

Report to **Policy & Resources Committee**
Date **23 February 2023**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report 2022/23: Month 9**
Note

Recommendation: The Policy & Resources Committee is recommended to:

- 1. Note the 2022/23 Revenue Forecast position as at month 9 of a net (£393,000) below budget variance.**
 - 2. Note the 2022/23 Capital Forecast position as at month 9 of a zero-budget variance and recommend that the National Park Authority (the “NPA”) approve the additional Capital variations as set out in Appendix 2.**
 - 3. Note the Reserves position as at month 9, as set out at Appendix 3.**
 - 4. Note the Treasury Management overview and position as at month 9, 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 9 (December).
- 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 9 (December) 2022/23.

2. Policy Context

- 2.1 The revenue and capital budget are developed to align with Corporate Plan priorities which have now been more tightly defined around Nature Recovery, Climate Action and a Park for All. 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 9 is a net below budget variance of (£393,000), which represents a movement of £135,000 from the month 6 net below budget forecast variance of (£528,000). The month 9 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.

2022/23 Month 6 Variance £'000	Directorate	2022/23 Budget Month 9 £'000	2022/23 Forecast Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month %
(146)	Corporate Services	3,989	3,918	(71)	(1.78%)
62	Seven Sisters Country Park	0	73	73	N/A
(182)	Countryside Policy and Management	3,656	3,400	(256)	(7.00%)
(262)	Planning	4,289	4,150	(139)	(3.24%)
0	Strategic Investment Fund	315	315	0	0.00%
(528)	Total Directorate Budgets	12,249	11,856	(393)	(3.21%)
	National Park Grant	(10,486)	(10,486)	0	0%
0	Contribution to/from Reserves	(1,763)	(1,763)	0	0%
(528)	Total Authority Budget	0	(393)	(393)	

- 3.2 **Planning Income:** At month 9 there is an anticipated net below budget variance of £100,000 on Planning Income fees. The variance has increased from the month 6 position of an anticipated variance of £25,000. The variance has been partly offset by a reduction in delegated agreement payments, currently expected to be (£50,000) less than budgeted. This is a result of effective contract management and an example of 'payment per application' working within the agreements. There is also an anticipated (£30,000) above budget variance on CIL admin income due to more developments than anticipated for 2022/23 and anticipated saving of (£15,000) in consultancy within CIL costs.
- 3.3 **Salaries:** The approved salary budgets for 2022/23 include a 10% net turnover rate, which reduces the overall salary budget by (£120,000). Even after this adjustment the net salary forecast across all services is (£333,000) below budget at month 9 since there are currently 15 vacancies compared to a current headcount of approximately 136 staff (excluding casuals

and externally funded posts). It should be noted that the forecast represents known staff vacancies at month 9 and further vacancies may well emerge. Recruitment of the current vacancies is the top priority for the HR team who are currently at capacity. The staffing structure is kept under continuous review and the creation of new posts are only agreed following Senior Management Team approval where there is a clear operational requirement and sufficient budget identified.

3.4 **Review of the Business Model (Transition):** The salaries information above relates to normal variances including vacancies and turnover. However, as previously reported, 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. Overall, the review remains on track to exceed the full-year efficiency target of £1m in 2023/24, with a smaller saving achieved in the current financial year, The latter will be incorporated into the Authority's reported budget variances at outturn when final restructuring and severance costs are confirmed.

3.5 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, which are currently estimated to be approximately £0.5m. However, the Authority's current revenue budget forecast is for a £0.393m below-budget variance and therefore, as all transition costs can legitimately be charged to the annual revenue budget, it is possible to utilise this underspend to meet transition costs as far as possible. This position will be kept under review. If this remains the situation at year-end (outturn), it is proposed to recommend to the Authority that the transition costs be met from the 2022/23 underspend and that any excess cost is met from the Transition Fund, with the unused remainder of the Transition Fund being transferred to the Strategic Fund to support projects and priorities.

Capital Forecast

3.6 The Capital programme at month 9 is showing a zero variance for the year as detailed at **Appendix 2** to this report. However, the variance for the year-to-date is shown below to provide an indication of the progress of capital schemes.

Capital Budget	Month 9		
	Budget	Actuals	Year-to-date Variance
	£'000	£'000	£'000
New Vehicle	46	0	(46)
Seven Sisters Country Park	784	704	(80)
South Downs Trading Company – provision of equity	100	100	0
National Park Signage Project Phase 2	82	46	(36)
Total Capital Budget	1,012	850	(162)

- There is no vehicle spend in 2022/23. A new order has been raised for a double cab vehicle, which is due to arrive in 2023/24 so the budget will be reprofiled to next financial year.

- The Phase 1 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 1a 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 1a budget includes the successful SELEP grant funding and the remaining balance of funding from Phase 1. Phase 1a is due to be completed by the end of March 2023. The fit out of the Foxhole Cottages should be completed by Spring 2023 to ensure they are ready for letting for June 2023. There is a retention of £60,000 for both Phase 1 and Phase 1a that will be paid in 2023/24 so the budget will be reprofiled to next financial year.
- All signage is completed at Seven Sisters and Phase 2 of the entry signage for SDNP is also completed. Following a review of the Phase 1 signage, several signs were identified as needing repairs and the work is in progress. This can all be achieved within the existing capital budget.

Review of Reserves

- 3.7 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 from month 6 to the month 9 position is the following;
- Transfer of £131,250 from the Community Infrastructure Levy Reserve towards Egrets Way Phase 6.
- 3.8 The Reserve Table at Appendix 3 sets out 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; £6,365,000 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 'General Reserves' which have been fully allocated, and 'Earmarked Reserves', which currently stand at £1,562,000 to meet approved projects and programmes. The proposal is to invest approximately £1m of this resource in an invest-to-save programme as discussed at the March Member Budget Workshop.

Treasury Management Overview and Position

- 3.9 The 2022/23 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 24 March 2022. The 2022/23 Capital Strategy (approved at the same committee) 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 budget monitoring report now includes an update for the mid-year performance against the strategy and indicators in addition to the usual inclusion of a summary of the Authority's investment position.

Economic Overview

- 3.10 The Bank of England's Monetary Policy Committee acted for a ninth consecutive meeting in December, increasing the Bank Rate by 0.50% to 3.50% and then again in January, increasing it by a further 0.5% to 4.0%. The MPC is taking a more dovish view of the future (i.e. looking to lower interest rates) as it is taking a more optimistic view of inflation as well as challenging market expectations of the bank rate reaching 5.25%.

3.11 Investments

The Authority's investment portfolio of £15.704m as at 31 December 2022 is made up of the following:

- £1.500m fixed deposit held with Santander UK plc;
 - £3.000m sustainable fixed deposits held with Standard Chartered Bank;
 - £3.000m fixed deposit held with Goldman Sachs International Bank
 - The remaining balance is invested via Brighton & Hove City Council (£8.204m as at 31 December 2022)
- 3.12 The table at Appendix 4 summarises the performance of these investments to 31 December 2022. The actual average interest rate earned in quarter 3 was 2.24% (compared to 1.50% average for months 5-6), reflecting the increase in investment rates driven by the increases in the Bank of England Base Rate.
- 3.13 The benchmark investment rate for the period was 2.75%. The actual rate achieved of 2.24% therefore under-performed the benchmark rate by 0.51%. This is because there is a natural and expected delay between increases in the Bank of England Base Rate and the rate achieved on investments as we wait for investments to mature before funds can be re-invested at the improved rates. The average investment rate is expected to continue to improve during the remainder of 2022/23.

Capital Financing

- 3.14 The Authority's most significant capital investment relates to the programme of works set out in the Seven Sisters Country Park business case. In terms of financing the works, the Authority's Capital Strategy identified that the Seven Sisters capital investment could initially be met from internal borrowing; that is, avoiding the take up of external borrowing (loans) by utilising the Authority's available cash balances until such time as the cash is required for its intended purpose. An assessment of the Authority's cash flows at the time that the Seven Sisters project was first approved indicated that it may require external borrowing of up to £1.240m between 2021/22 and 2024/25, however, available cash balances have remained much more stable than forecast and therefore there is no anticipated need for external borrowing for at least this year or next. This position will continue to be closely monitored to ensure that cash balances remain at an appropriate level to meet the Authority's budget commitments.

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

Implication	Yes*/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	None
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 Sustainability Strategy?	No None directly.

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.

Nigel Manvell

Chief Finance Officer

South Downs National Park Authority

Contact Officer: Nigel Manvell

Tel: 01273 291233

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

Appendices

1. 2033/23 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, Head of Finance and Corporate Services.

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 Movements since last Quarter

	Variance Month 6	Variance Month 9	Movement	
Service	£'000	£'000	£'000	Explanation of Main Variance
Corporate Services	(146)	(71)	75	The movement is due to the increase in salaries costs of £38,000, this is due to a one-off cost of living payment for staff. There are additional costs within supplies and services for office furniture at Seven Sisters and costs for the upgrade of a Vehicle Charging point at South Down Centre and other minor movement across the service.
Seven Sisters Country Park	62	73	11	Minor movement in Third Party Payments.
Countryside Policy & Management	(182)	(256)	(74)	The movement is due to a reduction of (£35,000) in salaries due to vacant posts, of which some are now recruited, (£15,000) below budget variance within the Performance and Projects team; this is due to a change to the work programme. A further (£20,000) relates to mileage and public transport forecasts due to vacancies and increase use of pool cars and other minor movement within supplies and services.
Planning	(262)	(139)	123	The movement is due to an increase in salaries costs of £135,000 due to the recruitment of Agency Staff to cover several vacant posts within the Planning team, The Planning Income fees forecast is showing a net below budget variance of £100,000 compared with the month 6 position of £25,000. This is offset by a net below budget variance of (£50,000) for Delegated agreements and a net above budget variance on CIL admin income of (£30,000) due to more developments that anticipated for 2022/23. There is also a net

				below budget variance of (£15,000) for consultancy costs within CIL costs, due to budget not being required for 2022/23.
Strategic Investment Fund	0	0	0	
Totals	(528)	(393)	135	

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

2022/23 Variance Month 9 £'000	Service Area	Explanation of Main Variances
(18)	Chief Executive's Service	Net variance due to a staff vacancy.
(78)	Business Services	(£35,000) 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. (£150,000) net above budget variance on investment income, due to an increase in interest rates. These are offset by a net above budget variance of £73,000 for additional costs for water ingress, grab and go and additional office furniture at Seven Sisters and costs for upgrade of a Vehicle Charging point at South Down Centre. £7,000 for new requirements specified under the Corporate Financial Services contract, £10,000 additional audit fees and £10,000 on staff advertising due to staff vacancies. There are other movements within supplies and services.
73	Seven Sisters Country Park	£60,000 for a feasibility study for the reed beds at Seven Sisters and other minor movements within supplies and services.
88	Marketing and Income Generation	Net variance is due to an additional post (Funding Officer) that was not included in the original budget and additional one-off costs of living for staff.

(63)	Governance and Support Services	(£50,000) below budget on salaries vacancy during the year now recruited and decreases in members mileage costs for 22/23.
2	Total Corporate Services Variance	
(28)	Director of Countryside Policy and Management	The below budget variance is due to the recovery of costs for staff seconded from the Farmers in Protected Landscape project.
(35)	Countryside and Policy Central	(£31,000) below budget salary variance is due to the recovery of costs for staff seconded from the Farmers in Protected Landscape project and vacancy posts within the ranger's service and strategy lead position. Net minor movements in mileage costs.
(1)	Countryside and Policy Wealden Heath	Net minor variance. Note, this cost centre will be deleted at the end of the financial year.
(84)	Countryside and Policy Eastern	(£59,000) below budget salary variance is due to a vacant post and restructure changes and some recovery of costs for staff seconded from the Farmers in Protected Landscape project. The net below budget variance on Volunteer Costs is due to the changes in staff structure and other minor movements in mileage costs.
(37)	Countryside and Policy Western	The below budget salary variance is due to a vacant post and restructure changes. Net minor movements in mileage costs.
(71)	Research and Performance	(£54,000) below budget salary variance is due to restructure changes and some to a staff post recruited at lower than originally budgeted cost and some staff not in the pension scheme. (£15,000) below budget variance within the Performance and Projects team, this is due to a change to the work programme. Net minor movements in mileage costs.
(256)	Total Countryside Policy and Management Variance	

4	Director of Planning	Net variance is due to salary turnover target and minor movement in mileage costs.
(48)	Planning Development Management	(£40,000) net below budget variance on salaries due to several vacant posts within the service. Other minor movements in mileage costs.
(18)	Performance and Technical Management	(£18,000) below budget variance on salaries due to staff restructure within the service. An anticipated net below budget variance of £100,000 on planning income fees; this is offset by a (£50,000) net below budget variance on delegated agreements payments and (£30,000) net above budget variance on CIL admin income, due to more developments than anticipated for 2022/23 and (£15,000) for consultancy costs within CIL costs, due to budget not required for 2022/23. Net minor movements in mileage costs.
(77)	Planning Policy	(£77,000) below budget variance on salaries due to several vacant posts and restructure within the service.
(139)	Total Planning Variance	
0	Strategic fund Projects	Net zero variance.
0	Strategic Fund Projects	
(393)	Total Revenue Budget Variance	

2022/23 Capital Forecast

Capital Project	2022/23 Month 9 Original Budget	2022/23 Month 9 Variation	2022/23 Month 9 Adjusted Budget	2022/23 Month 9 Forecast	2022/23 Month 9 Variance	2022/23 Month 9 Variance
	£'000	£'000	£'000	£'000	£'000	%
New Vehicle	46	(46)	0	0	0	0%
Seven Sisters Country Park	784	(60)	724	724	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	(106)	906	906	0	0.0%

Capital Project Variation	Variation Type	Value	Description
Vehicles	Reprofile (subject to NPA approval)	(46)	The variation is due to the closure of the Brinsbury Area office, where the vehicle requirements have changed.
Seven Sisters Country Park	Reprofile (subject to NPA approval)	(60)	The variation is due to a retention fee not due until 2023/24,

2022/23 Reserves Position

Reserve Type and Title	Purpose of Reserve	2022/23 Month 6 £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2022/23 Month 9 £'000
General Reserves:					
General Reserve	General Reserve representing the 2021/22 approved budget surplus	0	0	0	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	358	0	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.	425*	0	0	425
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.	593	0	0	593

Reserve Type and Title	Purpose of Reserve	2022/23 Month 6 £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2022/23 Month 9 £'000
Trading Company Borrowing Reserve	This will allow the company to borrow funds to purchase assets to allow operations at SSCP to begin	80	0	0	80
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	2	0	0	2
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	5,843	0	(131)	5,712
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

Reserve Type and Title	Purpose of Reserve	2022/23 Month 6 £'000	Movement Between Reserves £'000	Contributions to/from Reserves £'000	2022/23 Month 9 £'000
Total Reserves Balance		9,091	0	(131)	8,960

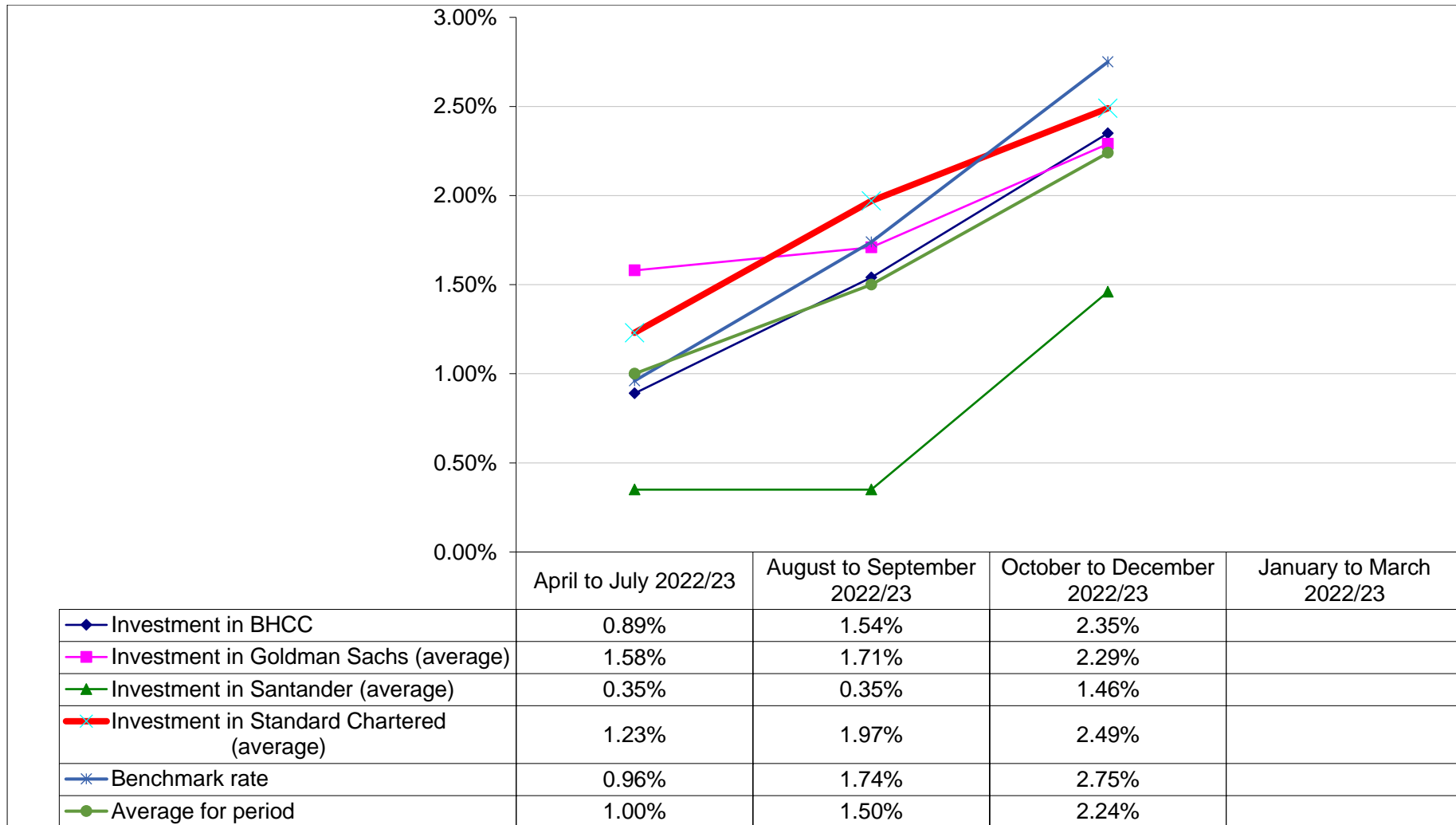
*The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990.

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

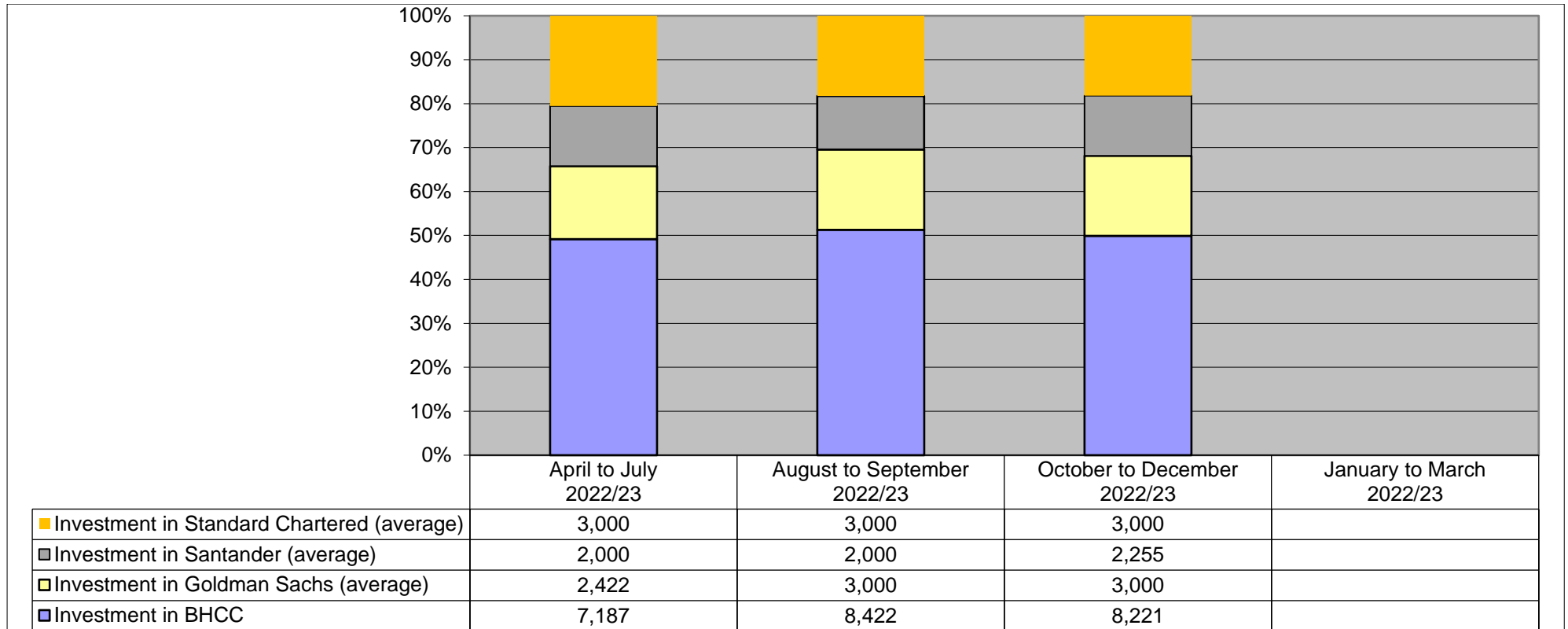
*The Strategic Fund Reserve balance includes budget for projects that are committed but not yet drawn down. The actual unallocated balance is £187K

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)



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.