

Report to **South Downs National Park Authority**
Date **11 July 2023**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report: Provisional Outturn 2022/23**

Note / Decision

Recommendation: The Authority is recommended to:

- 1. Note the provisional revenue outturn position of a net £526,000 below budget variance for the 2022/23 financial year.**
 - 2. To note that the below budget variance includes £440k additional National Park grant for 2022/23 arrived at the end of the financial year.**
 - 3. Approve the revenue budget carry forward requests from 2022/23 to 2023/24 of £1,115,000 as set out in Appendix 2.**
 - 4. Approve the creation of a Nature Based Solutions (Green Finance) Reserve of £167,000 as set out in paragraph 4.1.**
 - 5. Approve the following Capital variations as detailed in paragraph 3.5, specifically:**
 - (£76,000) reprofile to the 2022/23 financial year to fund completion of the Seven Sisters Capital Projects, and;**
 - (£39,000) reprofile to the 2022/23 financial year for Phase I signage identified as needing repairs and where the work is in progress.**
 - 6. Approve the below budget revenue position of (£526,000) and that £440,000 will be allocated to the Invest-to-Save Reserve in accordance with the Authority's decision on 30 March 2023, and approve that the balance of (£86,000) be allocated to working balance.**
 - 7. Note the Treasury Management overview and position as at financial year-end 2022/23.**
-

I. 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 provisional outturn position for the financial year 2022/23 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 24 March 2022. 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 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

Provisional 2022/23 Revenue Outturn

- 3.1 The provisional 2022/23 revenue outturn position is a net below budget variance of (£526,000) subject to the approval of carry forward requests (including Multi-Year Projects), which represents approximately 4.7% of the revised service net budget.

2022/23 Month 9 Variance £'000	Directorate	2022/23 Budget Outturn £'000	2022/23 Actuals Outturn £'000	Forecast Variance Outturn £'000	Forecast Variance Outturn %
(71)	Corporate Services	4,161	4,130	(31)	-0.75%
73	Countryside Policy and Management - Seven Sisters	0	17	17	0.00%
(256)	Countryside Policy and Management	3,657	3,731	74	2.02%
(139)	Planning	3,208	3,054	(154)	-4.80%
0	Strategic Investment Fund	258	266	8	3.10%
(393)	Total Directorate Budgets	11,284	11,198	(86)	(0.76%)
0	National Park Grant	(10,486)	(10,926)	(440)	(4.20%)
0	Contribution to/from Reserves	(798)	(798)	0	0.00%
(393)	Total Authority Budget	0	(526)	(526)	

- 3.2 The provisional outturn position represents a movement of (£133,000) from the month 9 forecast variance of (£393,000) below budget reported to Policy & Resources Committee. The most significant movements are due to staff structure costs (both redundancy and

pension strain costs), but these have been offset by other underspends across salaries and the additional National Park grant income of £440,000. Regarding the transition to a new business model, undertaken during this financial year, whilst some staff savings have been realised in year, the full year savings will come through in 2023/24 as the majority of staff departing did so at the end of March. The transition costs (i.e. redundancy and pension strain cost) are reflected within the various departmental forecasts rather than being charged to the Transition Fund. This is possible due to the revenue budget underspend in 2022/23 enabling the balance of the Transition Reserve (£486,000) to be utilised for the Invest-to-Save expenditure identified and agreed by the Authority on 30 March 2023.

- 3.3 There is also significant movement within the Planning service area, with a £309,000 underspend on Delegated Agreements, due to lower activity, of which £200,000 has been included in the carry forward schedule to cover any additional costs in relation to the emergency works to shore up the Angel Hotel. The Delegated Planning Arrangements clearly demonstrate that this mechanism enables the Authority to very effectively manage its risk exposure to fluctuating planning activity which, if provided in-house, would otherwise require regular increases or decreases of staffing resources which carries many risks including recruitment risks, severance cost risks, performance risks and so on. The DPA's allow this risk to be spread across a wide number of authorities which, although challenging, is not destabilising for any one authority. From the Authority's perspective, the DPA's immediately reflect changes in planning activity and thereby enable much tighter budgetary control and greater value for money. There have been several other less significant movements which are detailed at Appendix I.

Budget Carry Forwards

- 3.4 The provisional outturn position assumes approval of budget carry forward requests totalling £1.115m. Budget carry forward approval is required for both un-ringfenced grant funded 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.

Note that some carry forward requests relate to projects or commitments that are likely to run over more than one financial year. These carry forwards are designated as Multi-Year Projects.

The Senior Management Team (SMT) have reviewed all requests and endorse the requests proposed in this report. 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.

Provisional 2022/23 Capital Forecast

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

Capital Budget	Outturn		
	Budget	Actuals	Variance

	£'000	£'000	£'000
New Vehicle	0	0	0
Seven Sisters Country Park	1,180*	1,104	(76)
South Downs Trading Company – provision of equity	100	100	0
National Park Signage Project Phase 2	82	43	(39)
Total Capital Budget	1,362	1,247	(115)

* Including additional external funding of £456,300

- There is no vehicle spend in 2022/23, with a long lead in time for the ordered vehicle which will now arrive in May 2023. A new order has been raised for a double cab vehicle, which is due to arrive in 2023/24 so the budget will need to be reprofiled to next financial year. Approval of a variation to reprofile the capital budget into 2023/24 was given by the Authority at its meeting of 30 March 2023.
- 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 had 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 from Phase I. The fit out of the Foxhole Cottages should be completed during Spring 2023 to ensure they are ready for letting for July 2023. There is a retention fee for both Phase I and Phase Ia 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 complete. Following a review of the Phase I signage, several signs were identified as needing repairs and repair/replacement work is in progress. This can all be achieved within the existing capital budget and the budget will be reprofiled to next financial year to accommodate this.

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 (£526,000) will have a favourable impact on the Authority's reserves position. Note that £440,000 will be allocated to the Invest-to-Save Reserve to meet identified priorities as part of the budget proposals considered by the NPA on 30 March 2023, and that the balance of (£86,000) is proposed to be allocated to working balance. The reserves position is provided in Appendix 4.

The movements in reserves from the month 9 position include:

- £79,000 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.
- £72,000 increase in S106 interest reserve, due to allocation of interest to S106 balances at year-end.
- £729,000 increase in Community Infrastructure Levy reserve for CiL funding Projects.
- £167,000 for creation of a Nature Based Solutions (Green Finance) Reserve funded from income received in 2021/22 and 2022/23, which will be utilised over a period of years.

5. Treasury Management Overview and Position

- 5.1 The 2022/23 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 24 March 2022. This section of the outturn report provides an update to the Committee on the performance against the treasury strategy and indicators and a summary of the Authority's investment position.

Economic Overview

- 5.2 An overview of the economic landscape during 2022/23 is provided by Brighton & Hove City Council's Treasury Advisors, Link Asset Services, at Appendix 5.

Investments

- 5.3 The Authority's investment portfolio of £14.856m as at 31 March 2023 is made up of the following:

- £3.000m sustainable fixed deposits held with Standard Chartered Bank;
- £3.000m fixed deposit held with Goldman Sachs International Bank
- £1.500m fixed deposit held with Santander UK plc;
- The remaining balance is invested via Brighton & Hove City Council (£7.356m as at 31 March 2023)

- 5.4 The table at Appendix 5 summarises the performance of these investments to 31 March 2023. The actual average interest rate earned in quarter 4 was 3.19% (compared to 0.44% average for quarter 4 2021/22). Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

- 5.5 The average investment rate for 2022/23 was 1.98% compared to 0.35% in 2021/22 as a result of the increases in the Bank of England Base Rate. The average investment rate is expected to continue to improve through the first part 2023/24, but to then flatten in the latter part of the year; it is expected that interest rates are near their peak due to an expected slowing of inflation.

- 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 Since 2021/22, the Authority has used the Sterling Overnight Index Average (SONIA) as a benchmark against its investment performance. The average benchmark rate during 2022/23 was 2.24% compared to an average investment rate achieved of 1.98%. The investment rate therefore under-performed the benchmark by 0.26%. This under-performance is common in a rising interest rate market; the SONIA benchmark immediately reflects changes in interest rates whereas the performance of the Authority's investment portfolio takes longer to reflect these changes due to the need for existing investments to mature before being able to reinvest funds at higher investment rates.

Borrowing

- 5.8 The 2021/22 Capital Strategy identified a total borrowing need for the Authority of £1.240m for investment in the Seven Sisters Country Park.

- 5.9 The 2022/23 capital programme included a theoretical borrowing need of £0.748m. However, this borrowing need has been met internally, effectively reducing the Authority's cash balances available for investment rather than undertaking 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 closely monitored.

Prudential Indicators

- 5.10 The below tables show the indicators that were agreed as part of the 2022/23 Treasury Management Strategy and the actual indicators for the year.

- 5.11 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 – underlying borrowing need	2022/23 Estimate £'000	2022/23 Actual £'000
Opening Balance*	1,040	378
New Borrowing	200	748
Minimum Revenue provision	(26)	(6)
Closing Balance – underlying borrowing	1,214	1,120
External Borrowing	0	0
External borrowing as a % of CFR	0.0%	0.0%

*excludes lease liability of £840,000 for SSCP

- 5.12 The below table shows the borrowing limits agreed for 2022/23. As no external borrowing was undertaken, the borrowing limits have therefore been adhered to for the year.

2021/22 Borrowing Limits	Authorised Limit £'000	Operational Boundary £'000
Indicator set	1,700	1,500
Maximum borrowing outstanding during 2022/23	0	0
Variance	*1,700	1,500

*cannot be less than zero

- 5.13 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	Yes. CIL-related schemes and many other projects are delivered in association with partners.
How does this decision contribute to the Authority's climate change objectives	The report includes positive action to ensure finance is available for climate change, biodiversity, and nature recovery.
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

<p>Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy?</p> <ol style="list-style-type: none"> 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly 	<p>No</p> <p>None directly.</p>
---	---------------------------------

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.

Nigel Manvell

Chief Finance Officer

South Downs National Park Authority

Contact Officer: Nigel Manvell
 Tel: 01273 293104
 Email: Nigel.Manvell@brighton-hove.gov.uk

Appendices:

1. 2022/23 Provisional Revenue Outturn by Service Area
2. 2022/23 Budget Carry Forward Requests
3. 2022/23 Provisional Capital Outturn
4. 2022/23 Reserves Position
5. 2022/23 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, 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.