

Report to **Policy & Resources Committee**
Date **22 September 2022**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report 2022/23: Month 4**
Note

Recommendation: The Committee is recommended to ...

- 1. Note the 2022/23 Revenue Forecast position as at month 4 of a net (£269,000) below budget variance.**
 - 2. Note the 2022/23 Capital Forecast position as at month 4 of a zero budget variance.**
 - 3. Note the Reserves position as at month 4, as set out at Appendix 3.**
 - 4. Note the Treasury Management overview and position as at month 4, as set out at Appendix 4.**
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1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2022/23 financial year on the 24 March 2022. 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 2022/23 forecast financial position as at the end of month 4 (July).
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 24 March 2022. 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 4 (July) 2022/23.

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 2022/23 forecast revenue outturn as at month 4 is a net below budget variance of (£269,000). The month 4 forecast has been developed following a review of current and anticipated changes in staffing, as well as other significant known variances. A summary of the forecast revenue position is provided by service area below and the revenue movement between budget and forecast and the key variances by service are provided in Appendix I.

Directorate	2022/23 Budget Month 4 £'000	2022/23 Forecast Month 4 £'000	Forecast Variance Month 4 £'000	Forecast Variance Month 4 %
Corporate Services	3,964	4,020	56	1.41%
Countryside Policy and Management	3,681	3,496	(185)	-5.03%
Planning	4,132	3,992	(140)	-3.39%
Strategic Investment Fund	315	315	0	0.00%
Total Directorate Budgets	12,092	11,823	(269)	-2.22%
National Park Grant	(10,486)	(10,486)	0	0%
Contribution to/from Reserves	(1,606)	(1,606)	0	0%
Total Authority Budget	0	(269)	(269)	

- **Planning Income:** At this stage there is an anticipated net below budget variance of £50,000 on Planning Income fees. The variance has, in part, been offset by a (£15,000) above budget variance on CIL admin income due to more developments than anticipated for 2022/23. Note that the value of planning applications received is greater when compared to the same period last year but the number of applications under £5,000 has dropped by 9% when compared to same period last year.

3.2 **Salaries:** The approved salary budgets for 2022/23 include a 10% net turnover rate, which reduces the overall salary budget by (£120,000). The net salary forecast across all services is (£400,000) below budget at month 4. If the budget had not been reduced by the turnover rate, the net salary forecast for month 4 would be below budget by (£520,000). It should be noted that the forecast represents known staff vacancies at month 4. 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.

3.3 **Review of the Business Model (Transition):** The salaries information above relates to normal variances including vacancies and turnover. However, the Authority has also reviewed its business model in recognition of the need to put itself on a more sustainable financial footing over the medium term while ensuring it can build on its Corporate Plan priorities and deliver its projects and programmes. Organisational restructures have been developed across various services and the process of managing the resulting staffing changes has been set in train including a call for voluntary redundancy/early retirement. In this respect, 10 people expressed an interest and have been accepted for voluntary severance which will be phased between September and March 2023. Overall, the review is on track to exceed the efficiency target of £1m which will be incorporated into the Authority's reported budget variance later in the year when the final position is known. To support the process, the Authority approved the creation of a Transition Fund of £593,000 to manage, for example, redundancy and pension strain costs. The usage of the Transition Fund will not be confirmed until March 2023 when all costs are confirmed but is expected to be manageable within the resources available.

Capital Forecast

3.4 The Capital programme at month 4 is showing a zero variance. A summary of the forecast position is given at Appendix 2 to this report.

Capital Budget	Month 4 Budget £'000	Month 4 Actuals £'000	Month 4 Variance £'000
New Vehicle	46	0	(46)
Seven Sisters Country Park	784	100	(684)
South Downs Trading Company – provision of equity	100	100	0
National Park Signage Project Phase 2	82	46	(36)
Total Capital Budget	1,012	246	(766)

- The first new vehicle, to replace an ageing pick-up, has now been ordered.
- The Phase I construction works for the Seven Sisters Country Park have been officially completed including the Dairy Barn construction works. The capital budget shown in the table above therefore relates to the approved Phase Ia works which will have a dominant focus on the Facilities Block and Foxhole cottages to provide a good accommodation offer for the Country Park. The Phase Ia budget includes the successful SELEP grant funding and the remaining balance of funding is from the Phase I works as planned. A contractor has been appointed with the Phase Ia works having started in Q2, on 4 July 2022, and are due for completion by the end of December 2022.
- All signage is completed at Seven Sisters apart from one installation, while ongoing installation will be completed across the SDNP.

Review of Reserves

- 3.5 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 2022/23 to date are shown below and at **Appendix 3** for information. The creation of reserves and any transfers to and from reserves must be approved by the Authority. The use of reserves must be in accordance with the approved purpose of each reserve.
- 3.6 The movements in reserves to date are shown below, all of which reflect approvals made by the Authority as part of the Provisional Outturn 2021/22 report to the 5 July meeting:
- (£697,000) transfer from the General Reserve, which is made up of (£199,000) to fund short term, one-off costs within the proposed Revenue Budget for 2022/23. (£25,000) contribution to Hampshire County Council for interpretation at Queen Elizabeth Country Park. (£393,000) to the Transition Fund to meet identified priorities as part of the budget proposals considered at the NPA in March 2022. (£80,000) to the Trading Company Borrowing Reserve which will allow the company to borrow funds to purchase assets at Seven Sisters Country Park; this was also part of the budget proposals considered at the NPA in March 2022.
 - (£200,000) transfer of funds from the Planning Reserve to fund the Transition Fund.
 - (£227,000) transfer from Strategic funds for Projects for 2022/23 including Our South Downs business network, Green South Downs business accreditation, Butser Hill Grandfathers Bottom habitat restoration, Communities in the South Downs (Rural Lanes and Gateways), The Aquifer Project, and Changing Chalk (Dewpond and Grazier Projects).
 - (£150,000) contribution from CIL funding Reserve to support The Aquifer Project for a rain garden at Wallands Primary School.

3.7 These movements are also reflected in the Reserve Table at Appendix 3. To aid understanding of reserves, this table sets out the reserves under headings that categorise the level of control and influence the Authority has over each type of reserve. The table shows that the Authority holds approved and recommended risk reserves of £953,000 which must be maintained to demonstrate financial prudence and resilience; Capital Reserves of £80,000 to manage the timing of capital payments across financial years, and; £6,496,000 in relation to S106, CIL and other agreements over which the Authority does not have direct control. The reserves over which the Authority has direct influence and control are therefore the 'Earmarked Reserves', which currently stand at £1,563,000 to meet approved projects and programmes, and 'General Reserves' which have been fully allocated.

Treasury Management Overview and Position

- 3.8 The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate for a sixth consecutive meeting in August 2022 by 0.50% to 1.75%. This is the largest single rise since 1995. The decision to increase interest rates was supported by all nine members of the MPC, and the commitment to act 'forcefully' signalling the possibility of further action in later meetings. The increase came amid growing concerns about the risks of inflation, with the headline Consumer Price Index (CPI) rate now forecast to rise above 13% in quarter 4 of 2022.
- 3.9 The Bank expects the economy to contract for five successive quarters, from Q4 2022, with GDP predicted to fall by 1.5% in 2023, following a revised GDP growth projection of 3.5% for this year; down from 3.75% previously. In addition to the increase in Bank Rate, the MPC also provided guidance on the next stage of its quantitative tightening strategy.
- 3.10 The Authority's investments as at 31 July 2022 were made up of the following:
- £2m fixed deposit held with Santander (UK) plc;
 - £3m sustainable fixed deposits held with Standard Chartered Bank;
 - £3m fixed deposits held with Goldman Sachs;
 - The remaining cash balance is invested via Brighton & Hove City Council (£8.315m at 31 July 2022).
- 3.11 The table at **Appendix 4** summarises the performance of these investments to 31 July 2022. The actual average interest rate earned in period was 1.00% (compared to 0.44% for Quarter 4 of 2021/22). The increase reflects the increase in investment rates due to the recent increases in the Bank of England Base Rate.
- 3.12 Officers regularly review cash flow forecasts closely to ensure sufficient liquidity remains within the portfolio. Officers have increased the external pool of investments over the last 6 months to take advantage of improving investment rates being offered as a result of the increase in the Bank of England Base Rate.

4. Options & cost implications

4.1 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.

5. Next steps

5.1 Annual budgets are approved by the National Park Authority (NPA). Budget monitoring is a key component of the Authority's overall performance monitoring and control framework and is reported at least quarterly to the Policy & Resources Committee.

6. Other implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes. Budget monitoring requires action plans to mitigate above 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.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	Effective budget monitoring supports delivery of all organisational priorities
Links to other projects or partner organisations	No
How does this decision contribute to the Authority's climate change objectives	None
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 considered 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	No

Implication	Yes*/No
Sustainability Strategy?	

7. Risks Associated with the Proposed Decision

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

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Appendices

1. 2022/23 Revenue Key Variance by Service Area – Movement and Variances
2. 2022/23 Capital Forecast
3. 2022/23 Reserves Position
4. 2022/23 Treasury Management Performance
5. 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.

2022/23 Revenue Key Variance by Service Area – Explanation of Variance between Budget/Forecast

Service	Budget Month 4 £'000	Forecast Month 4 £'000	Variance Month 4 £'000	Explanation of Main Variance
Corporate Services	3,964	4,020	56	There is a net below budget variance of (£53,000) on salaries due to staff vacancies and a reduction of (£15,000) in Business Rates for the South Downs Centre in line with the new Business Rates relief scheme for 2022/23. The net below budget variance is offset by a net above budget variance of £22,500 for Professional fees in relation to Water Ingress at Seven Sisters, There is an above budget variance of £19,000 for new requirements specified under the Corporate Financial Services contract and £60,000 for a feasibility study for the reed beds at Seven Sisters. This will be met under from Phase 1a resources but could generate a significant capital liability for the authority which could initially be met from reserves but would need to be considered by the Authority in due course. There are other minor movements within supplies and services.
Seven Sisters Country Park				Minor movement in supplies and services.
Countryside Policy & Management	3,681	3,496	(185)	There is net below budget variance of (£174,000) on salaries due to staff vacancies and recovery of costs for staff seconded to the Farmers in protected Landscapes Defra-funded Project.
Planning	4,132	3,992	(140)	There is a net below budget variance of (£173,000) on salaries due to staff vacancies. An anticipated net below budget variance of £50,000 on Planning Income which is, in part, offset by a (£15,000) net above budget variance on CIL admin income due to more developments than anticipated for 2022/23.
Strategic Investment Fund	315	315	0	
Totals	12,092	11,823	(269)	

2022/23 Revenue Key Variance by Service Area – Explanation of Main Variances

2022/23 Variance Month 4 £'000	Service Area	Explanation of Main Variances
(20)	Chief Executive's Service	Net variance due to a staff vacancy.
60	Business Services	(£25,000) below budget on salaries due to staff vacancies and a reduction of (£15,000) in Business Rates for the South Downs Centre in line with the new Business Rates relief scheme for 2022/23. The net below budget variance is offset by net above budget variance of £22,500 for Professional fees in relation to Water Ingress at Seven Sisters, There is an above budget variance of £19,000 for new requirements specified under the Corporate Financial Services contract and £60,000 for a feasibility study for the reed beds at Seven Sisters. There are other minor movement within supplies and services.
59	Marketing and Income Generation	Net variance is due to an additional post (Funding Officer) that was not included in the original budget.
(43)	Governance and Support Services	Net variance due to a staff vacancy.
56	Total Corporate Services Variance	
(13)	Director of Countryside Policy and Management	Net minor variance due to salary turnover.
(25)	Countryside and Policy Central	(£25,000) below budget salary variance is due to the recovery of costs for staff seconded from the Farmers in Protected Landscape project and vacant Assistant Rangers post.
(12)	Countryside and Policy Wealden Heath	Net variance due to a staff vacancy.

(52)	Countryside and Policy Eastern	(£52,000) below budget salary variance is due to the recovery of costs for staff seconded from the Farmers in Protected Landscape project and staff vacancy.
(39)	Countryside and Policy Western	(£39,000) below budget salary variance is due to vacant post.
(44)	Research and Performance	(£44,000) below budget salary variance is due to a staff post recruited at lower than originally budgeted cost and some staff not in the pension scheme and vacant post.
(185)	Total Countryside Policy and Management Variance	
7	Director of Planning	Net minor variance due to salary turnover.
(56)	Planning Development Management	(£56,000) below budget variance on salaries due to several vacant posts within the service.
5	Performance and Technical Management	(£30,000) below budget variance on salaries due to staff vacancies. An anticipated net below budget variance of £50,000 on Planning Income fee than budgeted, the Planning Income fee variance is in part offset by (£15,000) net above budget variance on CIL admin income, due to more developments than anticipated for 2022/23.
(96)	Planning Policy	(£96,000) below budget variance on salaries due to several vacant posts within the service.
(140)	Total Planning Variance	
0	Strategic fund Projects	Net Zero variance.
0	Strategic Fund Projects	
(269)	Total Revenue Budget Variance	

2022/23 Capital Forecast

Capital Project	2022/23 Month 4 Original Budget	2022/23 Month 4 Variation	2022/23 Month 4 Adjusted Budget	2022/23 Month 4 Forecast	2022/23 Month 4 Variance	2022/23 Month 4 Variance
	£'000	£'000	£'000	£'000	£'000	%
New Vehicle	46	0	46	46	0	0%
Seven Sisters Seven Sisters Country Park	784	0	784	784	0	0%
South Downs Commercial Operation – provision of equity	100	0	100	100	0	0%
National Park Signage Project Phase 2	82	0	82	82	0	0%
Total Capital Budget	1,012	0	1,012	1,012	0	0.0%

2022/23 Reserves Position

Reserve Type and Title	Purpose of Reserve	2021/22 Outturn £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2022/23 Month 4 £'000
General Reserves:					
General Reserve	General Reserve representing the 2021/22 approved budget surplus	697	(473)	(224)	0
Approved Risk Reserves:					
Working Balance	Working Balance	595	0	0	595
Planning Reserve	To fund unforeseen planning inquiries, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	558	(200)	0	358
Earmarked Reserves:					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	301	0	0	301
Strategic Fund	Reserve to hold unspent Strategic Fund allocations.	653	0	(227)	426
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	161	0	0	161
Transition Reserve	To support the work to adjust SDNPA's expenditure profile in line for future funding constraints.	0	593	0	593
Trading Company Borrowing Reserve	This will allow the company to borrow funds to purchase assets to allow operations at SSCP to begin	0	80	0	80
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	2	0	0	2

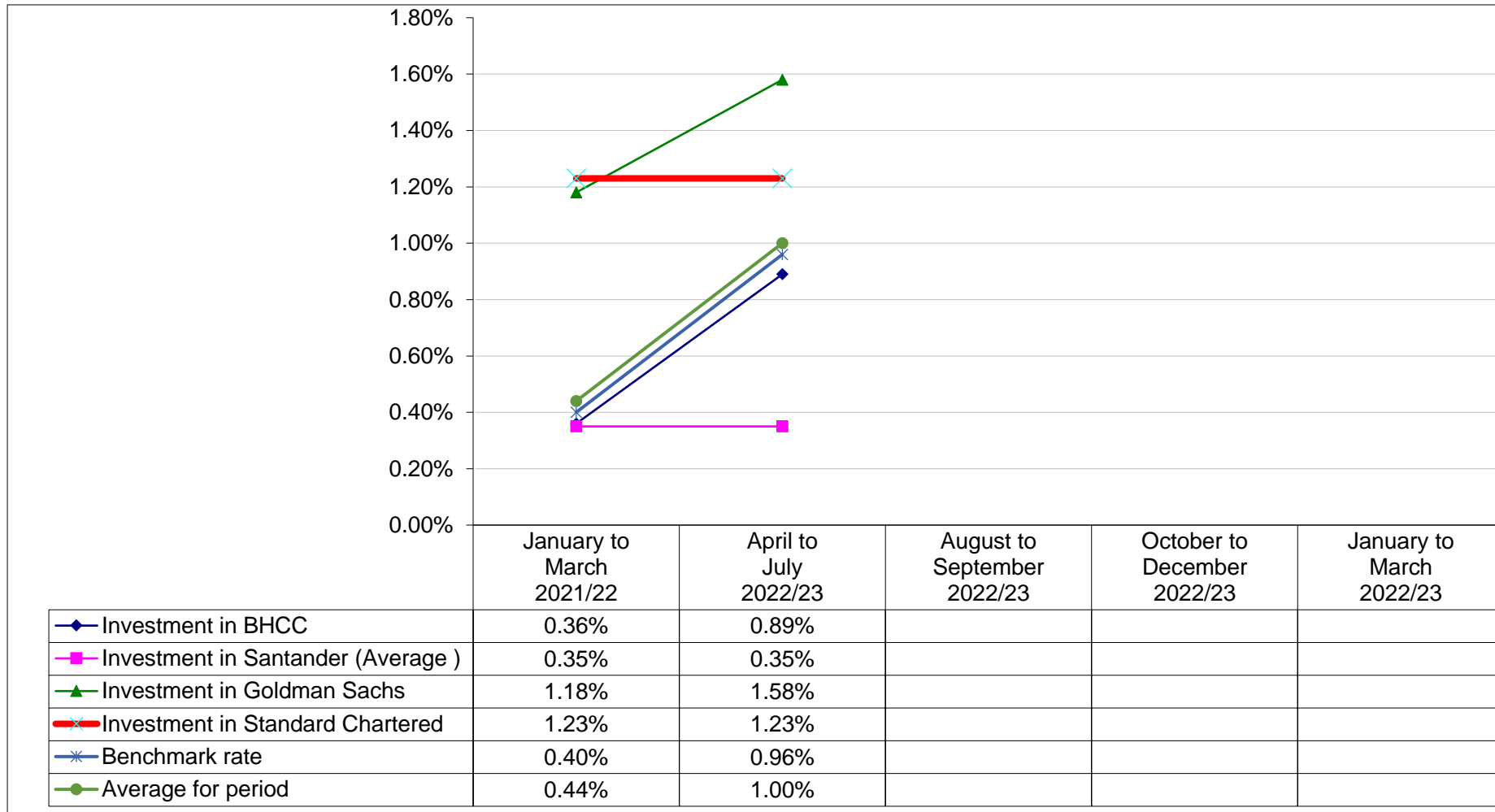
Reserve Type and Title	Purpose of Reserve	2021/22 Outturn £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2022/23 Month 4 £'000
Funds held in lieu of Agreements					
South Downs Way	Funding transferred from South Downs Joint Committee	20	0	0	20
Section 106 Receipts Reserve	Receipts primarily used to develop infrastructure within the National Park	441	0	0	441
Section 106 Interest on Statutory Receipts		192	0	0	192
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas	5,993	0	(150)	5,843
Capital (Timing) Reserves:					
Capital Receipts	Proceeds from disposal of assets available for use on capital expenditure	28	0	0	28
Estates Management Reserve	To support refurbishment of area offices.	50	0	0	50
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	2	0	0	2
Total Reserves Balance		9,693	0	(601)	9,092

*The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990.

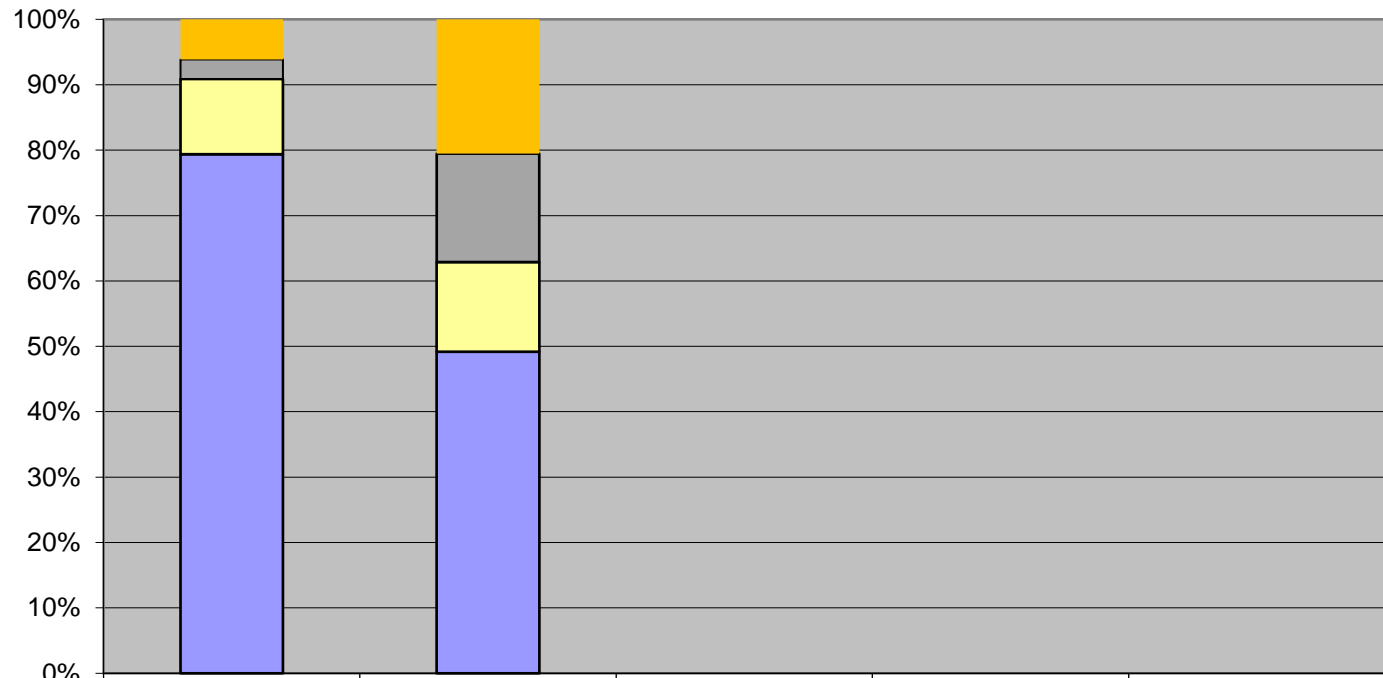
The reserve value may not represent the value of actual income received due to agreed payment terms and profile of payments for some developments.

2022/23 Treasury Management Performance

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



Average amount invested (weighted by amount per day)



	January to March 2021/22	April to July 2022/23	August to September 2022/23	October to December 2022/23	January to March 2022/23
Investment in Standard Chartered	1,067	3,000			
Investment in Goldman Sachs	517	2,422			
Investment in Santander (Average)	2,000	2,000			
Investment in BHCC	13,807	7,187			

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.