

Agenda Item 12
Report PR20/21-34

Report to	Policy & Resources Committee
Date	25 February 2021
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report 2020/21: Month 9

Recommendation: The Committee is recommended to

- 1) Note the 2020/21 revenue forecast position as at month 9 of a net (£233,000) below budget variance.**
- 2) Note the 2020/21 capital forecast position as at month 9 of a zero budget variance and recommend that the National Park Authority approve the capital variation as set out in section 3.13 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 2020/21 financial year on the 26 March 2020 (confirmed on 21 May 2020). 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 2020/21 forecast financial position at the end of month 9 (December).
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were approved by the Authority at its meeting on 26 March 2020 (confirmed on 21 May 2020). 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, 2020/21.

2. Policy Context

- 2.1 The revenue and capital budget are 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, risks and resource requirements at the earliest opportunity.

3. Issues for consideration

Revenue Forecast

- 3.1 The 2020/21 forecast revenue outturn as at month 9, is a net below budget variance of (£233,000), which represents a movement of (£148,000) from the month 6 net below budget forecast variance of (£85,000). A summary of the forecast revenue position is provided by service area below and a more detailed summary is given at Appendix 1 to this report. The month 9 forecast has been developed following a review of current and

anticipated changes in staffing and a review of Planning income as well as other significant known variances.

Service Area	Month 9		
	Budget	Forecast	Variance
	£'000	£'000	£'000
Corporate Services	3,962	3,945	(17)
Countryside Policy & Management	3,937	3,740	(197)
Planning	3,903	3,866	(37)
Strategic Investment Fund	508	526	18
Total Service Budget	12,310	12,077	(233)

3.2 **Corporate Services:** A net below budget variance forecast of (£17,000), which represents a movement of (£6,000) from the month 6 net below budget forecast variance of (£23,000).

3.3 Significant variances include:

- £62,000 net above salary forecast due to a lower than projected employee turnover rate, which was included in the budget for 2020/21, and agreed additional hours to meet temporary service requirements.
- (£32,000) net below budget variance on mileage, fuel costs and hospitality forecasts due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
- (£11,000) net below budget variance on insurance costs due to contract efficiencies.
- (£35,000) net below budget variance on training costs due to the impact of Covid-19 and the reduction of external training being held.
- (£15,000) net below budget variance on events and printing costs due to the impact of Covid-19.
- £20,000 net above budget variance on monitoring costs due to governance advice, in relation to Covid-19.
- Minor other variances across supplies and services.

3.4 **Countryside Policy and Management:** A net below budget variance forecast of (£197,000), which represents a movement of (£106,000) from the month 6 net below budget forecast variance of (£91,000).

3.5 Significant variances include:

- (£33,000) net below budget variance on mileage, and public transport forecast due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
- (£45,000) net below budget variance for research and consultancy costs within Performance and Projects team resulting from projects not occurring this financial year due to Covid-19, but which will be included in next year's budget.
- (£26,000) net below salary forecast due to a vacant post within ranger services (Landscape and Biodiversity Lead – Woodlands – now recruited), offset by the target employee turnover rate which was included in the budget for 2020/21.
- (£10,000) net below budget variance for volunteer operations costs due to the impact of Covid-19.
- (£70,000) net below budget variance on theme board projects due to impact of Covid-19.
- Minor other variances across supplies and services.

3.6 **Planning:** A net below budget variance forecast of (£37,000). which represents a movement of (£48,000) from the month 6 net above budget forecast variance of £11,000.

3.7 Significant variances include:

- An anticipated variance of £310,000 is due to lower planning fee income than budgeted resulting from the impact of Covid-19. This represents a favourable movement on month 6 below budget variance of £325,000. This represents a 25% reduction of income for 2020/21. Conversely, the anticipated variance has contributed to delegated

agreement payments currently expected to be (£160,000) less than budgeted. This is a result of good contract management and an example of 'payment per application' working within the revised agreements. This may create an income pressure for District Council's but they should be able to recover the majority of this from MHCLG Covid-19 compensation grants. 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.

	2019/20 QTR 1/2/3 Actuals	2020/21 QTR 1/2/3 Actuals	QTR 1/2/3 Variance
Number of applications under £5k	2,543	2,392	(151)
Value of applications under £5k	606,793	520,543	(86,250)
Number of applications over £5k	20	15	(5)
Value of applications over £5k	232,371	160,759	(71,612)
Total Value of Applications	£839,164	£681,302	(£157,862)

The figures provided above are based on a snapshot of data available at (QTR 3), these figures may change depending on timing and reconciliation, however they provide an indicative position reflective of income received.

- 3.8 It is accepted that there is inherent volatility in the number and value of planning applications and pre-application enquiries that the Authority receives. The forecast is likely to vary by quarter and therefore will be regularly reviewed. Movements in income do not directly relate to changes in workload.
- 3.9 Other Planning service variances include:
- A net below salary forecast of (£88,000); the variance is due to vacant posts during the year across planning (Principal Planning Officers, Link Officer, Major Project Officer and Senior Planning Officer Roles), some of which have now recruited to, offset by the target employee turnover rate which was included in the budget for 2020/21.
 - (£60,000) net below budget for consultancy costs, due to the continuing delivery of efficiency savings and a reduction in consultancy support required on account of the reduction of planning application numbers.
 - (£20,000) net below budget mileage forecast due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
 - (£20,000) net below budget for consultancy and training costs, within Planning Policy, due to the impact of Covid-19.
 - Minor other variances across supplies and services.
- 3.10 **Salaries:** The approved salary budget for 2020/21 includes an estimated 14% net employee turnover rate, which reduced the salary budget by (£148,000). The net salary forecast across all services is (£52,000) below budget at month 9 resulting from vacant posts.
- 3.11 It should be noted that the forecast represents known staffing levels at the time of review. There were 6 vacant posts across all departments as at the month 9 position, compared to 7 as at month 6. 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 has been identified. No organisation can expect to operate at full complement and a moderate level of turnover is both unavoidable and desirable.
- 3.12 **Strategic Fund:** The Strategic projects are a net above budget variance of £18,000, which represents zero movement from the month 6 net above budget forecast variance. The variance is due to the following project;
- Centurion Way Project – this incurred extra costs of £37,000 due to changes to the route, following consultation with local stakeholders completed before planning was approved. £19,000 of these costs were paid in 2019/20 with the balance due in 2020/21.

Capital Forecast

- 3.13 There is a zero forecast variance on the capital programme at month 9, subject to approval of a recommended variation to the National Park Signage Project Phase 2 to reprofile unspent funds of £196,000 to the 2021/22 financial year due to delays caused by Covid-19. A summary of the capital programme, including this variation, is provided at **Appendix 2** to this report.

Review of Reserves

- 3.14 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 was a transfer of £136,000 from General Reserves for a contribution towards the revenue budget 2020/21, as per the budget report agreed at the NPA meeting on 26 March 2020.

4. Treasury Management Overview and Position

- 4.1 The coronavirus outbreak has resulted in significant economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left the Bank Rate unchanged in subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary.
- 4.2 The financial markets expect Bank Rates to remain unchanged for a number of years as economic recovery is expected to be only gradual and, therefore, prolonged. The interest rate forecasts provided by BHCC's Treasury Advisor, Link Asset Services (LAS) were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31st December 2020. Now that a trade deal has been agreed, Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag could potentially be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis. The Bank of England's September Monetary Policy Committee (MPC) meeting voted 9-0 to leave current interest rate policy unchanged, in line with market expectations. The Committee indicated that more recent economic progress had been better than it had expected at its previous meeting, estimating that the UK economy would be 7% smaller at the end of Quarter 3 2020 than it had begun the year, compared to the 9% contraction expected in August.
- 4.3 The Office of National Statistics announced that UK GDP officially fell by 2.6% in November due to the restrictions of the second lockdown. With further tight restrictions across the UK announced in early January, it is likely there will be a contraction in the economy in Quarter 4 2021.
- 4.4 Against this backdrop, returns on cash balances are obviously impacted. The Authority's investments at 31 December 2020 are made up of the following:
- £2.0m fixed deposit held with Santander (UK) plc;
 - £2.0m fixed deposit held with Coventry City Council;
 - The remaining cash balance is invested in Brighton & Hove City Council (£10.4m at 31 December 2020).
- 4.5 The table at **Appendix 4** summarises the performance of these investments to 31st December 2020. The actual average interest rate earned in period was 0.65% (a decrease from the average rate of 0.83% earned to Month 6 2020/21). The decrease is as a result of the maturity of investments made when the Bank Rate was at 0.75%, which are now being invested in Brighton & Hove City Council. At this time, the interest earned with Brighton & Hove City Council is greater than would be earned with any of the Authority's approved counterparties, which has resulted in an increased balance invested in Brighton & Hove City Council to maintain the best level of yield for the Authority without compromising the

security of the portfolio. With investment rates continuing to fall, other external investment options are currently being explored.

4.6 The average rate is expected to continue to reduce over the remainder of the year and into 2021/22 as investments mature (both directly, and within BHCC's portfolio) and funds are reinvested at a lower rate.

4.7 Officers regularly review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.

5. Options & cost implications

5.1 By continuously identifying and explaining variances against budgets, the Authority can identify risks, 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.

6. Next steps

6.1 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.

7. 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 increase 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
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8. Risks Associated with the Proposed Decision

8.1 There are no risks associated with this report as the recommendations are for noting only.

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Appendices

1. 2020/21 Revenue Forecast by Service Area
2. 2020/21 Capital Forecast
3. 2020/21 Reserves Position
4. 2020/21 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.

2020/21 Revenue Forecast by Service Area

2019/20 Month 6 Variance £'000	Service Area	2020/21 Month 9 Budget £'000	2020/21 Month 9 Forecast £'000	2020/21 Month 9 Variance £'000	2020/21 Month 9 Variance %
(23)	Corporate Services	3,962	3,945	(17)	(0.44%)
(91)	Countryside Policy and Management	3,937	3,740	(197)	(5.00%)
11	Planning	3,903	3,866	(37)	(0.94%)
18	Strategic Investment Fund	508	526	18	3.54%
(85)	Total Service Budget	12,310	12,077	(233)	(1.9%)
0	National Park Grant	(10,486)	(10,486)	0	
0	Contribution to/from Reserves	(1,824)	(1,824)	0	
(85)	Net Authority Budget	0	(233)	(233)	

2020/21 Revenue Forecast by Service Area – Explanation of Key Variances

2020/21 Variance Month 9 £'000	Service Area	Explanation of Main Variances
5	Chief Executive's Service	Salary variance due to employee turnover rate.
28	Business Services	£60,000 above budget on Salaries due to agreed additional hours to meet temporary service requirements; this is offset by (£11,000) below budget variance on Insurance due to efficiencies on contact and (£35,000) below budget on Staff Training due to Covid-19. £20,000 above budget variance on monitoring costs due to governance advice, in relation to Covid-19. There are other minor below budget costs across property costs and supplies and services.
(5)	Marketing and Income Generation	£25,000 salary variance due to the employee turnover rate, this is offset by (£15,000) below budget variance on events and printing costs due to Covid-19. There are other minor below budget costs such as mileage and supplies and services costs.
(45)	Governance and Support Services	(£29,000) salary variance due to staff not in the pension scheme and a reduction in costs for casual staff covering reception, due to closure of the Midhurst office to Covid-19. (£17,000) mileage and hospitality variance due to the impact of Covid-19 and the reduction of face to face meetings both internally and externally.
(17)	Total Corporate Services Variance	
5	Director of Countryside Policy and Management	Salary variance due to employee turnover, offset by below budget variance of mileage costs.

Agenda Item 12 Report PR20/21-34 Appendix I

(38)	Countryside and Policy Central	(£39,000) variance is due to salaries where there was a vacant post, now filled, (Landscape and Biodiversity Lead – Woodland), other minor budget variance on mileage and theme board projects.
(12)	Countryside and Policy Wealden Heath	Salary variance due to employee turnover, offset by below budget variance of mileage costs.
(43)	Countryside and Policy Eastern	£18,000 salary variance due to employee turnover this is offset by (£49,000) below budget variance on theme board projects and (£10,000) variance on volunteer operations costs due to Covid-19, and other minor budget variance on mileage costs.
(54)	Countryside and Policy Western	(£46,000) variance is due theme board projects below budget due to Covid-19 and other minor budget variance on mileage costs.
(55)	Research and Performance	(£45,000) net below budget for research and consultancy costs due to projects not occurring this year due Covid-19. (£12,000) below budget variance is due to salaries, where some posts are currently filled with less hours than budgeted and other minor budget variance on theme board projects.
(197)	Total Countryside Policy and Management Variance	
2	Director of Planning	Salary variance due to employee turnover, offset by below budget variance of mileage costs.
(29)	Planning Development Management	Salary variance due to employee turnover, these costs are offset by below budget variance of mileage costs.
35	Performance and Technical Management	£310,000 less planning fee income than budgeted, due to the impact of Covid-19; this is offset by a below budget variance of (£160,000) within delegated agreements payments. (£46,000) below budget variance on salaries due to vacant posts within the service. (£60,000) consultancy costs below budget due to the continuing delivery of efficiencies savings and a reduction in consultancy support required, on account of the reduced of planning application numbers. Other minor below budget variance on mileage and hospitality.
(45)	Planning Policy	(£22,000) salary variance due to vacant Planning Policy post and (£23,000) below budget on consultancy, training and mileage costs due to the impact of Covid-19.
(37)	Total Planning Variance	
18	Strategic fund Projects	The variance is due to the Centurion Way Project which incurred extra costs of £37,000 due to the changes in the route, which required plans to be resigned and additional studies completed before planning was

Agenda Item 12 Report PR20/21-34 Appendix I

		approved. £19,000 of these costs were paid in 19/20 with the balance due in 20/21.
18	Strategic Fund Projects	
(233)	Total Revenue Budget Variance	

2020/21 Capital Forecast

Capital Project	2020/21 Month 9 Adjusted Budget	2020/21 Month 9 Variation	2020/21 Month 9 Adjusted Budget	2020/21 Month 9 Forecast	2020/21 Month 9 Variance	2020/21 Month 9 Variance
	£'000	£'000	£'000	£'000	£'000	%
National Park Signage Project Phase 2	286	196	90	90	0	0.0%
New Vehicle	26	0	26	26	0	0.0%
Total Capital Budget	312	196	116	116	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)	(196)	The variation is due to Covid-19 and it is an estimate as it is difficult to quantify accurately at this time, with Covid-19 lockdowns delaying the project through the impact on our suppliers who have consequently furloughed many staff. The timeframe is therefore constantly changing.

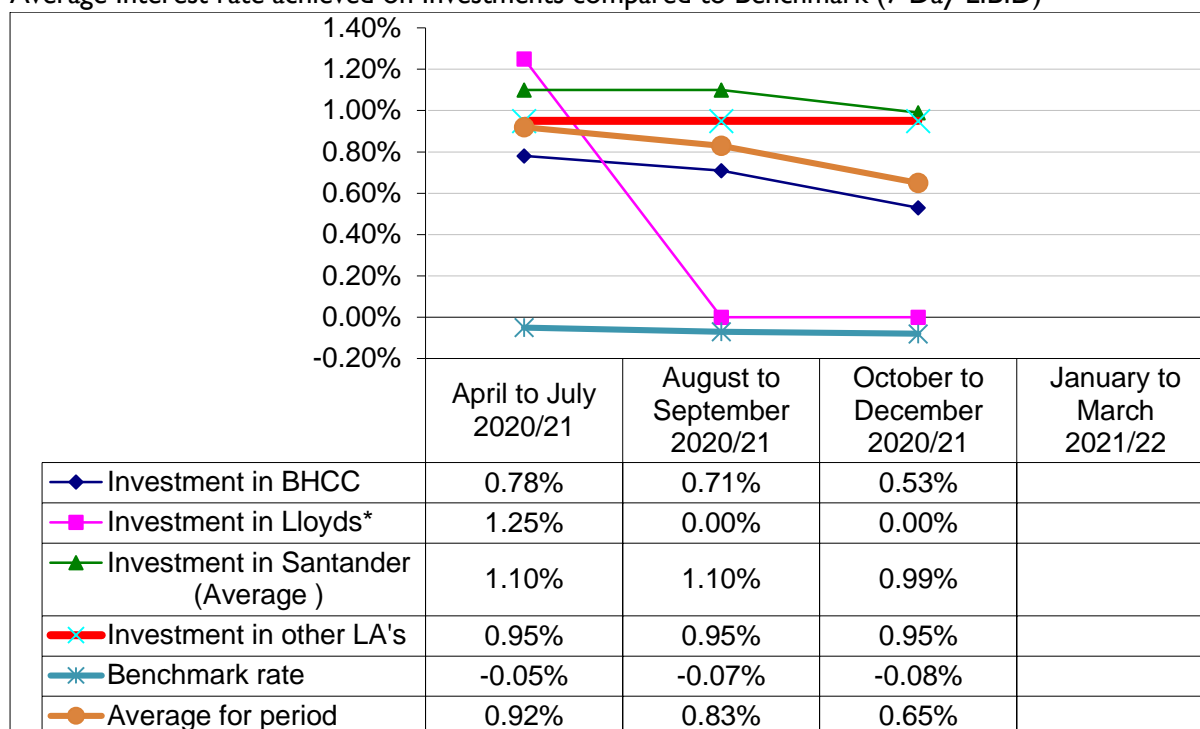
2020/21 Reserves Position

Reserve Type and Title	Purpose of Reserve	2020/21 Month 6 £'000	Move-ment Between Reserves £'000	Contrib-utions to/from Reserves £'000	2020/21 Month 9 £'000
General Reserves:					
Working Balance	Working Balance	595	0	0	595
General Reserve	General Reserve representing the 2020/21 approved budget surplus	136	0	(136)	0
Earmarked Reserves:					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	301	0	0	301
Planning Reserve	To fund unforeseen planning inquiries, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	558	0	0	558
Strategic Fund	Reserve to hold unspent Strategic Fund allocations.	520	0	0	520
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	126	0	0	126
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	141	0	0	141
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	558	0	0	558
Section 106 Interest on Statutory Receipts		146	0	0	146
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas	4,609	0	0	4,609
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.	1,028	0	0	1,028
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	32	0	0	32
Total Reserves Balance		8,793	0	(136)	8,657

*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.

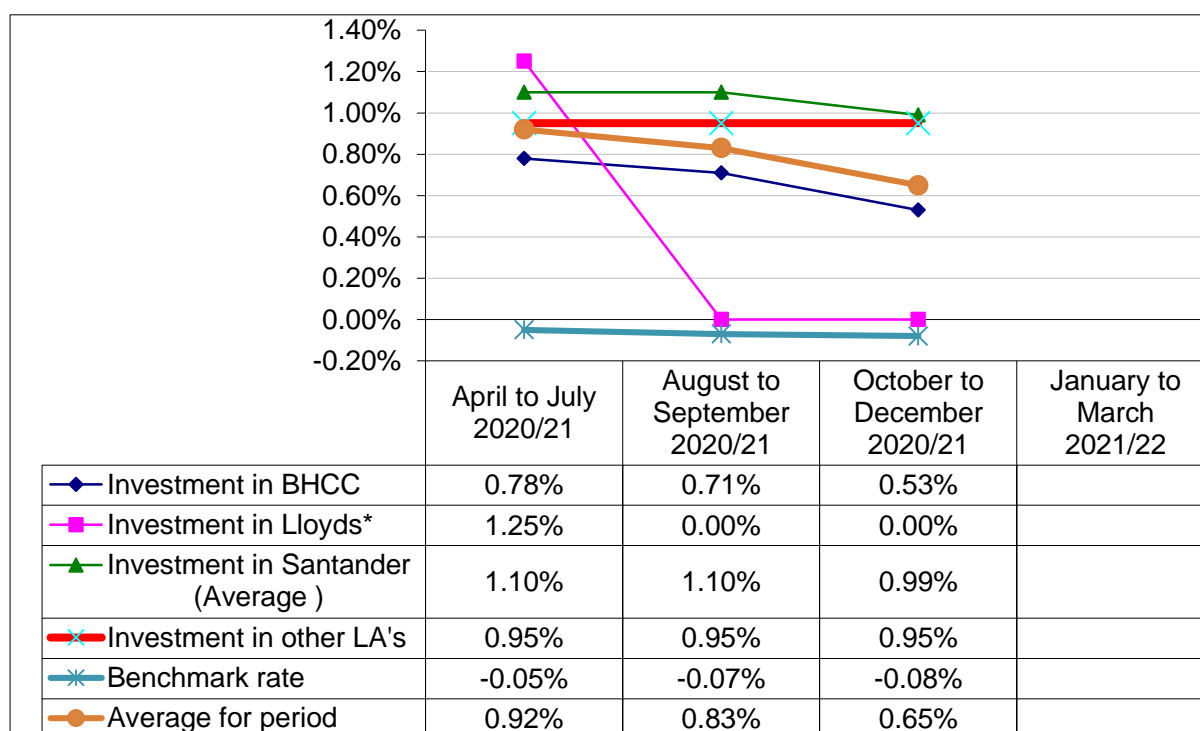
2020/21 Treasury Management Performance

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



* No investment in Lloyds bank for QTR 2 or QTR 3 due to a marked reduction in investment rates.

Average amount invested (weighted by amount per day)



* No investment in Lloyds bank for QTR 2 or QTR 3 due to a marked reduction in investment rates.

Explanation of Key Terms

Key Term	Explanation
Below 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.

