

NFNPA RAPC 407/19

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 4 NOVEMBER 2019

HALF-YEAR BUDGETARY CONTROL REPORT 2019/20

Report by: Nigel Stone, Head of Resources (CFO) and Chris Pathmadeva, Finance and Procurement Officer.

Purpose:

This report provides a summary of financial performance up to the end of September 2019, the first six months of the 2019/20 financial year.

1. Introduction

1.1 This report provides a summary of financial performance in the first six months of 2019/20, 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 2019/20 are £4.84m, as shown in Annex 1. This includes £0.94m from Authority-led partnership projects (externally-funded).

2.2 The overall expenditure position shows £2.35m spend over the first six months of the financial year (48% of budget). Without the partnership projects, spend was £2.07m from a budget of £3.90m (53%).

2.3 The overall income position shows £2.49m received (51% of budget) over the first six months of the financial year. Without the partnership projects, income was £2.12m from a budget of £3.90m (54%).

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.

4.2 Potential Savings:

Investment interest is likely to be around £4,000 above the original projection for this year – see Section 8 and Annex 6.

Although no significant 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.

4.3 Potential Pressures:

‘Core’ planning income is slightly below forecast at this stage (45% of annual budgeted total after two quarters), however this does exclude the one-off large fee for the proposed Fawley development.

5. Sustainable Communities Fund (SCF) Monitoring

- 5.1 The SCF budget for 2019/20 is £30,000 and, after six months of the year, over £14,000 has been claimed.

6. Developer Contributions

- 6.1 As detailed in Annex 5, during the first three months of the financial year a further £14,000 has been received in respect of developer contributions and £6,000 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 has been 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 2019. This includes £30,000 from the Revenue Support Reserve and £37,000 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 receive around £15,000 from interest on its investments and holdings this year (£4,000 more than originally budgeted and equating to a return of c0.7%).

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 407/19	Budgetary Control Report
NFNPA/RAPC 407/19 Annex 1	Budget Monitoring
NFNPA/RAPC 407/19 Annex 2	2019/20 Budget Formats
NFNPA/RAPC 407/19 Annex 3	Programme Fund
NFNPA/RAPC 407/19 Annex 4	Authority-led Partnership Projects
NFNPA/RAPC 407/19 Annex 5	Developer Contributions and Reserve Balances
NFNPA/RAPC 407/19 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2019

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 2019/20

Summary Accounts for the period 1 April – 30 September 2019

	Original Budget	Payments to date	% of Budget Spent
<u>Expenditure:</u>	£000	£000	
Employee Costs (Salary, Travel, Pensions etc)	2,746	1,371	50%
Programme Fund	274	164	60%
Sustainable Communities Fund	30	14	47%
Strategy & Planning	50	28	56%
Local Plan	50	40	80%
Central Costs (split below)	749	456	61%
Subtotal	3,899	2,073	53%
Authority-led Partnership Projects	944	275	29%
Total Expenditure	4,843	2,348	48%
<u>Income:</u>			
National Park Grant	-3,251	-1,645	51%
Planning Income	-412	-187	45%
Fawley Application Fee	0	-150	N/A
Shared Services	-128	-72	56%
Income Generation (inc. Affordable Housing)	-30	-21	70%
Investment & Interest Income	-11	-8	73%
Contribution from Revenue Support Reserve (estimated)	-30	-15	50%
Contribution from Other Earmarked Reserves (estimated)	-37	-18	49%
Subtotal	-3,899	-2,116	54%
Authority-led Partnership Projects	-944	-373	40%
Total Income	-4,843	-2,489	51%

Central Costs Split

	Latest Budget £000	Payments to Date £000	% of Budget Spent
Secretariat	47	40*	85%*
Human Resources	77	39	51%
ICT Services	176	160*	91%*
ICT R&R Fund	40	0	0%
Member Services	61	32	52%
Finance & Audit Services	48	8	17%
Accommodation	215	134*	62%*
Business Support (e.g. insurance, printing, stationery)	85	46	54%
TOTAL	749	459	61%

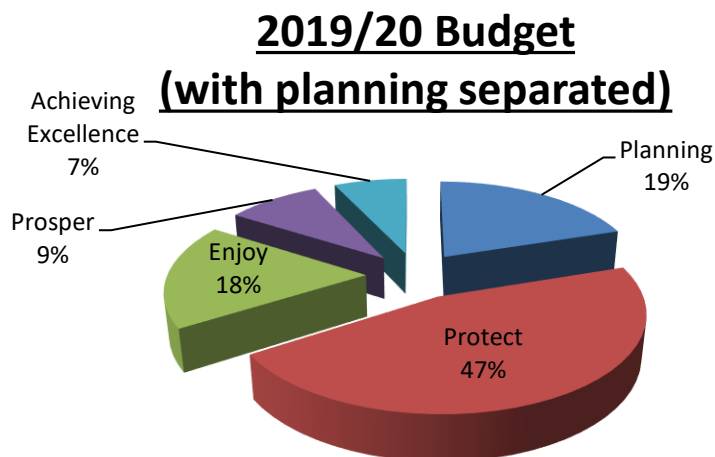
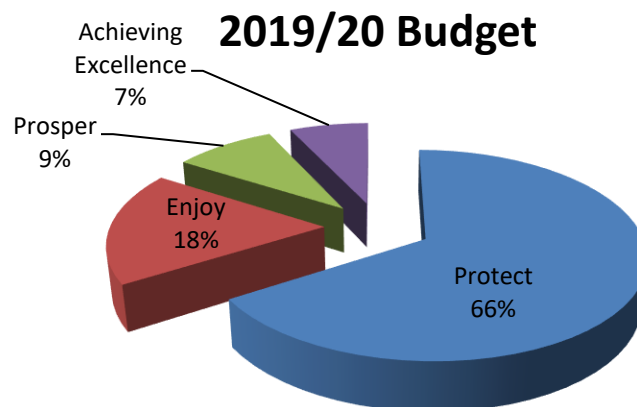
* Figures include significant annual invoices paid in advance (e.g. memberships, licences, business rates)

Annex 2

2019/20 Original Budget (£3.9m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	Protect*	Enjoy	Prosper	Achieving Excellence
	£000	£000	£000	£000
Employee Costs (allocated)	1,831	443	256	216
Programme Fund	106	123	45	-
Sustainable Communities Fund (approximation)	21	6	3	-
Strategy & Planning	100	-	-	-
Central Costs (allocated)	499	121	70	59
TOTAL	2,557*	693	374	275

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



2019/20 Budget position in Authority's formal reporting format

	Budgeted Net Cost of Services 2019/20		Actual Expenditure April - Sept	Actual Income April - Sept	Net Actual April - Sept
	£000		£000	£000	£000
Conservation of the Natural Environment	529		709	-351	358
Conservation of Cultural Heritage	350		169	-6	163
Recreation Management and Transport	230		176	-74	102
Promoting Understanding	511		225	0	225
Rangers, Estates and Volunteers	120		88	-27	61
Development Control	613		577	-337	240
Forward Planning and Communities	521		186	0	186
Corporate and Democratic Core	455		218	-8	210
SUBTOTAL	3,329		2,348	-803	1,545
National Park Grant	-3,251			-1,645	
Investment & Interest Income	-11			-8	
Use of Reserves	-67			-33	
TOTAL	0			-2,489	

Annex 3

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
Programme Fund 2019/20				
PROTECT*	£000	£000		
Ecology and Catchment Co-ordination	14	0	0%	Work with Freshwater Habitats Trust, paid in Q4.
Woodland Management Projects (NFLAS)	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	8	8	100%	Annual payments all paid
Our Past, Our Future (Landscape Partnership)	56	56	100%	Upfront grant payment
Archaeology Projects and SLAs	10	4	40%	
Green Halo Partnership	7	5	71%	Further income requested from partners
OTHER (Projects less than £5,000)	6	3	50%	
PROTECT SUBTOTAL	106	81	76%	
ENJOY*	£000	£000		
Access Improvements	15	2	13%	Likely saving - Access SLA now covered in-house
Health and Wellbeing	5	3	60%	
Education (Travel Grants and Resources)	8	5	63%	
Recreation Management	13	6	46%	
Interpretation & Information	8	1	13%	
New Forest Show	6	8	133%	Small overspend
Media and Promotion	23	11	48%	
Publications	30	10	33%	Significant spend usually in Q3/Q4
Ranger Projects	7	1	14%	
People and Wildlife Ranger Projects	5	3	60%	
OTHER (Projects less than £5,000)	3	0	0%	
ENJOY SUBTOTAL	123	50	41%	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
PROSPER*	£000	£000		
New Forest Marque	25	25	100%	Upfront grant payment
Sustainable Transport	10	6	60%	
OTHER (Projects less than £5,000)	10	2	20%	
PROSPER SUBTOTAL	45	33	73%	
TOTAL EXPENDITURE	274	164	60%	

*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 2019/20

	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)	59	741	800	205	26%	Funding to be spent by all partners – On track, but not limited by financial years
New Forest Remembers	0	18	18	0	0%	Remaining legacy funding does not have to be spent this year
Pedall (Big Lottery)	0	60	60	27	35%	
Higher Level Stewardship	0	60	60	21	35%	
Land Advice Service	5	65	70	22	31%	
TOTAL	64	944	1,008	275	27%	

On average, for every £1 the Authority contributes it generates a further £14 from partner organisations

Annex 5

Developer Contributions:

	Affordable Housing	Open Space	Ecological Mitigation
	£000	£000	£000
Starting Balance	524	68	94
Funds Received	0	0	14
Funds Spent / Released	0	(4)	(2)
Current Balance	524	64	106

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	36	(30)	6
Capital / Major Projects Reserve	597	0	597
Planning / Risk Reserve	108	12	120
Other	492	(49)	443
TOTAL	1,533	(67)	1,466

Annex 6

TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2019

1. Introduction

- 1.1 This report covers the period 1 April to 30 September 2019 for the Authority's treasury management activities.

2. Strategy for 2018/19

- 2.1 The Authority approved the Treasury Management Strategy for 2019/20 on 28 March 2019 (NFNPA 567/19).
- 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 no changes in the Bank of England (BoE) base rate during the year to date:

Date	Bank Base Rate
At 1 April 2019	0.75%
30 September 2019	0.75%

4. Market background

4.1 UK economy

The UK economy is still experiencing fluctuations and significant uncertainty around Brexit – this led to a contraction in the economy of 0.2% for the quarter ending in June 2019. The BoE base rate rose to 0.75% in August 2018 but has not changed since; many economists are not now expecting any further change until next year. Unemployment has continued to fall and earnings have started to rise above inflation. Government borrowing has begun to increase following the end of ‘austerity’.

Inflation in recent months has continued to hover around the BoE’s 2% target, recently ranging at around 1.7-2.2%.

4.2 Global economy

Eurozone growth is projected to be 1.1% for 2019 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 current Eurozone interest rate is zero.

The US had strong growth of 0.5% in the last quarter and has set a target of 4-5% GDP growth year-on-year, the ‘jobless’ rate fell to its lowest point in 50 years. China also had a strong quarter with growth of 1.5% and an expected annual rise of 6-6.5% 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 2019/20 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 2019 was equivalent to an **annual rate of return of 0.70%**.
- 5.4 The original estimate for interest earnings for 2019/20 was £11,000 based on an average forecast interest rate of 0.40%. Given the current rates of return, the latest forecast would be around £15,000 in interest earnings for the year.
- 5.5 A list of investments at 30 September 2019 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

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 The table below shows the performance of the Authority's investments to 30 September 2019 compared to the benchmark. The performances are shown as annualised figures.

	Cash Flow Investments
	%
Benchmark Return (annualised)	0.64
Actual Return (annualised)	0.70
Return above Benchmark	<u>0.06</u>

- 6.5 As at 30 September 2019, cash-flow interest earnings exceeded the benchmark by an annualised 0.06%; this equates to £750 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 2019/20.

10. Conclusions

- 10.1 Temporary interest earnings of around £15,000 are forecast for the 2019/20 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 2019

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	0.75	Instant Access	
Debt Mgmt Office (DMO)	1,500,000	0.50	Instant Access*	
Lloyds Current Account	353,000	0.25	Instant Access	
Total	2,353,000			

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