

**RAPC 435/20**

## **NEW FOREST NATIONAL PARK AUTHORITY**

### **RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 2 NOVEMBER 2020**

#### **HALF YEAR BUDGETARY CONTROL REPORT 2020/21**

**Report by:** Nigel Stone, Head of Resources (Chief Finance Officer)

**Purpose:**

This report provides a summary of financial performance up to the end of September 2020, the first six months of the 2020/21 financial year.

Section 3 of the report includes an update for Members on the known and potential financial implications for the Authority of the Coronavirus (C19) pandemic and section 9 details how we are moving forward with the upcoming government Spending Review.

#### **1. Introduction**

1.1 This report provides a summary of financial performance in the first half of 2020/21, 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 2020/21 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 2020/21 are £4.44m, as shown in Annex 1. This includes £0.58m 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 (53% of budget). Without the partnership projects, spend was £2.08m from a budget of £3.87m (54%).

2.3 The overall income position shows £2.33m received (53% of budget) over the first six months of the financial year. Without the partnership projects, income was £2.10m from a budget of £3.87m (54%).

### 3. Budgetary Review Process & C19 Impacts

- 3.1 All budget holders were again requested to scrutinise their budgetary positions and provide details of known or potential early over- or underspends; key responses and outcomes are included in section 4 below.
- 3.2 As stated to this Committee in June and September, the Authority has seen fairly minor net financial impacts to date as a result of C19. The table below details those impacts and how they are likely to materialise / be funded:

<b>C19 Impact</b>	<b>Details / Current position</b>
Defra Grant	No reduction for 2020/21; future grant dependant on autumn Comprehensive Spending Review.
Planning Fee Income	Planning application numbers identical to 2019/20, income currently c£30k short of budget but some larger applications / fees expected shortly.
External Funding Income	Further delay in England Coast Path route determination, additional salary costs of up to £30k. NF Tour season shorter, potential for some subsidy requirement.
Additional Expenditure	Additional support for Pedall of c£20k.
Investments, Pensions	Investment income down by two thirds (£8k). Impact on pension scheme will not be known until the next valuation in May 2021 but likely to be significant deterioration.

It is currently still believed that it should be possible to cover these variances from cumulative smaller savings elsewhere (within the Programme Fund and some salary vacancies) or, at worst case, through temporary use of the Capital / Major Projects Reserve. They will all be kept under review and further information given to Members as considered necessary.

- 3.3 As members will be aware, when setting out our National Park Grant for the 2020/21 financial year, Defra mandated that at least 5%, c£160,000, should be directly spent on biodiversity (this could include staffing or non-staffing expenditure and cover existing as well as new costs). Given our work through Environment & Rural Economy Team, Land Advice Service and across the organisation we can already evidence such spend levels, however we have also specifically identified a pot of £60,000 this year to invest further into biodiversity / nature recovery work.

#### **4. General Budget Analysis**

- 4.1 Overall the figures after six months of the financial year, shown in detail in Annex 1, are largely still on track and no significant issues have emerged other than those mentioned above in relation to the C19 pandemic.
- 4.2 As previously noted, a number of small savings often occur across budget lines which cumulatively will aid the financial position towards the end of the year.

#### **5. Sustainable Communities Fund (SCF) Monitoring**

- 5.1 The SCF budget for 2020/21 is £30,000 and, after six months of the year a total of £6,000 has been claimed.

#### **6. Developer Contributions**

- 6.1 As detailed in Annex 5, during the first six months of the financial year a further £15,000 has been spent in respect of developer contributions but none received.
- 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.

#### **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 Should any additional funds be required from additional expenditure or reduced income related to C19, this would initially be taken from the Capital / Major Projects Reserve with a plan put in place to return these funds within an appropriate timescale.
- 7.3 Earmarked reserves are being utilised in line with the budget approved in March 2020. This includes £22,000 carried forward within 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 receive around £4,000 from interest on its investments and holdings this year (£8,000 more than originally budgeted and equating to a return of c0.16%).

## **9. Spending Review**

- 9.1 Having largely now dealt with the significant resource requirements within the finance team from dealing with C19-related issues and the completion of the 2019/20 Accounts, the next major focus will be the Comprehensive Spending Review; this was launched by the Chancellor on 21 July and was due to report in early November. On 21 October 2020 the Chancellor announced that the Spending Review would largely be limited to the 2021/22 financial year alone, the only exceptions being large capital infrastructure schemes, the NHS and Schools (which would all receive multi-year settlement confirmations). Defra are therefore likely to only receive a single-year settlement and it is now considered likely that our grant allocation may be likewise.
- 9.2 The approach has been two-fold, in terms of firstly making the very clear case for the protection of all our existing grant funding and secondly the case for additional funding, given our unique position and skills/abilities as an organisation, to deliver government priorities for the environment within the 'green recovery' bills/plans – locally, regionally and nationally. This process is already underway through National Parks England, significant conversations with other funding bodies such as the LEP / Lotteries and will naturally link into the Partnership Plan prioritisation work.
- 9.3 It will be necessary to update our internal medium-term financial plan for how we would approach such outcomes/scenarios and, of course, to draft plans for any less positive outcomes too. Authority Members, particularly of this Committee, will be kept fully informed of such work and any funding decisions when they are known.

## **10. Recommendation**

**It is recommended that Members:**

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

**Papers:**

RAPC 435/20	Budgetary Control Report
RAPC 435/20 Annex 1	Budget Monitoring
RAPC 435/20 Annex 2	2020/21 Budget Formats
RAPC 435/20 Annex 3	Programme Fund
RAPC 435/20 Annex 4	Authority-led Partnership Projects
RAPC 435/20 Annex 5	Developer Contributions and Reserve Balances
RAPC 435/20 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2020

**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 2020/21**  
**Summary Accounts for the period 1 April – 30 September 2020**

	<b>Original Budget</b>	<b>Payments to date</b>	<b>% of Budget Spent</b>
	<b>£000</b>	<b>£000</b>	
<b><u>Expenditure:</u></b>			
Employee Costs (Salary, Travel, Pensions etc)	2,727	1,385	51%
Programme Fund	260	138	53%
Sustainable Communities Fund	30	6	20%
Strategy & Planning	47	35	74%
Central Costs (split below)	802	515	64%
<b>Subtotal</b>	<b>3,866</b>	<b>2,079</b>	<b>54%</b>
Authority-led Partnership Projects	578	270	47%
<b>Total Expenditure</b>	<b>4,444</b>	<b>2,349</b>	<b>53%</b>

<b><u>Income:</u></b>			
Defra National Park Grant (95%)	-3,088	-1,749	57%
Defra Biodiversity Grant (5%)	-163	-93	57%
Planning Income	-380	-164	43%
Shared Services	-134	-47	35%
Income Generation (inc Affordable Housing)	-27	-13	48%
Investment & Interest Income	-12	-3	25%
Contribution from Other Earmarked Reserves (estimated)	-62	-31	50%
<b>Subtotal</b>	<b>-3,866</b>	<b>-2,100</b>	<b>54%</b>
Authority-led Partnership Projects	-578	-234	41%
<b>Total Income</b>	<b>-4,444</b>	<b>-2,334</b>	<b>53%</b>

## **Central Costs Split**

	<b>Latest Budget £000</b>	<b>Payments to Date £000</b>	<b>% of Budget Spent</b>
Secretariat	45	42*	93%*
Human Resources	62	28	45%
ICT Services	190	156*	82%*
ICT R&R Fund	90	61	68%
Member Services	62	26	42%
Finance & Audit Services	51	12	24%
Accommodation	217	137*	63%*
Business Support (e.g. insurance, printing, stationery)	85	53*	62%*
<b>TOTAL</b>	<b>802</b>	<b>515</b>	<b>64%</b>

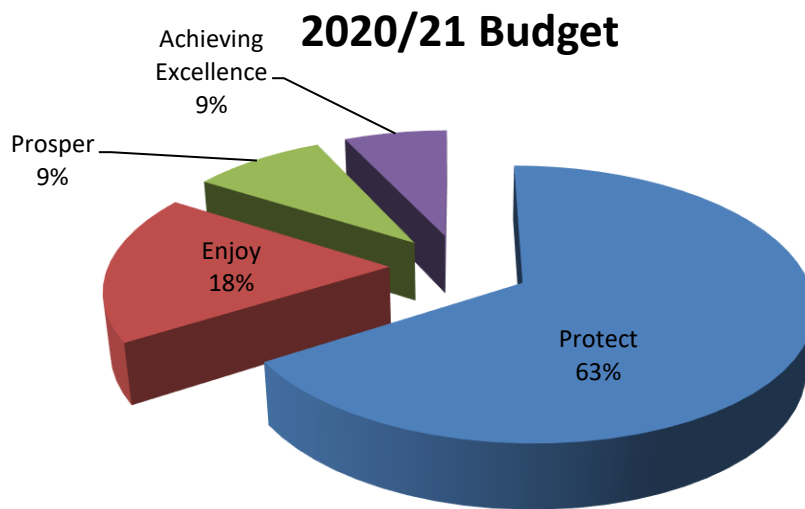
\* Figures include significant annual invoices paid in advance (e.g. memberships, licences, business rates, insurance premium)

**Annex 2**

**2020/21 Original Budget (£3.87m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’**

	<b>Protect*</b>	<b>Enjoy</b>	<b>Prosper</b>	<b>Achieving Excellence</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs (allocated)	1,802	428	229	268
Programme Fund	77	133	50	-
Sustainable Communities Fund (approximation)	21	6	3	-
Strategy & Planning	47	-	-	-
Central Costs (allocated)	501	145	77	79
<b>TOTAL</b>	<b>2,448*</b>	<b>712</b>	<b>359</b>	<b>347</b>

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





**2020/21 Budget position in Authority's formal reporting format**

	<b>Budgeted Net Cost of Services 2020/21</b>		<b>Actual Expenditure April - Sept</b>	<b>Actual Income April - Sept</b>	<b>Net Actual April - Sept</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
Conservation of the Natural Environment	548		489	-258	231
Conservation of Cultural Heritage	328		175	0	175
Recreation Management and Transport	213		160	-1	159
Promoting Understanding	476		293	0	293
Rangers, Estates and Volunteers	119		77	-25	52
Development Control	582		512	-164	348
Forward Planning and Communities	524		361	0	361
Corporate and Democratic Core	485		282	-10	272
<b>SUBTOTAL</b>	<b>3,325</b>		<b>2,349</b>	<b>-458</b>	<b>1,891</b>
National Park Grant	-3,251			-1,842	
Investment & Interest Income	-12			-3	
Use of Reserves	-62			-31	
<b>TOTAL</b>	<b>0</b>			<b>-2,334</b>	

### Annex 3

Programme Fund 2020/21	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
<b>PROTECT*</b>	<b>£000</b>	<b>£000</b>		
Ecology and Catchment Co-ordination	14	1	7%	Work with Freshwater Habitats Trust
Woodland Management Projects (NFLAS)	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	9	0	0%	Invoiced in Q3
Our Past, Our Future (Landscape Partnership)	28	28	100%	Upfront grant payment
Archaeology Projects and SLAs	10	3	30%	
Green Halo Partnership	5	4	80%	
OTHER (Projects less than £5,000)	6	4	67%	
<b>PROTECT SUBTOTAL</b>	<b>77</b>	<b>45</b>	<b>58%</b>	
<b>ENJOY*</b>	<b>£000</b>	<b>£000</b>		
Access Improvements	15	4	27%	Likely small saving
Health and Wellbeing	5	2	40%	
Education (Travel Grants and Resources)	8	1	13%	
Recreation Management	13	16	123%	Funding received from Partners
Interpretation & Information	8	1	13%	Likely small saving
New Forest Show	6	0	0%	Likely saving
Media and Promotion	23	12	52%	
Publications	32	25	78%	
Contact Management System	8	0	0%	Contract Agreed
Ranger Projects	7	1	14%	Likely small saving
People and Wildlife Ranger Projects	5	0	0%	
OTHER (Projects less than £5,000)	3	2	67%	
<b>ENJOY SUBTOTAL</b>	<b>133</b>	<b>64</b>	<b>48%</b>	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
<b>PROSPER*</b>	<b>£000</b>	<b>£000</b>		
New Forest Marque	25	25	100%	Upfront grant payment
Sustainability Projects	5	1	20%	Likely small saving
Sustainable Transport	12	3	25%	
OTHER (Projects less than £5,000)	8	0	0%	Likely small saving
<b>PROSPER SUBTOTAL</b>	<b>50</b>	<b>29</b>	<b>58%</b>	
<b>TOTAL EXPENDITURE</b>	<b>260</b>	<b>138</b>	<b>53%</b>	

\*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 2020/21**

	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)	28	400	428	204	48%	Funding to be spent by all partners.
New Forest Remembers	0	18	18	0	0%	Remaining legacy funding does not have to be spent this year
Pedall (Big Lottery)	0	20	20	12	60%	
Higher Level Stewardship	0	70	70	30	43%	
Land Advice Service	5	70	75	24	32%	
<b>TOTAL</b>	<b>33</b>	<b>578</b>	<b>611</b>	<b>270</b>	<b>44%</b>	

**On average, for every £1 the Authority contributes it generates a further £18 from partner organisations**

**Annex 5**

**Developer Contributions:**

	<b>Affordable Housing</b>	<b>Open Space</b>	<b>Ecological Mitigation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Starting Balance	556	31	109
Funds Received	0	0	0
Funds Spent / Released	0	(12)	(3)
<b>Current Balance</b>	<b>556</b>	<b>19</b>	<b>106</b>

**Current Reserve Balances:**

	<b>Starting Balance</b>	<b>Projected Movement</b>	<b>Closing Balance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	22	(22)	0
Capital / Major Projects Reserve	597	(50)	547
Planning / Risk Reserve	108	10	118
Other (net)	629	0	629
<b>TOTAL</b>	<b>1,656</b>	<b>(62)</b>	<b>1,594</b>

## Annex 6

### **TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2020**

#### **1. Introduction**

- 1.1 This report covers the period 1 April to 30 September 2020 for the Authority's treasury management activities.

#### **2. Strategy for 2020/21**

- 2.1 The Treasury Management Strategy for 2020/21 was approved on 31 March 2020 (NFNPA 596/20).
- 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 extremely low, with the current average ranging from 0 – 0.15%.
- 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 close to zero.
- 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 financial year to date:

<b>Date</b>	<b>Bank Base Rate</b>
At 1 April 2020	0.10%
30 September 2020	0.10%

## 4. Market background

### 4.1 UK & Global economy

UK, Eurozone and US economies are all forecasting significant GDP contractions this year of around 5-10%, following the worldwide impacts of the Coronavirus pandemic. Interest rates continue to fall to historic lows and in many countries are starting to move into a negative position. Government borrowing has increased significantly to fund the pandemic responses; however this position has been widely backed by economist and banks worldwide.

The latest forecasts for the UK economy predict a 9.8% fall in 2020, followed by a partial recovery of around 6% in 2021. UK CPI inflation has also fallen sharply in 2020 and currently stands at around 0.5%.

## 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 2020/21 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 2020 was equivalent to an **annual rate of return of 0.16%**.

5.4 The original estimate for interest earnings for 2020/21 was £12,000 based on an average forecast interest rate of 0.50%. Given the current rates of return, the latest forecast would be around £4,000 in interest earnings for the year.

5.5 A list of investments at 30 September 2020 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 2020 compared to the benchmark. The performances are shown as annualised figures.

	<b>Cash Flow Investments</b>
	%
Benchmark Return (annualised)	0.10
Actual Return (annualised)	0.16
Return above Benchmark	<u>0.06</u>

- 6.5 As at 30 September 2020, cash-flow interest earnings exceeded the benchmark by an annualised 0.06%; this equates to £1,500 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 2020/21.

## **10. Conclusions**

- 10.1 Temporary interest earnings of around £4,000 are forecast for the 2020/21 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 2020**

<b>Counterparty</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Investment Date</b>	<b>Maturity Date</b>
	£	%		
Money Market Fund (MMF)	500,000	0.05	Instant Access	
Debt Mgmt Office (DMO)	1,250,000	0.01	Instant Access*	
Lloyds Current Account	835,000	0.15	Instant Access	
<b>Total</b>	<b>2,585,000</b>			

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