

Report to	Policy & Resources Committee
Date	30 September 2021
By	Chief Finance Officer
Title of Report (Note)	Budget Monitoring Report 2021/22: Month 4

Recommendation: The Committee is recommended to

- 1) Note the 2021/22 revenue forecast position as at month 4 of a net £80,000 below budget variance.**
- 2) Note the 2021/22 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 2021/22 financial year on the 25 March 2021. In accordance with financial procedures, reports on the Authority's projected income and expenditure compared with the budget shall be submitted at least quarterly to Policy & Resources Committee. This report sets out the Authority's 2021/22 forecast financial position at the end of month 4.
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 25 March 2021. In accordance with financial procedures, the 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) 2021/22.

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.

3. Issues for consideration

Revenue Forecast

- 3.1 The 2021/22 forecast revenue outturn as at month 4, is a net below budget variance of (£80,000). 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	4,008	3,989	(19)
Countryside Policy & Management	3,847	3,784	(63)
Planning	3,911	3,913	2
Strategic Investment Fund	593	593	0
Total Service Budget	12,359	12,279	(80)

3.2 **Corporate Services:** A net below budget variance forecast of (£19,000)

Significant variances include:

- £23,000 net above salary forecast is due to the employee turnover rate being lower than the budgeted rate for 2020/21, and agreed additional hours to meet temporary service requirements such as maternity leave.
- (£18,000) net below budget variance on mileage, fuel costs and hospitality forecasts due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
- (£12,000) net below budget variance on office costs due to the impact of Covid-19.
- (£32,000) refund of business rates for the South Downs Centre from Chichester District Council due to the impact of Covid-19.
- £15,400 above budget spend due to the contribution to Greater Brighton Economic Board City Deal which was not included in the original budget.
- Minor other variances across supplies and services.

3.3 **Countryside Policy and Management:** A net below budget variance forecast of (£63,000).

Significant variances include:

- (£40,000) net below budget salary forecast due to a vacant post within Performance and Project team (Research and Evidence Officer) and a reduction in core salary costs for staff seconded to the Farmers in Protected Landscape project. These are offset by the target employee turnover rate which was included in the budget for 2020/21.
- (£15,000) net below budget variance on mileage, and public transport forecast due to the impact of Covid-19 and the reduction of face to face meetings, both internally and externally.
- Minor other variances across supplies and services.

3.4 **Planning:** A net above budget variance forecast of £2,000.

Significant variances include:

- An anticipated variance of £50,000 due to lower planning fee income than budgeted resulting from the impact of Covid-19. This represents a 4% reduction of income for 2021/22. Conversely, the anticipated variance has contributed to reduced delegated agreement payments, currently expected to be (£25,000) less than budgeted. This is a result of good contract management and an example of 'payment per application' working within the revised agreements. The number and value of planning applications received is greater when compared to the same period last year (see table below) and the profiled budget to date

	2020/21 QTR I Actuals	2021/22 QTR I Actuals	QTR I Variance
Number of applications under £5k	670	893	223
Value of applications under £5k	161,365	228,717	67,352
Number of applications over £5k	3	3	0

Value of applications over £5k	38,130	20,919	(17,211)
Total Value of Applications	£199,495	£249,636	(£50,141)

The figures provided above are based on a snapshot of data available at (QTR 1), these figures may change depending on timing and reconciliation, however provide an indicative position reflective of income received.

3.5 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 budget salary forecast of (£15,000). The variance is due to vacant posts within planning (Design Officer, Development Management Officer and Monitoring and Enforcement Officer), some of which have now been recruited; the variance is offset by an assumed employee turnover rate which was included in the budget for 2021/22.
- Minor other variances such as mileage.

3.6 **Salaries:** The approved salary budgets for 2021/22 include a 10% net turnover rate, which reduces the overall salary budget by (£110,000). The net salary forecast across all services is (£32,000) 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 (£143,000). It should be noted that the forecast represents known staffing levels at the time of review. There were 10 vacant posts across all departments as at the month 4 position; this includes 6 vacant posts within Apprentices. 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 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 zero forecast variance for month 4.

Capital Forecast

3.8 The Capital programme at month 4 is showing a zero variance, meaning that projects are expected to be delivered on time and within budget, but included below is a table showing the actuals against budget for each of the projects to date. A summary of the forecast position is given at **Appendix 2** to this report.

Capital Budget	Month 4		
	Budget £'000	Actuals £'000	Variance £'000
New Vehicle	46	0	(46)
Seven Sisters	2,265	13	(2,252)
South Downs Trading Company – provision of equity	100	0	(100)
National Park Signage Project Phase 2	275	1	(274)
New Trailer	30	21	(9)
Total Capital Budget	2,716	35	(2,681)

- The first new vehicle, to replace and ageing pick-up, has now been ordered
- The construction contract at SSCP is underway as of 9 August 2021
- Signage installation is currently underway across SDNP

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 in 2021/22 to date are shown below for information. The creation of reserves and any transfers to and

from reserves are approved by the Authority. The use of reserves must be in accordance with the approved purpose of each reserve.

3.10 Transfers:

- Transfer of the 2020/21 outturn budget surplus of £461,000 to the General reserve and £35,000 transfer to the Affordable Housing reserve as approved by the Authority at its meeting on 6 July 2021.

3.11 Use of reserves in 2021/22 as at Month 4:

- Use of (£279,000) from the Strategic Fund Reserve, towards the setup and support of 14 different projects across the Authority for 2021/22.
- Use of (£113,000) from the CiL funding Reserve towards the Egrets Way Project.
- Use of (£124,000) from the Climate Change Fund Reserve, towards the setup and support of 4 different projects across the Authority for 2021/22.

4. **Treasury Management Overview and Position**

4.1 The Bank of England Monetary Policy Committee (MPC) voted unanimously to maintain the official Bank Rate at 0.10% at its meeting on 4 August 2021. Inflation (measured by the 12 month Consumer Price Index - CPI) rose to 2.5% in June 2021; above the MPC's target of 2.0%. CPI is projected to rise further to 4.0% in quarter 4 of 2021 as a result of expected energy price rises (among other factors). The committee's central expectation is that current elevated global and domestic inflation will prove to be temporary, falling back to the 2.0% target.

4.2 In a previous meeting the committee was indicating that there was no expectation of tightening of monetary policy (i.e. increasing bank rate or un-winding Quantitative Easing) for some time, but the committee minutes from August's meeting indicated that interest rate increases could be on the horizon. There was some disagreement between MPC members as to whether some of the triggers within the guidance for tightening monetary policy had been met already. Following the meeting, BHCC's Treasury Advisors released an updated interest rate forecast, bringing forward their expectation of interest rate increases. However, it must be noted that an increase in Bank Rate is still not expected until at June 2023 at the very earliest. The actual timing of any changes to the bank rate will depend on whether the inflation increase expected in the latter part of the year is temporary, or transpires to be ongoing, which may cause the MPC to need to tighten monetary policy sooner.

4.3 The Authority's investments at 31 July 2021 are made up of the following:

- £2m fixed deposit held with Santander (UK) plc.
- The remaining cash balance is invested in Brighton & Hove City Council (£15.242m at 31 July 2021).

4.4 The table at **Appendix 4** summarises the performance of these investments to 31 July 2021. The actual average interest rate earned in period was 0.34% (down from 0.51% in quarter 4 2020/21). The reduction in the average interest rate is as a result of investments maturing, and new investments being undertaken at lower investment rates as a result of the reduction in investment rates available to the Authority (and the Council) since March 2020. The average rate is expected to reduce further over the remainder of the year as existing investments mature and are replaced by investments at an interest rate that reflects the current Bank of England Base Rate.

4.5 Officers regularly review cash flow forecasts closely and regularly to ensure sufficient liquidity remains within the portfolio. Whilst the strategy for the last year has been to invest surplus cash into the BHCC pool to maximise yield, the pooled investment rate is reducing (as expected) to the point where further external investments will become a more attractive option for the Authority within the next quarter, which will be investigated on an ongoing basis.

5. Options & cost implications

- 5.1 By continuously identifying and explaining variances against budgets, the Authority can identify risks, changes and new resource requirements at the earliest opportunity. An 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.

6. Next steps

- 6.1 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.

7. 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. 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.
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

8. Risks Associated with the Proposed Decision

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

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Appendices	<ol style="list-style-type: none">1. 2021/22 Revenue Forecast by Service Area2. 2021/22 Capital Forecast3. 2021/22 Reserves Position4. 2021/22 Treasury Management Performance5. 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.

2021/22 Revenue Forecast by Service Area

2020/21 Outturn Variance £'000	Service Area	2021/22 Month 4 Budget £'000	2021/22 Month 4 Forecast £'000	2021/22 Month 4 Variance £'000	2021/22 Month 4 Variance %
(20)	Corporate Services	4,008	3,989	(19)	(0.49)
(279)	Countryside Policy and Management	3,847	3,784	(63)	(1.64)
(215)	Planning	3,911	3,913	2	0.06
18	Strategic Investment Fund	593	593	0	0.00
(496)	Total Service Budget	12,359	12,279	(80)	(0.65)
0	National Park Grant	(10,486)	(10,486)	0	0.0
0	Contribution to/from Reserves	(1,873)	(1,873)	0	
(496)	Net Authority Budget	0	(80)	(80)	

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

2021/22 Variance Month 4 £'000	Service Area	Explanation of Main Variances
2	Chief Executive's Service	Salary variance due to employee turnover rate.
(16)	Business Services	£17,000 above budget on salaries due to employee turnover and agreed additional hours to meet temporary service requirements for maternity cover, this is offset by (£58,000) below budget costs for mileage, transport costs general office supplies and business rates due to the impact of Covid-19. £15,400 above budget spend due to the contribution to Greater Brighton Economic Board City Deal which was not included in the original budget. There are other minor below/above budget costs within supplies and services costs.
17	Marketing and Income Generation	Salary variance due to employee turnover rate.
(22)	Governance and Support Services	(£14,000) below budget variance on salaries, due to staff not in the pension scheme and a reduction in costs for casual staff covering reception at Midhurst Office. (£8,000) below budget costs for mileage and hospitality variance due to the impact of Covid-19 and the reduction of face to face meetings both internally and externally.
(19)	Total Corporate Services Variance	
(29)	Director of Countryside Policy and Management	(£27,000) below budget salary variance, is due to staff seconded to the Farmers in Protected Landscape project. Other minor below budget variance on mileage.
(13)	Countryside and Policy Central	(£10,000) below budget salary variance, is due to staff seconded to the Farmers in Protected Landscape project. Other minor below budget variance on mileage.

(15)	Countryside and Policy Wealden Heath	Salary variance was due to vacant Assistant Ranger role (now filled).
(16)	Countryside and Policy Eastern	(£17,000) below budget salary variance, is due to staff seconded to the Farmers in Protected Landscape project.
6	Countryside and Policy Western	Salary variance due to employee turnover.
4	Research and Performance	Salary variance due to employee turnover.
(63)	Total Countryside Policy and Management Variance	
4	Director of Planning	Salary variance due to employee turnover.
0	Planning Development Management	Net Zero variance.
(4)	Performance and Technical Management	£50,000 less planning fee income than budgeted, due to the impact of Covid-19, this is offset by below budget variance of (£25,000) within delegated agreements payments. (£25,000) salaries below budget variance due to vacant post (Design Officer) within the service. Other minor below budget variance on mileage.
2	Planning Policy	Salary variance due to employee turnover.
2	Total Planning Variance	
0	Strategic fund Projects	Net Zero variance.
0	Strategic Fund Projects	
80	Total Revenue Budget Variance	

2021/22 Capital Forecast

Capital Project	2021/22 Month 4 Original Budget	2021/22 Month 4 Variation	2021/22 Month 4 Adjusted Budget	2021/22 Month 4 Forecast	2021/22 Month 4 Variance	2021/22 Month 4 Variance
	£'000	£'000	£'000	£'000	£'000	%
New Vehicle	46	0	46	46	0	0%
Seven Sisters	2,265	0	2,265	2,265	0	0%
South Downs Trading Company – provision of equity	100	0	100	100	0	0%
National Park Signage Project Phase 2	275	0	275	275	0	0%
New Trailer	30	0	30	30	0	0%
Total Capital Budget	2,716	0	2,716	2,716	0	0.0%

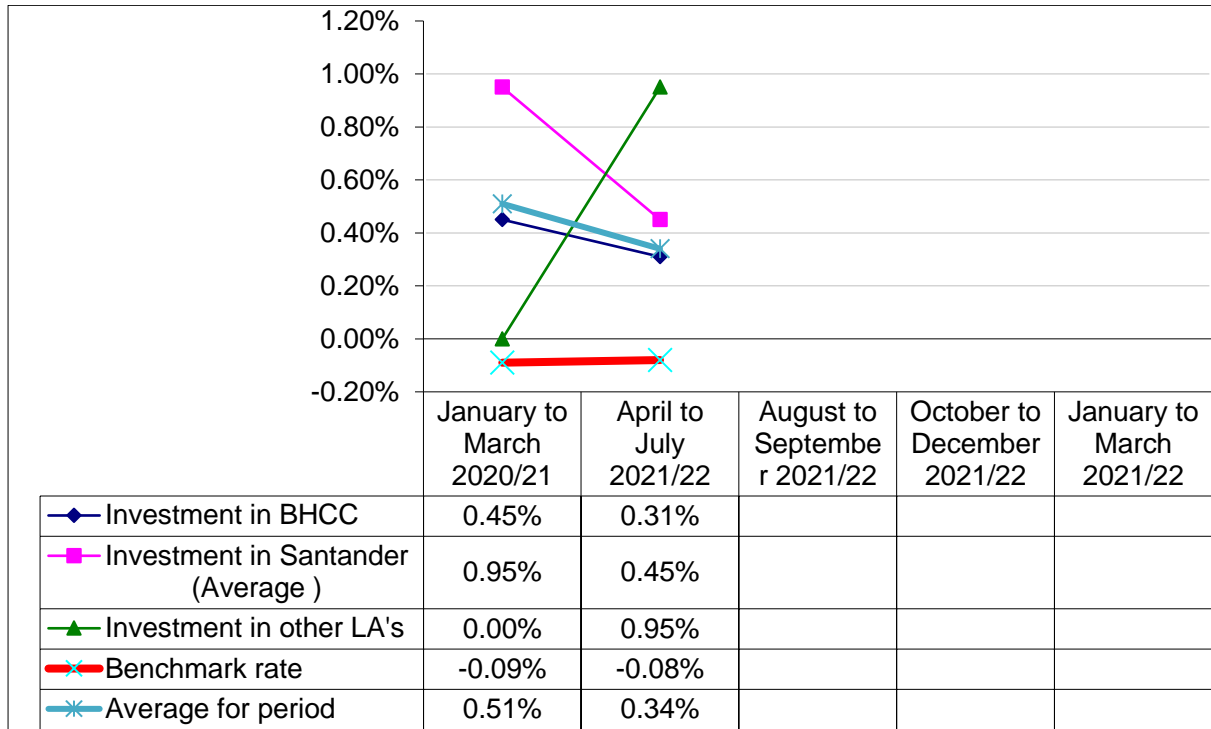
2021/22 Reserves Position

Reserve Type and Title	Purpose of Reserve	2020/21 Outturn	Move-ment Between Reserves	Contrib-utions to/from Reserves	2021/22 Month 4
		£'000	£'000	£'000	£'000
General Reserves:					
Working Balance	Working Balance	595	0	0	595
General Reserve	General Reserve representing the 2021/22 approved budget surplus	461	0	0	461
Earmarked Reserves:					
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	301	0	0	301
Planning Reserve	To fund unforeseen planning inquires, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	558	0	0	558
Strategic Fund	Reserve to hold unspent Strategic Fund allocations.	734	0	(279)	455
Affordable Housing	Funds to implement an Affordable Housing Strategy within the National Park	161	0	0	161
Climate Change Fund Reserve	Funds to support the Authority becoming a 'net-zero' organisation by 2030.	126	0	(124)	2
South Downs Way	Funding transferred from South Downs Joint Committee	20	0	0	20
Section 106 Receipts Reserve	Receipts primarily used to develop infrastructure within the National Park	524	0	0	524
Section 106 Interest on Statutory Receipts		177	0	0	177
Community Infrastructure Levy Reserve*	Receipts to fund infrastructure in development areas	5,753	0	(113)	5,640
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.	878	0	0	878
Vehicle Repairs and Renewals	To fund purchase of replacement vehicles	32	0	0	32
Total Reserves Balance		10,343	0	(516)	9,827

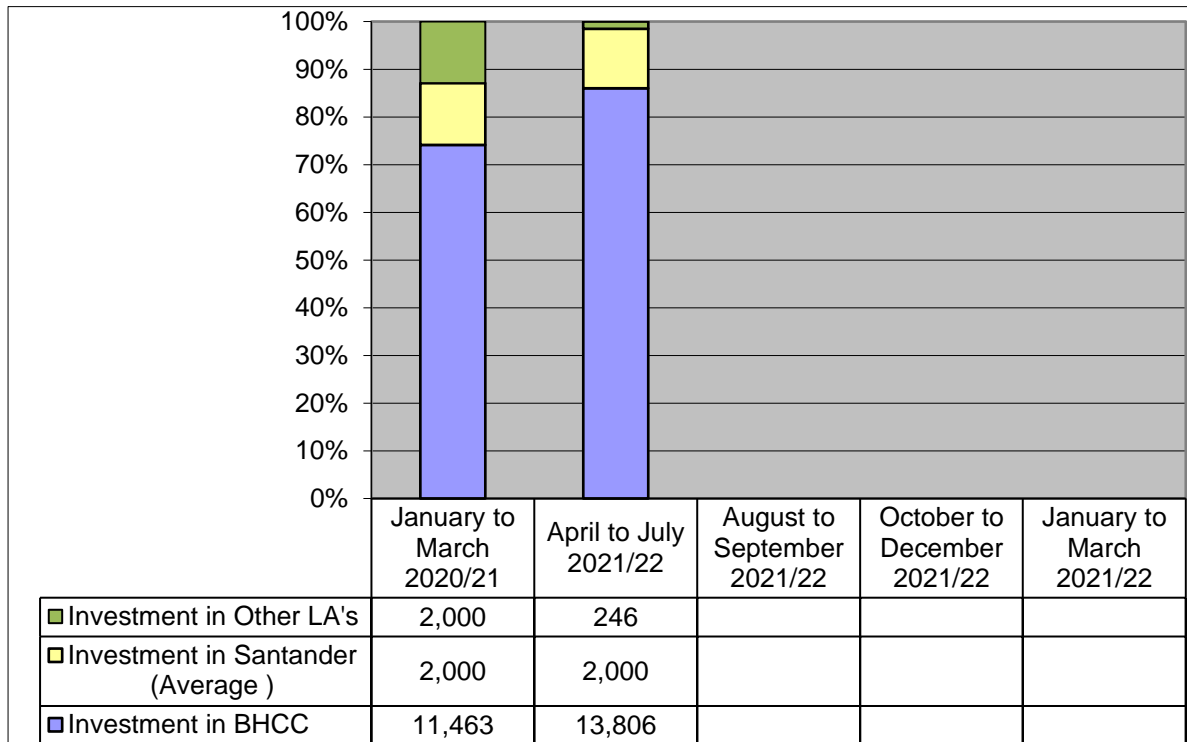
*The value of the Community Infrastructure Levy reserve represents amounts receivable in accordance with Financial Regulations and the Town and County Planning Act 1990. The reserve value may not represent the value of actual income received due to agreed payment terms and profile of payments for some developments.

2021/22 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.