

Report to **South Downs National Park Authority**
Date **5 July 2022**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report 2021/22: Provisional Outturn**
Decision

Recommendation: The Authority is recommended to:

- 1. Note the provisional 2021/22 revenue outturn position of a net £418,000 below budget variance for the 2021/22 financial year.**
 - 2. Approve the revenue budget carry forward requests from 2021/22 to 2022/23 of £1,030,000 as set out in Appendix 2 and approve the transfer of £122,000 to the Strategic Fund for ‘Our South Downs’ and ‘Green South Downs’.**
 - 3. Approve the following Capital variations as detailed in paragraph 3.5, specifically:**
 - (£23,000) reprofile to the 2022/23 financial year to fund a new vehicle.**
 - (£584,000) reprofile to the 2022/23 financial year to fund completion of the Seven Sisters Capital Projects.**
 - (£100,000) reprofile to the 2022/23 financial year to fund the setup of the Seven Sisters Trading Company.**
 - (£3,000) reprofile to the 2022/23 financial year to fund completion of Phase 2 and future phases of the National Park Signage Project.**
 - 4. Approve the below budget revenue position of (£418,000) should be allocated to the following: £25,000 revenue contribution to Hampshire County Council for interpretation at Queen Elizabeth Country Park and the balance of £393,000 to be allocated to the Transition Fund.**
 - 5. Note the Treasury Management overview and position as at financial year-end 2021/22.**
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I. Introduction

- I.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 provisional outturn position for the financial year 2021/22 which must be considered by the full Authority which has responsibility for approving transfers to or from reserves, approving capital programme variations, and approving carry forward requests.

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 Authority (normally through the Policy & Resources Committee) shall receive quarterly treasury management update reports. This report provides an overview of the current economic and treasury management provisional outturn position for the financial year 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

Provisional 2021/22 Revenue Outturn

3.1 The provisional 2021/22 revenue outturn position is a net below budget variance of (£418,000) subject to the approval of carry forward requests, which represents approximately 3.4% of the revised service net budget.

| 2021/22 Month 9 Variance £'000 | Directorate | 2021/22 Budget Outturn £'000 | 2021/22 Actuals Outturn £'000 | Forecast Variance Outturn £'000 | Forecast Variance Outturn % |
|--------------------------------|---|------------------------------|-------------------------------|---------------------------------|-----------------------------|
| (4) | Corporate Services | 4,496 | 4,413 | (83) | (1.85%) |
| 90 | Countryside Policy and Management - Seven Sisters | 54 | 141 | 87 | 161.11% |
| (181) | Countryside Policy and Management | 3,857 | 3,568 | (289) | (7.49%) |
| (269) | Planning | 3,460 | 3,327 | (133) | (3.84%) |
| 0 | Strategic Investment Fund | 304 | 304 | 0 | 0.00% |
| (364) | Total Directorate Budgets | 12,171 | 11,753 | (418) | (3.4%) |
| | National Park Grant | (10,486) | (10,486) | 0 | 0% |
| 0 | Contribution to/from Reserves | (1,685) | (1,685) | 0 | 0% |
| (364) | Total Authority Budget | 0 | (418) | (418) | |

3.2 The provisional outturn position represents a movement of (£54,000) from the month 9 forecast variance of (£364,000) below budget reported to Policy & Resources Committee. The most significant movements are within the Planning service area, where there has been less Income than anticipated across Planning Income of £65,000. Conversely, there has been an underspend of £90,000 on Delegated Agreements which it is proposed to carry forward to cover any additional costs in relation to the new S101 contracts that are due to start from October 2022. There have been several other less significant movements which are detailed at **Appendix I**.

Budget Carry Forwards

3.3 The provisional outturn position assumes approval of budget carry forward requests totalling £1.030m. Budget carry forward approval is required for both un-ringfenced grant funding budgets and non-grant funded budgets in accordance with current financial accounting requirements and Financial Regulations and Procedures. A list of budget carry forwards requests is provided at **Appendix 2** to this report. Requests have been reviewed based on the following criteria:

- The nature of the budget, i.e. does it relate to an existing project, grant income or contractual commitment.
- Does expenditure relate to an existing initiative in progress (e.g. timing/delays/year-end cut off).
- Whether there is a clear contractual commitment/spending plan in place.
- Whether expenditure can be funded from future year budgets.

SMT have been asked to review and endorse these requests. It should be noted that if any carry forward requests are not approved, this will increase the below budget variance and increase the year-end contribution to reserves as well as potentially impacting service delivery.

There is also approval required to approve the transfer of £122,000 to Strategic Fund for 2 projects 'Our South Downs' and 'Green South Downs'. These are previously approved, multi-year projects that should not be held as annual budgets and therefore need to be held in a reserve to ensure that funds automatically roll-forward without the need for approval of carry forward requests at outturn each year. To achieve this, it is proposed to hold them as 'ring-fenced' items in the Strategic Fund to ensure funds are automatically carried forward until applied in later years.

Provisional 2021/22 Capital Forecast

3.4 There is a zero-forecast variance on the capital programme at outturn, however, this is subject to a recommended reprofiling variation on Vehicles, the Signage Project Phase 2 and the Seven Sisters Project. A summary of the capital programme, including this variation, is provided at **Appendix 3** to this report.

4. Impact on Reserves and Implications for the Medium Term Financial Strategy (MTFS)

4.1 The Authority's approved MTFS sets out resource assumptions and projections over a 5 year term. The provisional below budget revenue position of (£418,000) will have a favourable impact on the Authority's reserves position. It is proposed to allocate a £25,000 contribution to Hampshire County Council for interpretation at Queen Elizabeth Country Park and the balance of £393,000 to the Transition Fund to meet identified priorities, as part of the budget proposals considered by the NPA in March 2022. The Final 2021/22 outturn position will not be known until the completion of the accounts. The reserves position is provided in **Appendix 4**.

4.2 The proposed contribution of £25,000 for interpretation at Queen Elizabeth Country Park relates to a previously approved agreement, signed in January 2021, for a project over 3 phases. However, the project has experienced delays due to the pandemic and a carry forward of the final phase should have been requested in the 2020/21 outturn but was omitted. This would have reduced the below budget variance at outturn in 2020/21 and therefore, as there are no further funds for this project, it is appropriate to provide for this contribution from the 2021/22 outturn underspend.

4.3 The movements in reserves from the month 9 position include:

- £195,000 increase in Strategic Fund reserve, reflecting the carry forward of allocated budgets for Strategic Funds projects.

- (£83,000) contribution from S106 reserve for funding of S106 projects.
- £15,000 increase in S106 interest reserve, due to allocation of interest to S106 balances at year-end.
- (£828,000) reduction in the Estates Management reserve, due to the draw-down of funds, for the Capital works at Seven Sisters Country Park.
- (£35,000) reduction in Vehicles Repairs and Renewals reserve, for the purchase of a new Refreshment Trailer.

5. Treasury Management Overview and Position

5.1 The 2021/22 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 25 March 2021. The 2021/22 Capital Strategy (approved at the same meeting) identified a borrowing need in the Authority's capital programme. The Treasury management Strategy was updated to reflect the requirement to set borrowing limits and relevant prudential indicators. This section of the outturn report has been amended to update the Authority on the performance against the strategy and indicators in addition to the usual inclusion of a summary of the Authority's investment position.

Economic Overview

5.2 An overview of the economic landscape during 2021/22 is provided by Brighton & Hove City Council's Treasury Advisors, Link Asset Services, at **Appendix 5**.

Investments

5.3 The Annual Investment Strategy (AIS) was amended by full Authority on 16 December 2021. The amendment added two new A rated counterparties to the Authority's approved lending list to enable the Authority to seek an improved yield without compromising on security. The Authority's investment portfolio of £14.924m as at 31 March 2022 is made up of the following:

- £2.000m fixed deposit held with Santander UK plc;
- £3.000m sustainable fixed deposits held with Standard Chartered Bank;
- £1.500m fixed deposit held with Goldman Sachs International Bank
- The remaining balance is invested via Brighton & Hove City Council (£8.424m as at 31 March 2022)

5.4 The table at **Appendix 5** summarises the performance of these investments to 31 March 2022. The actual average interest rate earned in quarter 4 was 0.44% (compared to 0.29% average for quarter 3), reflecting the increase in investment rates due to the increases in the Bank of England Base Rate.

5.5 The average investment rate for 2021/22 was 0.35% compared to 0.73% in 2020/21. This reduction is due to longer term investments maturing at a time when the base rate was 0.10%, which resulted in new investments being re-invested at lower rates. The quarter 4 investment rate of 0.44% demonstrates that the changes to the official Bank rate has already had an impact on investment rates being achieved. The average investment rate is expected to continue to improve through 2022/23.

5.6 The parameters for the Annual Investment Strategies were met in full during the year with no breaches.

Benchmark Rate for Investments

5.7 Historically, the Authority has used the 7-day London Inter-Bank Bid Rate (LIBID) to benchmark its investment yield performance. The Financial Conduct Agency (FCA) announced that LIBOR & LIBID will cease to exist after 31 December 2021, and instead markets would transition to the Sterling Overnight Index Average (SONIA). Therefore, the

benchmark that is used for performance of investments has transitioned to SONIA, which is a backward looking overnight rate that is calculated daily by the Bank of England based on large volumes of actual transactions that have been undertaken. On transition, SONIA was approximately 0.10% higher than the 7 Day LIBID, which makes the benchmark for investments more ambitious. However, given that the portfolio was regularly outperforming the 7 Day LIBID with a generous margin, it is an appropriate change to make to the benchmark.

- 5.8 Taking this into account, the average benchmark rate during 2021/22 was 0.04% compared to an average investment rate achieved of 0.35%. The investment rate therefore outperformed the benchmark by 0.31%

Borrowing

- 5.9 The 2021/22 Capital Strategy identified a borrowing need for the Authority of £1.326m between 2021/22 and 2023/24. This created the need for a borrowing strategy to demonstrate how the Authority would meet this borrowing need which was included in the 2021/22 Treasury Management Strategy.
- 5.10 The strategy outlined that borrowing would initially be met from internal borrowing; that is, avoiding external borrowing by utilising the Authority's cash balances. The 2021/22 capital programme included a £0.378m borrowing need. This borrowing need has been met internally, effectively reducing the Authority's balances available for investment rather than holding external borrowing. This is cost effective, and an assessment has been made to ensure that the cash balances remain an appropriate size to maintain this internal borrowing position, but this will be carefully monitored.

Prudential Indicators

- 5.11 The below tables show the indicators that were agreed as part of the 2021/22 Treasury management Strategy and the actual indicators for the year.
- 5.12 The Capital Financing Requirement (CFR) is the cumulative unfinanced capital spend. This is the first year that the Authority has had a CFR. There is no external borrowing, and therefore the CFR is 100% funded through internal borrowing.

| Capital Financing Requirement | 2021/22 Estimate | 2021/22 Actual |
|--------------------------------------|-------------------------|-----------------------|
| | £'000 | £'000 |
| Opening Balance | 0 | 0 |
| New Borrowing | 1,000 | 378 |
| Minimum Revenue provision | 0 | 0 |
| Closing Balance | 1,000 | 378 |
| External Borrowing | 0 | 0 |
| External borrowing as a % of CFR | 0.0% | 0.0% |

- 5.13 The below table shows the borrowing limits agreed for 2021/22 As no external borrowing was undertaken, the borrowing limits have been adhered to for the year.

| 2021/22 Borrowing Limits | Authorised Limit £'000 | Operational Boundary £'000 |
|--|---------------------------|-------------------------------|
| Indicator set | 500 | 500 |
| Maximum borrowing outstanding during 2021/22 | 0 | 0 |
| Variance | *500 | 500 |

* cannot be less than zero

5.14 The authorised limit is the maximum external debt that the Authority can enter into. This limit can only be revised by agreement of the Full Authority. The operational boundary is the limit that the external debt is not expected to exceed during the year.

6. Options & cost implications

6.1 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 increases reserve levels and has implications for the Medium Term Financial Strategy of the Authority.

7. Next steps

7.1 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.

8. Other implications

| Implication | Yes*/No |
|--|--|
| Will further decisions be required by another committee/full authority? | No |
| Does the proposal raise any Resource implications? | Yes. The provisional budget variance will result in contributions to the Authority's financial reserves. This has implications for the Medium Term Financial Strategy of the Authority as it impacts on the future resource assumptions and financial projections. The resource implications have been covered within the main body of the report. |
| How does the proposal represent Value for Money? | The proposed carry forwards ensure delivery of initiatives already approved and committed. Internal controls and governance are in place to ensure the economical, efficient and effective use of resources. |
| Which PMP Outcomes/ Corporate plan objectives does this deliver against | None |
| Links to other projects or partner organisations | No |
| How does this decision contribute to the Authority's climate change objectives | None |

| Implication | Yes*/No |
|---|--|
| 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 of 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 None directly. |

9. Risks Associated with the Proposed Decision

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

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- Appendices
1. 2021/22 Provisional Revenue Outturn by Service Area
 2. 2021/22 Budget Carry Forward Requests
 3. 2021/22 Provisional Capital Outturn
 4. 2021/22 Reserves Position
 5. 2021/22 Treasury Management Performance and Economic Background provided by Link Asset Services
 6. Explanation of Key Terms

SDNPA Consultees Chief Executive; Director of Countryside Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Interim Head of 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 Key Variance by Service Area – Explanation of Movements since last Quarter (Q3/Month 9)

| Service | Forecast Variance Month 9 £'000 | Forecast Variance Outturn £'000 | Movement £'000 | Explanation of Main Movements |
|---------------------------------|--|--|---------------------------|---|
| Corporate Services | (4) | (83) | (79) | This movement is due to £44,000 Trust income being allocated to Apprentice salaries costs as planned. There are other minor underspends on salaries, supplies and services. |
| Seven Sisters Country Park | 90 | 87 | (3) | Minor improvement in supplies and services costs. |
| Countryside Policy & Management | (181) | (289) | (108) | This movement is due to an improvement of (£35,000) to the below budget variance within the Performance and Projects team through proactively managing costs, such as undertaking research and evidence projects in-house and reducing the cost of the Research and Evidence Officer post, to deliver ongoing efficiencies toward the 2022/23 financial position. (£15,000) below budget variation in Education due to costs being funded by the Generation Green Project. Various minor variances across several cost centres such as Volunteers/Chalk/Forestry and ranger services for supplies and services. |
| Planning | (269) | (133) | 136 | The movement is due primarily to lower than expected Planning Income of £65,000 in the final quarter. Conversely, a below budget variance of £90,000 for Delegated Agreements has been achieved which it is proposed to carry forward to cover any additional costs in relation to the new S101 contracts that are due to start from October 2022. |
| Strategic Investment Fund | 0 | 0 | 0 | |

| | | | | |
|---------------------------------|-----------------|-----------------|-------------|--|
| | Forecast | Forecast | | |
| Total Authority Variance | (364) | (418) | (54) | |

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

| Service Area | Variance To Budget month 9 £'000 | Variance To Budget Outturn £'000 | Service Area |
|---|---|---|---|
| Chief Executives Service | (14) | (11) | Proactive management of staffing costs to deliver ongoing efficiencies toward the 2022/23 financial position. |
| Business Services | 8 | (43) | Net below budget costs for Premises and General office costs such as business rates, utilities, office stationery, fuel / mileage costs, Idox development and IT contract costs due to the impact of Covid-19. Additional income received from the Trust for Apprentices salary costs. Partially offset by net above budget costs for additional one-off costs including consultancy costs for valuation reports for Seven Sisters and office equipment/ IT costs for the new flexible working arrangements. Other minor above/below budget variance on salaries and supplies and services. |
| Marketing and Income Generation | 14 | 1 | Net minor variance. |
| Governance and Support Services | (12) | (30) | Net below budget variance costs for mileage and hospitality due to the impact of Covid-19 and the reduction of face-to-face meetings both internally and externally and minor below budget costs for Salaries. |
| Total Costs for Corporate Services | (4) | (83) | |
| Seven Sisters Country Park | 90 | 87 | The original budget was based on SDNPA taking ownership of SSCP in early May 2021. This would have produced car parking income through the |

| Service Area | Variance To Budget month 9 | Variance To Budget Outturn | Service Area |
|--|----------------------------|----------------------------|---|
| | | | <p>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 the event, 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 are ongoing and the transfer of operations to the trading company took place on the 1 April. The variance is explained as follows:</p> <ul style="list-style-type: none"> • £125,000 loss of income through the delay in transfer causing the loss of income during three profitable months (May, June and July), offset by: • A net below salary forecast of (£44,000) due to the delayed recruitment to vacant posts. • Other minor variances on supplies and services. |
| Total Costs for Corporate Services - Seven Sisters Country Park | 90 | 87 | |
| Director of Countryside Policy and Management | (50) | (45) | (£30,000) below budget salary variance is due to the recovery of costs for staff seconded to the Farmers in Protected Landscape Defra-funded project. Also, (£15,000) budget not required for allowances for the South Downs Partnership. |
| Countryside and Policy Central | (21) | (30) | Net below budget salary variance is due to the recovery of costs for staff seconded to the Farmers in Protected Landscape Defra-funded project. Other minor below budget variance on mileage. |
| Countryside and Policy Wealden Heath | (14) | (35) | Net underspend is due to a vacant post, now filled, and below budget variance on mileage and supplies and services. |
| Research and Performance | (109) | (157) | Net below budget salary variance is due to vacant post within the team (Research and Evidence Officer), which is now filled and below budget |

| Service Area | Variance To Budget month 9 | Variance To Budget Outturn | Service Area |
|--|----------------------------|----------------------------|---|
| | | | variance on supplies and services due to several factors including proactive management of costs such as undertaking research and evidence projects in-house and reducing the cost of the Research and Evidence Officer post to deliver ongoing efficiencies toward the 2022/23 financial position. |
| Countryside and Policy Eastern | (19) | (42) | Net below budget salary variance is due to the recovery of costs for staff seconded to the Farmers in Protected Landscape project and below budget variance on Education due to costs being funded from Generation Green Project. |
| Countryside and Policy Western | 32 | 20 | Additional costs for Centurion Way for the removal of ash trees, due to die back. |
| Total Costs for Countryside Policy and Management | (181) | (289) | |
| Director of Planning | (12) | (14) | Proactive management of consultancy costs to deliver ongoing efficiencies toward next year's financial position. |
| Planning Development Management | (36) | (41) | Net below budget salary variance due to vacant post, and other minor below budget variances on mileage. |
| Performance and Technical Management | (202) | (80) | (£32,000) net above budget variance on CIL admin income due to more developments than anticipated for 2021/22. There is also a (£50,000) below budget variance on consultancy costs/legal costs for CIL. Other minor below budget variances on mileage. |
| Planning Policy | (19) | 2 | Net Minor Variance |
| Total Costs for Planning | (269) | (133) | |
| Strategic Investment Fund | 0 | 0 | |

| Service Area | Variance To Budget month 9 | Variance To Budget Outturn | Service Area |
|--|----------------------------|----------------------------|--------------|
| Totals Revenue Budget variances | (364) | (418) | |

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2021/22 Carry Forward Requests

| Amount £'000 | Service Area | Type | Description |
|-------------------------|---------------------------|--------------------|--|
| 20 | Countryside Western Area | Contractual | Climate change project called SDNP Farm Carbon Project, Project started in 21/22 but not completed until 22/23 |
| 17 | Countryside Western Area | Contractual | Climate change project called PeCan Match funding Whole House Retrofit, 50% expenditure this financial year and balance to be completed in 22/23 |
| 10 | Countryside Eastern Area | Contractual | Purchase Order raised; Cut and Collect Verge Monitoring 3 year project: Two surveys and two reports per year, plus final report in Year 3. Next invoice due June 2023 |
| 6 | Countryside Eastern Area | Contractual | Purchase order raised - Finishing the Truleigh Hill LLP |
| 3 | Countryside Eastern Area | Contractual | Purchase order raised - Plaques& panels for Battle of Lewes |
| 167 | Countryside Western Area | Contractual | Carry forward of Grant income for South Downs Way for the committed Chilcomb link project, that will be transferred to HCC once we have their signed grant agreement returned (in April). |
| 25 | Research & Performance | Contractual | Suds for school project will not be finished until 22/23 |
| 13 | Research & Performance | Contractual | Artscape project will not be finished until 22/23 |
| 10 | Countryside Wealden Heath | Contractual | Purchase order raised - Funding towards (1) an extension to the Shifting the Gaze project, delivering further rounds of micro bursaries, and (2) a sponsored edition of Covert, focused on creative work inspired by and responding to the South Downs / the countryside, for publication. |
| 7 | Research & Performance | Contractual | Purchase order raised - Volunteering Review work not completed, started in Spring 2022 |
| 5 | Research & Performance | Contractual | This is our contribution towards the evaluation. Alex Pringle will be putting in a request to carry over a similar amount from his budget |
| 5 | Countryside Eastern Area | Contractual | Purchase order raised - Butterfly surveying and reporting on selected sites within the SDNPA Eastern Downs Area - Neil Hulme |
| 4 | Research & Performance | Contractual | Purchase order raised - Citizen Panel work due to start in spring 2022, work not completed by the end of March |
| 4 | Research & Performance | Contractual | Notes to self-project, will not be finished until 22/23 |
| 4 | Countryside Eastern Area | Contractual | Purchase Order raised - Supply & install 6x stiles - Michael Charles Ford |
| 4 | Countryside Eastern Area | Contractual | On Course to Flail - Interpretation panels - but work will not be completed to 22/23 |
| 3 | Research & Performance | Contractual | Purchase order raised - Tourism South East Research spring 2022, work not completed by the end of March |

| Amount £'000 | Service Area | Type | Description |
|-------------------------|---------------------------|--------------------|---|
| 3 | Countryside Eastern Area | Contractual | Grants awarded to schools and ring-fenced for visits which should have taken but cancelled due to Covid19 so will go ahead in 22/23 |
| 3 | Countryside Wealden Heath | Contractual | Purchase Orders raised - Deans Place Hotel payment due in May 2022 |
| 2 | Research & Performance | Contractual | Purchase order raised - Schools Survey report not completed by the end of March |
| 2 | Countryside Eastern Area | Contractual | Purchase order raised - On Course to Flail - Survey work not completed until 22/23 |
| 2 | Countryside Wealden Heath | Contractual | Purchase order raised - Artist in residence, project completed in December 2022 |
| 2 | Countryside Wealden Heath | Contractual | £1,950 paid to the walk leader. Remaining £1,720 needs to be retained into 2022-23 as delivery budget to cover costs for BSL interpretation etc for future walk dates in September / October 2022 that may be required by walk participants by request and for additional support needs for community walks. Not covered by a PO. PO will be raised on booking. PO due to be raised for third BSL Interpreter support in April 2022 from carry forward. |
| 1 | Research & Performance | Contractual | Darks skies project will not be finished until 22/23 |
| 1 | Countryside Western Area | Contractual | Purchase order raised - Native oxygenating Plants for Newton Vale. |
| 1 | Countryside Eastern Area | Contractual | Purchase Order raised - Contribution to a Beelines Project |
| 1 | Countryside Eastern Area | Contractual | Purchase order raised - Defensive Driver Training x1 VRS Volunteer - West |
| 1 | Countryside Wealden Heath | Contractual | Purchase order raised - Artists Commission for Seaford Head Archaeology Survey Project |
| 1 | Countryside Wealden Heath | Contractual | Purchase order raised - Commission of four short films as part of Seaford Head Archaeology Project |
| 1 | Countryside Wealden Heath | Contractual | Purchase order raised - Additional discretionary budget to support social media paid advertising to promote digital interpretation at Cissbury |
| 50 | Countryside Wealden Heath | Grant | Carry forward of restricted budget for Wealden Heath as Project for 3 years. |
| 43 | Countryside Central | Grant | Carry forward budget is for the ongoing costs for the Rural Sussex Partnership scheme. |
| 39 | Countryside Central | Grant | Carry forward of contribution received towards Forestry Partnership. Ongoing for number of years; reducing budget over number of years; Combination of different partners over number of years including Woodland Trust. Part funding a temporary post Woodland Officer) |
| 11 | Countryside Western Area | Grant | Income received from Gatwick Airport in 19/20 for Miles without Stiles Project, balance of Income to be carried forward into 22/23. Conditions all meet |
| 109 | Countryside Western Area | Project | Farm officer Post and contribution from the Rural Payment Agency for Farm Clusters to be carried forward to 21/22. |
| 11 | Research & Performance | Project | This survey was delayed from 2020 and then 2021 due to COVID-19. It collects PMP indicator information and also gathers essential evidence for the education team. We have also added questions |

| Amount £'000 | Service Area | Type | Description |
|-----------------|---|-------------|---|
| | | | about the impacts of COVID-19 on children and young people which will be very useful in our work around A National Park for All) |
| 10 | Countryside Central | Project | Carry Forward from Theme board to support the Seven Sisters Capital costs for 22/23 |
| 601 | Total Countryside and Policy Management Carry Forwards | | |
| 8 | Marketing & Communications | Contractual | Purchase order raised - Outstanding filming and editing to finish the Your National Park campaign. Delayed due to Covid restrictions and the death of one of the film subjects. This campaign is a key deliverable under the National Parks for All section of the Corporate Plan |
| 4 | Marketing & Communications | Contractual | Purchase order raised - Diverse photoshoot, delayed due to Covid restrictions. Shoot is now in the diary for April. |
| 2 | Marketing & Communications | Contractual | Purchase order raised - Updated vinyl for SDC to replace 10th anniversary one as planned. Delay to installation is due to Covid. Work to start in April 2022. |
| 2 | Marketing & Communications | Contractual | Purchase order raised - Their National Park campaign (10 year olds). Issues due to Covid means additional filming needs to be done. Currently do not have a diverse or representative range of children and further filming needed to rectify this. |
| 2 | Marketing & Communications | Contractual | Purchase order raised - Design and printing of New Hampshire cycling route. Fills a big gap of routes in Hampshire/Western Area. Last one planned for foreseeable future as slight delay due to Covid issues. Almost complete and due to be delivered by mid-April. |
| 1 | Marketing & Communications | Contractual | Purchase order raised - Design, and installation of safety vinyl's for SSC Grab & Go and toilets to be installed in April |
| 1 | Marketing & Communications | Contractual | Purchase order raised - Additional work to trademark Seven Sisters Country Park brand to be completed in April. |
| 1 | Marketing & Communications | Contractual | Purchase order raised - Design and manufacture of additional timber routed signs for SSCP toilet door and Grab & Go to be completed in April. |
| 1 | Marketing & Communications | Contractual | Purchase order raised - Design work delayed due to Covid due to be finished in April |
| 4 | Marketing & Communications | Grant | Grant from Theme Board for Audit Trails Project work to be completed in 22/23 |
| 26 | Total Corporate Services Carry forward | | |

| Amount £'000 | Service Area | Type | Description |
|-------------------------|---|--------------------|---|
| 90 | Performance & Technical Mgr | Contractual | Carry forward of delegated agreement underspend for 21/22, this will help to cope with the increased costs on the new S101 contracts that come into force from 1 October 2022 |
| 48 | Planning Policy | Contractual | Underspends across several codes of Planning Policy required for the review of the Local Plan |
| 12 | Planning Policy | Contractual | Purchase order raised to WSP UK Ltd for Shoreham Cement Works, work to be completed in 22/23 |
| 9 | Planning Policy | Contractual | Purchase order raised to Places Changes Ltd, work to be completed in 22/23 |
| 5 | Planning Policy | Contractual | Purchase order raised to Motion Consultants Ltd for Shoreham Cement, work to be completed in 22/23 |
| 3 | Planning Policy | Contractual | Purchase order raised to Motion Consultants Ltd for Shoreham Cement works to be completed in 22/23 |
| 1 | Planning Policy | Contractual | Purchase order raised for GTAA East Sussex Work, but not completed until 22/23 |
| 1 | Planning Policy | Contractual | Purchase order raised to Card Geotechnics Ltd, for Shoreham Cement works to be completed in 22/23 |
| 1 | Planning Policy | Contractual | Purchase order raised to Sam Moore Photography - Filming for Shoreham Cement Works to be complete in 22/23 |
| 175 | Planning Policy | Grant | Grant Income received in previous years and in 21/22 for Neighbourhood Planning but Grant not yet spent, so needs to be Carry Forward. All conditions met. |
| 13 | Planning Policy | Grant | Balance of Defra income received in 16/17 (50K) cost centre ring-fenced for income to be spent on this project Business Development Fund - help other LAS advice in neighbourhood planning. |
| 45 | Planning Policy | Grant | Income received from DCLG in 18/19 and 19/20, so budget needs to be carried forward into 21/22. Conditions already met. |
| 403 | Total Planning Carry Forwards | | |
| 1,030 | Total Carry Forwards for 2021/22 | | |

2021/22 Provisional Outturn Capital Forecast

| Capital Project | 2021/22 Outturn Original Budget £'000 | Proposed 2021/22 Outturn Variation £'000 | 2021/22 Outturn Adjusted Budget £'000 | 2021/22 Outturn Actual £'000 | 2021/22 Outturn Variance £'000 | 2021/22 Outturn Variance % |
|--|---|--|---|---------------------------------------|---|-------------------------------------|
| New Vehicle | 23 | (23) | 0 | 0 | 0 | 0% |
| Seven Sisters | 2,065 | (584) | 1,481 | 1,481 | 0 | 0% |
| South Downs Trading Company – provision of equity | 100 | (100) | 0 | 0 | 0 | 0% |
| National Park Signage Project Phase 2 | 196 | (3) | 193 | 193 | 0 | 0% |
| New Trailer | 30 | 0 | 30 | 30 | 0 | 0% |
| Total Capital Budget | 2,414 | (710) | 1,704 | 1,704 | 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 was due to be purchased in 2021/22, but this has slipped and delivery is due in 2022/23, resulting in the requested variation (reprofile). |
| National Park Signage Project Phase 2 | Reprofile (subject to NPA approval) | (3) | The variation is due to the impact of Covid on the ability of suppliers to both source materials and to manufacture due to staff sickness and absence. There have also been delays in obtaining license from some of the highway's authorities. |
| Seven Sisters | Reprofile (subject to NPA approval) | (584) | The variation is due to contract slippage due to supply chain issues being experienced widely across the UK. |
| South Downs Trading Company – provision of equity | Reprofile (subject to NPA approval) | (100) | This equity investment variation is due to the Trading Company not being formally setup until May 2022. |

2021/22 Provisional Outturn Reserves Position

| Reserve Type and Title | Purpose of Reserve | 2021/22 Month 9 £'000 | Movement Between Reserves £'000 | Contributions to/from Reserves £'000 | 2021/22 Outturn £'000 |
|-------------------------------|--|--------------------------------------|--|---|--------------------------------------|
| 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:

| Reserve Type and Title | Purpose of Reserve | 2021/22 Month 9 £'000 | Movement Between Reserves £'000 | Contributions to/from Reserves £'000 | 2021/22 Outturn £'000 |
|-------------------------------------|---|--------------------------------------|--|---|--------------------------------------|
| 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 planned, unspent Strategic Fund allocations | 458 | 0 | 195 | 653 |

| Reserve Type and Title | Purpose of Reserve | 2021/22 Month 9 £'000 | Movement Between Reserves £'000 | Contributions to/from Reserves £'000 | 2021/22 Outturn £'000 |
|--|--|--------------------------------------|--|---|--------------------------------------|
| 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 | (83) | 441 |
| Section 106 Interest on Statutory Receipts | Receipts primarily used to develop infrastructure within the National Park | 177 | 0 | 15 | 192 |
| Community Infrastructure Levy Reserve* | Receipts to fund infrastructure in development areas | 5,081 | 0 | 913 | 5,994 |

Capital Reserves:

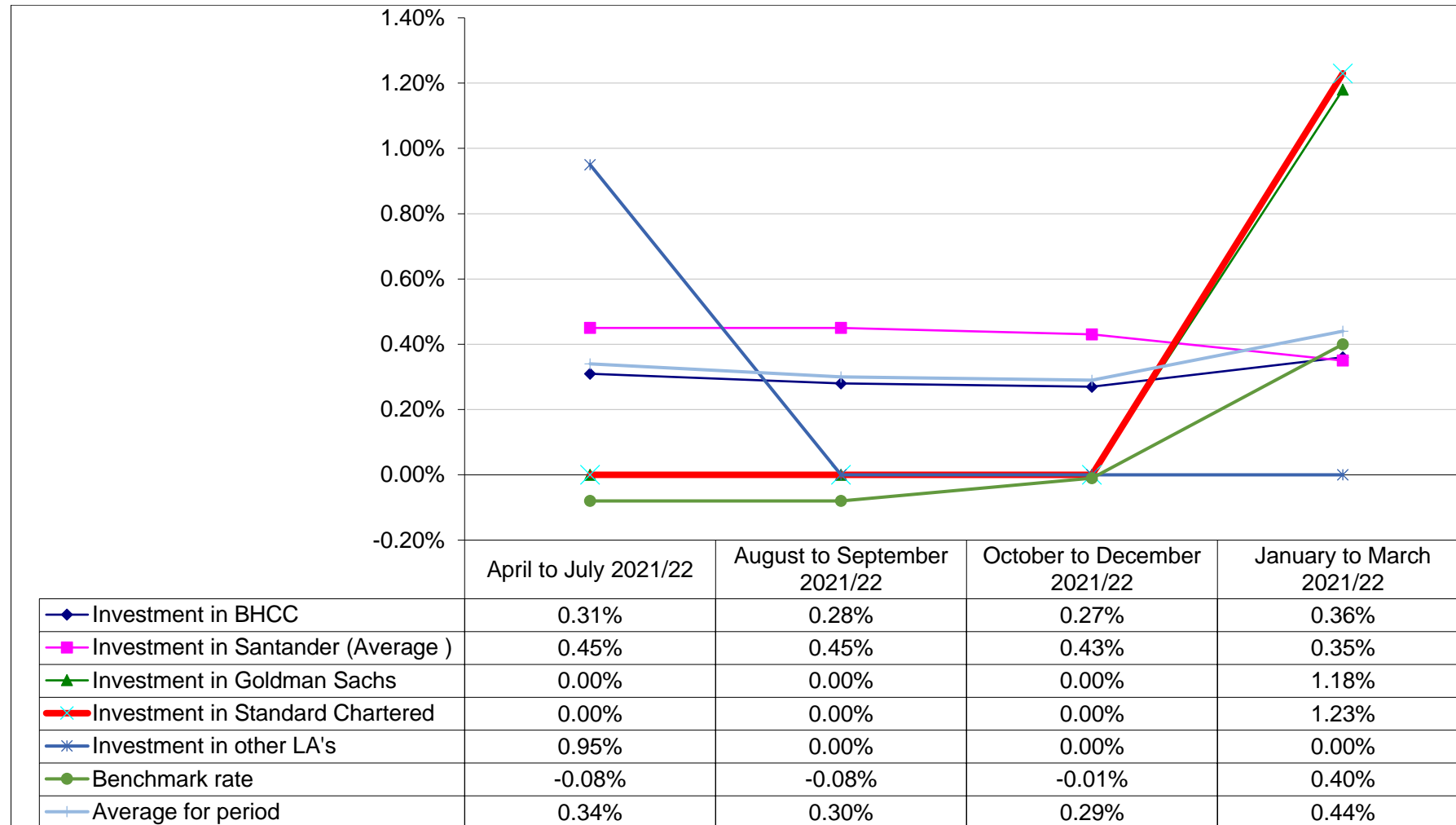
| Reserve Type and Title | Purpose of Reserve | 2021/22 Month 9 £'000 | Movement Between Reserves £'000 | Contributions to/from Reserves £'000 | 2021/22 Outturn £'000 |
|-------------------------------|---|--------------------------------------|--|---|--------------------------------------|
| Capital Receipts | Proceeds from disposal of assets available for use on capital expenditure | 28 | 0 | 0 | 28 |

| Reserve Type and Title | Purpose of Reserve | 2021/22 Month 9 £'000 | Movement Between Reserves £'000 | Contributions to/from Reserves £'000 | 2021/22 Outturn £'000 |
|-------------------------------|---|--------------------------------------|--|---|--------------------------------------|
| Estates Management Reserve | To support refurbishment of area offices. | 878 | 0 | (828) | 50 |
| Vehicle Repairs and Renewals | To fund purchase of replacement vehicles | 32 | 0 | (30) | 2 |
| Total Reserves Balance | | 9,094 | 0 | 182 | 9,276 |

* 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. Note that all CIL money has either been, or will shortly be, allocated.

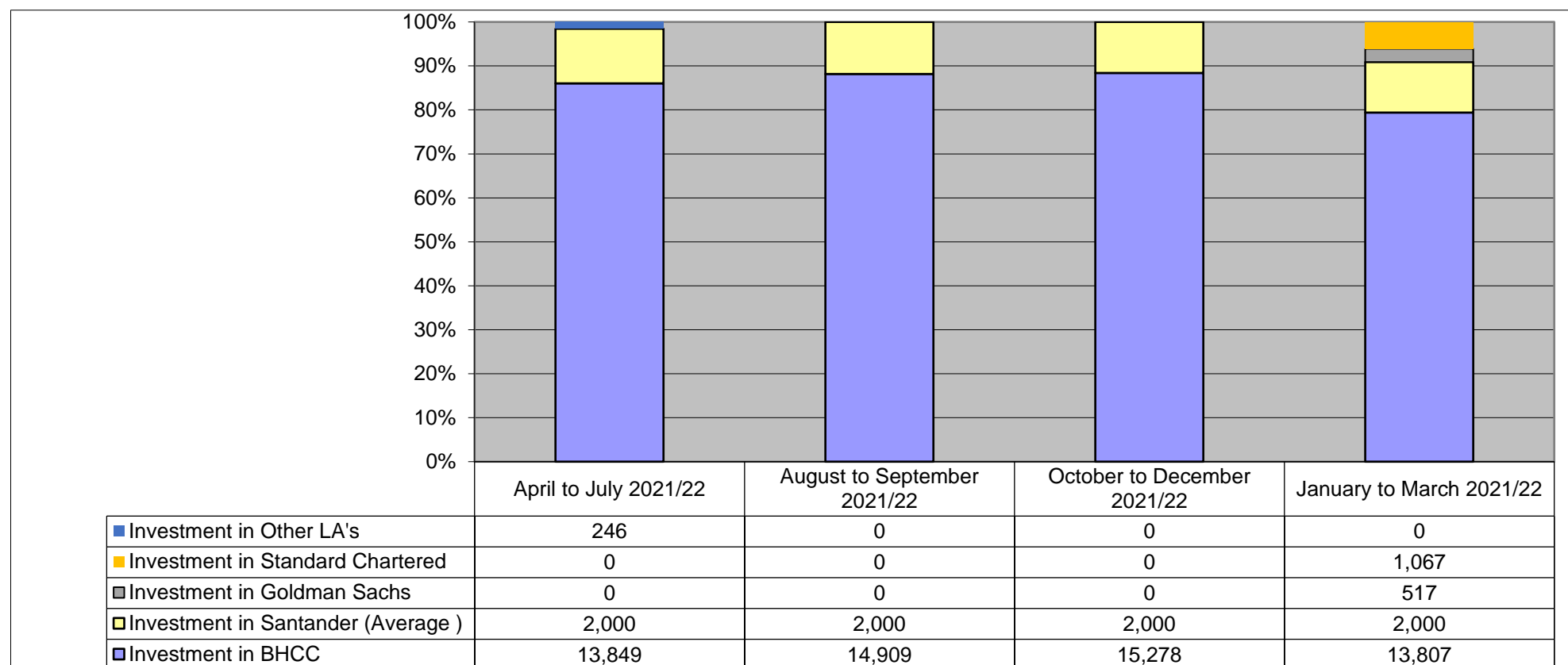
2021/22 Treasury Management Performance

Average Interest rate achieved on Investments compared to Benchmark



| Investment | April to July 2021/22 | August to September 2021/22 | October to December 2021/22 | January to March 2021/22 |
|-----------------------------------|------------------------------|------------------------------------|------------------------------------|---------------------------------|
| Investment in BHCC | 0.31% | 0.28% | 0.27% | 0.36% |
| Investment in Santander (Average) | 0.45% | 0.45% | 0.43% | 0.35% |
| Investment in Goldman Sachs | 0.00% | 0.00% | 0.00% | 1.18% |
| Investment in Standard Chartered | 0.00% | 0.00% | 0.00% | 1.23% |
| Investment in other LA's | 0.95% | 0.00% | 0.00% | 0.00% |
| Benchmark rate | -0.08% | -0.08% | -0.01% | 0.40% |
| Average for period | 0.34% | 0.30% | 0.29% | 0.44% |

Average amount invested (weighted by amount per day)



| Investment | April to July 2021/22 | August to September 2021/22 | October to December 2021/22 | January to March 2021/22 |
|-----------------------------------|-----------------------|-----------------------------|-----------------------------|--------------------------|
| Investment in other LA's | 246 | 0 | 0 | 0 |
| Investment in Standard Chartered | 0 | 0 | 0 | 1,067 |
| Investment in Goldman Sachs | 0 | 0 | 0 | 517 |
| Investment in Santander (Average) | 2,000 | 2,000 | 2,000 | 2,000 |
| Investment in BHCC | 13,849 | 14,909 | 15,278 | 13,807 |

ECONOMIC BACKGROUND – Provided by Link Asset Services 12/04/22

UK Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phones contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

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. |

| Key Term | Explanation |
|---------------------------------------|--|
| 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. |

