

NFNPA RAPC 377/18

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 5 NOVEMBER 2018

HALF-YEAR BUDGETARY CONTROL REPORT 2018/19

Report by: Nigel Stone, Chief Finance Officer and Chris Pathmadeva, Finance and Procurement Officer.

Purpose:

This report provides a summary of financial performance up to the end of September 2018, the first six months of the 2018/19 financial year.

1. Introduction

1.1 This report provides a summary of financial performance in the first six months of 2018/19, providing detail on potential variances and the responses to them. **Annex 1** sets out the summary financial position; **Annex 2** includes indicative splits of the 2018/19 budgets across the four aims and the statutory accounting format; further detail is then provided on the Programme Fund (**Annex 3**), Authority-led Partnership Projects (**Annex 4**), Developer Contributions / Reserves (**Annex 5**) and Treasury Management performance (**Annex 6**).

2. Current Position

2.1 The overall income and expenditure budgets for 2018/19 are £5.16m, as shown in Annex 1. This includes £1.14m from Authority-led partnership projects (externally-funded).

2.2 The overall expenditure position shows £2.41m spend over the first six months of the financial year (47% of budget). Without the partnership projects, spend was £2.11m from a budget of £4.02m (53%).

2.3 The overall income position shows £2.26m received (44% of budget) over the first six months of the financial year. Without the partnership projects, income was £2.03m from a budget of £4.02m (50%).

3. Budgetary Review Process

- 3.1 All budget holders were requested to scrutinise their budgetary positions and provide details of known or potential early over- or underspends; key responses and outcomes are included below.

4. Budget Analysis

- 4.1 Overall the figures after six months of the financial year, shown in detail in Annex 1, are on track and no significant issues have emerged. However, there are a few variances and/or potential trends to be highlighted.

4.2 Potential Savings:

Although no specific savings have been identified at this stage, it is very likely that the cumulative small savings across the budget lines could add up to around £5-10,000 as it has in previous years.

Planning income is slightly above forecast at this stage (55% of annual budgeted total after two quarters).

4.3 Potential Pressures:

A budget of £40,000 was set for the costs of the Local Plan examinations this year, over £10,000 has already been spent/allocated and we are yet to receive a reliable estimate of the total Inspectors' costs for the hearings.

A provision for legal costs of £28,000 (regarding a planning case) was set aside in 2017/18, the final cost award is still yet to be determined and any amount above the provision would need to be taken from the Planning / Risk Reserve.

5. Sustainable Communities Fund (SCF) Monitoring

- 5.1 The SCF allocation for 2018/19 is £50,000 of which £30,000 has already been earmarked as a contribution towards the OPOF project.

- 5.2 As well as allocating the £20,000 of new funding, there is also an amount which has been allocated previously but is yet to be claimed – at the start of this year, the amount 'allocated but unclaimed' stood at c£38,000.

- 5.3 After six months of the year, £34,000 has been claimed from the total funds available of £88,000.

6. Developer Contributions

- 6.1 As detailed in Annex 5, during the first three months of the financial year a further £13,000 has been received in respect of developer contributions and £23,000 spent/released.
- 6.2 As Members are aware, a very significant proportion of the remaining Affordable Housing contributions will likely be utilised to fund a pair of homes at the site in Burley for which planning permission was recently granted.

7. Reserves Position

- 7.1 As detailed in Annex 5, the General Fund Reserve remains at £300,000 and is projected to do so until the end of the financial year.
- 7.2 Earmarked reserves are being utilised in line with the budget approved by the Authority in March 2018. This includes £40,000 from the Revenue Support Reserve and £40,000 of cumulative smaller movements.

8. Treasury Management Position

- 8.1 The Treasury Management position is shown in detail in Annex 6. The current forecast projects that the Authority will, as budgeted, receive around £10,000 from interest on its investments and holdings this year (a return of c0.4%).

9. Recommendation

It is recommended that Members:

- 1 note the current income and expenditure position, including the potential savings and pressures identified**

Papers:

NFNPA/RAPC 377/18	Budgetary Control Report
NFNPA/RAPC 377/18 Annex 1	Budget Monitoring
NFNPA/RAPC 377/18 Annex 2	2018/19 Budget Formats
NFNPA/RAPC 377/18 Annex 3	Programme Fund
NFNPA/RAPC 377/18 Annex 4	Authority-led Partnership Projects
NFNPA/RAPC 377/18 Annex 5	Developer Contributions and Reserve Balances
NFNPA/RAPC 377/18 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2018

Equality and Diversity Implications:

There are no specific equality or diversity implications arising out of this report.

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Annex 1

Budget Monitoring 2018/19

Summary Accounts for the period 1 April – 30 September 2018

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
<u>Expenditure:</u>			
Employee Costs (Salary, Travel, Pensions etc)	2,828	1,418	50%
Programme Fund	286	187	65%
Sustainable Communities Fund	50	34	68%
Strategy & Planning	122	46	38%
Central Costs (split below)	734	427	58%
Subtotal	4,020	2,112	53%
Authority-led Partnership Projects	1,138	299	26%
Total Expenditure	5,158	2,411	47%

<u>Income:</u>			
National Park Grant	-3,196	-1,623	51%
Planning Income	-360	-199	55%
Planning Grants	-35	0	0%
Shared Services	-327	-156	48%
Income Generation	-12	-7	58%
Investment & Interest Income	-10	-5	50%
Contribution from Revenue Support Reserve (estimated)	-40	-20	50%
Contribution from Other Earmarked Reserves (estimated)	-40	-20	50%
Subtotal	-4,020	-2,030	50%
Authority-led Partnership Projects	-1,138	-226	20%
Total Income	-5,158	-2,256	44%

Central Costs Split

	Latest Budget £000	Payments to Date £000	% of Budget Spent
Secretariat	56	43*	77%*
Human Resources	77	33	43%
ICT Services	173	130*	75%*
ICT R&R Fund	40	1	3%
Member Services	60	28	47%
Finance & Audit Services	51	23	45%
Accommodation	205	123*	60%*
Business Support (e.g. insurance, printing, stationery)	72	46*	64%*
TOTAL	734	427	58%

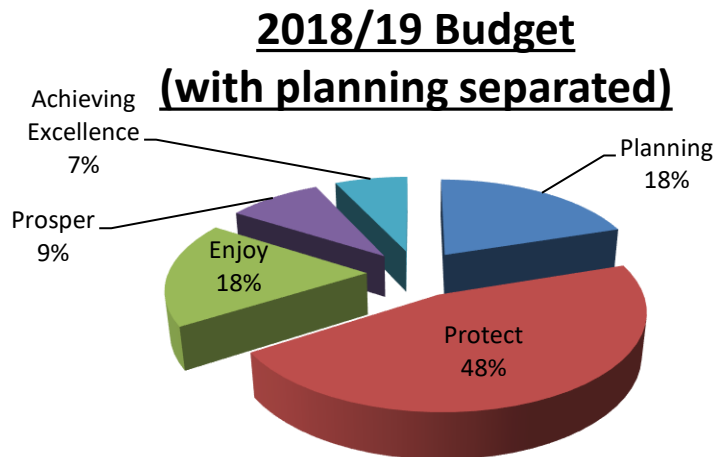
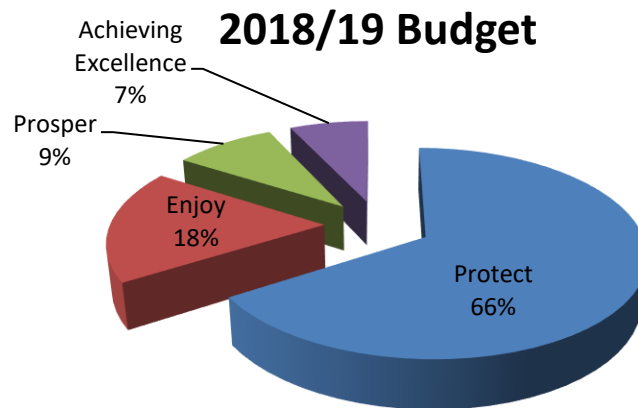
* Figures include significant annual invoices paid in advance (e.g. memberships, licences, business rates, insurance premium)

Annex 2

2018/19 Original Budget (£4.02m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	Protect*	Enjoy	Prosper	Achieving Excellence
	£000	£000	£000	£000
Employee Costs (allocated)	1,886	456	263	223
Programme Fund	104	144	38	-
Sustainable Communities Fund (approximation)	35	10	5	-
Strategy & Planning	122	-	-	-
Central Costs (allocated)	507	114	56	57
TOTAL	2,654*	724	362	280

*Includes up to £0.75m of costs directly related to the Planning Service



2018/19 Budget position in Authority's formal reporting format

	Budgeted Net Cost of Services 2018/19		Actual Expenditure April - June	Actual Income April - June	Net Actual April - June
	£000		£000	£000	£000
Conservation of the Natural Environment	499		564	-203	361
Conservation of Cultural Heritage	336		186	-12	174
Recreation Management and Transport	214		198	-47	151
Promoting Understanding	508		279	0	279
Rangers, Estates and Volunteers	116		90	-25	65
Development Control	617		595	-255	340
Forward Planning and Communities	522		244	-46	198
Corporate and Democratic Core	474		255	0	255
SUBTOTAL	3,286		2,411	-588	1,823
National Park Grant	-3,196			-1,623	
Investment & Interest Income	-10			-5	
Use of Reserves	-80			-40	
TOTAL	0			-2,256	

Annex 3

Programme Fund 2018/19	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
PROTECT*	£000	£000		
Ecology and Catchment Co-ordination	14	0	0%	Work with Freshwater Habitats Trust
Woodfuel and Woodland Projects (NFLAS)	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	8	8	100%	Annual payments all made
Our Past, Our Future (Landscape Partnership)	56	56	100%	Upfront grant payment
Archaeology Work (FC/NFDC)	6	2	33%	
Green Halo Partnership	5	5	100%	Further income requested from partners
OTHER (Projects less than £5,000)	10	5	50%	
PROTECT SUBTOTAL	104	81	78%	
ENJOY*	£000	£000		
Access and Recreation	12	4	33%	
Health and Wellbeing	5	3	60%	
Education (Travel Grants and Resources)	8	4	50%	
Educational Campaign Resources	7	1	14%	
Interpretation & Information	8	6	75%	
NF Centre / Information Services	30	20	66%	Grant quarterly in advance
New Forest Show	5	9	180%	Includes purchase of interactive game to be used at future events too
Media and Promotion	23	14	61%	
Publications	24	6	25%	Significant spend usually in Q4
Partnership Publications	8	0	0%	Spend usually in Q4
Ranger Projects	7	5	71%	
People and Wildlife Ranger Projects	5	2	40%	
OTHER (Projects less than £5,000)	2	0	0%	
ENJOY SUBTOTAL	144	74	51%	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
PROSPER*	£000	£000		
New Forest Marque	22	22	100%	Upfront grant payment
Sustainable Transport	5	7	140%	Additional costs for railway station signs
OTHER (Projects less than £5,000)	11	3	27%	
PROSPER SUBTOTAL	38	32	84%	
TOTAL EXPENDITURE	286	187	65%	

*The designation of projects to 'Protect, Enjoy & Prosper' are for illustrative purposes only and do not constitute the total funding allocated to each area by the Authority (see Annex 1).

Annex 4

Authority-led Partnership Projects 2018/19

	Authority Direct Financial Contributions	Partner Financial Contributions	Total Project Budget	Total Payments to date	Payments as % of budget	Notes on significant variations
	£000	£000	£000	£000		
Our Past, Our Future (HLF)	89	911	1,000	219	22%	Funding to be spent by all partners – On track, but not limited by financial years
New Forest Remembers	0	22	22	0	0%	Remaining legacy funding does not have to be spent this year
Pedall (Big Lottery)	0	80	80	33	41%	Significant spend in Q3 due to securing Burley site for HQ
Higher Level Stewardship	0	60	60	25	42%	
Land Advice Service	5	65	70	22	31%	
TOTAL	94	1,138	1,232	299	24%	

On average, for every £1 the Authority contributes it generates a further £13 from partner organisations

Annex 5

Developer Contributions:

	Affordable Housing	Open Space	Ecological Mitigation
	£000	£000	£000
Starting Balance	530	87	85
Funds Received	0	0	13
Funds Spent / Released	0	(17)	(6)
Current Balance	530	70	92

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	63	(40)	23
Capital / Major Projects Reserve	597	0	597
Planning / Risk Reserve	150	0	150
Other	498	(40)	458
TOTAL	1,608	(80)	1,528

Annex 6

TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2018

1. Introduction

- 1.1 This report covers the period 1 April to 30 September 2018 for the Authority's treasury management activities.

2. Strategy for 2018/19

- 2.1 The Authority approved the Treasury Management Strategy for 2018/19 on 22 March 2018 (NFNPA 542/18).
- 2.2 Within the strategy, the overriding principle is the security of the Authority's investments. The Authority also requires sufficient liquidity to be maintained in the investments and specific approval of categories of acceptable investments and investment counterparties. These are monitored on a regular basis.

3. Summary of interest rates

- 3.1 In recent months money market investment rates have remained low, with the current average ranging from 0.25 – 0.75%.
- 3.2 There is still a variation in interest rates between one type of counterparty and another, however all rates are still historically low and often under 0.5%.
- 3.3 The Authority has a facility with a money market fund where deposits can be placed, this is a low risk fund where money is invested in a basket of highly credit rated instruments and is an instant access account. It also has an account with the Treasury's Debt Management Office, again a very low risk fund, invested for usually one or two months at a time but with instant access if required. Both of these accounts have been used extensively in the year to date.
- 3.4 There has been one change in the Bank of England (BoE) base rate during the year to date:

Date	Bank Base Rate
At 1 April 2018	0.50%
3 August 2018	0.75%
30 September 2018	0.75%

4. Market background

4.1 UK economy

The UK is still experiencing growth in the economy, with a better-than-expected rise of 0.4% for the quarter ending in June 2018; however this is slightly down on the growth of recent years. The BoE base rate rose to 0.75% in August but many are not now expecting any further change until next year (post the March Brexit date). Unemployment is still continuing to fall and earnings have started to rise above inflation (up by 3.1% in the quarter to August).

Inflation in recent months has continued to be above the BoE's 2% target, recently ranging at around 2.5-3%.

4.2 Global economy

Eurozone growth was a healthy 0.4% in the quarter to the end of June and is seemingly following a similar pattern to the UK economy, although currently with higher unemployment levels and a number of countries with concerning Debt/GDP percentages.

The US had very strong growth of 1.0% in the last quarter, the best for a number of years, and has set a target of 4-5% GDP growth year-on-year. China also had a strong quarter with growth of 1.7% and an expected annual rise of 6-7% this year.

5. Investments

5.1 The Authority's investment funds fall into two categories:

Funds available that we know will be unlikely to be spent during the year because they are earmarked for longer-term projects, our minimum reserve and developer contributions. These are therefore core funds and available to be invested for longer periods if the increased return is greater than the corresponding risk.

Other funds are of a more cash flow nature and are likely to be invested for shorter durations up to 1-3 months.

5.2 For 2018/19 the Authority has decided to continue to hold low risk, often instant access, investments as the increased interest returns are not deemed sufficient to offset the additional risks and costs associated with longer or more complex investments. In reality this means the Authority will generally split its holdings between a Money Market Fund, with the Debt Management Office (Treasury) and in its Lloyds Current Account.

- 5.3 The interest earned on these cash-flow investments for the period to 30 September 2018 was equivalent to an **annual rate of return of 0.46%**.
- 5.4 The original estimate for interest earnings for 2018/19 was £10,000 based on an average forecast interest rate of 0.44%. Given the current rates of return, the latest forecast would still be around £10,000 in interest earnings for the year.
- 5.5 A list of investments at 30 September 2018 is shown at **Annex 1**.
- 5.6 All temporary investments have been invested according to the parameters set within the Authority's Treasury Policy Statement.

6 Investment benchmark

- 6.5 In order to measure the performance of the Authority's investments it is necessary to compare the earnings to a benchmark. The benchmark is established by taking a daily figure published by the money markets and averaging this over the period being measured.
- 6.6 The cash-flow investment is compared with the interest rate paid for 3 month money at the London Interbank Bid (LIBID) rate. It should be noted that this benchmark is set at the highest level, for example, investments for periods of less than 3 months are compared to the 3 month rate. Some of these investments will be invested overnight or for just one month and will not always therefore compare favourably with 3 month LIBID.
- 6.7 These rates are averaged over the year to date and are expressed as an annualised figure. The LIBID rate is the rate that major UK banks will pay for money deposits on the London Interbank market.
- 6.8 The table below shows the performance of the Authority's investments to 30 September 2018 compared to the benchmark. The performances are shown as annualised figures.

	Cash Flow Investments
	%
Benchmark Return (annualised)	0.45
Actual Return (annualised)	0.46
Return above Benchmark	<u>0.01</u>

- 6.9 As at 30 September 2018, cash-flow interest earnings exceeded the benchmark by an annualised 0.01%; this equates to £103 for the period.

7. Current Investment Policy

- 7.1 Following the continuing sensitivity of the banking sector, investments are made in the UK investment sector only. Counterparties are the Nationwide Building Society, UK High Street Banks, Local Authorities and a Money Market Fund for periods from overnight to 1 year.
- 7.2 Investment limits are £1m with each institution currently; the exception being the Authority's own bank for which the limit will be £2m, of which up to £1m can be held without instant access.
- 7.3 This policy is monitored daily and reviewed periodically.

8. Investment instruments

- 8.1 All of the investments are made in money market deposits.
- 8.2 Money market deposits earn a yield that is made up entirely of interest earnings. There is no capital appreciation. No Gilts or Certificates of Deposits are used.

9. Compliance with the CIPFA code of practice

- 9.1 All treasury functions and debt management procedures, which were undertaken during the period, complied with the existing CIPFA Code of Practice on Treasury Management, as set out in the Authority's Treasury Policy Statement, and the Treasury Management Strategy for 2018/19.

10. Conclusions

- 10.1 Temporary interest earnings of £10,000 are still forecast for the 2018/19 financial year. Any shortfall would be due to reducing interest rates available within the low-risk investment categories specified by the Authority's current Treasury Strategy.

**Treasury Performance Report
Appendix 1**

Investments & Holdings at 30 September 2018

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	0.30	Instant Access	
Debt Mgmt Office (DMO)	1,000,000	0.40	Instant Access*	
Lloyds Current Account	649,000	0.25	Instant Access	
Total	2,149,000			

*Although invested for a set period (usually one or two months), DMO funds can be accessed instantly if required