

Committee/Panel:	Thames Basin Heaths Joint Strategic Partnership Board
Date:	21 st September 2018
Title:	Thames Basin Heaths Financial Statement
Report From:	Administrative Body

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1. Executive Summary

- 1.1 This report presents an update to the Joint Strategic Partnership Board (JSPB) on the financial position of the Thames Basin Heaths Strategic Access Management and Monitoring (SAMM).
- 1.2 The report includes the actual financial position at the 31st March 2018 and the projected financial position for the three years to 31st March 2021 to help assist the Board in making their decision on whether financial advisors should now be appointed to invest some or all of the funds held within the Endowment Fund. This is covered elsewhere on the agenda for this meeting.
- 1.3 As at 31st March 2018 the balance in the Endowment Fund was £7.129m and a further £1.466m was held in the Maintenance Fund to pay for project expenditure. It is projected that a further £1.431m will be added to Endowment Fund in the 2018/19 financial year, giving an anticipated total of £8.560m available to be invested.
- 1.4 Based on current projections of income and expenditure, the balance on the Endowment Fund would increase to £10.494m by 31st March 2021. Meanwhile the balance on the Maintenance Fund is expected to decrease to £1.426m by 31st March 2021 as increasing costs are set against a projected reduction in income.

2. Financial Position 2018/19

- 2.1. The financial position as at 31st March 2018 is summarised in the table in Appendix 1, with the projections for the current financial year to 31st March 2019 in Appendix 2. A more detailed summary of the projected income for the year to 31st March 2019 is shown in Appendix 3.
- 2.2. The balance in the Endowment Fund at the end of March 2018 was £7.129m, and it is projected that a further £1.431m will be added to the Endowment Fund in the 2018/19 financial year, giving a balance of £8.560m at the end of March 2019.

- 2.3. This is based upon projected total income receivable in 2018/19 of approximately £2.044m, to add to the £10.445m total income received by the Administrative Body to 31st March 2018. This income is split between the Endowment and Maintenance funds. Costs of £1,849,405 had been incurred to March 2018, with further costs of £478,000 projected for the 2018/19 financial year.
- 2.4. The projected income for the 2018/19 financial year of £2.044m is an increase on the £1.677m reported at the previous JSPB meeting. This is primarily due to increased projections for Bracknell Forest and Surrey Heath Borough Councils, with the forecast income for these two authorities now £280,000 and £50,000 higher respectively than the original budgeted levels.
- 2.5. The projected costs for 2018/19 have increased by £21,000 since the previous JSPB meeting to £478,000. The increase consists of £11,500 additional staff costs and £9,500 additional project costs.

Staff Costs

The Board was previously notified of an increase to staffing costs relating to an increase in seasonal staff costs, and this has now been included in the figures (£13,500). In addition, the new Education Officer is forecast to start at the beginning of November and the additional cost of £12,500 is also now included in the forecast. These increases are offset by vacancy savings from a Warden post (£13,500) and the Communication & Education Officer post (£11,000). Two seasonal wardens left at the end of July generating a further vacancy saving of £5,500.

The cost of Skyguard lone worker personal safety devices and associated service charges was previously reported against project costs and has now been moved to staff costs (£5,500) and VAT on the rent of the new office has now also been included (£2,000).

The new leased vehicle costs will be higher than usual this year at an estimated £24,500 because part of the charge relates to usage in 2017/18, however the move to the new office closer to the SPA combined with the new leased vans is anticipated to reduce travel and subsistence costs by £16,500.

Projects Costs

The increase in project costs is due to a combination of factors. The purchase and installation of automatic people counters has been brought forward from 2019/20 (£7,000) and the summer SPA visitor survey cost more than previously expected (£10,000). In addition, more has been spent on successful events and promotional materials (£7,000) and there has been a small increase in costs of recruitment, SPA bird surveys and survey data analysis (£1,000).

Offsetting this are reductions relating to the change in categorisation of Skyguard costs described above (£5,500) and the deferral of SANG summer survey work for two sites until 2019/20, which will allow more time to ensure the right sites are surveyed and to make this work more cost effective (£10,000).

- 2.6. The balance in the Maintenance Account at 31st March 2018 net of expenditure incurred and paid to date was £1,466,366. A net contribution to the Maintenance Account of £134,966 is projected in 2018/19, increasing the expected balance to £1,601,333 at the end of March 2019. Any balance remaining on the Maintenance Fund after all costs have been paid may be transferred to the Endowment Fund.

3. Projected Financial Position for the 2019/20 and 2020/21 Financial Years

- 3.1. The projected financial position for the 2019/20 and 2020/21 financial years is shown in Appendix 4.
- 3.2. The SAMM business plan envisaged that approximately £1.6m annual tariff income would be required over the period that developers were paying the tariff to ensure that annual running costs could be met whilst also allowing for 70% of total income to be transferred to the Endowment Fund to ensure the financial sustainability of the SAMM in perpetuity. The projected tariff income for the 2019/20 and 2020/21 financial years is £1.5m and £1.1m respectively, based on information provided by each of the partners.
- 3.3. Tariff income forecasts are used to inform future cash flows and to assist the Board in making decisions about the level of risk that will need to be taken to achieve the necessary investment returns to fund the SAMM activity on a long term basis.
- 3.4. The SAMM business plan also allowed for expenditure of approximately £500,000 per annum on an ongoing basis. Actual ongoing expenditure is expected to be in the region of £502,000 per annum, based on current approved staffing and activity levels, with approximately £20,000 every four years for the SPA visitor survey.
- 3.5. In previous years, actual annual expenditure has not reached these levels, primarily because fewer wardens have been recruited than initially planned. The project is currently forecast at full approved staffing levels of six full time and six seasonal workers, a communication officer, an education officer and a project manager.
- 3.6. The projected costs for 2019/20 and 2020/21 have increased by £41,000 since the previous JSPB meeting to £502,000. The increase consists of £40,000 additional staff costs and £1,000 additional project costs.

Staff Costs

The higher staffing costs are as a result of the new Education Officer (£32,500) and a projected 1% pay award (£3,500). VAT on the rent of the new office has now been included (£2,000) and the cost of Skyguard lone worker personal safety devices and

the associated service charges have been moved from project costs (£5,500). The new leased vehicle costs are forecast to cost £10,500 per annum. The move last year to the new office which is closer to the SPA combined with the new leased vans is anticipated to reduce travel and subsistence costs by £14,000.

Project Costs

The increase in project costs is due to the postponed SANG summer survey work from 2018/19 (£5,000) and small increases on events, SPA bird surveys and survey data analysis (£1,500). Offsetting these increases is the purchase of automatic people counters which was brought forward to 2018/19 (£5,500).

- 3.7. Based on the current projections of income and expenditure, the Endowment Fund balance is expected to increase over the next three financial years to £10.495m by March 2021, as shown in Appendix 5. The balance within the Maintenance Fund is however expected to decrease from a forecast opening balance in April 2019 of £1.601m to £1.426m by March 2021 as increasing costs are set against a projected reduction in income. Any balance on the Maintenance Fund may be transferred to the Endowment Fund, however it is anticipated that this balance will be used to sustain full staffing levels and programme delivery in the medium term as tariff income starts to decline.

4. Investment of funds in the Endowment Fund

- 4.1. A separate agenda item concerning the investment of funds in the Endowment Fund is being presented to the Board today and may result in the appointment of an independent financial advisor to advise on the investment of funds held in the Endowment Fund.
- 4.2. Tariff income is collected by LPAs and passed to the Administrative Body. This tariff income is used to fund current project expenditure (the Maintenance Fund) and to accumulate sufficient balances to fund future project expenditure and the cost of long term maintenance and protection of the SPA (the Endowment Fund).
- 4.3. Under the terms of the SAMM agreement (section 5.3) the JSPB is given responsibility to review the value and performance of the Endowment Fund on a regular basis and provide direction as to when, how and from whom the services of an Independent Financial Adviser are to be procured.
- 4.4. The SAMM agreement envisaged the management of the balance in the Endowment Fund to be undertaken by an Independent Financial Adviser, to maximise the return achieved within the investment guidelines set by the JSPB.
- 4.5. Fund balances are currently held by the Administrative Body, receiving interest at an assumed rate of at least 0.5%. Under the terms of the SAMM agreement, the Administrative Body is required to pay interest at not less than 0.25% below the Bank

of England base rate, with that base rate currently standing at 0.75% since August 2018.

5. Recommendations

5.1. It is recommended that:

- The current financial position and projected financial position for the three financial years to 31st March 2021 is noted.

Appendix 1 - Financial Summary to 31 March 2018

Income	Cumulative to 2015/16 £	2016/17 £	2017/18 £	Total £
Bracknell Forest BC	488,773	729,954	411,810	1,630,537
Elmbridge BC	96,040	151,164	59,246	306,450
Guildford BC	646,636	147,643	178,952	973,231
Hart BC	630,569	99,197	1,209,774	1,939,541
Runnymede BC	197,190	88,200	107,465	392,855
Rushmoor BC	342,091	142,761	193,687	678,539
Surrey Heath BC	537,741	90,017	325,909	953,667
Waverley BC	139,586	71,339	125,102	336,027
Windsor & Maidenhead RB	129,664	13,249	2,131	145,044
Woking BC	451,607	45,461	638,146	1,135,214
Wokingham BC	468,895	825,512	593,669	1,888,076
Interest	26,425	12,992	26,470	65,887
Total Income	4,155,215	2,417,490	3,872,361	10,445,067
Expenditure				
Project costs Natural England	792,969	420,758	429,618	1,643,344
Administration fee Natural England	49,320	10,160	11,581	71,061
Financial Administration HCC	95,000	20,000	20,000	135,000
Total Expenditure	937,289	450,918	461,199	1,849,405
Net Income/(Expenditure)	3,217,927	1,966,572	3,411,162	8,595,661

Appendix 2 – Projected Financial Summary for the year to 31 March 2019

2018/19	Budget	Actuals to end of August	Outturn Forecast	Variance to Budget
Income	£	£	£	£
Bracknell Forest BC	122,850	402,848	402,848	279,998
Elmbridge BC	35,000	7	35,000	0
Guildford BC	170,000	0	170,000	0
Hart DC	130,427	0	130,427	0
Runnymede BC	59,185	5,040	59,185	0
Rushmoor BC	395,369	0	395,369	0
Surrey Heath BC	110,000	159,523	159,523	49,523
Waverley BC	0	2,290	2,290	2,290
Windsor & Maidenhead RB	56,595	0	56,595	0
Woking BC	193,158	(40,403)	193,158	0
Wokingham BC	379,508	53,268	379,508	0
Interest	25,000	0	60,000	35,000
Total Income	1,677,091	582,573	2,043,902	366,811
Expenditure				
Natural England Staff Costs	364,389	95,941	375,928	11,539
Natural England Project Costs	61,350	975	70,695	9,345
Natural England Admin Fee	11,581	0	11,581	0
HCC Admin Fee	20,000	20,000	20,000	0
Total Expenditure	457,320	116,916	478,204	20,884
Net Income/(Expenditure)	1,219,771	465,657	1,565,698	345,927

Appendix 3 – Detailed Income Summary

	2018/19						
	Previous years	Budget	Actuals to date	Notified contributions	Forecast qtr 4	Projected total	Variance
	£	£	£	£	£	£	£
INCOME							
Bracknell Forest BC	1,630,537	122,850	402,848	0	0	402,848	279,998
Elmbridge BC	306,450	35,000	7	8,353	26,639	35,000	0
Guildford BC	973,231	170,000	0	60,776	109,224	170,000	0
Hart DC	1,939,541	130,427	0	34,268	96,159	130,427	0
Runnymede BC	392,855	59,185	5,040	0	54,145	59,185	0
Rushmoor BC	678,539	395,369	0	52,910	342,459	395,369	0
Surrey Heath BC	953,667	110,000	159,523	0	0	159,523	49,523
Waverley BC	336,027	0	2,290	0	0	2,290	2,290
Windsor & Maidenhead RB	145,044	56,595	0	9,305	47,290	56,595	0
Woking BC	1,135,214	193,158	(40,403)	74,759	158,802	193,158	0
Wokingham BC	1,888,076	379,508	53,268	0	326,240	379,508	0
Interest	65,887	25,000	0	0	0	60,000	35,000
Total Income	10,445,067	1,677,091	582,573	240,371	1,160,958	2,043,902	366,811
Maintenance Fund	3,315,772	503,127				613,171	
Endowment Fund	7,129,295	1,173,964				1,430,731	

Appendix 4 – Projected Income and Expenditure 2018/19 to 2020/21

Income	Previous years £	Projected 2018/19 £	Projected 2019/20 £	Projected 2020/21 £
Bracknell Forest BC	1,630,537	402,848	415,170	396,900
Elmbridge BC	306,450	35,000	25,000	19,360
Guildford BC	973,231	170,000	45,246	0
Hart BC	1,939,541	130,427	130,427	130,427
Runnymede BC	392,855	59,185	35,875	11,305
Rushmoor BC	678,539	395,369	338,578	376,439
Surrey Heath BC	953,667	159,523	0	0
Waverley BC	336,027	2,290	0	0
Windsor & Maidenhead RB	145,044	56,595	56,595	56,595
Woking BC	1,135,214	193,158	193,158	0
Wokingham BC	1,888,076	379,508	235,261	132,158
Interest	65,887	60,000	80,000	85,000
Total Income	10,445,067	2,043,902	1,555,309	1,208,184
Total Expenditure	1,849,405	478,204	502,179	502,179
Net Income/(Expenditure)	8,595,661	1,565,698	1,053,131	706,005

Appendix 5 – Projected Endowment Fund Balance

	2017/18 Actuals £	2018/19 Projected £	2019/20 Projected £	2020/21 Projected £
Income	3,872,361	2,043,902	1,555,309	1,208,184
70% to Endowment Fund	2,742,664	1,430,731	1,088,717	845,729
30% to Maintenance Fund	1,129,697	613,171	466,593	362,455
Expenditure	461,199	478,204	502,179	502,179
Maintenance Fund:				
Balance brought forward	797,868	1,466,366	1,601,333	1,565,747
Transfer from/(to) income	668,498	134,966	(35,586)	(139,724)
Balance carried forward	1,466,366	1,601,333	1,565,747	1,426,023
Endowment Fund:				
Balance brought forward	4,386,631	7,129,295	8,560,026	9,648,743
Transfer from/(to) income	2,742,664	1,430,731	1,088,717	845,729
Balance carried forward	7,129,295	8,560,026	9,648,743	10,494,471