m at 31 July 2018) in accordance with the Authority's Annual Investment Strategy.

It should be noted that the sums invested are reflective of cash flow and not of specific balances or reserves available to the Authority.

- 3.8 The table at **Appendix 3** summarises the performance of these investments to 31 July 2018. The actual average interest rate earned in period was 0.74% (up from 0.69% in quarter 4 2017/18). The average rate earned has improved as a result of market expectations of the Bank of England Base Rate impacting positively on investment rates in the last two months. The average rate is expected to improve further over the next six months as maturing investments are able to be re-invested at higher interest rates. However, we are expecting interest rates to level out in the medium term as it is not expected that official interest rates will be raised again this year, particularly as it is anticipated that the MPC will want to understand the outcome of the Brexit negotiations before they make further decisions.

- 3.9 Officers review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.

4. Options & cost implications

- 4.1 By continuously identifying and explaining variances against budgets, the Authority can identify changes and new resource requirements at the earliest opportunity. A below 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 at least 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. Budget monitoring requires action plans to mitigate variances from budgets to ensure that the Authority does not overspend. A below 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	No

implications arising from the proposal?	
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

1. 2018/19 Revenue Forecast by Service Area
2. 2018/19 Capital Forecast
3. 2018/19 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.

2018/19 Revenue Forecast by Service Area

2017/18 Outturn Variance £'000	Service Area	2018/19 Month 4 Budget £'000	2018/19 Month 4 Forecast £'000	2018/19 Month 4 Variance £'000	2018/19 Month 4 Variance %
24	Corporate Services	3,813	3,904	91	2.4%
(119)	Countryside Policy and Management	2,898	2,821	(77)	(2.7%)
(391)	Planning	4,140	3,961	(179)	(4.3%)
0	Strategic Investment Fund	164	164	0	0%
(486)	Total Service Budget	11,015	10,850	(165)	(1.5%)
0	National Park Grant	(10,309)	(10,309)	0	
0	Contribution to/from Reserves	(706)	(706)	0	
(486)	Net Authority Budget	0	(165)	(165)	

2018/19 Revenue Forecast by Service Area – Explanation of Variances

2018/19 Variance Month 4 £'000	Service Area	Explanation of Variances
2	Chief Executive's Service	Minor net variance.
8	Business Services	Minor net variance.
70	Marketing and Income Generation	Salaries: £40,000 of income from the Income Generation Fund to contribute to support activities across other service areas. Maternity leave cover and other salary costs to meet corporate requirements.
11	Governance and Support Services	Net impact of cost of new office accommodation, salary underspends and a one-off payment to HMRC.
91	Total Corporate Services Variance	
(6)	Director of Countryside Policy and Management	Minor net variance.
(25)	Countryside and Policy Central	One-off cost of £12,000 for data gathering and analysis to inform the Cultural Heritage Strategy; offset by vacant Rural Sustainable Economy post currently being recruited to.
(21)	Countryside and Policy Wealden Heath	Salaries: Posts currently being filled on a part time basis.
3	Countryside and Policy Eastern	Minor net variance.
(13)	Countryside and Policy Western	Salaries: Link Officer post at reduced hours.
(15)	Research and Performance	Salaries: Full time Project Officer role being partly met by external funding.
(77)	Total Countryside Policy and Management Variance	
8	Director of Planning	Minor net variance.

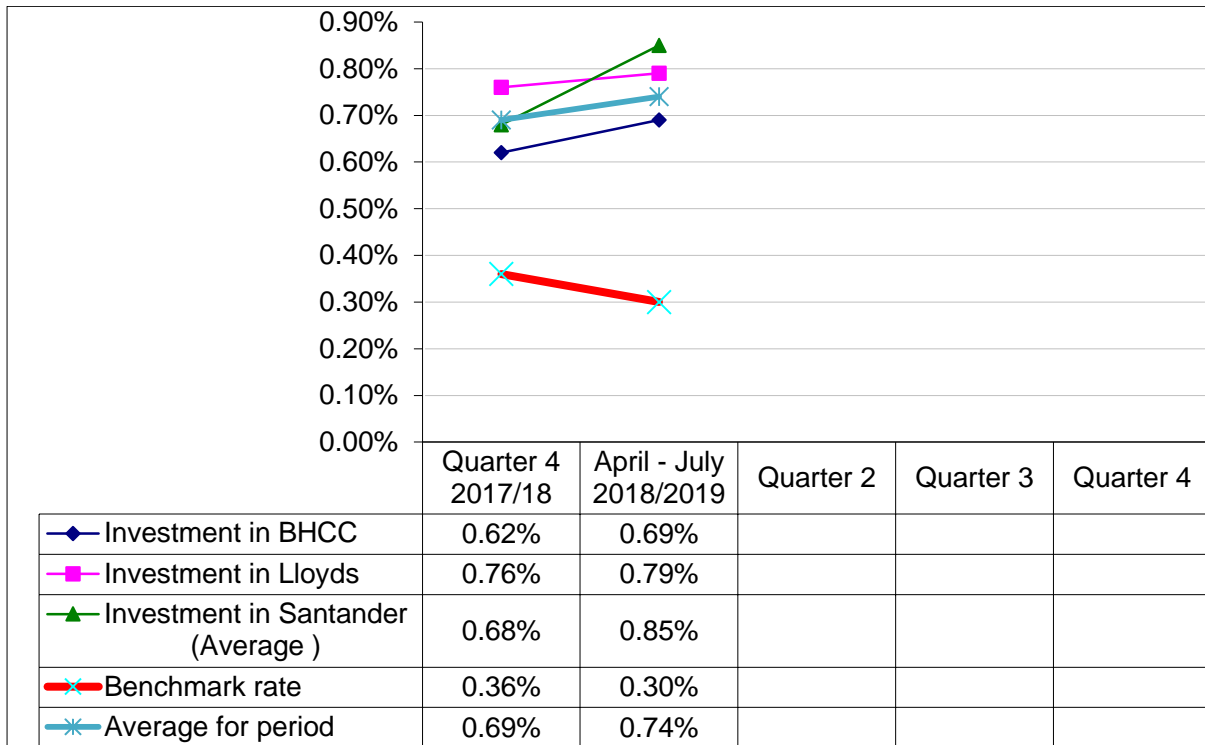
(50)	Planning Development Management	Salaries: Vacant Development Management Lead for Minerals and Waste post now recruited to and reduced hours for Senior Planner after maternity leave.
(150)	Performance and Technical Management	Overachievement in planning income fees based on income received to date and forecasts for future months based on historical trends and service expectations.
13	Planning Policy	Salaries: Maternity leave cover
(179)	Total Planning Variance	
0	Strategic Fund Projects	Zero variance
0	Total Strategic Fund Variance	
(165)	Total Revenue Budget Projects	

2018/19 Capital Forecast

Capital Project	2018/19 Original Budget £'000	2018/19 Month 4 Variation £'000	2018/19 Adjusted Budget £'000	2018/19 Month 4 Forecast £'000	2018/19 Month 4 Variance £'000	2018/19 Month 4 Variance %
National Park Signage Project	189	(20)	169	169	0	0.0%
Total Capital Budget	189	(20)	169	169	0	0.0%

2018/19 Treasury Management Performance

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



Average amount invested (weighted by amount per day)

