

NFNPA RAPC 464/21

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 1 NOVEMBER 2021

HALF YEAR BUDGETARY CONTROL REPORT 2021/22

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 2021, the first six months of the 2021/22 financial year.

1. Introduction

1.1 This report provides a summary of financial performance in the first half of 2021/22, 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 2021/22 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 2021/22 are £5.24m, as shown in Annex 1. This includes £1.29m from Authority-led partnership projects (externally-funded).

2.2 The overall expenditure position shows £2.24m spend over the first six months of the financial year (43% of budget). Without the partnership projects, spend was £2.01m from a budget of £3.94m (51%).

2.3 The overall income position shows £2.28m received (44% of budget) over the first six months of the financial year. Without the partnership projects, income was £2.06m from a budget of £3.94m (52%).

3. Budgetary Review Process

- 3.1 All budget holders were again requested to scrutinise their budgetary positions and provide details of known or potential over- or underspends; key responses and outcomes are included in section 4 below.

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 of which Members need to be made aware of at this time. Small projected savings within employee costs and the programme fund, currently estimated to be less than £20,000, will be redistributed to work within recreation management and fundraising.
- 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 2021/22 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 £48,000 has been received in respect of developer contributions but none spent.
- 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 Earmarked reserves are being utilised in line with the budget approved in March 2021. This includes £50,000 for our Nature-based Solutions post and £50,000 previously set aside towards the new planning IT system.

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 £0-1,000 from interest on its investments and holdings this year (£1-2,000 less than originally budgeted and equating to a return of c0.02%).

9. Procurement

- 9.1 The procurement process for the new planning system has recently been completed and an (extendible) 2-year contract agreed with Agile Applications Ltd. The project is due to go live in February 2022, with the contract for the existing system coming to an end on 1 April. The project is being closely guided and monitored by an internal group of our senior planning and ICT officers, overseen by the Executive Director Strategy & Planning and Head of Resources.

10. Spending Review

- 10.1 By the date of the Committee meeting, the Comprehensive Spending Review will have been set out by the Chancellor (27 October). Officers will update members at the Committee with any commentary from the high-level position, however it is extremely unlikely that we will hear anything about our own specific grant settlement for some weeks or months afterwards.

11. Recommendation

It is recommended that Members:

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

Papers:

NFNPA/RAPC 464/21	Budgetary Control Report
NFNPA/RAPC 464/21 Annex 1	Budget Monitoring
NFNPA/RAPC 464/21 Annex 2	2021/22 Budget Formats
NFNPA/RAPC 464/21 Annex 3	Programme Fund
NFNPA/RAPC 464/21 Annex 4	Authority-led Partnership Projects
NFNPA/RAPC 464/21 Annex 5	Developer Contributions and Reserve Balances
NFNPA/RAPC 464/21 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2021

Equality and Diversity Implications:

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

Contact:

Nigel Stone
Head of Resources (Chief Finance Officer)
Tel: 01590 646655
Email: nigel.stone@newforestnpa.gov.uk

Annex 1

Budget Monitoring 2021/22

Summary Accounts for the period 1 April – 30 September 2021

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
<u>Expenditure:</u>			
Employee Costs (Salary, Travel, Pensions etc)	2,815	1,426	51%
Programme Fund	223	65	29%
Sustainable Communities Fund	30	6	20%
Strategy & Planning	68	36	53%
Central Costs (split below)	808	481	60%
Subtotal	3,944	2,014	51%
Authority-led Partnership Projects	1,294	230	18%
Total Expenditure	5,238	2,244	43%

<u>Income:</u>			
Defra National Park Grant	-3,251	-1,725	53%
Planning Income	-380	-192	51%
Shared Services	-186	-81	44%
Income Generation (inc Affordable Housing)	-25	-14	56%
Investment & Interest Income	-2	0	0%
Contribution from Other Earmarked Reserves (estimated)	-100	-50	50%
Subtotal	-3,944	-2,062	52%
Authority-led Partnership Projects	-1,294	-218	17%
Total Income	-5,238	-2,280	44%

Central Costs Split

	Latest Budget £000	Payments to Date £000	% of Budget Spent
Secretariat	36	36*	100%*
Human Resources	72	37	51%
ICT Services	185	160*	86%*
ICT R&R Fund	90	12	13%
Member Services	60	36	60%
Finance & Audit Services	60	5	8%
Accommodation	219	146*	67%*
Business Support (e.g. insurance, printing, stationery)	86	49*	57%*
TOTAL	808	481	60%

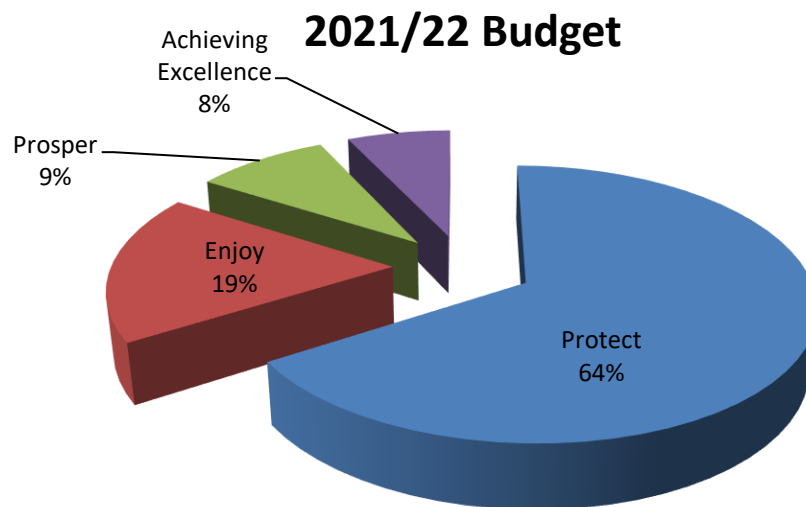
* Figures include significant annual invoices paid in advance (e.g. memberships, licences, business rates, insurance premium)

Annex 2

2021/22 Original Budget (£3.94m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	Protect*	Enjoy	Prosper	Achieving Excellence
	£000	£000	£000	£000
Employee Costs (allocated)	1,846	472	238	259
Programme Fund	49	126	48	-
Sustainable Communities Fund (approximation)	21	6	3	-
Strategy & Planning	68	-	-	-
Central Costs (allocated)	547	127	64	70
TOTAL	2,531*	731	353	329

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



2021/22 Budget position in Authority's formal reporting format

	Budgeted Net Cost of Services 2021/22		Actual Expenditure April - Sept	Actual Income April - Sept	Net Actual April - Sept
	£000		£000	£000	£000
Conservation of the Natural Environment	567		543	-228	315
Conservation of Cultural Heritage	329		155	0	155
Recreation Management and Transport	216		193	-52	141
Promoting Understanding	461		212	-5	207
Rangers, Estates and Volunteers	155		91	-22	69
Development Control	638		500	-192	308
Forward Planning and Communities	504		261	0	261
Corporate and Democratic Core	483		289	-6	283
SUBTOTAL	3,353		2,244	-505	1,739
National Park Grant	-3,251			-1,725	
Investment & Interest Income	-2			0	
Use of Reserves	-100			-50	
TOTAL	0			-2,280	

Annex 3

Programme Fund 2021/22	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
Woodland Management Projects (NFLAS)	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	10	0	0%	Invoiced in Q3 and Q4
Archaeology Projects and SLAs	10	1	10%	
Green Halo Partnership	5	0	0%	
OTHER (Projects less than £5,000)	5	4	80%	
PROTECT SUBTOTAL	49	10	20%	
ENJOY*	£000	£000		
Access Improvements	8	3	38%	
Health and Wellbeing	5	2	40%	
Education (Travel Grants and Resources)	10	2	20%	
Recreation Management	13	13	100%	
Interpretation & Information	8	3	38%	
New Forest Show	6	0	0%	Saving, reinvested in Recreation Management Team work
Media and Promotion	23	19	83%	
Publications and Advertising	32	4	13%	
Contact Management System	6	0	0%	Contract Agreed
Ranger Projects	5	1	20%	
People and Wildlife Ranger Projects	5	1	20%	
OTHER (Projects less than £5,000)	5	2	40%	
ENJOY SUBTOTAL	126	50	40%	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
	£000	£000		
PROSPER*				
New Forest Marque	25	0	0%	Discussion on-going regarding a comms support and grant split for 2021/22.
Sustainability Projects	5	1	20%	
Sustainable Transport	10	4	40%	
OTHER (Projects less than £5,000)	8	0	0%	
PROSPER SUBTOTAL	48	5	10%	
TOTAL EXPENDITURE	223	65	29%	

*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 2021/22

	Authority 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)	0	50	50	41	82%	Final 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 (Lottery)	0	250	250	52	21%	
Higher Level Stewardship	0	90	90	28	31%	
Generation Green	10	65	75	27	36%	
Green Recovery Fund – New Forest	33	225	258	10	4%	Started in September
Kickstart Posts	0	40	40	30	75%	
Paediatric Fellowship Programme	0	36	36	18	50%	£200k of funding over 5 years
Local Listed Buildings Surveys	0	23	23	0	0%	Starts in October
Hampshire Greenprint	0	20	20	0	0%	Project budgets agreed
Natural Environment Investment Readiness Fund	0	99	99	0	0%	Started in September, no invoices to date
Farming In Protected Landscapes	0	260	260	0	0%	Launched in July
Land Advice Service	5	70	75	24	32%	
TOTAL	48	1,246	1,294	230	18%	

On average, for every £1 the Authority contributes it generates a further £26 from partner organisations

Annex 5

Developer Contributions:

	Affordable Housing	Open Space	Ecological Mitigation
	£000	£000	£000
Starting Balance	584	59	114
Funds Received	0	0	48
Funds Spent / Released	0	0	0
Current Balance	584	59	162

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	16	0	16
Capital / Major Projects Reserve	557	(50)	507
Planning / Risk Reserve	138	10	148
Other (net)	844	(60)	784
TOTAL	1,855	(100)	1,755

Annex 6

TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2021

1. Introduction

- 1.1 This report covers the period 1 April to 30 September 2021 for the Authority's treasury management activities.

2. Strategy for 2021/22

- 2.1 The Treasury Management Strategy for 2021/22 was approved on 25 March 2021 (NFNPA AM 582/21).
- 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 – 0.10%.
- 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:

Date	Bank Base Rate
At 1 April 2021	0.10%
30 September 2021	0.10%

4. Market background - UK & Global economy

- 4.1 UK, Eurozone and US economies are all forecasting significant GDP growth this year of around 5-10%, following the worldwide impacts of the Coronavirus pandemic which led to significant GDP contractions in 2020 (-9.8% for the UK). Interest rates remain at historic lows, close to zero, in most countries. UK government borrowing has increased significantly to fund the pandemic responses; however this position has been widely backed and repeated by economists and banks worldwide.

The latest forecasts for the UK economy predict a 7% rise in 2021, followed by a further recovery of around 5% in 2022. UK CPI inflation has also risen sharply in 2021 and currently stands at around 3% (above the standard central bank target of 2%).

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 2021/22 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 2021 was equivalent to an **annual rate of return of 0.02%**.
- 5.4 The original estimate for interest earnings for 2021/22 was £2,000 based on an average forecast interest rate of 0.07%. Given the current rates of return, the latest forecast would be around £0-1,000 in interest earnings for the year.
- 5.5 A list of investments at 30 September 2021 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 2021 compared to the benchmark. The performances are shown as annualised figures.

	Cash Flow Investments
	%
Benchmark Return (annualised)	0.00
Actual Return (annualised)	0.02
Return above Benchmark	<u>0.02</u>

- 6.5 As at 30 September 2021, cash-flow interest earnings exceeded the benchmark by an annualised 0.02%; this equates to £200 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 2021/22.

10. Conclusions

- 10.1 Temporary interest earnings of around £0-1,000 are forecast for the 2021/22 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 2021

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	0.01	Instant Access	
Debt Mgmt Office (DMO)	1,500,000	0.01	Instant Access*	
Lloyds Current Account	1,143,000	0.00	Instant Access	
Total	3,143,000			

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