

Report to	<b>Policy &amp; Resources Committee</b>
Date	<b>26 September 2019</b>
By	<b>Chief Finance Officer</b>
Title of Report (Note)	<b>Budget Monitoring Report 2019/20: Month 4</b>

**Recommendation: The Committee is recommended to**

- 1) Note the 2019/20 revenue forecast position as at month 4 of a net £5,000 above budget variance.**
- 2) Note the 2019/20 capital forecast position as at month 4 of a zero budget variance.**
- 3) Note the reserves position as at month 4.**
- 4) Note the Treasury Management overview and position as at month 4.**

**1. Introduction**

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2019/20 financial year on the 28 March 2019. 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 2019/20 forecast financial position at the end of month 4.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were approved by the Authority on 28 March 2019. 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 2019/20.

**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 2019/20 forecast revenue outturn as at month 4 is a net above budget variance of £5,000. 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. The month 4 forecast has been developed following a review of current and anticipated changes in staffing, as well as other significant known variances.

Service Area	Budget £'000	Forecast £'000	Variance £'000
Corporate Services	4,242	4,267	25
Countryside Policy and Management	2,898	2,883	(15)
Planning	3,879	3,874	(5)
Strategic Investment Fund	471	471	0
<b>Total Service Budget</b>	<b>11,490</b>	<b>11,495</b>	<b>5</b>

- 3.2 **Corporate Services:** A net above budget variance forecast of £25,000. The variance represents the net salary forecast taking into account employee turnover and two new posts (Development Management Technician support within Idox team, and HR Administrator within HR team) having been agreed that are not in the original budgeted establishment. These posts will deal with increasing workload and provide resource to allow contract savings to be made in the longer term.
- 3.3 **Countryside Policy and Management:** A net below budget variance forecast of (£15,000). The variance represents the net salary forecast taking into account employee turnover, including various vacancies within the ranger service, and two new posts (Transport Analyst role within Environment and Infrastructure team and Health and Wellbeing officer post within Research and Performance team) having been agreed that are not in the original budgeted establishment.
- 3.4 **Planning:** A net below budget variance of (£5,000) is forecast.
- An anticipated variance of £100,000 less planning fee income than budgeted, following an updated review of the number, value and type of applications received during the year to date. The number and value of planning applications received is less when compared to the same period last year (see table below) and the profiled budget to date. Movements in income do not directly relate to changes in workload.

	2018/19 Quarter 1 Actuals	2019/20 Quarter 1 Actuals	Variance
Number of applications under £5k	945	887	(58)
Value of applications under £5k	£214,813	£190,568	(£24,245)
Number of applications over £5k	8	7	(1)
Value of applications over £5k	£109,540	£69,473	(£40,067)
<b>Total Value of Applications</b>	<b>£324,353</b>	<b>£260,041</b>	<b>(£64,312)</b>

*The figures provided above are based on a snapshot of data available at the time of the production of this report and may change depending on timing and reconciliation, however provide an indicative position reflective of income received.*

- The number and value of planning applications and pre- application enquiries varies by quarter, so this forecast will be regularly reviewed.
  - Delegated agreements payments relating to quarter 4 2018/19 being (£65,000) less than the amount assumed at the 2018/19 year end.
  - A net below budget variance relating to salary costs of (£30,000), due to various vacancies across the service, being partly offset by two new posts (Transport Infrastructure post within Major Planning Projects and Performance team, and Planning Support Service post within Planning Policy team) having been agreed that are not in the original budgeted establishment.
  - Community Infrastructure Levy administration income is forecast to be (£10,000) greater than budgeted assuming a similar level of income to last financial year.
- 3.5 The net salary forecast across all services is (£20,000) below budget. It should be noted that the forecast represents known staffing levels at the time of review, and an allowance for staff turnover throughout the remainder of the financial year. There were 16 vacant posts across all departments as at the month 4 position. The staffing structure is kept under continuous

review and new posts are created following Senior Management Team approval where there is a clear operational requirement and sufficient budget identified. No organisation can expect to operate at full complement and a moderate level of turnover is both unavoidable and desirable. The forthcoming budget round will therefore propose that an appropriate turnover rate is applied when budgeting for salaries in future. This will reduce the extent of such underspends as well as unlocking additional resources for the Authority to allocate through the budget.

#### Capital Forecast

- 3.6 There is a zero forecast variance on the capital programme at month 4. A summary of the capital programme 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 the 2018/19 outturn position include:
- Transfer of the 2019/20 approved budget surplus of £136,000 to general reserves.
  - Net transfer of (£35,000) from the Strategic Fund, made up of the 2019/20 approved budget of £220,000 being transferred to the reserve and (£255,000) towards the setup and support of 15 different projects across the authority.
  - Contributions of (£21,000) from the Section 106 Receipts Reserve for payments to parish and town councils.

#### Treasury Management Overview and Position

- 3.8 The Bank of England's August Inflation Report highlighted the slowing down of the UK economy in the first half of 2019, impacted by a slowing of growth of other global economies, and a weakening of investment by UK companies, caused primarily by the uncertainty around Brexit. During the end part of quarter 2 2019, market rates have been pricing in an expectation of a fall in interest rates in early 2020, with the primary impact being the increased likelihood of a no deal Brexit resulting from the recent UK Government policy to leave the European Union with or without a deal on 31 October 2019.
- 3.9 Globally, many major economies have seen a slowdown in growth, including China, Germany and the US. The US Central Bank (The Fed) cut interest rates in July 2019 after a number of years of strong growth and interest rate rises. Whilst this does not indicate that the US is heading towards a recession, it is likely that this is the first of a few cuts over the next year in order to counter the slowdown in growth.
- 3.10 Brighton & Hove City Council's Treasury Advisors (Link Asset Services) have pushed out their expectations of a rise in the Bank of England Base Rate to December 2020, although their current forecast is predicated on a deal with the EU come 31 October 2019.
- 3.11 The Authority's investments at 31 July 2019 are made up of the following:
- £4.0m fixed deposits held with Lloyds Bank plc (held as three separate deposits: £2.0m & £1.5m & £0.5m);
  - £3.5m fixed deposit held with Santander (UK) plc (held as two separate deposits: £1.5m & £2.0m);
  - The remaining cash balance is invested in Brighton & Hove City Council (£4.967m at 31 July 2019).
- 3.12 The table at **Appendix 4** summarises the performance of these investments to 31 July 2019. The actual average interest rate earned in period was 1.12% (up from 1.03% in quarter 4 2018/19). The average rate earned has improved as a result of re-investing maturity investments at a higher rate, reflecting the increase in the Bank of England Base Rate in August 2018.
- 3.13 Officers regularly review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.

3.14 A Member Workshop covering Treasury Management issues will be held on 28 November 2019, which the external Treasury Management advisors will attend to discuss the background to investment strategies.

#### 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. An above budget variance at the end of the financial year could reduce 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. An above budget variance at the end of the financial year could reduce 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.
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:	<a href="mailto:steven.bedford@brighton-hove.gov.uk">steven.bedford@brighton-hove.gov.uk</a>
Appendices	<ol style="list-style-type: none"><li>1. 2019/20 Revenue Forecast by Service Area</li><li>2. 2019/20 Capital Forecast</li><li>3. 2019/20 Reserves Position</li><li>4. 2019/20 Treasury Management Performance</li><li>5. Explanation of Key Terms</li></ol>
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.

2019/20 Revenue Forecast by Service Area

2018/19 Outturn Variance £'000	Service Area	2019/20 Month 4 Budget £'000	2019/20 Month 4 Forecast £'000	2019/20 Month 4 Variance £'000	2019/20 Month 4 Variance %
188	Corporate Services	4,242	4,267	25	0.59%
(46)	Countryside Policy and Management	2,898	2,883	(15)	(0.52%)
(527)	Planning	3,879	3,874	(5)	(0.13%)
0	Strategic Investment Fund	471	471	0	0.00%
<b>(385)</b>	<b>Total Service Budget</b>	<b>11,490</b>	<b>11,495</b>	<b>5</b>	<b>0.04%</b>
0	National Park Grant	(10,486)	(10,486)	0	
0	Contribution to/from Reserves	(1,004)	(1,004)	0	
<b>(385)</b>	<b>Net Authority Budget</b>	<b>0</b>	<b>5</b>	<b>5</b>	

2019/20 Revenue Forecast by Service Area – Explanation of Key Variances

2019/20 Month 4 Variance £'000	Service Area	Explanation of Key Variances
0	Chief Executive's Service	Zero net variance
34	Business Services	£55,000 variance is due to two new posts having been agreed that are not in the original budgeted establishment (Development Management Technician support within Idox team and HR Administrator within HR team). (£21,000) allowance for employee turnover across Corporate Services for the remainder of the financial year.
(11)	Marketing and Income Generation	(£11,000) variance is due to salaries where some posts currently being filled with less hours than budgeted.
2	Governance and Support Services	Minor net variance
<b>25</b>	<b>Total Corporate Services Variance</b>	
(20)	Director of Countryside Policy and Management	(£19,000) allowance for employee turnover across Countryside Policy and Management for the remainder of the financial year. (£1,000) other minor variances.
(27)	Countryside and Policy Central	(27,000) variance is due to vacant posts within Ranger services.
21	Countryside and Policy Wealden Heath	£21,000 variance is due to a new post having been agreed that is not in the original budgeted establishment (Transport Analyst role within Environment and Infrastructure team)
(12)	Countryside and Policy Eastern	(12,000) variance is due to a vacant post within Ranger services.
(6)	Countryside and Policy Western	Minor net variance.

29	Research and Performance	£29,000 variance is due to a new post having been agreed that is not in the original budgeted establishment (Health and Wellbeing officer post within Research and Performance team.)
<b>15</b>	<b>Total Countryside Policy and Management Variance</b>	
(15)	Director of Planning	(£20,000) allowance for employee turnover across Planning for the remainder of the financial year. £5,000 other minor variances
(29)	Planning Development Management	(29,000) variance is due to a vacant post.
37	Performance and Technical Management	£100,000 lower planning fee income than forecast; £14,000 due to a new posts being agreed that was not in the original budgeted establishment (Transport Infrastructure post within Major Planning Projects and Performance team); Quarter 4 delegated agreements payments being (£65,000) less that the amount assumed at year end 2018/19; (£10,000) forecast additional CIL administration income; (£2,000) other minor variances.
2	Planning Policy	Minor net variance.
<b>(5)</b>	<b>Total Planning Variance</b>	
0	Strategic Fund Projects	Zero variance
<b>0</b>	<b>Total Strategic Fund Variance</b>	
<b>5</b>	<b>Total Revenue Budget Projects</b>	

2019/20 Capital Forecast

<b>Capital Project</b>	<b>2019/20 Month 4 Original Budget £'000</b>	<b>2019/20 Month 4 Variation £'000</b>	<b>2019/20 Month 4 Adjusted Budget £'000</b>	<b>2019/20 Month 4 Forecast £'000</b>	<b>2019/20 Month 4 Variance £'000</b>	<b>2019/20 Month 4 Variance %</b>
National Park Signage Project	168	0	168	168	0	0.0%
New Vehicle	21	0	21	21	0	0.0%
<b>Total Capital Budget</b>	<b>189</b>	<b>0</b>	<b>189</b>	<b>189</b>	<b>0</b>	<b>0.0%</b>

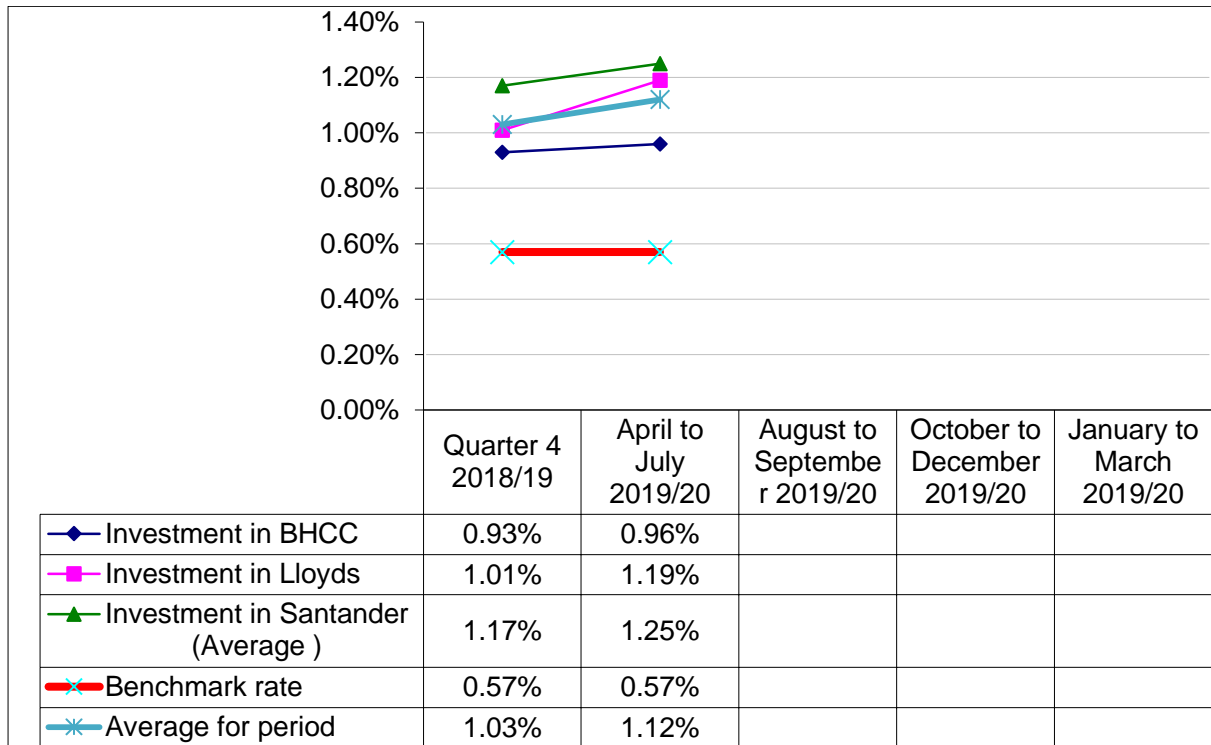


2019/20 Reserves Position

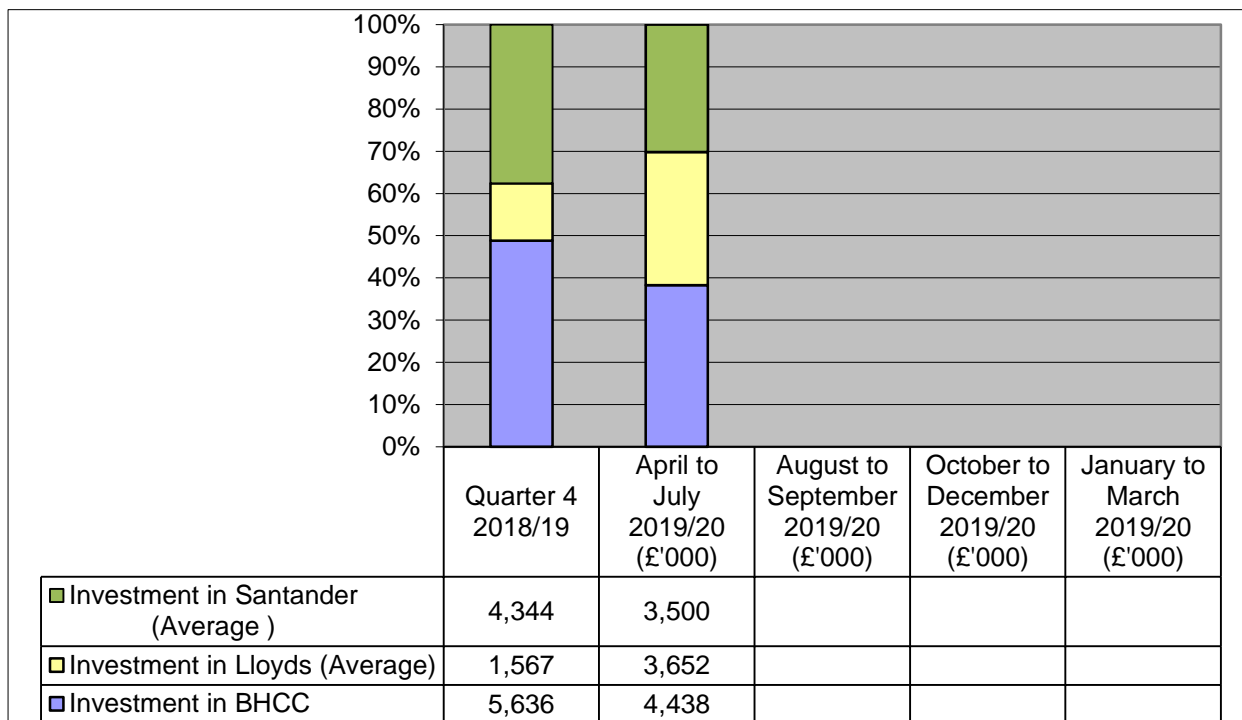
Reserve Type and Title	Purpose of Reserve	2018/19 Outturn £'000	Move-ment Between Reserves £'000	Contrib-utions to/from Reserves £'000	2019/20 Month 4 £'000
<b>General Reserves:</b>					
Working Balance	Working Balance	595	0	0	595
General Reserve	General Reserve representing the 2019/20 approved budget surplus	0	0	136	136
<b>Earmarked Reserves:</b>					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	512	0	0	512
Planning Reserve	To fund unforeseen planning inquires, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	708	0	0	708
Strategic Fund	Reserve to hold unspent Strategic Fund allocations.	689	0	(35)	654
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	85	0	0	85
South Downs Way	Funding transferred from South Downs Joint Committee	20	0	0	20
Section 106 Receipts Reserve	Receipts primarily used to develop infrastructure within the National Park	743	0	(21)	722
Section 106 Interest on Statutory Receipts		101	0	0	101
Community Infrastructure Levy Reserve	Receipts to fund infrastructure in development areas	1,978	0	0	1,978
<b>Capital Reserves:</b>					
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.	1,178	0	0	1,178
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	22	0	0	22
<b>Total Reserves Balance</b>		<b>6,654</b>	<b>0</b>	<b>80</b>	<b>6,734</b>

2019/20 Treasury Management Performance

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



Average amount invested (weighted by amount per day)



Explanation of Key Terms

Key Term	Explanation
Above budget Variance	Difference between budgeted and actual/forecasted activity which would have an adverse impact on the Authority's financial position, e.g. expenditure in excess of available budget, or less income than budgeted.
Below budget variance	Difference between budgeted and actual/forecasted activity which would have a favourable impact the Authority's financial position, e.g. less expenditure than budgeted, or more income than budgeted.
Budget Carry Forward	Unspent revenue budgets to be moved from one financial year to another where circumstances mean that it is not possible to spend budgets in the current financial year.
Capital Expenditure	Expenditure involving the acquisition or enhancement of assets with a long term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles.
Capital Programme	Approved budgets for capital expenditure over the Medium Term Financial Strategy period which supports priorities informed by the Members' Budget Workshops and outcomes identified in the PMP.
Capital Reprofile	Unspent capital budgets to be moved from one financial year to another where circumstances mean that it is not possible to spend capital budgets in the current financial year.
Financial Procedures	Approved procedures which set out the responsibilities of Members and officers of how Financial Regulations are to be applied in practice.
Financial Regulations	Approved responsibilities of Members, directors, statutory officers and managers in looking after the financial affairs of the Authority. It seeks to ensure high standards of financial conduct, and probity in dealing with public money.
Medium Term Financial Strategy (MTFS)	Planned use of resources over a five year period taking into consideration assumptions for anticipated changes in commitments, savings and grant income.
Movement	Changes in actual/forecasted activity compared to previously reported forecasts.
Non-Grant Funded Budgets	Expenditure budgets that are not funded by grants from external bodies
Provisional Outturn Position	The anticipated year-end financial position of the Authority subject to any required approvals and assessment from external auditors.
Reserves	Funds retained to provide for future services and activities, usually earmarked for specific purposes, subject to maintaining prudent levels and any statutory limitations
Revenue	Expenditure and income required to meet ongoing day-to-day activities of the Authority. Examples include salaries, wages, material, supplies and services.
Ringfenced Grants	Financial assistance from external bodies to fund specific activity, where conditions exist to repay the grant should it not be used to fund the specified activity.
Unringfenced Grants	Financial assistance from external bodies to fund activity, where no conditions exist to repay the grant.

