

Report to	Policy & Resources Committee
Date	22 November 2018
By	Chief Finance Officer
Title of Report	Budget Monitoring Report 2018/19: Month 6

Recommendation: The Committee is recommended to

- 1) Note the 2018/19 revenue forecast position as at month 6.**
- 2) Note the 2018/19 capital forecast position as at month 6 and approve variations to the capital programme.**
- 3) Note the reserves position as at month 6.**
- 4) Note the Treasury Management overview and position as at month 6.**

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 2018/19 forecast financial position at the end of month 6.
- 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 6 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 revenue outturn as at month 6 is a net below budget variance of (£95,000), which represents a movement of £70,000 from the month 4 below budget forecast variance of (£165,000). A summary of the forecast revenue position is provided by service area below. A more detailed summary is given at **Appendix I** to this report.

Service Area	Budget £'000	Forecast £'000	Variance £'000
Corporate Services	3,834	3,910	76
Countryside Policy and Management	2,868	2,873	5
Planning	4,186	4,010	(176)
Strategic Investment Fund	350	350	0
Total Service Budget	11,238	11,143	(95)

- 3.2 **Corporate Services:** A net above budget variance forecast of £76,000, which represents a movement of (£15,000) from the forecast variance of £91,000 at month 4.
- Previously reported variances relating to salary related expenditure, a one-off payment to HMRC, and contributions from the Income Generation Fund remain.
 - Movements from month 4 include a (£25,000) cost reduction following the renewal and rationalisation of ICT contracts.
 - Other movements include increased interest on investments of (£15,000) following an increase in interest rates and a reduction in salary expenditure of (£15,000) relating to summer weekend opening of the South Downs Centre reception.
 - Additional cost of professional services to draw up plans and provide costs for the refurbishment of Heath Barn Farm of £35,000.
- 3.3 **Countryside Policy and Management:** A net above budget variance forecast of £5,000, which represents a movement of £82,000 from the forecast variance of (£77,000) at month 4.
- There has been a net (£13,000) improvement in salary forecasts mainly due to two apprenticeship posts being funded from the Heathlands project. The net salary variance is now forecast at (£102,000) below budget mainly due to various vacancies and external funding of posts across the service.
 - This report seeks approval for the £40,000 capital purchase of a new Scrub Management Machine to be funded from the service revenue budget.
 - Other movements from month 4 include £35,000 costs for the Winchester Landscape Study, £8,000 expenditure on South Downs Way surfacing work and £10,000 consultancy cost for the Cultural Heritage Lead. There is also a £12,000 cost for data gathering and analysis to inform the Cultural Heritage Strategy, which has previously been reported to this Committee.
 - Tenders have now been issued for the extension of Egrets Way cycle path at Lewes, to be funded from the Strategic Fund and contributions from the LEADER programme. The works contract has an estimated total cost of £150,000 and is expected to be complete by June 2019.
- 3.4 **Planning:** A net below budget variance forecast of (£176,000), which represents a movement of £3,000 from the forecast variance of (£179,000) at month 4.
- There has been a movement of (£17,000) in salary related forecasts following employee turnover during the period. The net salary variance is now forecast at (£46,000) mainly due to vacancies and employee turnover.
 - It is anticipated that two additional planning posts will be recruited on an agency basis to assist with the work generated by the additional planning applications at an expected cost of £30,000.
 - The variance includes a (£20,000) increase in Community Infrastructure Levy (CIL) administration income following a review of receipts to date. This has previously been difficult to forecast due to uncertainties over the level of payable developments for this new scheme in its first year. This income will be used to offset staff costs associated to CIL.
 - There has been a minor variation to the planning fee income forecast of £10,000 since month 4, which is now forecast at (£140,000) additional income. 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 six 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 6. The revised capital programme includes two new schemes:
- The purchase of a replacement vehicle has been included in the capital programme under delegations in accordance with Financial Regulations and Standard Financial Procedures.
 - The purchase of a scrub management machine requires approval from this Committee to be included in the capital programme in accordance with Financial Regulations and Standard Financial Procedures.
- 3.6 A summary of the capital programme and new capital approval request is provided at **Appendix 2** to this report.

Review of Reserves

- 3.7 A schedule of reserves held by the Authority is provided at **Appendix 3**, which gives the purpose, movement and balance of each reserve. The movements in reserves from month 4 include:
- Transfer of £160,000 from the Strategic Fund to support the Heathlands Reunited project.
 - Transfer of £46,000 from Section 106 Receipts Reserve for contributions made to parish and town councils.

Treasury Management Overview and Position

- 3.8 The first half of 2018/19 has seen modest performance for UK economic growth, but sufficiently robust for the Monetary Policy Committee (MPC) to vote unanimously to increase the Bank Rate on 2 August 2018 to 0.75%. Total growth in 2018 is forecast at 1.5% and is forecast to increase to 1.8% in 2019 within the Bank of England's August quarterly inflation report. However, there are several caveats to this, mainly related to whether or not the UK achieves an orderly withdrawal from the EU in March 2019.
- 3.9 Some MPC members have expressed concerns over a build-up of inflationary pressures, particularly with sterling falling in value against the dollar. The Consumer Price Index (CPI) rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% target over the next two years. The MPC have indicated that the Bank Rate would need to be in a region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.
- 3.10 The Authority's investments at 30 September 2018 are made up of the following:
- £3.0m fixed deposits held with Lloyds Bank plc (held as two separate £1.5m deposits);
 - £2.5m fixed deposit held with Santander (UK) plc (held as two separate £1.0m & £1.5m deposits);
 - The remaining cash balance is invested in Brighton & Hove City Council (£4.582m at 30 September 2018).
- 3.11 The table at **Appendix 4** summarises the performance of these investments between the 1 August 2018 to 30 September 2018. The actual average interest rate earned in the period was 0.83% (up from 0.74% to 31 July 2018). The average investment rate has been positively impacted by the increase in the Base Rate. 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, it is expected that interest rates will level out in the medium term, as it is not expected that official interest rates will be raised again this financial year. This reflects the likelihood that the MPC will want to know the outcome of the Brexit negotiations before they take further action.
- 3.12 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 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

1. 2018/19 Revenue Forecast by Service Area
2. 2018/19 Capital Forecast
3. 2018/19 Reserves Position
4. 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

2018/19 Month 4 Variance £'000	Service Area	2018/19 Month 6 Budget £'000	2018/19 Month 6 Forecast £'000	2018/19 Month 6 Variance £'000	2018/19 Month 6 Variance %
91	Corporate Services	3,834	3,910	76	2.0%
(77)	Countryside Policy and Management	2,868	2,873	5	0.2%
(179)	Planning	4,186	4,010	(176)	(4.2%)
0	Strategic Investment Fund	350	350	0	0.0%
(165)	Total Service Budget	11,238	11,143	(95)	(0.8%)
0	National Park Grant	(10,309)	(10,309)	0	
0	Contribution to/from Reserves	(929)	(929)	0	
(165)	Net Authority Budget	0	(95)	(95)	

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

2018/19 Month 6 Variance £'000	Service Area	Explanation of Key Variances
11	Chief Executive's Service	One-off cost of £10,000 for contribution towards National Parks Partnership
(2)	Business Services	Professional services for refurbishment of Heath Barn farm of £35,000; net salary variance of £9,000; (£25,000) cost reduction following IDOX contract renewal and rationalisation; (£15,000) additional interest on investments due to increase in interest rates; property related variances of (£6,000).
70	Marketing and Income Generation	£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 totalling £30,000 to meet corporate requirements.
(3)	Governance and Support Services	Net variance of salary underspends and a one-off payment to HMRC.
76	Total Corporate Services Variance	
(8)	Director of Countryside Policy and Management	Minor net variance.
19	Countryside and Policy Central	£40,000 contribution to the capital programme to fund a new scrub management machine. (£31,000) salary variance mainly due to vacant Sustainable Economy Strategy Lead post currently being recruited to. Other minor variances totalling £10,000
8	Countryside and Policy Wealden Heath	£35,000 costs for Winchester landscape Study; One-off cost of £12,000 for data gathering and analysis to inform the Cultural Heritage Strategy. Net salary variance of (£39,000) due to Ranger posts currently filled on a job share basis and some staff not in pension scheme.

8	Countryside and Policy Eastern	Minor net variance.
(4)	Countryside and Policy Western	Minor net variance.
(18)	Research and Performance	Full time Project Officer role being partly met by external Rampion funding.
5	Total Countryside Policy and Management Variance	
5	Director of Planning	Minor net variance.
(30)	Planning Development Management	Various salary variances due to temporary vacancies and staff turnover of (£60,000). Agency recruitment to assist with the work generated by the additional planning applications at an expected cost of £30,000.
(163)	Performance and Technical Management	Planning fee income of (£140,000) based on income received to date and forecasts for future months based on historical trends and service expectations. CIL admin income increase of (£20,000).
12	Planning Policy	Maternity leave cover
(176)	Total Planning Variance	
0	Strategic Fund Projects	Zero variance
0	Total Strategic Fund Variance	
(95)	Total Revenue Budget Projects	

2018/19 Capital Forecast

Capital Project	2018/19 Month 4 Adjusted Budget £'000	2018/19 Month 6 Variation £'000	2018/19 Month 6 Adjusted Budget £'000	2018/19 Month 6 Forecast £'000	2018/19 Month 6 Variance £'000	2018/19 Month 6 Variance %
National Park Signage Project	169	0	169	169	0	0.0%
Vehicle Replacement	0	20	20	20	0	0.0%
Scrub Management Machine	0	40	40	40	0	0.0%
Total Capital Budget	169	60	229	229	0	0.0%

New Capital Project Approval Request:

Service Area:	Corporate Services
Project Title:	Vehicle Replacement
Total Project Costs:	£20,000

Project Purpose, Benefits and Risks:

A replacement pick-up vehicle is required following a steering failure of the previous vehicle, which the insurance company deemed to be written off as opposed to repairable. The vehicle is required for vital on-going work of the Eastern Area Office and South Downs Way. A vehicle working group monitors fleet usage and requirements across the Authority.

Capital Expenditure Profile (£'000):

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Reserves	11	0	0	0	0
Other: Insurance Settlement	9	0	0	0	0
Total Estimated Costs	20	0	0	0	0

Financial Implications:

The capital costs will be funded by a combination of capital reserves and an insurance settlement related to the write-off of the previous vehicle. It is anticipated that the insurance income will be £9,000, with the remaining sums being funded from the Vehicles Repairs and Renewals reserve which is earmarked for replacement vehicles. Replacing the vehicle reduces further revenue costs of hiring a temporary vehicle. Existing revenue budgets exist for the ongoing vehicle running costs.

New Capital Project Approval Request:

Service Area:	Countryside and Policy Management
Project Title:	Scrub Management Machine
Total Project Costs:	£40,000

Project Purpose, Benefits and Risks:

Following on from the work carried out through NIA, there is greatly increased habitat connectivity and chalk grassland across South Down National Park. There are also significant areas of re-growth needing to be tackled, much of it on extremely steep slopes. In order to deal with this more efficiently it is proposed to purchase a remote flail. This is a remote controlled, tracked machine capable of tackling steep gradients up to 60 degrees. The cost of this machine is £40,000 but it will be possible to hire this out to other bodies, as well as increasing the volume of work that can reasonably be undertaken.

Capital Expenditure Profile (£'000):

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Direct Revenue Funding	40	0	0	0	0
Total Estimated Costs	40	0	0	0	0

Financial Implications:

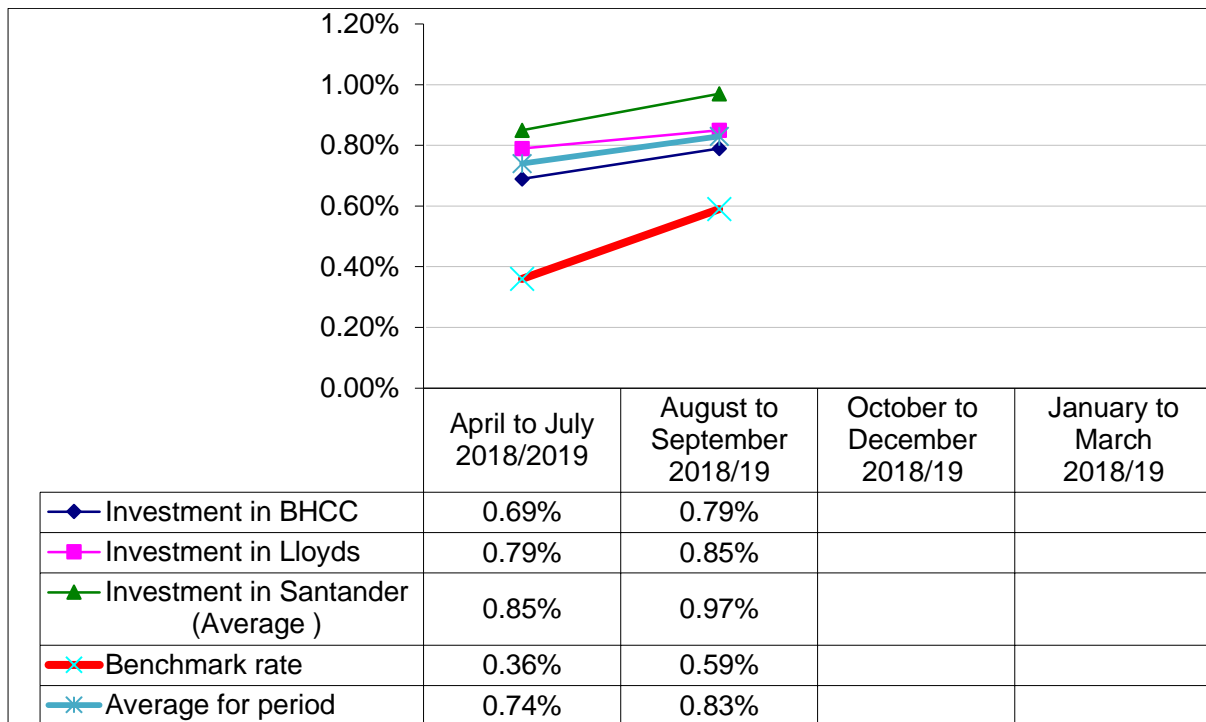
The capital costs will be funded from revenue budget within the Countryside and Policy Management service. There will be staff resources required for the operation and transport of the machine, as well as ongoing running costs, however these are expected to be offset by efficiencies compared to alternative options and potential hire income.

2018/19 Reserves Position

Reserve Type and Title	Purpose of Reserve	2018/19 Month 4 £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2018/19 Month 6 £'000
General Reserves:					
Working Balance	Working Balance	595	0	0	595
Earmarked Reserves:					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	512	0	0	512
Planning Reserve	To fund unforeseen planning inquiries, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	708	0	0	708
Strategic Fund	Reserve to carry forward underspends at year end.	824	0	(160)	664
South Downs Way	Funding transferred from South Downs Joint Committee	20	0	0	20
Volunteer Ranger Service	Funding transferred from South Downs Joint Committee	29	0	0	29
Section 106 Receipts Reserve	Receipts primarily used to develop infrastructure within the National Park	831	0	(46)	785
Section 106 Interest on Statutory Receipts		66	0	0	66
Community Infrastructure Levy Reserve	Receipts to fund infrastructure in development areas	188	0	0	188
Capital Reserves:					
Capital Receipts	Proceeds from disposal of assets available for use on capital expenditure	23	0	0	23
Estates Management Reserve	To support refurbishment of area offices.	793	0	0	793
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	35	0	0	35
Total Reserves Balance		4,624	0	(206)	4,418

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)

