

Agenda Item 7
Report PRI9/20-18

Report to	Policy & Resources Committee
Date	28 November 2019
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report 2019/20: Month 6

Recommendation: The Committee is recommended to:

- 1) Note the 2019/20 revenue forecast position as at month 6 of a net (£122,000) below budget variance.**
- 2) Note the 2019/20 capital forecast position as at month 6 of a zero budget variance.**
- 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 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 6.
- 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 6 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 6 is a net below budget variance of (£122,000), which represents a movement of (£127,000) from the month 4 net above budget forecast 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 6 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	4,164	4,195	31
Countryside Policy and Management	2,956	2,946	(10)
Planning	3,879	3,736	(143)
Strategic Investment Fund	491	491	0
Total Service Budget	11,490	11,368	(122)

3.2 **Corporate Services:** A net above budget variance forecast of £31,000, which represents a movement of £6,000 from the month 4 net about budget forecast variance of £25,000. The variance includes a net salary forecast of £11,000 above budget, taking into account employee turnover and two new posts (a Development Management Technician support within the Idox team, and a 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. The forecast also includes anticipated unbudgeted expenditure of £20,000 for the promotion of the National Park through the 10th anniversary of the National Park celebrations as previously reported to the NPA.

3.3 **Countryside Policy and Management:** A net below budget variance forecast of (£10,000), which represents a movement of £5,000 from the month 4 net below budget forecast of (£15,000). The variance represents a net salary forecast taking into account employee turnover, including various vacancies within the ranger service, and two new posts (a Transport Analyst role within the Environment and Infrastructure team and a 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 (£143,000) is forecast, which represents a movement of (£138,000) from the month 4 net below budget forecast of (£5,000).

- An anticipated variance of £100,000 less planning fee income than budgeted, following an assessment 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. It should be noted the planning income budget was increased by £200,000 in 2019/20 to reflect previous year's income levels and an anticipated increase in applications following the adoption of the Local Plan.

	2018/19 Month 6 Actuals	2019/20 Month 6 Actuals	Month 6 Variance
Number of applications under £5k	1,836	1,759	(77)
Value of applications under £5k	£413,808	£396,409	(£17,399)
Number of applications over £5k	14	14	0
Value of applications over £5k	£196,858	£185,765	(£11,093)
Total Value of Applications	£610,666	£582,174	(£28,492)

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. Movements in income do not directly relate to changes in workload.

- Delegated agreements payments are forecast to be (£195,000) less than budget. This relates to the quarter 4 2018/19 payments being (£66,000) less than the amount assumed at the 2018/19 year end, and (£129,000) relating to current year activity. The

forecast relating to current year activity represents a combination of contract efficiencies achieved from payments by application section 101 contracts, as well as a lower number of applications in year.

- A net below budget variance relating to salary costs of (£34,000), due to various vacancies and employee turnover across the service, being partly offset by two new posts (an Infrastructure post to focus on Nationally Significant Infrastructure Projects (NSIPs) within Major Planning Projects and Performance team, and a 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 Strategic Fund is forecast at zero variance. Any unallocated or unspent funds at the end of the financial year will be transferred to the Strategic Fund reserve to fund future strategic priorities. Details of Strategic Fund projects funded from current year budget allocations will be reported as part of a separate report elsewhere on this Committee agenda.

3.6 The net salary forecast across all services is (£40,000) 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 7 vacant posts across all departments as at the month 6 position, compared to 16 as at month 4. 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. As previously reported, the forthcoming budget round will 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

3.7 There is a zero forecast variance on the capital programme at month 6. There are no variations to the capital programme to report. A summary of the capital programme is provided at **Appendix 2** to this report.

Review of Reserves

3.8 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 month 4 position include:

- £60,000 contribution to the Vehicle Repairs and Renewals reserve following the sales of vehicles, to be earmarked for the purchase of replacement vehicles in the future.

Treasury Management Overview and Position

3.9 In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. The Monetary Policy Committee (MPC) meeting of 19 September reemphasised their concern about the downturn in world growth and also expressed concern that prolonged Brexit uncertainty would contribute to a build-up of spare capacity in the UK economy, especially in the context of a downturn in world growth. This mirrored investor concerns around the world which are now expecting a significant downturn or possibly even a recession in some major developed economies. The Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019 so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

3.10 At the time of producing this report, 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 given that the Brexit situation is highly fluid and the

forthcoming general election, any interest rate forecasts are subject to material change as the situation evolves.

- 3.11 The Authority's investments at 30 September 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 (£3.647m at 30 September 2019).

The table at **Appendix 4** summarises the performance of these investments to 30 September 2019. The actual average interest rate earned in period was 1.12% (unchanged from Month 4 2019/20).

- 3.12 The average rate is expected to reduce over the next six months as an increase in market expectations of a cut in the official Bank Rate has impacted on market investment rates in the last quarter. This has already been seen in the reduction of new investment rates with Lloyds and Santander, as well as reducing yield on liquid investments held with Brighton & Hove City Council.
- 3.13 Officers regularly review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.
- 3.14 All Members have been invited to a workshop covering Treasury Management issues to be held before the meeting of the Policy and Resources Committee 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. A below budget variance at the end of the financial year could add to reserve levels 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.

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Appendices

1. 2019/20 Revenue Forecast by Service Area
2. 2019/20 Capital Forecast
3. 2019/20 Reserves Position
4. 2019/20 Treasury Management Performance
5. Explanation of Key Terms

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

2019/20 Month 4 Variance £'000	Service Area	2019/20 Month 6 Budget £'000	2019/20 Month 6 Forecast £'000	2019/20 Month 6 Variance £'000	2019/20 Month 6 Variance %
25	Corporate Services	4,164	4,195	31	0.7%
(15)	Countryside Policy and Management	2,956	2,946	(10)	(0.3%)
(5)	Planning	3,879	3,736	(143)	(3.7%)
0	Strategic Investment Fund	491	491	0	0.0%
5	Total Service Budget	11,490	11,368	(122)	(1.1%)
0	National Park Grant	(10,486)	(10,486)	0	
0	Contribution to/from Reserves	(1,004)	(1,004)	0	
5	Net Authority Budget	0	(122)	(122)	

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

2019/20 Month 6 Variance £'000	Service Area	Explanation of Key Variances
0	Chief Executive's Service	Zero net variance
19	Business Services	£27,000 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). (£14,000) allowance for employee turnover across Corporate Services for the remainder of the financial year. £6,000 other minor variances.
12	Marketing and Income Generation	(£11,000) variance is due to salaries where some posts currently being filled with less hours than budgeted. £20,000 unbudgeted expenditure for the the 10th anniversary of the National Park celebrations approved by the NPA.
0	Governance and Support Services	Minor net variance
31	Total Corporate Services Variance	
(15)	Director of Countryside Policy and Management	(£15,000) allowance for employee turnover across Countryside Policy and Management for the remainder of the financial year.
(24)	Countryside and Policy Central	(24,000) variance due to vacant posts within Ranger services.
19	Countryside and Policy Wealden Heath	£19,000 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)
(16)	Countryside and Policy Eastern	(16,000) variance is due to a vacant post within Ranger services.

(7)	Countryside and Policy Western	Minor net variance.
33	Research and Performance	£33,000 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.)
(10)	Total Countryside Policy and Management Variance	
(10)	Director of Planning	(£15,000) allowance for employee turnover across Planning for the remainder of the financial year. £5,000 other minor variances
(43)	Planning Development Management	(39,000) variance is due to a vacant post. (£4,000) other minor variances.
(92)	Performance and Technical Management	£100,000 lower planning fee income than forecast; £13,000 net salary variance from vacancies and new posts being agreed that was not in the original budgeted establishment (an Infrastructure post within Major Planning Projects and Performance team); Quarter 4 delegated agreements payments being (£65,000) less than the amount assumed at year end 2018/19, and (£129,000) relating to current year activity. (£10,000) forecast additional CIL administration income; (£2,000) other minor variances.
2	Planning Policy	Minor net variance.
(143)	Total Planning Variance	
0	Strategic Fund Projects	Zero variance
0	Total Strategic Fund Variance	
(122)	Total Revenue Budget Projects	

2019/20 Capital Forecast

Capital Project	2019/20 Month 6 Original Budget £'000	2019/20 Month 6 Variation £'000	2019/20 Month 6 Adjusted Budget £'000	2019/20 Month 6 Forecast £'000	2019/20 Month 6 Variance £'000	2019/20 Month 6 Variance %
National Park Signage Project	168	0	168	168	0	0.0%
New Vehicle	21	0	21	21	0	0.0%
Total Capital Budget	189	0	189	189	0	0.0%

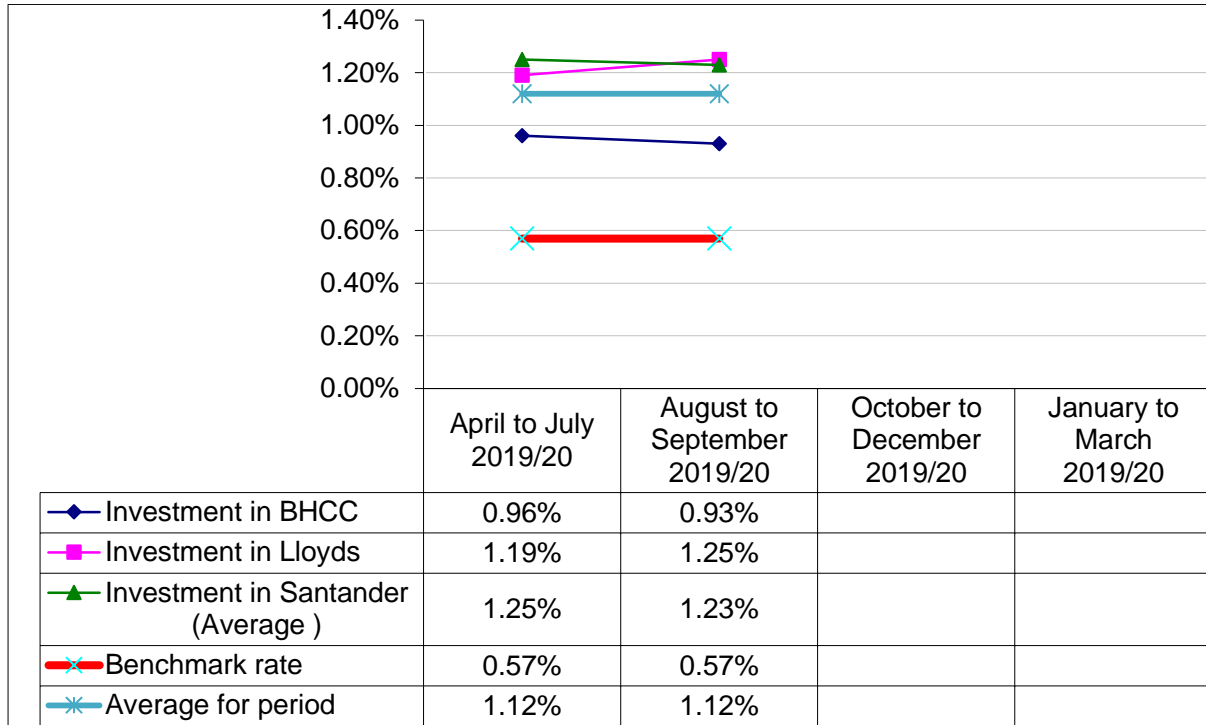
2019/20 Reserves Position

Reserve Type and Title	Purpose of Reserve	2019/20 Month 4 £'000	Move-ment Between Reserves £'000	Contrib-utions to/from Reserves £'000	2019/20 Month 6 £'000
General Reserves:					
Working Balance	Working Balance	595	0	0	595
General Reserve	General Reserve representing the 2019/20 approved budget surplus	136	0	0	136
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 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.	654	0	0	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	722	0	0	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
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.	1,178	0	0	1,178
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	22	0	60	82
Total Reserves Balance		6,734	0	60	6,794

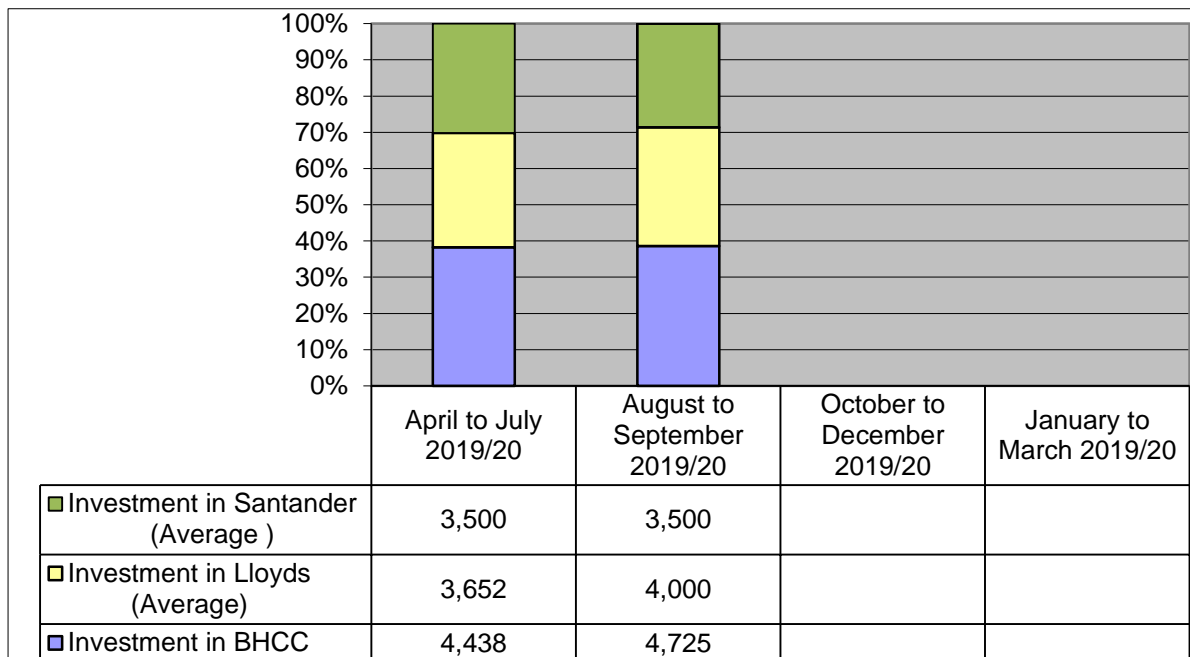
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2019/20 Treasury Management Performance

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.
Ring-fenced 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.
Un-ring-fenced Grants	Financial assistance from external bodies to fund activity, where no conditions exist to repay the grant.

