

Report to	Policy & Resources Committee
Date	25 November 2021
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report 2021/22: Month 6

Recommendation: The Committee is recommended to

- 1) Note the 2021/22 revenue forecast position as at month 6 of a net (£22,000) below budget variance.**
- 2) Note the 2021/22 capital forecast position as at month 6 of a zero budget variance subject to approval by the NPA of the capital variation set out in section 3.10 and Appendix 2.**
- 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 2021/22 financial year on the 25 March 2021. 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 2021/22 forecast financial position at the end of month 6.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 25 March 2021. 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 (September) 2021/22.

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 and resource requirements at the earliest opportunity.

3. Issues for consideration

Revenue Forecast

- 3.1 The 2021/22 forecast revenue outturn as at month 6, is a net below budget variance of (£22,000), which represents a movement of £58,000 from the month 4 net below budget forecast variance of (£80,000). 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	Month 6		
	Budget £'000	Forecast £'000	Variance £'000
Corporate Services	4,008	4,037	29
Corporate Services – Seven Sisters Country Park	0	57	57
Countryside Policy & Management	3,847	3,813	(34)
Planning	3,911	3,837	(74)
Strategic Investment Fund	590	590	0
Total Service Budget	12,356	12,334	(22)

3.2 **Corporate Services:** A net above budget variance forecast of £29,000, which represents a movement of £48,000 from the month 4 net below budget of (£19,000).

Significant variances include:

- £21,000 net above salary forecast is due to the employee turnover rate being lower than the budgeted rate for 2021/22 and agreed additional hours to meet temporary service requirements such as maternity leave. This forecast does not include Seven Sisters.
- (£31,000) 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 office expenses due to the impact of Covid-19.
- (£32,000) refund of business rates for the South Downs Centre from Chichester District Council due to the impact of Covid-19.
- £22,000 net above budget for equipment and IT costs for the new flexible working arrangements.
- £25,000 above budget spend on consultancy costs for additional valuation reports required for Seven Sisters.
- Minor other variances across supplies and services.

3.3 **Corporate Services: - Seven Sisters Country Park** net above budget variance forecast of £57,000, which represents a movement of £57,000 from the month 4 net below budget of zero.

Significant variances include:

- (£55,000) net below salary forecast due to the delay in the handover, which delayed recruitment of some vacant posts.
- £112,000 below budget on income due to the delay in the transfer, resulting in lower than budgeted Income for sales/car parking/letting(premises) and filming licence fees.

3.4 The original budget was based on SDNPA taking ownership of the Country Park in early May 2021. This would have produced car parking income through peak season months of May, June and July. The programme of refurbishments would have completed in January, with a May start and this would have allowed SDNPA to pass the operation of the Country Park to the trading company at the end of January. In reality, the transfer of ownership didn't take place until 29th July 2021. This means that three peak months were lost in terms of income, while SDNPA continued to incur staff costs. The refurbishment works will not now be complete until late March and the transfer of operation to the trading company will now take place on the 1 April. Through the delay in transfer, SDNPA have effectively lost three

profitable months (May, June and July) and gained two loss making months (February and March).

3.5 **Countryside Policy and Management:** A net below budget variance forecast of (£34,000), which represents a movement of £29,000 from the month 4 net below budget of (£63,000).

Significant variances include:

- (£44,000) net below budget salary forecast due to a vacant post within the Performance and Project team (Research and Evidence Officer) now recruited to, and a reduction in core salary costs for staff seconded to the Farmers in Protected Landscape project. These are offset by the target employee turnover rate which was included in the budget for 2020/21.
- (£18,000) 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.
- £31,000 net above budget variance on Centurion Way, due to additional work undertaken for the removal of ash trees, due to die back.
- Minor other variances across supplies and services.

3.6 **Planning:** A net below budget variance forecast of (£74,000), which represents a movement of (£76,000) from the month 4 net above budget of £2,000.

Significant variances include:

- An anticipated variance of £30,000 due to lower planning fee income than budgeted resulting from the impact of Covid-19. The variance has improved slightly from the month 4 position of an anticipated variance of £50,000. This represents a 2.4% reduction of income for 2021/22. Conversely, the anticipated variance has contributed to reduced delegated agreement payments, currently expected to be (£25,000) less than budgeted. This is a result of good contract management and an example of 'payment per application' working within the revised agreements.
- The number and value of planning applications received is greater when compared to the same period last year (see table below), although last year was more significantly impacted by the pandemic, and is also greater than the profiled budget to date.

	2020/21 QTR 1/2 Actuals	2021/22 QTR 1/2 Actuals	Variance
Number of applications under £5k	1,549	1,704	155
Value of applications under £5k	341,554	424,720	83,166
Number of applications over £5k	8	13	5
Value of applications over £5k	76,593	190,377	113,784
Total Value of Applications	£418,147	£615,097	£196,950

The figures provided above are based on a snapshot of data available at (QTR 2), these figures may change depending on timing and reconciliation, however, provide an indicative position reflective of income received.

3.7 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.

- A net below budget salary forecast of (£40,000). The variance is due to vacant posts within planning (Design Officer, Development Management Officer and Monitoring and

Enforcement Officer), some of which have now been recruited; the variance is offset by an assumed employee turnover rate which was included in the budget for 2021/22.

- (£25,000) net above budget variance on CIL admin income, this is due to more developments than anticipated for 2021/22.
- (£14,000) net below budget variance on mileage and hospitality forecast due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.

3.8 **Salaries:** The approved salary budgets for 2021/22 include a 10% net turnover rate, which reduces the overall salary budget by (£110,000). The net salary forecast across all services is (£118,000) below budget at month 6. The underspend includes a (£55,000) salaries variance on Seven Sisters due to the delay in the transfer to SDNPA. If the budget had not been reduced by the turnover rate, the net salary forecast for month 6 would be below budget by (£228,000). 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 6 position; The staffing structure is kept under continuous review and the replacement of vacancies and creation of new posts are only agreed 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.

3.9 **Strategic Fund:** The Strategic projects are a net zero forecast variance for month 6.

Capital Forecast

3.10 The Capital programme at month 6 is showing a zero variance, subject to approval of a recommended variation to the New Vehicle scheme to reprofile unspent funds of £23,000 into the 2023/24 financial year. This is due to the reallocation of a vehicle from the Heathlands Reunited project, as the project has now finished. A summary of the forecast position is given at **Appendix 2** to this report.

Capital Budget	Month 6		
	Budget £'000	Actuals £'000	Variance £'000
New Vehicle	46	0	(46)
Seven Sisters Country Park	2,265	118	(2,147)
South Downs Trading Company – provision of equity	100	0	(100)
National Park Signage Project Phase 2	275	44	(231)
New Trailer	30	21	(9)
Total Capital Budget	2,716	183	(2,533)

- The first new vehicle, to replace an ageing pick-up, has now been ordered.
- The refreshment trailer has been purchased for SSCP.
- The construction contract at SSCP is underway as of 9 August 2021.
- Signage installation is currently underway across SDNP.

Review of Reserves

3.11 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 in 2021/22 to date are shown below for information. The creation of reserves and any transfers to and from reserves are approved by the Authority. The use of reserves must be in accordance with the approved purpose of each reserve.

3.12 Use of reserves in 2021/22 as at Month 6:

- £3,000 returned to the Strategic Fund Reserve, it was for a project that did not require the full allocation.
- CiL funding Reserve balance adjustment for year-end (£308,000).

4. Treasury Management Overview and Position

- 4.1 The Bank of England Monetary Policy Committee (MPC) left monetary policy unchanged at its September meeting, with an expected vote of 9-0 for no change in the rates policy. However, the meeting showed that there has been a change in sentiment among the committee members in terms of the view of whether inflationary pressures were temporary or more long term, as well as the expectation that inflation will push higher than previous forecasts.
- 4.2 The minutes from the meeting and comments from committee members since the September meeting have indicated that there may be pressure to increase the official Bank Rate sooner than markets previously expected. Markets are pricing in a rate rise as soon as December 2021. BHCC's independent Treasury Advisors, Link Asset Services, have bought forward their expectation of the first rate rise to June 2022 (from June 2023). Link suggests that the market view is ambitious, and there are still many downside risks (such as potential supply issues, winter covid & flu impact, current high levels of excessive savings potentially resulting in little impact of inflation on consumer spending) which may delay the MPC from raising rates as soon as markets expect.
- 4.3 The Authority's investments at 30 September 2021 are made up of the following:
- £2m fixed deposit held with Santander (UK) plc.
 - The remaining cash balance is invested in Brighton & Hove City Council (£13.923m at 30 September 2021).
- 4.4 The table at **Appendix 4** summarises the performance of these investments to 30 September 2021. The actual average interest rate earned in period was 0.30% (down from 0.34% for months 1-4). The reduction in the average interest rate is as expected and results from investments in the BHCC pool maturing, and new investments having to be undertaken at lower investment rates, reflecting the market situation. However, the change in interest rate expectations over the past few weeks, if sustained, may lead to a small and gradual increase in the average investment rate to the end of the financial year.
- 4.5 Officers review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio. Whilst the strategy for the last year has been to invest surplus cash into the BHCC pool to maximise yield, officers are in the process of investigating external investment options to take advantage of increased investment rates being offered as a result of the market's expectations of an imminent interest rate rise.

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	Yes. Budget monitoring requires action plans to mitigate above

Resource implications?	budget variances 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

8. Risks Associated with the Proposed Decision

8.1 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: Nigel Manvell – Chief Finance Officer.

Tel: 01273 293104

email: Nigel.Manvell@brighton-hove.gov.uk

Appendices

1. 2021/22 Revenue Forecast by Service Area
2. 2021/22 Capital Forecast
3. 2021/22 Reserves Position
4. 2021/22 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.

2021/22 Revenue Forecast by Service Area

2021/22 Month 4 Variance £'000	Service Area	2021/22 Month 6 Budget £'000	2021/22 Month 6 Forecast £'000	2021/22 Month 6 Variance £'000	2021/22 Month 6 Variance %
(19)	Corporate Services	4,008	4,037	29	0.72
0	Corporate Services - Seven Sisters Country Park	0	57	57	0.00
(63)	Countryside Policy and Management	3,847	3,813	(34)	(0.88)
2	Planning	3,911	3,837	(74)	(1.88)
0	Strategic Investment Fund	590	590	0	0.00
(80)	Total Service Budget	12,356	12,334	(22)	(0.20)
0	National Park Grant	(10,486)	(10,486)	0	0.00
0	Contribution to/from Reserves	(1,870)	(1,870)	0	
(80)	Net Authority Budget	0	(22)	(22)	

2021/22 Revenue Forecast by Service Area – Explanation of Key Variances

2021/22 Variance Month 6 £'000	Service Area	Explanation of Main Variances
(5)	Chief Executive's Service	Minor net variance.
26	Business Services	£14,000 above budget on salaries due to employee turnover and agreed additional hours to meet temporary service requirements for maternity cover. There are (£58,000) below budget costs for mileage, transport costs general office supplies and business rates due to the impact of Covid-19. £55,400 above budget costs for the following additional one-off costs; contribution to the Greater Brighton Economic Board City Deal, consultancy costs for valuation reports for Seven Sisters and office equipment/ IT costs for the new flexible working arrangement. Other minor above/below budget variance on supplies and services.
14	Marketing and Income Generation	Salary variance due to employee turnover rate.
(6)	Governance and Support Services	(£6,000) below budget costs for mileage and hospitality variance due to the impact of Covid-19 and the reduction of face to face meetings both internally and externally.
29	Total Corporate Services Variance	

57	Seven Sisters	(£55,000) net below salary forecast is due to the delay in the handover, which delayed some recruitment of vacant posts. £112,000 below budget income forecast due to the delay in the transfer, resulting in lower than budgeted income on sales / parking / letting (premises) and filming licence fees.
57	Total Corporate Services – Seven Sisters County Park Variance	
(33)	Director of Countryside Policy and Management	(£30,000) below budget salary variance is due to staff seconded to the Farmers in Protected Landscape project. Other minor below budget variance on mileage.
(16)	Countryside and Policy Central	(£16,000) below budget salary variance is due to staff seconded to the Farmers in Protected Landscape project. Other minor below budget variance on mileage.
(2)	Countryside and Policy Wealden Heath	Minor net variance.
(17)	Countryside and Policy Eastern	(£17,000) below budget salary variance is due to staff seconded to the Farmers in Protected Landscape project.
34	Countryside and Policy Western	£31,000 additional costs for Centurion Way for the removal of ash trees, due to die back.
0	Research and Performance	Net zero variance.
(34)	Total Countryside Policy and Management Variance	
3	Director of Planning	Minor net variance.
(5)	Planning Development Management	Minor net variance.
(55)	Performance and Technical Management	£30,000 less planning fee income than budgeted due to the impact of Covid-19; this is offset by a below budget variance of (£25,000) within delegated agreements payments. (£28,000) salaries below budget variance due to vacant post within the service. (£25,000) net above budget variance on CIL admin income, this is due to more developments than anticipated for 2021/22. Other minor below budget variance on mileage.
(17)	Planning Policy	(£14,000) below budget salary variance due to vacant post, other minor below budget variance on mileage.
(74)	Total Planning Variance	
0	Strategic fund Projects	Net Zero variance.
0	Strategic Fund Projects	
22	Total Revenue Budget Variance	

2021/22 Capital Forecast

Capital Project	2021/22 Month 6 Original Budget	2021/22 Month 6 Variation	2021/22 Month 6 Adjusted Budget	2021/22 Month 6 Forecast	2021/22 Month 6 Variance	2021/22 Month 6 Variance
	£'000	£'000	£'000	£'000	£'000	%
New Vehicle	46	(23)	23	23	0	0%
Seven Sisters	2,265	0	2,265	2,265	0	0%
South Downs Trading Company – provision of equity	100	0	100	100	0	0%
National Park Signage Project Phase 2	275	0	275	275	0	0%
New Trailer	30	0	30	30	0	0%
Total Capital Budget	2,716	(23)	2,693	2,693	0	0.0%

Details of variation requests and explanation of significant variances

Capital Project	Variation Type	Value	Description
Vehicles	Reprofile (subject to NPA approval)	(23)	The variation is due to the reallocation of a vehicle from the Heathlands Reunited project that has now finished. Therefore, only one new vehicle is to be purchased in 2021/22 resulting in the requested variation (reprofile).

2021/22 Reserves Position

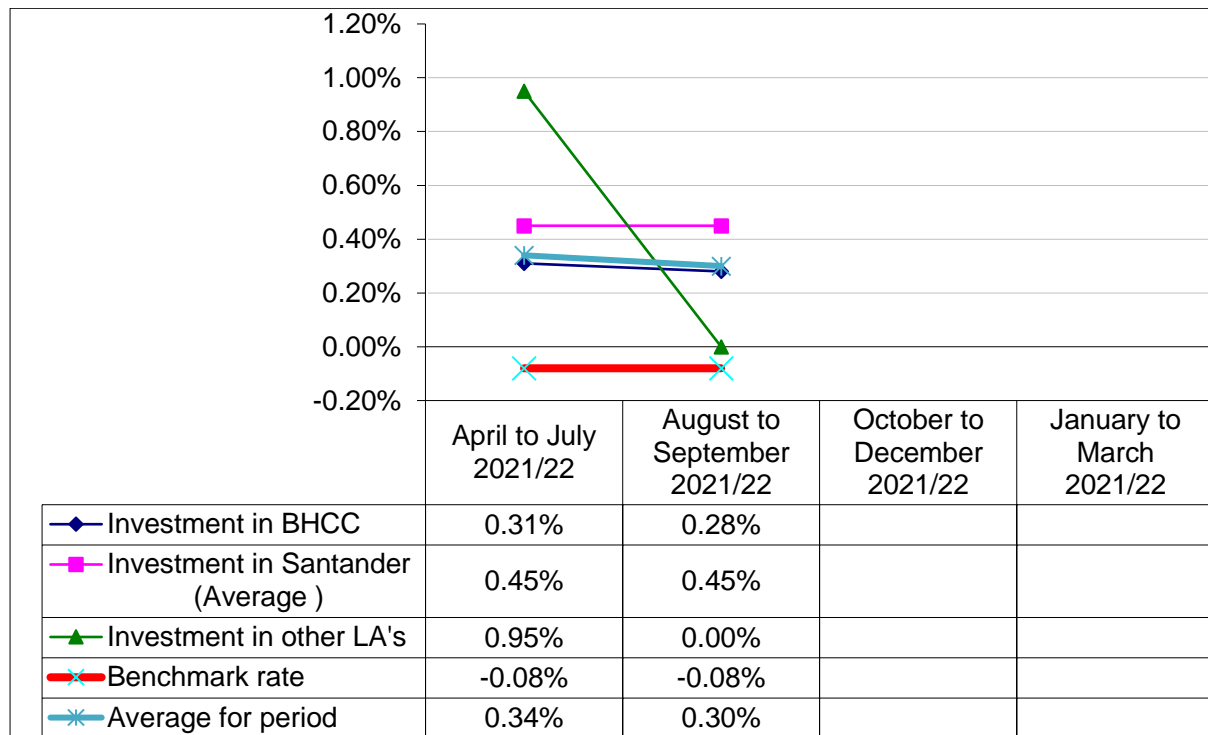
Reserve Type and Title	Purpose of Reserve	2020/21 Month 4	Movement Between Reserves	Contributions to/from Reserves	2021/22 Month 6
		£'000	£'000	£'000	£'000
General Reserves:					
Working Balance	Working Balance	595	0	0	595
General Reserve	General Reserve representing the 2020/21 approved budget surplus	279	0	0	279
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 inquires, 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.	455	0	3	458
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	161	0	0	161
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	2	0	0	2
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	524	0	0	524
Section 106 Interest on Statutory Receipts		177	0	0	177
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas	5,640	0	(308)	5,332
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.	878	0	0	878

Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	32	0	0	32
Total Reserves Balance		9,645	0	(305)	9,340

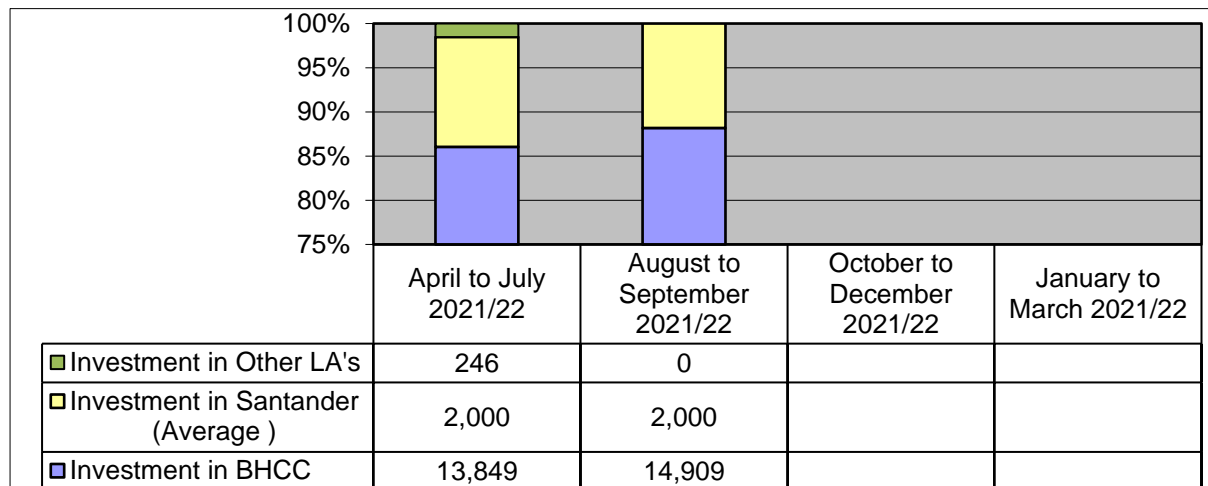
**The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990. The reserve value may not represent the value of actual income received due to agreed payment terms and profile of payments for some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

2021/22 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.