

Report to **Policy & Resources Committee**
Date **21 November 2024**
By **Chief Finance Officer**
Title of Report **Budget Monitoring Report 2024/25: Month 6**
Decision

Recommendation: The Policy & Resources Committee is recommended to:

- 1. Note the 2024/25 Revenue Forecast position as at month 6 of a net £7,000 above budget variance.**
 - 2. Note the 2024/25 Capital spend and commitments as at month 6 indicating £311,000 is budgeted to be spent by year-end.**
 - 3. Recommend that the National Park Authority (the “NPA”) approve the capital variations as set out in Appendix 2.**
 - 4. Note the Reserves position as at month 6, as set out at Appendix 3.**
 - 5. Note the Treasury Management overview and position as at month 6, as set out at Appendix 4 & 5.**
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1. Introduction

- 1.1 The South Downs National Park Authority (the Authority) approved the revenue and capital budget for the 2024/25 financial year on the 29 March 2024. 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 2024/25 forecast financial position as at the end of month 6 (September).
- 1.2 The Treasury Management Policy Statement and Annual Investment Strategy were also approved by the Authority at its meeting on 29 March 2024. 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 6 (September) 2024/25.

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 2024/25 forecast revenue outturn as at month 6 is a net above budget variance of £7,000. The month 6 forecast has been developed following a review of current and anticipated changes in staffing, as well as other significant known variances. It also includes the full allocation of the additional £250,000 National Park Grant announced in April, with £143,000 being allocated against identified commitments and the balance deployed against existing spend.
- 3.2 At the meeting of the South Downs National Park Authority on 9 July 2024 it was agreed that the Operating Agreement for the management of Seven Sisters Country Park (SSCP) with South Downs Commercial Operations Ltd (SDCOL) would be terminated on 9 October 2024.
- 3.3 The above budget variance shown against SSCP for month 6 includes the impact of the cessation of both the service charge and operating agreement income from this date.
- 3.4 The full financial impact of the decision to bring services in-house on the Authority’s financial position will be integrated into Q3 and Q4 monitoring, including consideration of any impact on reserves. This will be covered as part of the usual Q3 budget report to this Committee and the end of year outturn report to the Authority.
- 3.5 A summary of the forecast revenue position is provided by service area below and the revenue movement between budget and forecast and the key variances by service are provided in Appendix I.

Directorate	2024/25 Budget Month 6 £'000	2024/25 Forecast Month 6 £'000	Forecast Variance Month 6 £'000	Forecast Variance Month 6 %
Corporate Services	4,365	4,444	79	1.81%
Seven Sisters Country Park	0	238	238	0.00%
Countryside Policy and Management	3,039	3,026	(13)	-0.43%
Planning	4,120	4,073	(47)	-1.14%
Strategic Projects	433	433	0	0.00%
Total Directorate Budget	11,957	12,214	257	2.15%
National Park Grant	(10,486)	(10,736)	(250)	2.38%
Contribution to/from Reserves	(1,471)	(1,471)	0	0.00%
Total Authority Budget	0	7	7	

- 3.6 **Salaries:** As in previous years, the approved salary budgets for 2024/25 include a 10% net turnover rate (*applied for average of 9 weeks of the financial year*), which reduces the overall salary budget by (£119,000). The net salary forecast across all services is (£228,000) below budget at month 6. If the budget had not been reduced by the turnover rate, the net salary forecast for month 6 would be below budget by (£347,000). It should be noted that the forecast represents known staffing levels at the time of review. There were 4 vacant posts across all departments as at the month 6 position, with many of the vacant posts in the

process of being filled. The staffing structure is kept under continuous review and the replacement of vacancies and creation of new posts are only agreed following Senior Leadership 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 **Planning Income:** At quarter 2, there is an anticipated net below budget (adverse) variance of £128,000 on Planning Income fees. The variance has been offset by a reduction in delegated agreement payments, currently expected to be (£101,000) less than budgeted (favourable). This is a result of effective contract management through the specification of 'payment per application' within the agreements.
- 3.8 The Capital Programme outturn forecast at month 6 is showing a zero variance for the year with approval of the budget variations requested 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. This indicates that £311,000 remains to be spent this year in accordance with the approved capital budget. However, the Seven Sisters Trading Company sum will be held back and incorporated into overall closing position of the company to be reported later in the year as noted in paragraph 3.4 above.

Capital Budget	YTD at Month 6		
	Budget	Spend, plus commitments	Variance
	£'000	£'000	£'000
Seven Sisters Country Park – Reed Bed	314	387	73
Seven Sisters Country Park – Micro Tractor	20	0	(20)
New Barn Cottage Improvement Works	0	23	23
Seven Sisters Country Park – Trading Co.	220	0	(220)
South Downs Centre and Seven Sisters Country Park Energy Efficiency Programme	79	28	(51)
South Downs Centre - Cladding	78	78	0
South Downs Memorial Hall – AV equipment	35	24	(11)
IT Infrastructure	175	137	(38)
QECP Partnering arrangements	40	0	(40)
South Downs Centre - External redecorations	25	0	(25)
New Vehicles	25	25	(0)
National Park Signage Project	17	14	(3)
Total Capital Budget	1,028	717	(311)

- The SSCP sewerage treatment plant is in the final stages of the project, the tanks are now in position and have been concreted in. There is some electrical ducting required

to connect the new systems and both a pump and electrical kiosk prior to the system being commissioned later in October. A new fence will also be constructed around the site and shingle laid across the surface. All works are aiming for completion in the next few weeks.

- Micro tractor – no specification for this item received and may well use alternative equipment.
- The long awaited SDC Cladding works has now been completed and the scaffolding removed from site, with the planning teams now back in their wing.
- AV equipment – a contract has now been let for this works which will be undertaken during the summer.
- IT Infrastructure – laptops have been purchased and distributed to all staff and new screen arrangements installed on site, with the old thin client desktops and screens moved for WEEE recycling, or sale to staff where appropriate, with the latter raising funds for the SDNP Trust.
- SSCP Trading Company – see capital variation at Appendix 2.
- SDC Energy efficiency and external decorations will be the subject of ITT/ITQ.

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 2024/25 to date are shown below and at Appendix 3 for information. The creation of reserves and any transfers to and from reserves must be approved by the Authority. The use of reserves must be in accordance with the approved purpose of each reserve.

The main movements in reserves to date are shown below:

- (£377,000) transfer from the General reserve, being the unaudited underspend for 2023/24, to mainly fund one-off projects as agreed at NPA in July:
 - £180,000 revenue contribution to a capital investment for refurbishment works to New Barn Cottage at Seven Sisters Country Park (SSCP) as works are urgently needed for a variety of reasons and will become more expensive if delayed.
 - £50,000 revenue contribution to a capital investment for improvement works to SSCP car parks.
 - £75,000 revenue investment for condition surveys in respect of all assets held at SSCP to help inform future spending priorities.
 - £40,000 revenue investment to provide additional funds for PMP review including engagement strategy implementation.
 - £32,000 transferred to Strategic Fund.
- (£218,000) transfer from Strategic funds for Projects for 2024/25 including Communities in the South Downs, Moulsecomb Ambassador School, Energy Audits Culture & Heritage Sites, UCL Knowledge Exchange, Historic Hedgerows, Adur Wetland Creation Feasibility Project (Pad Fm), Arun Landscape Farm Cluster Facilitation, Winchester Climate Action Network - WeCAN Phase 2, Grazier Project, Dewpond Project, Revealing Grandfathers Bottom, Timescape, Rother Action Plan and New Ways of Working project.
- £70,000 transferred to reserves, as per budget setting 2024/25.
- £40,000 transferred to the Strategic Fund from revenue funding agreed as per budget setting 2024/25.

- 3.10 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: £1,033,000 which must be maintained to demonstrate financial prudence and resilience; Capital Reserves of £114,000 to manage the timing of capital payments across financial years and £8,613,000 in relation to SI06, 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 £2,274,000 to meet approved projects and programmes.

Treasury Management Overview and Position

- 3.11 The 2024/25 Treasury Management Strategy (which includes the Annual Investment Strategy) was approved by full Authority on 29 March 2024. This section of the report provides a mid-year update on the performance against benchmarks and the key indicators in the Authority's Treasury Management Strategy for the first six months of the year.

Economic Overview

- 3.12 An overview of the economic landscape at as September 2024 is provided by Brighton & Hove City Council's Treasury Advisors, Link Asset Services, at Appendix 4.

Investments

- 3.13 The Authority's investment portfolio of £15.648m as at 30 September 2024 is made up of the following:
- £1.500m sustainable fixed deposit held with Standard Chartered Bank;
 - £1.500m fixed deposit held with Goldman Sachs International Bank
 - £4.500m fixed deposits held with Lloyds Corporate Markets
 - £6.000m loans to other Local Authorities (3 authorities at £2m each)
 - The remaining balance is invested via Brighton & Hove City Council (£2.148m as at 30 September 2024)
- 3.14 Investments held with external counterparties have increased by £3.5m since 1 April 2024 in order to allow the Authority to lock into investment rates, at a time when interest rates are expected to continue to fall. This excludes the balances invested via Brighton & Hove City Council which are held to ensure liquidity to manage day to day cash requirements.
- 3.15 The parameters for the Annual Investment Strategies were met in full during the period with no breaches.

Investment Performance and Risk

- 3.16 The table at Appendix 5 summarises the performance of these investments to 30 September 2024. The actual average interest rate earned between months 1 and 6 was 5.51%. Investment returns have held up due to the decision to increase longer, fixed-term investments to lock into investment rates at a time when the Bank of England base rate reached its peak. The Authority's investment portfolio has however started to see a reduction in yield, reflecting both the recent reduction to the Bank of England base rate and market expectations of a continued fall in the base rate to 4% by mid-2025.
- 3.17 The Authority uses the Sterling Overnight Index Average (SONIA) as a benchmark against its investment performance. The average benchmark rate for months 1 - 6 was 5.12% compared to an average investment rate achieved of 5.51%. The investment rate therefore over-performed the benchmark by 0.39%. The portfolio is expected to outperform or meet the benchmark for the remainder of 2024, with five of the highest yielding investments (half the portfolio as at 30 September 2024) due to mature by February 2025.
- 3.18 The security of the Authority's investment portfolio has been monitored to month 6, to assess the risk of loss. These risks were assessed using the financial standing of the groups invested in, the length of each investment, and the historic default rates. The investment strategy sets an allowable risk level of 0.050% (i.e. that there is a 99.950% probability that the Authority will get its investments back). The actual indicator ranged between 0.012% and

0.024%. The indicator has increased from a low of 0.012% at Month 1 due to the longer maturity profile and expansion of the portfolio at month 6 compared to month 1. The indicator remains well within limits and the parameters for the Annual Investment Strategies have been met in full during the year to date with no breaches.

Borrowing

- 3.19 The 2024/25 Capital Strategy identified no borrowing need for the Authority. This is not forecast to change as at Month 6. The Authority’s cumulative borrowing need to date is expected to continue to be met internally. 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 carefully monitored.

Prudential Indicators

- 3.20 The below tables show the indicators that were agreed as part of the 2024/25 Treasury management Strategy and the actual indicators for the year.
- 3.21 The Capital Financing Requirement (CFR) is the cumulative unfinanced capital spend. There is no external borrowing, and therefore the CFR is 100% funded through internal borrowing.

Capital Financing Requirement (CFR) (Underlying Borrowing Need)	Original Estimate 2024/25 £m	Revised forecast as at 30 Sept 2024 £m
Opening Balance*	1,230	1,221
New Borrowing	0	0
Minimum Revenue Provision	(29)	(21)
Closing Balance – underlying borrowing	1,201	1,200
External Borrowing as at 30 June 2024		0
Forecast Under-borrowing		1,200

*excludes lease liability of £770,000 for SSCP

- 3.22 The below table shows the borrowing limits agreed for 2024/25. As no external borrowing was undertaken, the borrowing limits have been adhered to for the year.

2024/25 Borrowing Limits	Authorised Limit* £'000	Operational Boundary* £'000
Indicator set	2,500	2,200
Maximum borrowing outstanding during 2023/24	0	0
Variance (Headroom)	*2,500	2,200

* From 2024/25 The Authorised Limit and Operational boundary include an estimate for leases bought onto the balance sheet under a change in leasing accounting regulations.

3.23 The authorised limit is the maximum external debt that the Authority can enter into. This limit can only be revised by agreement of Full Authority. The operational boundary is the limit that the external debt is not expected to exceed during the year.

4. Options & cost implications

4.1 By continuously identifying and explaining variances against budgets, the Authority can identify risks, changes and new resource requirements at the earliest opportunity. A below budget variance at the end of the financial year could increase reserve levels and have implications for the Medium-Term Financial Strategy of the Authority.

5. Next steps

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

6. Other implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Yes. Budget monitoring requires action plans to mitigate above budget variances to ensure that the Authority does not overspend on its available resources. A below budget variance at the end of the financial year could increase reserve levels and may have implications for the Medium-Term Financial Strategy of the Authority.
How does the proposal represent Value for Money?	Internal controls and governance are in place to ensure the economical, efficient, and effective use of resources.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	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

Implication	Yes*/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

7. Risks Associated with the Proposed Decision

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

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Appendices

1. 2024/25 Revenue Key Variance by Service Area – Movement and Variances
2. 2024/25 Capital Forecast
3. 2024/25 Reserves Position
4. Economic Background
5. 2024/25 Treasury Management Performance
6. Explanation of Key Terms

SDNPA Consultees Interim Chief Executive; Interim 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.