

## NFNPA RAPC 520/23

### NEW FOREST NATIONAL PARK AUTHORITY

### RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 6 NOVEMBER 2023

### HALF-YEAR BUDGETARY CONTROL REPORT 2023/24

**Report by:** Nigel Stone, Head of Resources (Chief Finance Officer) and Tom Knott, Finance & Sustainable Procurement Officer

#### **Purpose:**

This report provides a summary of financial performance up to the end of September 2023, the first six months of the 2023/24 financial year.

#### **1. Introduction**

1.1 This report provides a summary of financial performance in the first half of 2023/24, 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 2023/24 budgets across the purposes & duty 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 2023/24 are £4.74m, as shown in Annex 1. This includes £0.8m 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 (47% of budget). Without the partnership projects, spend was £2.10m from a budget of £3.92m (54%).

2.3 The overall income position shows £2.34m received (49% of budget) over the first six months of the financial year. Without the partnership projects, income was £1.99m from a budget of £3.92m (51%).

### 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.

<b>Budget</b>	<b>Amount</b>	<b>Pressure / Saving</b>	<b>Further Detail</b>
Legal Support	£7,000	Pressure	Temporary staffing cover required.
Planning Support & Income	£10-20,000	Pressure	Temporary staffing cover required / Potential shortfall in fee income.
Waterside Development	£24,000	Pressure	Consultancy contract about future links / access to Forest habitats.
Interest	£40-50,000	Saving	Additional income likely due to higher investments and interest rates than projected (see 8.1 and Annex 6).

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. The pay award for 2023/24 has yet to be agreed and paid out.

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

- 5.1 The SCF budget for 2023/24 is £10,000 and we have £64,000 in the SCF Reserve which has previously been allocated to projects but yet to be formally claimed following completion of the relevant works. After six months of the year a total of £32,000 has been claimed.

## **6. Developer Contributions**

- 6.1 As detailed in Annex 5, during the first six months of the financial year a further £108,000 has been received in respect of developer contributions and £9,000 spent or allocated.
- 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 £350,000 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 2023.

## **8. Treasury Management Position**

- 8.1 The half-year Treasury Management position projects that the Authority will receive around £110-120,000 from interest on its investments and holdings this year (an overall return of around 3.75%); this represents a significant increase from the original projection of £70,000.

## **9. External Audit Updates**

- 9.1 Due to the national auditing issues affecting the whole public sector, our 2022/23 external audit is still yet to commence. Given the work involved, even once started, members should be aware of the high possibility of this not being completed by whatever statutory deadline is set nationally – that potentially being the end of March 2024 - this would lead to us, alongside many other public bodies, receiving a qualified audit opinion. It is still expected at this stage that a Value for Money conclusion for each authority can be completed.
- 9.2 An audit fee for 2021/22 has been agreed at £20,623 – approximately £27,000 less than our auditors had originally requested.
- 9.3 The Public Sector Audit Appointment (PSAA) national auditor procurement for the five years from 2023/24 onwards has been completed and Ernst & Young LLP have been reappointed as our audit firm. Due to rising costs and significant additional works required within the audits going forward, our audit fee has been estimated by PSAA at around £40,000 per year.
- 9.4 Kevin Suter has stepped down as our Audit Partner, following the standard auditor rotation / independence principles, and been formally replaced by Janet Dawson. Alison and Nigel held an introductory meeting with Janet in October.

## 10. Recommendation

**It is recommended that Members:**

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

### **Papers:**

NFNPA/RAPC 520/23	Budgetary Control Report
NFNPA/RAPC 520/23 Annex 1	Budget Monitoring
NFNPA/RAPC 520/23 Annex 2	2023/24 Budget Formats
NFNPA/RAPC 520/23 Annex 3	Programme Fund
NFNPA/RAPC 520/23 Annex 4	Authority-led Partnership Projects
NFNPA/RAPC 520/23 Annex 5	Developer Contributions and Reserve Balances
NFNPA/RAPC 520/23 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2023

### **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 2023/24**

**Summary Accounts for the period 1 April – 30 September 2023**

	<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)	2,856	1,402	49%
Programme Fund	200	103	52%
Sustainable Communities Fund	10	32	320%
Strategy & Planning	81	42	52%
Central Costs (split below)	776	520	67%
<b>Subtotal</b>	<b>3,923</b>	<b>2,099</b>	<b>54%</b>
Authority-led Partnership Projects	817	145	18%
<b>Total Expenditure</b>	<b>4,740</b>	<b>2,244</b>	<b>47%</b>

<b><u>Income:</u></b>			
Defra National Park Grant	-3,251	-1,652	51%
Planning Income	-330	-145	44%
Shared Services	-254	-129	51%
Income Generation (inc Affordable Housing)	-40	-18	45%
Investment & Interest Income	-70	-54	77%
Contribution from Other Earmarked Reserves (estimated)	22	11	50%
<b>Subtotal</b>	<b>-3,923</b>	<b>-1,987</b>	<b>51%</b>
Authority-led Partnership Projects	-817	-355	43%
<b>Total Income</b>	<b>-4,740</b>	<b>-2,342</b>	<b>49%</b>

## **Central Costs Split**

	<b>Latest Budget £000</b>	<b>Payments to Date £000</b>	<b>% of Budget Spent</b>
Secretariat	46	35*	76%*
Human Resources	74	36	49%
ICT Services	175	165*	94%*
ICT R&R Fund	35	20	57%
Member Services	65	33	51%
Finance & Audit Services	64	19	30%
Accommodation	235	162*	69%*
Business Support (e.g. insurance, printing, stationery)	82	50*	61%*
<b>TOTAL</b>	<b>776</b>	<b>520</b>	<b>67%</b>

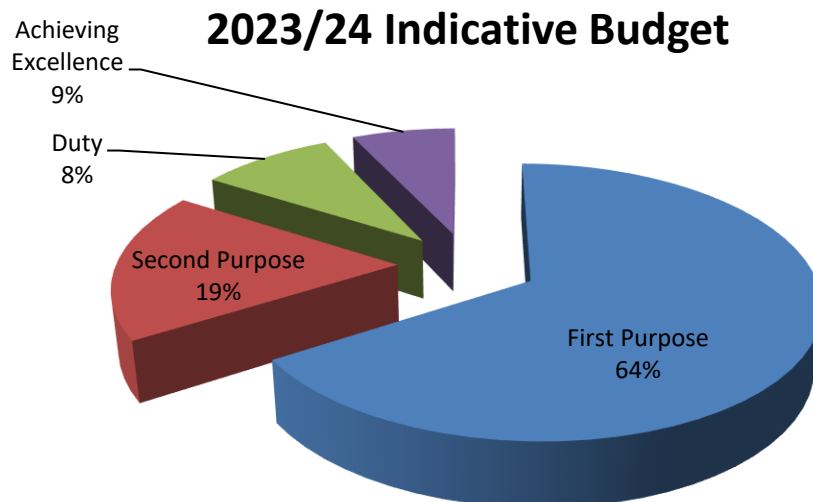
\* Figures include significant annual invoices paid in advance (e.g. memberships, licences, business rates, rent, insurance premium).

## Annex 2

### 2023/24 Original Budget (£3.92m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	<b>First Purpose*</b>	<b>Second Purpose</b>	<b>Duty</b>	<b>Achieving Excellence</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs (allocated)	1,874	494	220	268
Programme Fund	49	129	22	-
Sustainable Communities Fund (approximation)	6	3	1	-
Strategy & Planning	81	-	-	-
Central Costs (allocated)	509	134	60	73
<b>TOTAL</b>	<b>2,519*</b>	<b>760</b>	<b>303</b>	<b>341</b>

\*Includes up to £0.8m of costs directly related to the Planning Service



**2023/24 Budget position in Authority's formal reporting format**

	<b>Budgeted Net Cost of Services 2023/24</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	281		437	-285	152
Conservation of Cultural Heritage	199		150	-72	78
Recreation Management and Transport	308		206	-89	117
Promoting Understanding	566		257	-13	244
Rangers, Estates and Volunteers	145		87	-25	62
Development Control	907		614	-145	469
Forward Planning and Communities	443		191	0	191
Corporate and Democratic Core	450		302	-18	284
<b>SUBTOTAL</b>	<b>3,299</b>		<b>2,244</b>	<b>-647</b>	<b>1,597</b>
National Park Grant	-3,251			-1,652	
Investment & Interest Income	-70			-54	
Use of Reserves	22			11	
<b>TOTAL</b>	<b>0</b>			<b>-2,342</b>	



### Annex 3

Programme Fund 2023/24	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
<b>FIRST PURPOSE - PROTECT*</b>	<b>£000</b>	<b>£000</b>		
Ecology and Catchment Co-ordination	12	12	100%	Work with Freshwater Habitats Trust
Woodland Management Projects (NFLAS)	5	5	100%	Upfront grant payment
Natural Environment Evidence Base (HBIC / WRC)	12	14	117%	
Archaeology Projects and SLAs	10	0	0%	All budget allocated
Green Halo Partnership	5	0	0%	Projects agreed with partners
OTHER (Projects less than £5,000)	5	3	60%	
<b>SUBTOTAL</b>	<b>49</b>	<b>34</b>	<b>69%</b>	
<b>SECOND PURPOSE - ENJOY*</b>	<b>£000</b>	<b>£000</b>		
Access Improvements	9	7	78%	
Health and Wellbeing	5	4	80%	
Education (Travel Grants and Resources)	10	4	40%	
Recreation Management	13	4	31%	
Interpretation & Information	8	4	50%	
New Forest Show	6	10	167%	Promotional/educational materials will also be used at future events
Media and Promotion	23	16	70%	
Publications and Advertising	32	6	19%	
Contact Management System	8	1	13%	Contract agreed
Ranger Projects	5	1	20%	
People and Wildlife Ranger Projects	5	1	20%	
OTHER (Projects less than £5,000)	5	2	40%	
<b>SUBTOTAL</b>	<b>129</b>	<b>60</b>	<b>47%</b>	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
<b>DUTY - PROSPER*</b>	<b>£000</b>	<b>£000</b>		
New Forest Marque	4	4	100%	Upfront grant payment – supplemented by comms and admin staffing support
Sustainability Projects	3	0	0%	
Sustainable Transport	8	5	63%	
OTHER (Projects less than £5,000)	7	0	0%	
<b>SUBTOTAL</b>	<b>22</b>	<b>9</b>	<b>41%</b>	
<b>TOTAL EXPENDITURE</b>	<b>200</b>	<b>103</b>	<b>52%</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 2023/24**

	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	61	41%	
Youth for Climate & Nature – Lottery	TBC	TBC	TBC	0	0%	Overall scheme is worth £1.4m
Higher Level Stewardship	0	90	90	47	52%	
Paediatric Fellowship Programme	0	36	36	0	0%	£200k of funding over 5 years
Hampshire Greenprint	0	15	15	0	0%	Project budgets agreed
Forest Farming Group	5	20	25	5	20%	Procurement underway
National Grid – Landscape Enhancement Initiative Projects	0	100	100	0	0%	
Farming In Protected Landscapes	0	318	318	6	2%	Funding often allocated but not yet claimed by this point
Land Advice Service	5	70	75	26	35%	
<b>TOTAL</b>	<b>10</b>	<b>817</b>	<b>827</b>	<b>145</b>	<b>18%</b>	

**On average, for every £1 the Authority contributes it generates a further £23 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	831	59	257	0*	0*
Funds Received	0	21	78	0	9
Funds Spent / Released	0	0	0	0	(9)
<b>Current Balance</b>	<b>831</b>	<b>80</b>	<b>335</b>	<b>0*</b>	<b>0*</b>

\* Funds paid over to the relevant organisations on an annual basis at year-end. Transport contributions over the previous five financial years have totalled £68,000 and Solent Mitigation £72,000.

### Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	350	0	350
Earmarked Reserves:			
Revenue Support Reserve	41	22	63
Capital / Major Projects Reserve	500	0	500
Planning / Risk Reserve	103	20	123
Other (net)	1,070	(20)	1,050
<b>TOTAL</b>	<b>2,064</b>	<b>22</b>	<b>2,086</b>

## Annex 6

### **TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2023**

#### **1. Introduction**

- 1.1 This report covers the period 1 April to 30 September 2023 for the Authority's treasury management activities.

#### **2. Strategy for 2021/22**

- 2.1 The Treasury Management Strategy for 2023/24 was approved on 23 March 2023 (NFNPA AM 645/23).
- 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 Money market investment rates have continued to rise from their historically low levels, with the current average now ranging from 4.5–5.5%.
- 3.2 There is still a significant 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 to three 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:

<b>Date</b>	<b>Bank Base Rate</b>
At 1 April 2023	4.25%
11 May 2023	4.50%
22 June 2023	5.00%
3 August 2023	5.25%
<b>At 30 September 2023</b>	<b>5.25%</b>

#### **4. Market background - UK & Global economy**

- 4.1 UK, Eurozone and US economies are all still 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 0.2-0.6% GDP rise in 2023, followed by two years of a slow, or even negative, outlook. UK CPI inflation has remained stubbornly high in 2023 and currently stands at around 6.7% (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 2023/24 the Authority has decided to continue to hold low risk, often instant access, investments as the increased interest returns are now similar to 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 2023 was equivalent to an **annual rate of return of 3.48%**.

- 5.4 The original estimate for interest earnings for 2023/24 was £70,000 based on an average forecast interest rate of 3.50% on £2,000,000 invested. Given the current rates of return and higher amount invested, the latest forecast would be around £110-120,000 in interest earnings for the year.
- 5.5 A list of investments at 30 September 2023 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 2023 compared to the benchmark. The performances are shown as annualised figures.

	<b>Cash Flow Investments</b>
	<b>%</b>
Benchmark Return (annualised)	3.48
Actual Return (annualised)	<u>3.48</u>
Return below Benchmark	<u>0.00</u>

- 6.5 As at 30 September 2023, our cash-flow interest earnings matched the 2023 benchmark. By year-end, our actual return should be at or near the benchmarked level.

## **7. Current Investment Policy**

- 7.1 Following the continuing sensitivity of the banking sector, investments are made in the UK-based 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. The limit on government accounts, such as the DMO, is £2m.
- 7.3 This policy is monitored weekly 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 2023/24.

## **10. Conclusions**

- 10.1 Temporary interest earnings of around £110-120,000 (+£40-50,000 from the original budget) are forecast for the 2023/24 financial year.



## Treasury Performance Report Appendix 1

### Investments & Holdings at 30 September 2023

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	5.24	Instant Access	
Debt Mgmt Office (DMO)	2,000,000	5.26	Instant Access*	
Lloyds Current Account	988,000	2.00	Instant Access	
<b>Total</b>	<b>3,488,000</b>			

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