

**Agenda Item 9
Report PRI9/20-31**

Report to	Policy & Resources Committee
Date	27 February 2020
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report 2019/20: Month 9

Recommendation: The Committee is recommended to:

- 1) Note the 2019/20 revenue forecast position as at month 9 of a net (£141,000) below budget variance.**
- 2) Note the 2019/20 capital forecast position as at month 9 of a zero budget variance and recommends that the National Park Authority (the “NPA”) approve the capital variation as set out in section 3.7 and Appendix 2.**
- 3) Note the reserves position as at month 9.**
- 4) 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 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 9.
- 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 9 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 9 is a net **below budget variance of (£141,000)**, which represents a movement of (£19,000) from the month 6 net below budget forecast variance of (£122,000). An explanation of significant movements is provided below and a more detailed summary is given at **Appendix I** to this report.

Month 6 Variance £'000	Service Area	Month 9		
		Budget £'000	Forecast £'000	Variance £'000
31	Corporate Services	4,108	4,150	42
(10)	Countryside Policy & Management	2,946	2,955	9
(143)	Planning	3,879	3,687	(192)
0	Strategic Investment Fund	581	581	0
(122)	Total Service Budget	11,514	11,373	(141)

3.2 **Corporate Services:** A net above budget variance forecast of £42,000, which represents a movement of £11,000 from the month 6 net about budget forecast variance of £31,000. Notable movements include:

- There has been a minor net movement in staff related costs of (£3,000); but it should be noted that this includes the impact of staff turnover during the period being offset by costs of approximately £30,000 for staff advertising across the whole Authority.
- £13,000 additional contributions from Sustainable Communities Fund (SCF) following identification of new projects at a recent SCF Panel.
- There are several other movements in supplies and services budgets which effectively offset. Details of these are provided at Appendix 1.

3.3 **Countryside Policy and Management:** A net above budget variance forecast of £9,000, which represents a £19,000 movement from the month 6 net below budget variance of (£10,000). Notable movements include:

- A net movement in the salary forecast of £20,000 taking into account employee turnover and one new post (Assistant Project Management Officer within the Research and Performance team) having been agreed during the period that was not in the original budgeted establishment, to provide project management support to a number of initiatives.
- £12,000 funding of Health and Wellbeing Projects where anticipated external funding from the Cabinet Office has not been forthcoming. Some of the funding may subsequently be funded by income from Public Health England.

3.4 **Planning:** A net below budget variance of (£192,000) is forecast, which represents a movement of (£49,000) from the month 6 net below budget forecast of (£143,000). Significant variances include:

- An anticipated variance of £150,000 less planning fee income than budgeted represents a movement of £50,000 from month 6. The number and value of planning applications received is less when compared to the same period last year and the profiled budget to date. The lower number of applications has also contributed to delegated agreements payments expected to be (£55,000) less than forecast at month 6, effectively offsetting the movement in anticipated income.
- A net movement in the salary forecast of (£62,000), due to vacancies in senior roles and employee turnover across the service. Workload has been covered where required by external consultant support.
- There has been a number of large value developments commenced during the financial year resulting in increased Community Infrastructure Levy (CIL) administration income. It is planned to profile the administration income receivable to match the expected salary, legal and other associated costs related to relevant developments. This will be requested as a budget carry forward at the end of the financial year.

3.5 **Strategic Fund:** 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 and performance of Strategic Fund projects funded from current year budget allocations are reported as part of a separate report elsewhere on this Committee agenda.

- 3.6 The net salary forecast across all services is (£103,000) below budget. The forecast represents known staffing levels at the time of review, and an allowance for staff turnover throughout the remainder of the financial year, and costs associated to staff recruitment. There were 7 vacant posts across all departments as at the month 9 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. 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 9, subject to a recommended variation to the National Park Signage Project Phase 1; to reprofile unspent funds of £93,000 to the 2020/21 financial year for Phase 2 of the project. A summary of the capital programme, including this variation, 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 movement in reserves from the month 6 position relates to the transfer of £291,000 from the Strategic Fund to support Strategic Fund projects. Details and performance of Strategic Fund projects funded from current year budget allocations are reported as part of a separate report elsewhere on this Committee agenda.

Treasury Management Overview and Position

- 3.9 The General Election results in December 2019 brought some certainty as to the direction of Brexit, providing the mandate to leave the EU on 31 January 2020. However, there will still be much market uncertainty as the detail of a comprehensive trade deal will need to be negotiated by the current end of the transition period in December 2020.
- 3.10 At its 30 January meeting, the Monetary Policy Committee (MPC) held the Bank Rate at 0.75%. Financial markets had been predicting a 50:50 chance of a rate cut at the time of the meeting. The quarterly MPC did, however, flag up that there was still a risk of a Bank Rate cut in the future; "Policy may need to reinforce the expected recovery in UK GDP growth should the more positive signals from recent indicators of global and domestic activity not be sustained or should indicators of domestic prices remain relatively weak."
- 3.11 Investment rates are expected to fall away further with the Banks and other counterparties pricing in the rate cut expectations into investment rates.
- 3.12 The Authority's investments at 31 December 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); check
 - The remaining cash balance is invested in Brighton & Hove City Council (£4.224m at 31 December 2019).
- 3.13 The table at **Appendix 4** summarises the performance of these investments to 31 December 2019. The actual average interest rate earned in period was 1.09% (reduced from 1.12% at Month 6 2019/20). The average rate has reduced as expected due to an increase in market expectations of a cut in the official Bank Rate.
- 3.14 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 increase reserve levels and 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	<ol style="list-style-type: none"> 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	<p>Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council.</p> <p>This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedure.</p>

2019/20 Revenue Forecast by Service Area

2019/20 Month 6 Variance £'000	Service Area	2019/20 Month 9 Budget £'000	2019/20 Month 9 Forecast £'000	2019/20 Month 9 Variance £'000	2019/20 Month 9 Variance %
31	Corporate Services	4,108	4,150	42	1.0%
(10)	Countryside Policy and Management	2,946	2,955	9	0.3%
(143)	Planning	3,879	3,687	(192)	(4.9%)
0	Strategic Investment Fund	581	581	0	0.0%
(122)	Total Service Budget	11,514	11,373	(141)	(1.2%)
0	National Park Grant	(10,486)	(10,486)	0	
0	Contribution to/from Reserves	(1,028)	(1,028)	0	
(122)	Net Authority Budget	0	(141)	(141)	

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

2019/20 Month 9 Variance £'000	Service Area	Explanation of Key Variances
7	Chief Executive's Service	Minor net Variance.
26	Business Services	£7,000 variance due to salaries, 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); £30,000 of staff advertising partly offset by underspend of (£10,000) in staff training. There are variances within supplies and services budgets such furniture/equipment of £14,000 due to office moves and replacement equipment stolen from Land Rovers; and £10,000 costs for National Parks Subscription; which are effectively offset by underspends of (£15,000) for audit fees and (£12,000) Idox development work.
24	Marketing and Income Generation	(£8,000) net variance relating to salaries; £20,000 unbudgeted expenditure for the 10th anniversary of the National Park celebrations approved by the NPA. £13,000 additional contributions from Sustainable Communities Fund (SCF) following identification of new projects at a recent SCF Panel.
(15)	Governance and Support Services	(17,000) variance due to employee turnover across admin support.
42	Total Corporate Services Variance	
(3)	Director of Countryside Policy and Management	Minor net variance.

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(28)	Countryside and Policy Central	(27,000) variance was to due Lead Ranger and Assistant Ranger post been vacant. Both posts now filled.
14	Countryside and Policy Wealden Heath	£15,000 variance due to a new post having been agreed that is not in the original budgeted establishment (Transport Analyst role within Environment and Infrastructure team) to provide support to the wider organisation and to the NPA Chair in their role on the Transport for the South East.
(15)	Countryside and Policy Eastern	(14,000) variance was due to a vacant post within Ranger services now filled; and (£1,000) other minor variances.
(7)	Countryside and Policy Western	Minor net variance.
48	Research and Performance	£38,000 variance is due to two new posts having been agreed that were not in the original budgeted establishment (Health and Wellbeing officer post and Assistant Project Management Officer within Research and Performance team). £12,000 for Health and Wellbeing Project where anticipated external funding has not been forthcoming.
9	Total Countryside Policy and Management Variance	
2	Director of Planning	Minor net variance
(65)	Planning Development Management	(£69,000) variance is due to vacancies in senior roles and employee turnover across the service.
(114)	Performance and Technical Management	£150,000 lower planning fee income than forecast; delegated agreements payments being (£250,000) less than budgeted due to a combination of Q4 2018/19 costs being less than anticipated and a lower number of applications in the current year. (£10,000) forecast additional CIL administration income following the commencement of large developments in the year; (£4,000) net salary variance from vacancies and new posts being agreed that was not in the original budgeted establishment (Transport Infrastructure post within Major Planning Projects and Performance team);
(15)	Planning Policy	(£24,000) variance is due to Planning Policy post been vacant, this is offset by Minor net variance.
(192)	Total Planning Variance	
0	Strategic Fund Projects	Zero variance
0	Total Strategic Fund Variance	
(141)	Total Revenue Budget Projects	

2019/20 Capital Forecast

Capital Project	2019/20 Month 9 Original Budget £'000	2019/20 Month 9 Variation £'000	2019/20 Month 9 Adjusted Budget £'000	2019/20 Month 9 Forecast £'000	2019/20 Month 9 Variance £'000	2019/20 Month 9 Variance %
National Park Signage Project	168	(93)	75	75	0	0.0%
New Vehicle	21	0	21	21	0	0.0%
Total Capital Budget	189	(93)	96	96	0	0.0%

Details of variation requests and explanation of significant variances

Capital Project	Variation Type	Value	Description
National Park Signage Project	Reprofile (subject to NPA approval)	(93)	The original capital budget was approved before the full tender exercise had been concluded and therefore represented an estimated cost. The variation value represents a combination of actual cost being lower than originally budgeted, and one of the originally planned signs being withdrawn from the programme due to planning issues. As previously reported to the NPA, it is intended that this variation value will be earmarked for Phase 2 of the signage project, to be included in the 2020/21 Capital Strategy subject to NPA approval.
Total Variations		(93)	

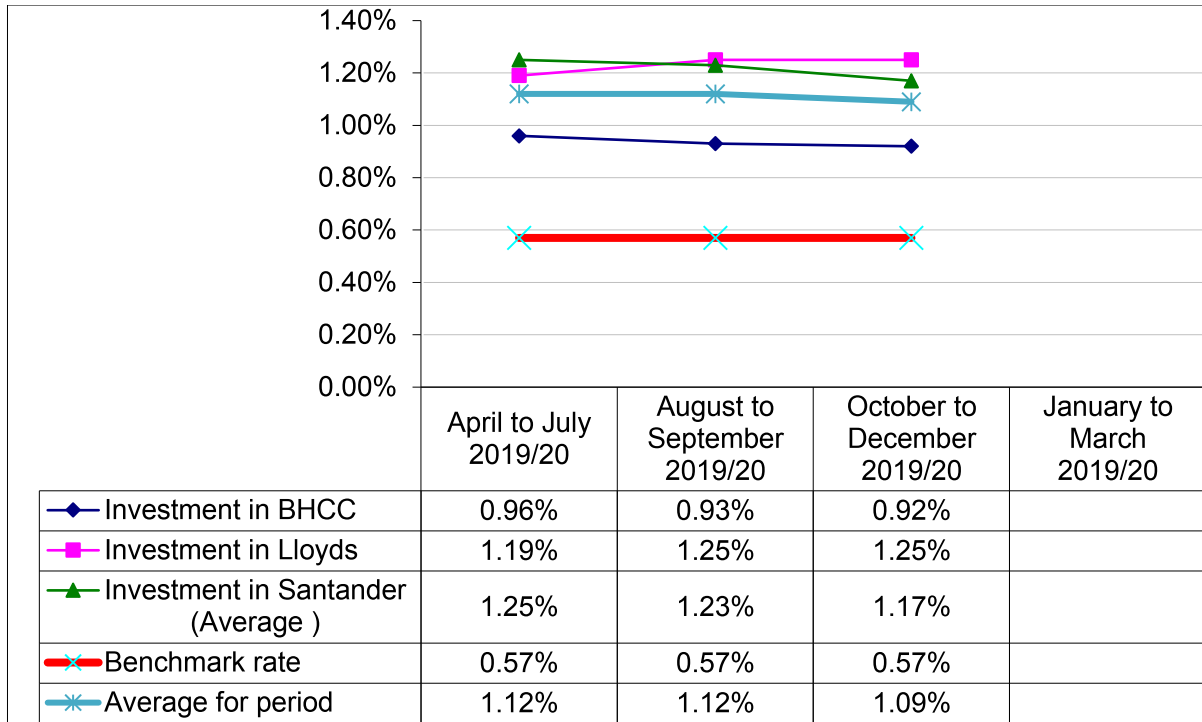
2019/20 Reserves Position

Reserve Type and Title	Purpose of Reserve	2019/20 Month 6 £'000	Move-ment Between Reserves £'000	Contrib-utions to/from Reserves £'000	2019/20 Month 9 £'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	(291)	363
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	82	0	0	82
Total Reserves Balance		6,794	0	(291)	6,503

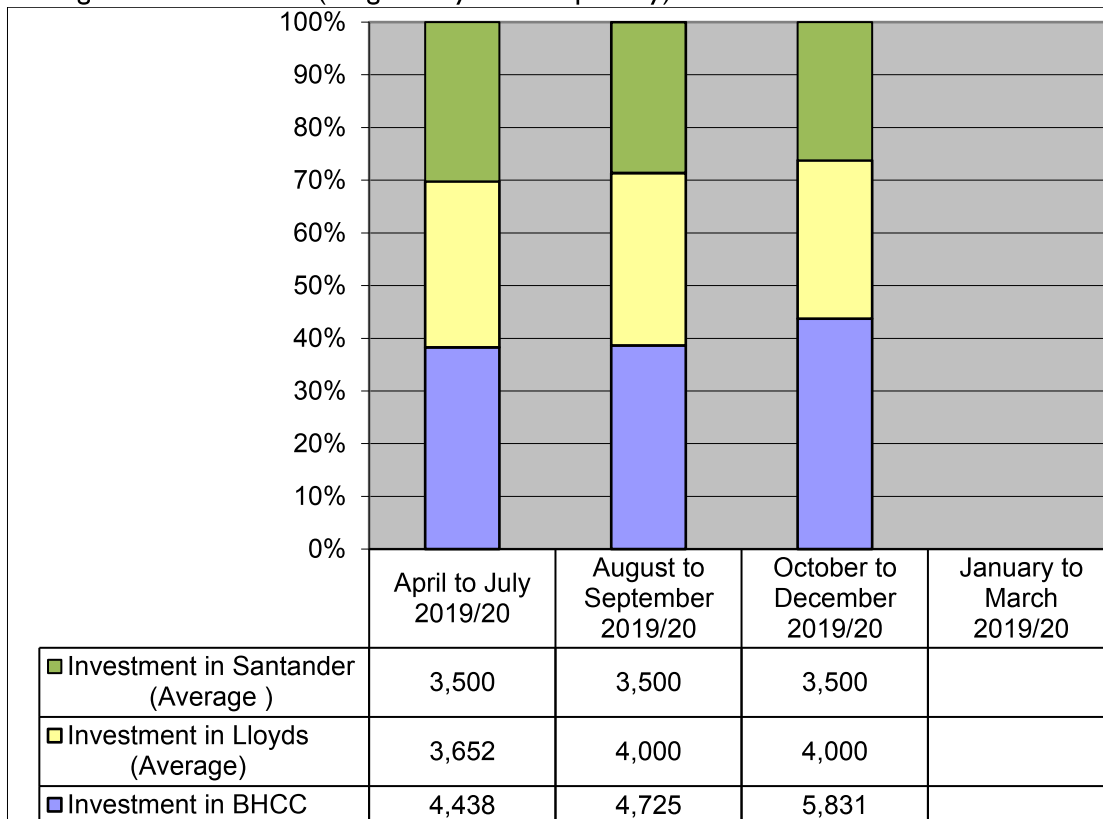
*The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990. The reserve value may not represent the value of actual income received due to agreed payment terms and profile of payments for some developments.

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.

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