

RAPC 491/22

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 7 NOVEMBER 2022

HALF YEAR BUDGETARY CONTROL REPORT 2022/23

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 2022, the first six months of the 2022/23 financial year.

1. Introduction

1.1 This report provides a summary of financial performance in the first half of 2022/23, 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 2022/23 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 2022/23 are £4.87m, as shown in Annex 1. This includes £0.9m from Authority-led partnership projects (externally-funded).

2.2 The overall expenditure position shows £2.37m spend over the first six months of the financial year (49% of budget). Without the partnership projects, spend was £2.04m from a budget of £3.97m (52%).

2.3 The overall income position shows £2.29m received (47% of budget) over the first six months of the financial year. Without the partnership projects, income was £1.99m from a budget of £3.97m (50%).

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.

Budget	Amount	Pressure / Saving	Further Detail
Salaries	£35,000	Pressure	Current employer pay award offer is higher than originally budgeted at £1,925 per FTE (equates to c5.6% award, with 3% budgeted). Reduced from Q1 due to National Insurance cut of 1.25%.
Salaries	£15,000	Saving	Small cumulative savings from pension/NI assumptions and some additional vacancy savings in Q1 & Q2
Interest	£18-20,000	Saving	Additional income likely due to higher interest rates than projected

Current Net Position: Balanced Budget – we will review again at end of Q3.

- 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 2022/23 is £30,000 and, after six months of the year a total of £9,000 has been claimed.

6. Developer Contributions

- 6.1 As detailed in Annex 5, during the first six months of the financial year a further £1,000 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 2022. Use of earmarked reserves this year includes £45,000 for our Nature-Based Solutions post, £20,000 for a replacement electric vehicle and use of funding 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 £18-22,000 from interest on its investments and holdings this year (£16-20,000 more than originally budgeted and equating to a return of c1%).

9. Recommendation

It is recommended that Members:

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

Papers:

RAPC 491/22	Budgetary Control Report
RAPC 491/22 Annex 1	Budget Monitoring
RAPC 491/22 Annex 2	2022/23 Budget Formats
RAPC 491/22 Annex 3	Programme Fund
RAPC 491/22 Annex 4	Authority-led Partnership Projects
RAPC 491/22 Annex 5	Developer Contributions and Reserve Balances
RAPC 491/22 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2022

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 2022/23
Summary Accounts for the period 1 April – 30 September 2022

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
<u>Expenditure:</u>			
Employee Costs (Salary, Travel, Pensions etc)	2,887	1,384	48%
Programme Fund	211	88	42%
Sustainable Communities Fund	30	9	30%
Strategy & Planning	69	39	57%
Central Costs (split below)	768	522	68%
Subtotal	3,965	2,042	52%
Authority-led Partnership Projects	907	326	36%
Total Expenditure	4,872	2,368	49%

<u>Income:</u>			
Defra National Park Grant	-3,251	-1,659	51%
Planning Income	-350	-178	51%
Shared Services	-206	-62	30%
Income Generation (inc Affordable Housing)	-20	-12	60%
Investment & Interest Income	-2	-9	450%
Contribution from Other Earmarked Reserves (estimated)	-136	-68	50%
Subtotal	-3,965	-1,988	50%
Authority-led Partnership Projects	-907	-298	33%
Total Income	-4,872	-2,286	47%

Central Costs Split

	Latest Budget £000	Payments to Date £000	% of Budget Spent
Secretariat	42	40*	95%*
Human Resources	73	51*	70%*
ICT Services	180	151*	84%*
ICT R&R Fund	35	30	86%
Member Services	61	35	57%
Finance & Audit Services	55	7	13%
Accommodation	240	146	61%
Business Support (e.g. insurance, printing, stationery)	82	62*	76%*
TOTAL	768	522	68%

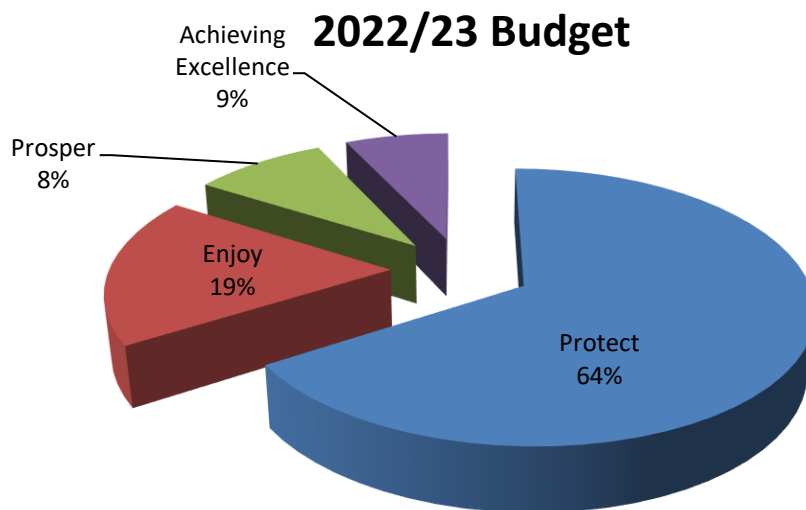
* Figures include significant annual invoices paid in advance (e.g. memberships, licences, business rates, insurance premium)

Annex 2

2022/23 Original Budget (£3.97m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	Protect*	Enjoy	Prosper	Achieving Excellence
	£000	£000	£000	£000
Employee Costs (allocated)	1,885	501	232	269
Programme Fund	52	128	31	-
Sustainable Communities Fund (approximation)	21	6	3	-
Strategy & Planning	69	-	-	-
Central Costs (allocated)	501	133	62	72
TOTAL	2,528*	768	328	341

*Includes up to £0.76m of costs directly related to the Planning Service



2022/23 Budget position in Authority's formal reporting format

	Budgeted Net Cost of Services 2022/23		Actual Expenditure April - Sept	Actual Income April - Sept	Net Actual April - Sept
	£000		£000	£000	£000
Conservation of the Natural Environment	417		498	-221	277
Conservation of Cultural Heritage	204		125	0	125
Recreation Management and Transport	265		208	-105	103
Promoting Understanding	603		364	-9	355
Rangers, Estates and Volunteers	145		97	-28	69
Development Control	786		592	-178	414
Forward Planning and Communities	511		233	0	233
Corporate and Democratic Core	458		251	-9	242
SUBTOTAL	3,389		2,368	-550	1,818
National Park Grant	-3,251			-1,659	
Investment & Interest Income	-2			-9	
Use of Reserves	-136			-68	
TOTAL	0			-2,286	

Annex 3

Programme Fund 2022/23	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
PROTECT*	£000	£000		
Ecology and Catchment Co-ordination	13	0	0%	Work with Freshwater Habitats Trust
Woodland Management Projects (NFLAS)	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	12	10	83%	
Archaeology Projects and SLAs	12	3	25%	
Green Halo Partnership	5	1	20%	
OTHER (Projects less than £5,000)	5	3	60%	
PROTECT SUBTOTAL	52	22	42%	
ENJOY*	£000	£000		
Access Improvements	8	7	88%	
Health and Wellbeing	5	2	40%	
Education (Travel Grants and Resources)	10	4	40%	
Recreation Management	13	1	8%	
Interpretation & Information	8	4	50%	
New Forest Show	6	8	133%	Additional promotional/educational materials will be used at future events
Media and Promotion	23	13	57%	
Publications and Advertising	32	4	13%	Parklife, Pocket Guide etc
Contact Management System	8	0	0%	Contract agreed
Ranger Projects	5	5	100%	
People and Wildlife Ranger Projects	5	2	40%	
OTHER (Projects less than £5,000)	5	2	40%	
ENJOY SUBTOTAL	128	52	41%	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
	£000	£000		
PROSPER*				
New Forest Marque	4	4	100%	Upfront grant payment – supplemented by comms and admin staffing support
Sustainability Projects	5	6	120%	
Sustainable Transport	15	3	20%	
OTHER (Projects less than £5,000)	7	1	14%	
PROSPER SUBTOTAL	31	14	45%	
TOTAL EXPENDITURE	211	88	42%	

* 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 2022/23

	Authority Contributions	Partner Financial Contributions	Total Project Budget	Total Payments to date	Payments as % of budget	Notes on significant variations
	£000	£000	£000	£000		
New Forest Remembers	0	18	18	0	0%	Remaining legacy funding does not have to be spent this year
Pedall (Lottery)	0	150	150	89	59%	
Higher Level Stewardship	0	90	90	48	53%	
Green Recovery Fund – New Forest	22	146	168	88	52%	September 2021 to March 2023
Paediatric Fellowship Programme	0	36	36	18	50%	£200k of funding over 5 years
Local Listed Buildings Surveys	0	15	15	10	67%	Funded until December 2022
Hampshire Greenprint	0	15	15	2	13%	Project budgets agreed
National Grid – Landscape Enhancement Initiative Projects	0	120	120	0	0%	
Natural Environment Investment Readiness Fund	0	40	40	38	95%	Completed in September 2022
Farming In Protected Landscapes	0	180	180	6	3%	Scheme runs July 2021 – March 2024
Land Advice Service	5	70	75	27	36%	
TOTAL	27	880	907	326	36%	

On average, for every £1 the Authority contributes it generates a further £30 from partner organisations

Annex 5

Developer Contributions:

	Affordable Housing	Open Space	Ecological Mitigation	Transport (via HCC)	Solent Mitigation (via Fareham)
	£000	£000	£000	£000	£000
Starting Balance	832	60	152	0*	0*
Funds Received	0	0	1	0	0
Funds Spent / Released	0	0	0	0	0
Current Balance	832	60	153	0*	0*

* Funds paid over to the relevant organisations on an annual basis at year-end. Transport contributions over the previous five financial years have totalled £76,000 and Solent Mitigation £68,000.

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	300	0	300
Earmarked Reserves:			
Revenue Support Reserve	19	0	19
Capital / Major Projects Reserve	533	(6)	527
Planning / Risk Reserve	138	20	158
Other (net)	908	(150)	758
TOTAL	1,898	(136)	1,762

Annex 6

TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2022

1. Introduction

- 1.1 This report covers the period 1 April to 30 September 2022 for the Authority's treasury management activities.

2. Strategy for 2021/22

- 2.1 The Treasury Management Strategy for 2022/23 was approved on 24 March 2022 (NFNPA AM 623/22).
- 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 begun to rise from their historically low levels, with the current average ranging from 1–2.2%.
- 3.2 There is still a variation in interest rates between one type of counterparty and another.
- 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 alongside our main bank account with Lloyds.

- 3.4 There have been a number of changes in the Bank of England (BoE) base rate during the financial year to date:

Date	Bank Base Rate
At 1 April 2022	0.75%
4 May 2022	1.00%
15 June 2022	1.25%
3 August 2022	1.75%
21 September 2022	2.25%
At 30 September 2022	2.25%

4. Market background - UK & Global economy

- 4.1 UK, Eurozone and US economies are all forecasting GDP growth this year but are now struggling with rising inflation and therefore costs of living. Interest rates and government borrowing are rising in the vast majority of developed economies around the world.

The latest forecasts for the UK economy still predict a 2-4% GDP rise in 2022, followed by two years of a slow, or even negative, outlook. UK CPI inflation has also risen sharply in 2022 and currently stands at around 10% (well 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 2022/23 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 2022 was equivalent to an **annual rate of return of 0.90%**.

- 5.4 The original estimate for interest earnings for 2022/23 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 £18-22,000 in interest earnings for the year.
- 5.5 A list of investments at 30 September 2022 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 2022 compared to the benchmark. The performances are shown as annualised figures.

	Cash Flow Investments
	%
Benchmark Return (annualised)	2.44
Actual Return (annualised)	0.90
Return below Benchmark	<u>-1.54</u>

- 6.5 As at 30 September 2022, cash-flow interest earnings fell short the benchmark by an annualised 1.54%; this equates to £12,000 for the period. This variance is purely caused by the serious market volatility in September, raising borrowing costs significantly on an almost daily basis whereby rates offered on investments could never keep up. By year-end, our actual return should more closely match the benchmarked level.

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 £1.5m 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 2022/23.

10. Conclusions

- 10.1 Temporary interest earnings of around £18-22,000 are forecast for the 2022/23 financial year.

Treasury Performance Report Appendix 1

Investments & Holdings at 30 September 2022

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	1.56	Instant Access	
Debt Mgmt Office (DMO)	1,500,000	1.60	Instant Access*	
Lloyds Current Account	846,000	0.00	Instant Access	
Total	2,846,000			

* Although invested for a set period (usually one or two months), DMO funds can be accessed instantly if required – current rates offered are now in excess of 2%.