



South Downs
National Park Authority

Agenda Item 7
Report PR01/19

Report to	Policy & Resources Committee
Date	28 February 2019
By	Chief Finance Officer
Title of Report	Budget Monitoring Report 2018/19: Month 9
Decision	

Recommendation: The Committee is recommended to

- 1. Note the 2018/19 revenue forecast position as at month 9.**
- 2. Note the decision to fund the contribution to the Parks for People project from service below budget variances as set out in paragraph 3.4.**
- 3. Note the 2018/19 capital forecast position as at month 9 and recommend that the National Park Authority (“the Authority”) approve the new capital project request of a new vehicle as set out in paragraph 3.8 and Appendix 2.**
- 4. Recommend that the Authority endorse the Committee’s decisions made on 22 November 2018 to approve the new capital project requests of a Vehicle Replacement and a Scrub Management Machine as set out in paragraph 3.9.**
- 5. Note the reserves position as at month 9 and recommend that the Authority approves the creation of an Affordable Housing Reserve as set out in paragraph 3.12.**
- 6. Note the Treasury Management overview and position as at month 9.**

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 9.
- 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 9 2018/19.

2. Policy Context

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

3. Issues for consideration

Revenue Forecast

- 3.1 The 2018/19 forecast revenue outturn as at month 9 is a net below budget variance of (£224,000), which represents a movement of (£129,000) from the month 6 below budget forecast variance of (£95,000). A summary of the forecast revenue position is provided by service area below and a more detailed summary is given at **Appendix I** to this report.

Service Area	Budget £'000	Forecast £'000	Variance £'000
Corporate Services	3,887	4,078	191
Countryside Policy and Management	2,868	2,889	21
Planning	3,886	3,450	(436)
Strategic Investment Fund	374	374	0
Total Service Budget	11,015	10,791	(224)

- 3.2 **Corporate Services:** A net above budget variance of £191,000 is forecast, which represents a movement of £115,000 from the month 6 forecast position. Significant movements relate to one off costs such as new IT system upgrades for Member Services and Human Resources of £36,000 which will increase efficiency and effectiveness, Dark Skies engagement and equipment costs of £25,000, feasibility costs for Seven Sisters of £13,000, as well as additional salary costs of £18,000 covering adjustments to flexible working hours and one staff upgrade due to successfully gaining a professional qualification. Previously reported variances remain, mainly relating to the refurbishment of Heath Barn Farm, contributions from the Income Generation Fund and reduced ICT contract costs.
- 3.3 **Countryside Policy and Management:** An above budget variance of £21,000 is forecast, which represents a movement of £16,000 from the month 6 forecast position. There has been a net (£60,000) movement in salary forecasts mainly due to the recruitment lead time for specialist vacant posts (namely Cultural Heritage Lead and Rural Sustainable Economy Lead) and apprenticeship posts being funded from project funding. Other movements from month 6 include £20,000 costs for improvements works to Centurion Way Phase I not being funded from the Strategic Fund.
- 3.4 The forecast also includes £53,000 contribution to the Stanmer Park “Parks for People” project in partnership with Brighton & Hove City Council. In July 2016 Policy & Programme Committee agreed the use of the Estate Management Reserve to fund this contribution. The contribution will now be funded from the net below budget variance and the reserve retained for its intended purpose to support the refurbishment of area offices. The decision has been made under the scheme of virement in accordance with the Authority’s Standard Financial Procedures.
- 3.5 **Planning:** A net below budget variance of (£436,000) is forecast, which represents a movement of (£260,000) from the month 6 forecast position.
- The most significant movement from month 6 relates to efficiency savings on the new S101 contracts resulting in reduced Delegated Agreement payments of (£175,000). This has previously not been forecast due to delays in quarterly payments and not having a full year’s worth of data following the change in contracts. The variance represents approximately 7% of the £2.6million budget. Transition arrangements are in place that allow for District Councils to receive a ‘parachute’ payment if their income through the agreements drops by over 10% in any year. It is possible that such payments could be triggered for one or two authorities in the current financial year.

- There has also been a minor variation of £38,000 to the planning fee income forecast following an updated review of the number, value and type of applications received during the quarter and previous years' trends. The revised planning income forecast is now for (£101,000) additional income compared to budget which represents approximately 9% of the planning income budget.
- Other significant movements include Development Management budgets for direct action legal and consultancy totalling (£46,000) not being required in the year due to low numbers of planning enquiries and challenges; costs relating to Mineral and Waste (£36,000) and Local Plan (£33,000) being less than budgeted; and a net movement of (£11,000) in salary and agency related forecasts following employee turnover during the period.

Capital Forecast

- 3.6 There is a zero forecast variance on the capital programme at month 9. A summary of the capital programme is provided at **Appendix 2** to this report.
- 3.7 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, approved in accordance with responsibilities defined by the Authority's Financial Regulations and Standard Financial Procedures. A review of the signage project will be reported to this committee following completion of phase 1 and before commencement of phase 2.
- 3.8 The revised capital programme includes the acquisition of a new vehicle for the transportation of staff and equipment as recommended by an officer group following a review of vehicle utilisation across the Area Teams. Approval is being sought for the Committee to recommend that the Authority approve this request and the project is included in the capital programme. Appendix 2 to this report includes a New Capital Project Approval Request which sets out the project purpose, benefits and financial implications.
- 3.9 On 22 November 2018, this Committee approved two new capital project approval requests relating to a vehicle replacement and a scrub management machine as part of the Budget Monitoring Report 2018/19 Month 6. Inconsistent provisions have been identified in Financial Procedures that indicate that new capital projects shall be approved by both the Committee and the Authority. Approval is therefore being sought that the Committee recommend that the Authority endorses the Committee's earlier decisions to approve the new capital projects, thereby including them in the capital programme. It is intended that Financial Procedures will be reviewed, however, in the meantime, it is proposed that, for the sake of clarity, new capital approval decisions will be taken to the Authority for approval.

Review of Reserves

- 3.10 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 6 include:
- Transfer of £49,000 from the Strategic Fund to support the Egrets Way Phase 4, Audio Trails and Archaeology on the Edge projects;
 - Net transfers of £59,000 from the Section 106 Receipts Reserve, made up of £104,000 of contributions made to parish and town councils and (£45,000) receipts received;
 - Transfer of £359,000 into the Community Infrastructure Levy Reserve for the net income received in year to date;
 - £9,000 insurance income to the Vehicle Repairs and Renewals reserve following the write-off of a vehicle, to be used to fund the purchase of a replacement vehicle.
- 3.11 Since the month 9 position, approval has been given in accordance with responsibilities defined by the Authority's Financial Regulations and Standard Financial Procedures to transfer the balance of the Volunteer Ranger Service Reserve of £29,000 to the South Downs National Park Trust. The South Downs National Park Trust will set up a Volunteer Conservation Fund to ensure the funds continue to be held for their original intended purpose.

- 3.12 Approval is being sought for the Committee to recommend that the Authority approves the creation of an Affordable Housing Reserve. An annual £100,000 allocation has been assumed within the Medium Term Financial Plan to support affordable housing options being considered by the authority. Most of the activity associated with this budget in the current financial year has been completed in-house resulting in approximately £80,000 being unspent; it is therefore anticipated that this £80,000 will be the initial contribution to the reserve for the purpose of supporting affordable housing options being considered by the authority in the future, following the conclusion of the Local Plan. A number of affordable housing schemes are in the pipeline; one or two of which are expected to come forward and require funding in the next financial year. The month 9 forecast position assumes that this approval is granted and a contribution made to the reserve.

Treasury Management Overview and Position

- 3.13 2018 has been a fairly unsettled year in terms of the economic backdrop for many major global economies. Domestically, the negotiations and the eventual terms of the EU withdrawal have taken centre stage, contributing to volatility in the UK markets including in the price of sterling. Elsewhere, there have been geo-political tensions, trade tensions between the US and China and worries about a global slowdown which have all shaken investor confidence, contributing to the largest correction in global equity markets since 2009.
- 3.14 The Bank of England's Monetary Policy Committee voted unanimously to keep rates at 0.75% in their meeting of December 2018. The meeting minutes reflected that their response to a No Deal Brexit was not necessarily a rate cut, but would depend on how the terms of exit affect the supply and demand of the economy and the inflationary impact of this. Advice from treasury advisors, Link Asset Services, is being sought in terms of positioning the investment portfolios of the Authority so as to mitigate any risks of a disorderly no deal exit as far as possible and within the approved risk appetite of the Authority.
- 3.15 The Authority's investments at 31 December 2018 are made up of the following:
- £1.5m fixed deposits held with Lloyds Bank plc
 - £4.0m fixed deposit held with Santander (UK) plc (held as three separate deposits);
 - The remaining cash balance is invested in Brighton & Hove City Council (£3.599m at 31 December 2018).
- 3.16 The table at Appendix 4 summarises the performance of these investments to 31 December 2018. The actual average interest rate earned in the period was 0.93% (up from 0.81% in quarter 2). The average investment rate has been positively impacted by the increase in the Base Rate as maturing investments have been replaced by new investments at higher deposit rates. Officers are assessing the potential impact of a variety of EU withdrawal scenarios to ensure the investment portfolio is mitigated against any increased counterparty or economic risk perceived as a result of a no deal exit from the EU.
- 3.17 Officers regularly 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 on its available resources. 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?	Internal controls and governance are in place to ensure the economical, efficient and effective use of resources. The switch of contribution for Stanmer Park represents prudent uses of resources based on the latest in-year monitoring information.
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.

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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 Procedure.

2018/19 Revenue Forecast by Service Area

2018/19 Month 6 Variance £'000	Service Area	2018/19 Month 9 Budget £'000	2018/19 Month 9 Forecast £'000	2018/19 Month 9 Variance £'000	2018/19 Month 9 Variance %
76	Corporate Services	3,887	4,078	191	4.9%
5	Countryside Policy and Management	2,868	2,889	21	0.7%
(176)	Planning	3,886	3,450	(436)	(11.2%)
0	Strategic Investment Fund	374	374	0	0.0%
(95)	Total Service Budget	11,015	10,791	(224)	(2.0%)
0	National Park Grant	(10,309)	(10,309)	0	
0	Contribution to/from Reserves	(706)	(706)	0	
(95)	Net Authority Budget	0	(224)	(224)	

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

2018/19 Month 9 Variance £'000	Service Area	Explanation of Key Variances
12	Chief Executive's Service	One-off cost of £10,000 for contribution towards National Parks Partnership for the current year.
77	Business Services	£36,000 IT member services and payroll system upgrade costs; £35,000 professional services for refurbishment of Heath Barn farm; £17,000 net salary variance ; £13,000 Seven Sisters feasibility costs; reduction in income for utilities incentive scheme £9,000; (£25,000) cost reduction following IDOX contract renewal and rationalisation; (£15,000) additional interest on investments due to increase in interest rates.
97	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 £25,000 to meet corporate requirements; £25,000 for Dark Skies engagement and equipment.
5	Governance and Support Services	Net variance of salary underspends and a one-off payment to HMRC.
191	Total Corporate Services Variance	
(7)	Director of Countryside Policy and Management	Minor net variance.
(6)	Countryside and Policy Central	£40,000 contribution to the capital programme to fund a new scrub management machine; (£47,000) salary variance mainly due to vacant Sustainable Economy Strategy Lead post currently being recruited.

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(19)	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 (£68,000) mainly due to temporary vacancies and turnover relating to Ranger and Cultural Heritage Lead posts.
62	Countryside and Policy Eastern	£53,000 contribution to the Stanmer Park “Parks for People” project in partnership with Brighton & Hove City Council.
7	Countryside and Policy Western	£20,000 additional health and safety works on the Centurion Way project; £8,000 additional stone costs for South Downs Way project; net variance on salary budgets of (£20,000).
(16)	Research and Performance	Full time Project Officer role being partly met by external Rampion funding.
21	Total Countryside Policy and Management Variance	
4	Director of Planning	Minor net variance.
(70)	Planning Development Management	Agency recruitment to assist with the work generated by the additional planning applications at an expected cost of £40,000; various salary variances due to temporary vacancies and staff turnover of (£62,000); underspends of (£46,000) for direct actions costs, legal costs and consultancy.
(320)	Performance and Technical Management	Additional planning fee income of (£101,000) based on income received to date and forecasts for future months based on historical trends and service expectations; (£175,000) cost reduction due to some efficiencies in Delegated Agreement payments; net salary variance of (£22,000); Community Infrastructure Levy admin income increase of (£20,000).
(50)	Planning Policy	Net variance on salary costs of £13,000; Budgeted projects costs not required relating to Minerals and Waste (£36,000) and Local Plan (£33,000).
(436)	Total Planning Variance	
0	Strategic Fund Projects	Zero variance
0	Total Strategic Fund Variance	
(224)	Total Revenue Budget Projects	

2018/19 Capital Forecast

Capital Project	2018/19 Month 6 Adjusted Budget £'000	2018/19 Month 9 Variation £'000	2018/19 Month 9 Adjusted Budget £'000	2018/19 Month 9 Forecast £'000	2018/19 Month 9 Variance £'000	2018/19 Month 9 Variance %
National Park Signage Project	169	(20)	149	149	0	0.0%
Total Capital Budget	169	(20)	149	149	0	0.0%

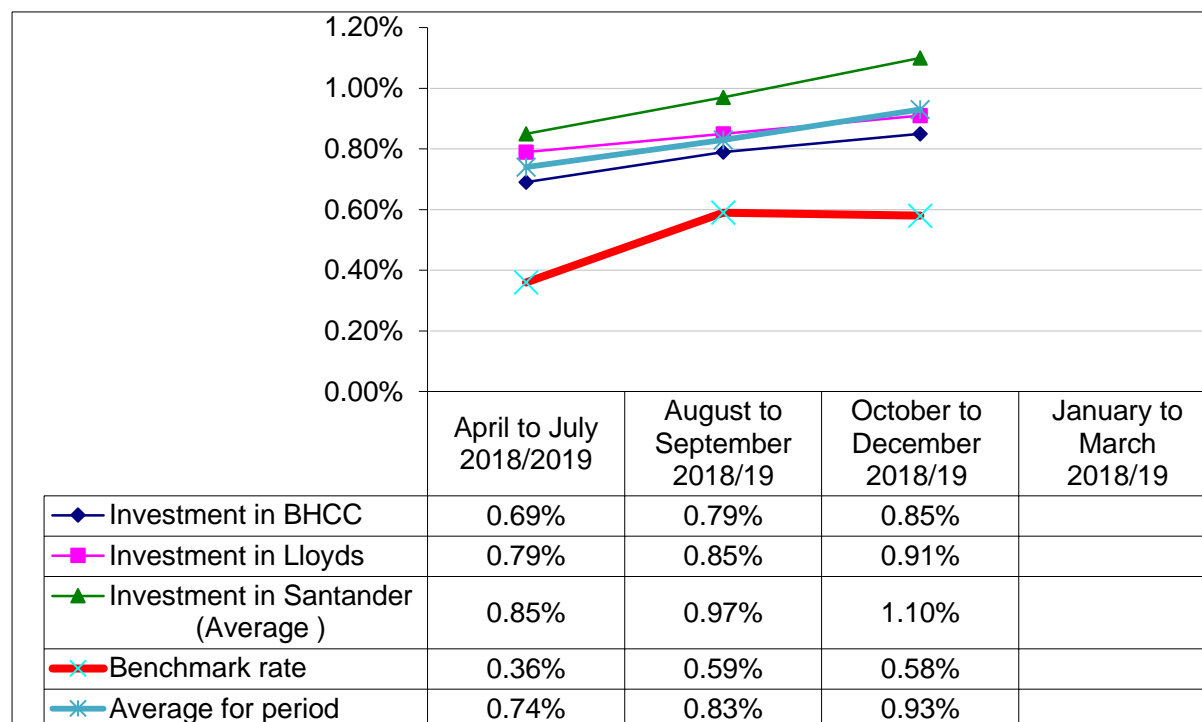
New Capital Project Approval Request:					
Service Area:	Corporate Services				
Project Title:	New Vehicle				
Total Project Costs:	£20,500				
Project Purpose, Benefits and Risks:					
<p>The vehicle fleet has not significantly changed in content for some years, other than for renewals and the addition of the two events vans. During 2018 an officer group was formed under the chair of Country and Policy Manager to look at vehicle utilisation across the Area Teams. In most cases, it was possible to redistribute vehicles to provide a better fit with operational requirements but a shortfall of one vehicle has been identified. The purchase of a pick-up truck will allow the team to transport staff and with the provision of a hard cover it will allow the transportation of equipment without the need for a trailer and a trained driver.</p>					
Capital Expenditure Profile (£'000):					
Year	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Reserves	21	0	0	0	0
Total Estimated Costs	21	0	0	0	0
Financial Implications:					
<p>The capital costs will be funded from Vehicles Repairs and Renewals reserve which is earmarked for replacement vehicles. This will reduce the value of the vehicle replacement fund, but will leave sufficient funds for emergency use, i.e. vehicle write-offs where the insurance payment has to be supplemented from capital funds to replace the damaged vehicle. Ongoing vehicle running costs will be met from existing revenue budgets.</p>					

2018/19 Reserves Position

Reserve Type and Title	Purpose of Reserve	2018/19 Month 6 £'000	Move-ment Between Reserves £'000	Contrib-utions to/from Reserves £'000	2018/19 Month 9 £'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.	664	0	(49)	615
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	785	0	(59)	726
Section 106 Interest on Statutory Receipts		66	0	0	66
Community Infrastructure Levy Reserve	Receipts to fund infrastructure in development areas	188	0	359	547
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	9	44
Total Reserves Balance		4,418	0	260	4,678

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)

