

Agenda Item 11
Report PR20/21-14

Report to	Policy & Resources Committee
Date	24 September 2020
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report 2020/21: Month 4

Recommendation: The Committee is recommended to

- 1) Note the 2020/21 revenue forecast position as at month 4 of a net £178,000 above budget variance.**
- 2) Note the 2020/21 capital forecast position as at month 4 of a zero budget variance.**
- 3) Note the reserves position as at month 4.**
- 4) Note the Treasury Management overview and position as at month 4.**

1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2020/21 financial year on the 26 March 2020 (confirmed on 21 May 2020). 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 2020/21 forecast financial position at the end of month 4.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were approved by the Authority at its meeting on 26 March 2020 (confirmed on 21 May 2020). 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) 2020/21.

2. Policy Context

- 2.1 The revenue and capital budget is 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.
- 2.2 This report, the first monitoring report of the 2020/21 financial year, reflects a prudent view of the year end forecast in the context of the Covid-19 pandemic and the implications that has on the Authorities operations. It is fully expected that the monitoring reports presented in month 6 and month 9 will show improvement in the forecast out turn as more accurate information is available.

3. Issues for consideration

Revenue Forecast

- 3.1 The 2020/21 forecast revenue outturn as at month 4, is a net above budget variance of £178,000. A summary of the forecast revenue position is provided by service area below and a more detailed summary is given at **Appendix I** to this report. The month 4 forecast has been developed following a review of current and anticipated changes in staffing, as well as other significant known variances.

Service Area	Month 4		
	Budget £'000	Forecast £'000	Variance £'000
Corporate Services	3,934	3,952	18
Countryside Policy & Management	3,931	3,903	(28)
Planning	3,958	4,128	170
Strategic Investment Fund	467	485	18
Total Service Budget	12,290	12,468	178

- 3.2 **Corporate Services:** A net above budget variance forecast of £18,000.

Significant variances include:

- £41,000 net above salary forecast, this is due to the employee turnover rate which was included in the budget for 2020/21 and agreed additional hours to meet temporary service requirements.
- (£11,000) net below budget mileage forecast, this is due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
- (£11,000) net below budget on insurance due to contract efficiencies. See Appendix I for details.

- 3.3 **Countryside Policy and Management:** A net below budget variance forecast of (£28,000).

Significant variances include:

- (£27,000) net below budget mileage forecast, this is due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
- A net below salary forecast due to a vacant post within ranger services (Landscape and Biodiversity Lead – Woodlands), but this is offset by the employee turnover rate which was included in the budget for 2020/21. See **Appendix I** for details.

- 3.4 **Planning:** A net above budget variance forecast of £170,000.

Significant variances include:

- An anticipated variance of £250,000 less planning fee income than budgeted due to the impact of Covid-19. This represents a 20% reduction of income budget for 2020/21. The anticipated variance has also contributed to delegated agreement payments currently expected to be (£55,000) less than budgeted. The number and value of planning applications received is less when compared to the same period last year (see table below) and the profiled budget to date.

	2019/20 QTR I Actuals	2020/21 QTR I Actuals	QTR I Variance
Number of applications under £5k	887	670	(217)
Value of applications under £5k	190,568	161,365	(29,203)
Number of applications over £5k	7	3	(4)
Value of applications over £5k	69,473	38,130	(31,343)
Total Value of Applications	£260,041	£199,495	(£60,546)

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

- It is accepted that there is inherent volatility in the number and value of planning applications and pre-application enquiries that the Authority receives. The forecast is

likely to vary by quarter and therefore will be regularly reviewed. Movements in income do not directly relate to changes in workload.

- A net below salary forecast of (£11,000); the variance includes employee turnover rate which was included in the budget for 2020/21 and vacant posts across planning (Principal Planning Officers, Link Officer and Senior Planning Officer Roles).
- (£12,000) net below budget mileage forecast, this is due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.

3.5 **Salaries:** The approved salary budget for 2020/21 includes an estimated 14% net turnover rate, which reduces the salary budget by (£148,000). The net salary forecast across all services is £30,000 above budget at month 4. The variance is due to agreed additional hours to meet temporary service requirements in Corporate Services and the cost of one new post (Principal Planning Officer) that has been agreed, but the corresponding budget virement has not yet been aligned.

3.6 It should be noted that the forecast represents known staffing levels at the time of review. There were 6 vacant posts across all departments as at the month 4 position. The staffing structure is kept under continuous review and new posts are created following Senior Management Team approval where there is a clear operational requirement and sufficient budget has been identified. No organisation can expect to operate at full complement and a moderate level of turnover is both unavoidable and desirable.

3.7 **Strategic Fund:** The Strategic projects are a net above budget variance of £18,000. The variance is due to the following project;

- Centurion Way Project - incurred extra costs of £37,000 due to changes to the route, which required plans to be re-signed and additional studies completed before planning was approved. £19,000 of these costs were paid in 2019/20 with the balance due in 2020/21.

Capital Forecast

3.8 There is a zero forecast variance on the capital programme at month 4. See **Appendix 2** for details.

Review of Reserves

3.9 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 are as follows;

- Transfer of the 2020/21 approved budget surplus of £305,000 to the new Climate Change Fund reserve (£141,000) and to the new Recovery Fund (£164,000).
- Transfer of (£211,000) from Partnership Management Plan reserve to the new Recovery Fund.
- Transfer of funds from the Planning reserve (£150,000) and Estates Management Reserve (£150,000) to the Strategic Fund reserve.
- Transfer of (£450,000) from the Strategic Fund Reserve, towards the setup and support of 16 different projects across the Authority for 2020/21.
- Contributions of (£25,000) from the Section 106 Receipts Reserve for payments to parish and town councils.

Treasury Management Overview and Position

3.10 Responding to the Coronavirus pandemic, The Bank of England's Base Rate reduced twice from 0.75% to 0.25% and then to 0.10% in March 2020. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchase of gilts (mainly) by the Bank of England of £200bn. In June, the Monetary Policy Committee (MPC) decided to add a further £100bn of QE purchases of gilts, but to be implemented over an extended period to the end of the year. The total stock of QE purchases will then amount to £745bn. It is not currently thought likely that the MPC would go as far as to cut Bank Rate into negative territory, although the Governor of the Bank of England has said all policy measures will be considered. Brighton & Hove City Council's Treasury Advisors, Link Asset Services (LAS) are forecasting the official Bank Rate to remain at 0.10% for at least the next 3 years.

- 3.11 The Government and the Bank were also very concerned about job losses during this lockdown period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lockdown period when some firms may have had little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. The furlough scheme was subsequently extended for another three months to October, but with employers having to take on graduated increases in paying for employees during that period. The Bank of England expects the unemployment rate to double to 8%.
- 3.12 The Government measures to support jobs and businesses will result in a huge increase in the annual budget deficit for the current year, from about 2% to nearly 17%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lockdown is ended. Economic statistics during June were giving a preliminary indication that the economy was recovering faster than previously expected. However, it may be a considerable time before economic activity recovers fully to its previous level.
- 3.13 Although the UK left the EU on 31 January 2020, there is still uncertainty as to whether there will be a reasonable trade deal achieved by the end of 2020. At the end of June, the UK government rejected extending the transition period beyond 31 December 2020. This has increased the chances of a no-deal Brexit. However, the most likely outcome is expected to be a slim deal on trade in order to minimise disruption as much as possible. However, uncertainty is likely to prevail until the deadline date which will act as a drag on UK economic recovery.
- 3.14 The Authority's investments at 31 July 2020 are made up of the following:
- £3.5m fixed deposit held with Santander (UK) plc (held as two separate deposits: £1.5m & £2.0m);
 - £2.0m fixed deposit held with Coventry City Council;
 - The remaining cash balance is invested in Brighton & Hove City Council (£9.031m at 31 July 2020).
- 3.15 The table at **Appendix 4** summarises the performance of these investments to 31 July 2020. The actual average interest rate earned in period was 0.92% (down from 1.09% in quarter 4 2019/20). The average rate earned has reduced, reflecting the decrease in the Bank of England Base Rate in March 2020. The average rate is expected to reduce further over the remainder of the year as existing investments mature and are replaced investments at an interest rate that reflects the current Bank of England Base Rate.
- 3.16 Officers review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio.

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. An above 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 variances from budgets to ensure that the Authority does not overspend on its available resources. An above budget variance at the end of the financial year could reduce reserve levels and may have implications for the Medium Term Financial Strategy of the Authority.
How does the proposal represent Value for Money?	Internal controls and governance are in place to ensure the economical, efficient and effective use of resources.
Are there any Social Value implications arising from the proposal?	No
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	There are no implications arising directly from this report. The Authority's equality duty shall be taken into account in respect to all expenditure and programmes undertaken by the National Park Authority.
Are there any Human Rights implications arising from the proposal?	No
Are there any Crime & Disorder implications arising from the proposal?	No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Data Protection implications?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy.	No

7. Risks Associated with the Proposed Decision

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

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Appendices

1. 2020/21 Revenue Forecast by Service Area
2. 2020/21 Capital Forecast
3. 2020/21 Reserves Position

	4. 2020/21 Treasury Management Performance
	5. Explanation of Key Terms
SDNPA Consultees	Chief Executive; Director of Countryside Policy and Management; Director of Planning; Monitoring Officer; Legal Services, Business Service Manager
External Consultees	None
Background Documents	Information in this report is taken from audited Financial Management Information Systems maintained by the Corporate Financial Services provider, Brighton & Hove City Council. This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedure.

2020/21 Revenue Forecast by Service Area

2019/20 Outturn Variance £'000	Service Area	2020/21 Month 4 Budget £'000	2020/21 Month 4 Forecast £'000	2020/21 Month 4 Variance £'000	2020/21 Month 4 Variance %
(47)	Corporate Services	3,934	3,952	18	0.41%
(47)	Countryside Policy and Management	3,931	3,903	(28)	(0.79%)
(282)	Planning	3,958	4,128	170	(4.3%)
71	Strategic Investment Fund	467	485	18	3.85%
(305)	Total Service Budget	12,290	12,468	178	1.5%
0	National Park Grant	(10,486)	(10,486)	0	
0	Contribution to/from Reserves	(1,804)	(1,804)	0	
(305)	Net Authority Budget	0	178	178	

2020/21 Revenue Forecast by Service Area – Explanation of Key Variances

2020/21 Variance Month 4 £'000	Service Area	Explanation of Main Variances
12	Chief Executive's Service	Salary variance due to employee turnover rate.
8	Business Services	£20,000 above budget on Salaries due to agreed additional hours to meet temporary service requirements this is offset by (£11,000) underspend on Insurance due to efficiencies on contact.
20	Marketing and Income Generation	Salary variance due to the employee turnover rate.
(22)	Governance and Support Services	(£11,000) salary variance due to staff not in the pension scheme and a reduction in costs for casual staff covering reception, due to closure of the Midhurst office to Covid-19. (£11,000) mileage variance due to the impact of Covid-19 and the reduction of face to face meeting both internally and externally.
18	Total Corporate Services Variance	
5	Director of Countryside Policy and Management	Minor net variance.
(28)	Countryside and Policy Central	The variance is due to salaries where currently there is a vacant post, Landscape and Biodiversity Lead – Woodland.
(10)	Countryside and Policy Wealden Heath	The variance is due to salaries where a new post was filled lower than budgeted.
17	Countryside and Policy Eastern	Salary variance due to the employee turnover rate.
7	Countryside and Policy Western	Minor net variance.
(19)	Research and Performance	The variance is due to salaries where some posts are currently filled with less hours than budgeted.

(28)	Total Countryside Policy and Management Variance	
2	Director of Planning	Salary variance due to employee turnover, offset by below budget variance of mileage costs.
6	Planning Development Management	£14,000 Salary variance due to employee turnover, these costs are offset by below budget variance of mileage costs.
190	Performance and Technical Management	£250,000 less planning fee income than budgeted, due to the impact of Covid-19, this is offset by below budget variance of (£55,000) within delegated agreements payments.
(28)	Planning Policy	Salary variance due to vacant Planning Policy post.
170	Total Planning Variance	
18	Strategic fund Projects	The variance is due to the Centurion Way Project which incurred extra costs of £37,000 due to the changes in the route, which required plans to be resigned and additional studies completed before planning was approved. £19,000 of these costs were paid in 19/20 with the balance due in 20/21.
18	Strategic Fund Projects	
178	Total Revenue Budget Variance	

2020/21 Capital Forecast

Capital Project	2020/21 Month 4 Adjusted Budget	2020/21 Month 4 Variation	2020/21 Month 4 Adjusted Budget	2020/21 Month 4 Forecast	2020/21 Month 4 Variance	2020/21 Month 4 Variance
	£'000	£'000	£'000	£'000	£'000	%
National Park Signage Project Phase 2	286	0	286	286	0	0.0%
New Vehicle	26	0	26	26	0	0.0%
Total Capital Budget	312	0	312	312	0	0.0%

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2020/21 Reserves Position

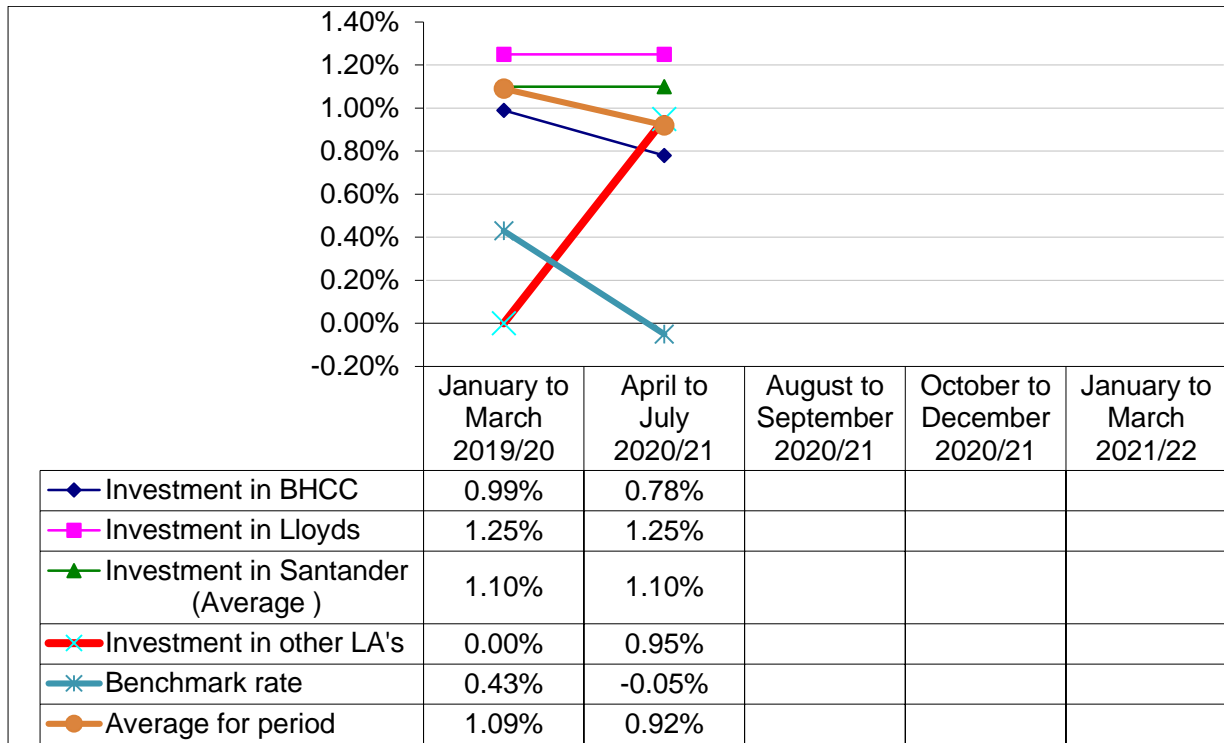
Reserve Type and Title	Purpose of Reserve	2019/20 Outturn	Move-ment Between Reserves	Contrib-utions to/from Reserves	2020/21 Month 4
		£'000	£'000	£'000	£'000
General Reserves:					
Working Balance	Working Balance	900	(141)	(164)	595
General Reserve	General Reserve representing the 2020/21 approved budget surplus	136	0	0	136
Earmarked Reserves:					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	512	0	(211)	301
Planning Reserve	To fund unforeseen planning inquires, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	708	(150)	0	558
Strategic Fund	Reserve to hold unspent Strategic Fund allocations.	670	300	(450)	520
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	146	0	0	146
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	0	141	0	141
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	583	0	(25)	558
Section 106 Interest on Statutory Receipts		146	0	0	146
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas	4,609	0	0	4,609
Capital Reserves:					
Capital Receipts	Proceeds from disposal of assets available for use on capital expenditure	23	0	0	23
Estates Management Reserve	To support refurbishment of area offices.	1,178	(150)	0	1,028
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	32	0	0	32
Total Reserves Balance		9,663	0	(850)	8,813

*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.

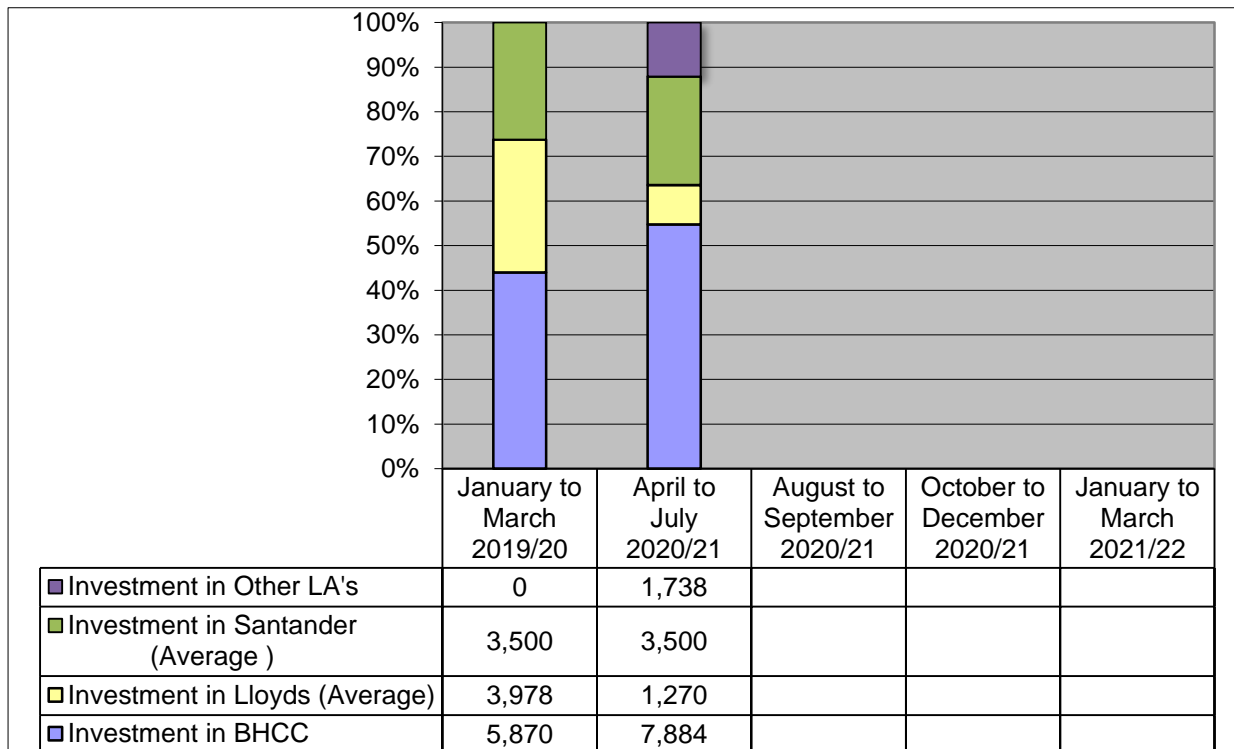
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2020/21 Treasury Management Performance

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.