

**RAPC 548/24**

## **NEW FOREST NATIONAL PARK AUTHORITY**

### **RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 4 NOVEMBER 2024**

#### **HALF YEAR BUDGETARY CONTROL REPORT 2024/25**

**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 2024, the first six months of the 2024/25 financial year.

### **1. Introduction**

- 1.1 This report provides a summary of financial performance in the first half of 2024/25, 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 2024/25 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 2024/25 are £6.59m, as shown in Annex 1. This includes £1.9m from Authority-led partnership projects (externally-funded).
- 2.2 The overall expenditure position shows £2.65m spend over the first six months of the financial year (40% of budget). Without the partnership projects, spend was £2.29m from a budget of £4.68m (49%).
- 2.3 The overall income position shows £2.72m received (41% of budget) over the first six months of the financial year. Without the partnership projects, income was £2.36m from a budget of £4.68m (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.

**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 national staff pay award for 2024/25 has yet to be agreed and paid out.

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

- 5.1 The SCF budget for 2024/25 is £30,000 and we have £36,000 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 £10,000 has been claimed.

### **6. Developer Contributions**

- 6.1 As detailed in Annex 5, during the first six months of the financial year a further £488,000 has been received in respect of developer contributions and £91,000 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 2024.

### **8. Treasury Management Position**

- 8.1 The half-year Treasury Management position projects that the Authority will receive around £130,000 from interest on its investments and holdings this year (an overall return of around 4.3%); this matches the original budget projection.

## **9. Partnership Projects**

- 9.1 As Members will be aware, we have been highly successful over the last year in bidding for external funding to leverage our core Defra grant; it is estimated that in 2024/25 we will receive over £1.9m in this partnership projects funding as detailed in Annex 4.
- 9.2 This year, for every £1 the Authority is contributing to these partnership projects, it will generate a further £41 from funders / partner organisations. On average, over the last five years, we have generated a further £24 from funders / partner organisations.

## **10. Recommendation**

**It is recommended that Members:**

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

### **Papers:**

RAPC 548/24	Budgetary Control Report
RAPC 548/24 Annex 1	Budget Monitoring
RAPC 548/24 Annex 2	2024/25 Budget Formats
RAPC 548/24 Annex 3	Programme Fund
RAPC 548/24 Annex 4	Authority-led Partnership Projects
RAPC 548/24 Annex 5	Developer Contributions and Reserve Balances
RAPC 548/24 Annex 6	Treasury Management Performance Report – 1 April to 30 September 2024

### **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 2024/25**

**Summary Accounts for the period 1 April – 30 September 2024**

	Original Budget	Payments to date	% of Budget Spent
	£000	£000	
<b><u>Expenditure:</u></b>			
Employee Costs (Salary, Travel, Pensions etc)	3,081	1,529	50%
Programme Fund	220	84	38%
Sustainable Communities Fund	30	10	33%
Strategy & Planning	95	55	58%
Central Costs (split below)	913	526	58%
Capital Budgets (split below)	344	81	24%
<b>Subtotal</b>	<b>4,683</b>	<b>2,285</b>	<b>49%</b>
Authority-led Partnership Projects	1,904	361	19%
<b>Total Expenditure</b>	<b>6,587</b>	<b>2,646</b>	<b>40%</b>

<b><u>Income:</u></b>			
Defra National Park Grant	-3,751	-1,901	51%
Defra Access for All	-94	-70	74%
Planning Income	-375	-184	49%
Shared Services	-244	-68	28%
Income Generation (inc Affordable Housing)	-40	-24	60%
Investment & Interest Income	-130	-84	54%
Contribution from Other Earmarked Reserves (estimated)	-49	-25	50%
<b>Subtotal</b>	<b>-4,683</b>	<b>-2,356</b>	<b>50%</b>
Authority-led Partnership Projects	-1,904	-365	19%
<b>Total Income</b>	<b>-6,587</b>	<b>-2,721</b>	<b>41%</b>

### **Central Costs Split**

	<b>Latest Budget £000</b>	<b>Payments to Date £000</b>	<b>% of Budget Spent</b>
Secretariat	46	40*	87%*
Human Resources	82	46	56%
ICT Services	200	177*	89%*
Member Services	68	33	49%
Finance & Audit Services	78	27	35%
Accommodation	235	142*	60%*
Business Support (e.g. insurance, printing, stationery)	104	61*	59%*
Facilities Project	100	0	0%
<b>TOTAL</b>	<b>913</b>	<b>526</b>	<b>58%</b>

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

### **Capital Budgets Split**

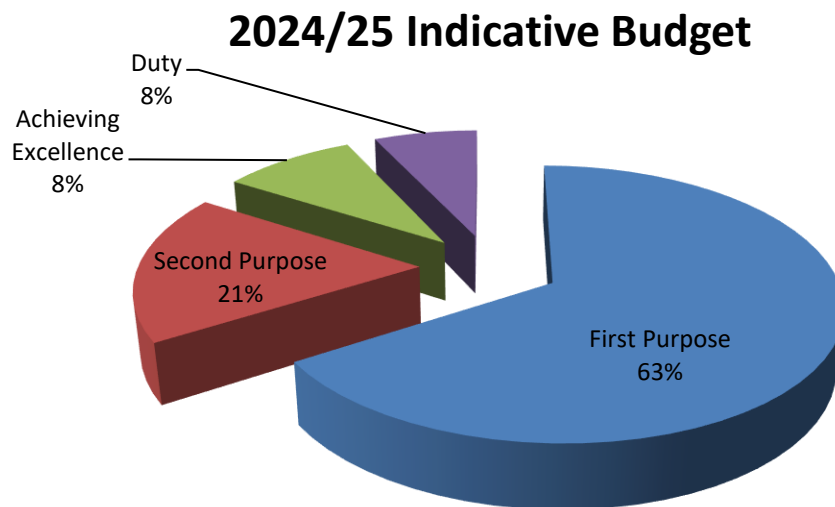
	<b>Original Budget £000</b>	<b>Payments to Date £000</b>	<b>% of Budget Spent</b>
ICT Renewals and Replacements Fund	40	30	75%
Website Update	40	0	0%
Vehicle Replacements	120	8	7%
Land improvements for Climate and Nature Recovery	50	0	0%
Access for All – Pedall Bikes	32	32	100%
Access for All – Footpath Improvements	62	11	18%
<b>TOTAL</b>	<b>344</b>	<b>81</b>	<b>24%</b>

## Annex 2

### **2024/25 Original Budget (£4.68m – 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)	2,021	534	249	277
Programme Fund	70	128	22	-
Capital	130	170	14	30
Sustainable Communities Fund (approximation)	18	9	3	-
Strategy & Planning	95	-	-	-
Central Costs (allocated)	599	158	74	82
<b>TOTAL</b>	<b>2,933*</b>	<b>999</b>	<b>362</b>	<b>389</b>

\*Includes all costs directly related to the Planning Service



**2024/25 Budget position in Authority's formal reporting format**

	Budgeted Net Cost of Services 2023/24		Actual Expenditure April - Sept	Actual Income April - Sept	Net Actual April - Sept
	£000		£000	£000	£000
Conservation of the Natural Environment	405		327	-135	192
Conservation of Cultural Heritage	278		131	-5	126
Recreation Management and Transport	366		334	-145	189
Promoting Understanding	562		371	-110	261
Rangers, Estates and Volunteers	212		133	-23	110
Development Control	1,132		817	-283	534
Forward Planning and Communities	502		230	0	230
Corporate and Democratic Core	473		303	-10	293
<b>SUBTOTAL</b>	<b>3,930</b>		<b>2,646</b>	<b>-711</b>	<b>1,935</b>
National Park Grant	-3,751			-1,901	
Investment & Interest Income	-130			-84	
Use of Reserves	-49			-25	
<b>TOTAL</b>	<b>0</b>			<b>-2,721</b>	

### Annex 3

Programme Fund 2024/25	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
<b>FIRST PURPOSE*</b>	<b>£000</b>	<b>£000</b>		
Ecology and Catchment Co-ordination	12	12	100%	Work with Freshwater Habitats Trust
Natural Environment Evidence Base (HBIC / WRC)	15	2	13%	Invoiced in Q3 and Q4
Climate and Nature Recovery Projects	25	0	0%	
Archaeological Projects and SLAs	10	2	20%	
OTHER (Projects £3,000 or less)	8	6	75%	
<b>FIRST PURPOSE SUBTOTAL</b>	<b>70</b>	<b>22</b>	<b>31%</b>	
<b>SECOND PURPOSE*</b>	<b>£000</b>	<b>£000</b>		
Access Improvements	9	3	33%	
Health and Wellbeing	5	1	20%	
Education (Travel Grants and Resources)	14	5	36%	
Recreation Management	10	10	100%	
Interpretation & Information	8	4	50%	
New Forest Show	6	6	100%	Promotional/educational materials will also be used at future events
Media and Promotion	23	13	57%	
Publications and Advertising	32	9	28%	
Contact Management System	5	1	20%	Contract agreed
Ranger Projects	5	2	40%	
People and Wildlife Ranger Projects	5	2	40%	
OTHER (Projects £3,000 or less)	6	2	33%	
<b>SECOND PURPOSE SUBTOTAL</b>	<b>128</b>	<b>58</b>	<b>45%</b>	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
<b>DUTY*</b>	<b>£000</b>	<b>£000</b>		
New Forest Marque	4	0	0%	Grant payment – supplemented by comms and admin staffing support
Sustainable Tourism	5	1	20%	
Sustainable Transport	8	1	13%	
OTHER (Projects £3,000 or less)	5	2	40%	
<b>DUTY SUBTOTAL</b>	<b>22</b>	<b>4</b>	<b>18%</b>	
<b>TOTAL EXPENDITURE</b>	<b>220</b>	<b>84</b>	<b>38%</b>	

\* The designation of projects to the purposes and duty are for illustrative purposes only and do not constitute the total funding allocated to each area by the Authority (see Annex 2).

## **Authority-led Partnership Projects 2024/25**

## **Annex 4**

	Authority Contributions	Partner Financial Contributions	Total Project Budget	Total Payments to date	Payments as % of budget	Notes on significant variations
	£000	£000	£000	£000		
Pedall (Lottery)	0	128	128	57	45%	
LCWIP Capability (Active Travel England)	0	100	100	0	0%	Funds 100% allocated
Artists in Residence (Arts Council England)	0	15	15	0	0%	Funds 100% allocated
YouCAN - Youth for Climate & Nature (Lottery)	10	394	404	182	45%	
Higher Level Stewardship	0	84	84	17	20%	
Health Fellowship Programme	0	36	36	0	0%	£180k of funding over 5 years
Hampshire Greenprint	0	10	10	0	0%	Project budgets agreed
Forest Farming Group	5	17	22	8	36%	
Species Survival Fund (Defra)	23	431	454	28	6%	
New Routes to Nature – Volunteers (Lottery)	3	112	115	0	0%	
Youth Visits Programme (Defra)	0	75	75	0	0%	
Digital Planning Improvement Fund (MHCLG)	0	100	100	22	22%	Additional £45k contract let
Landscape Enhancement Initiative Projects (National Grid)	0	25	25	0	0%	
Farming In Protected Landscapes – Grants Fund (Defra)	0	322	322	35	11%	
Land Advice Service	5	55	60	12	20%	
<b>TOTAL</b>	<b>46</b>	<b>1,904</b>	<b>1,950</b>	<b>361</b>	<b>19%</b>	

## Annex 5

### Developer Contributions:

	<b>Affordable Housing</b>	<b>Open Space</b>	<b>Ecological Mitigation</b>	<b>Transport (via HCC)</b>	<b>Solent Mitigation (via Fareham)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Starting Balance	831	80	290	0*	0*
Funds Received	65	122	252	0	49
Funds Spent / Released	(5)	(28)	(9)	0	(49)
<b>Current Balance</b>	<b>891</b>	<b>174</b>	<b>533</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 £67,000 and Solent Mitigation £46,000.

### 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	350	0	350
Earmarked Reserves:			
Revenue Support Reserve	63	0	63
Financial Stability Reserve	396	(44)	352
Capital / Major Projects Reserve	500	0	500
Planning / Risk Reserve	120	25	145
Other (net)	824	(30)	794
<b>TOTAL</b>	<b>2,253</b>	<b>(49)</b>	<b>2,204</b>

## Annex 6

### **TREASURY MANAGEMENT PERFORMANCE REPORT – 1 APRIL TO 30 SEPTEMBER 2024**

#### **1. Introduction**

- 1.1 This report covers the period 1 April to 30 September 2024 for the Authority's treasury management activities.

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

- 2.1 The Treasury Management Strategy for 2024/25 was approved on 21 March 2024 (NFNPA AM 673/24).
- 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 be well above their historically low levels, with the current average now ranging from 4–5%. The UK central bank base rate is expected to be cut further in the coming months/year.
- 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 / savings accounts 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 2024	5.25%
31 July 2024	5.00%
<b>At 30 September 2024</b>	<b>5.00%</b>

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

- 4.1 UK, Eurozone and US economies are all still forecasting GDP growth this year, with inflation and cost of living pressures beginning to slow. 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 small GDP rise in 2024, followed by two years of a slow, or even negative, outlook. UK CPI inflation has reduced significantly in recent months and currently stands at around 1.7% (slightly below 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 2024/25 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), its Lloyds Current Account and other UK Bank Savings Accounts.

- 5.3 The interest earned on these cash-flow investments for the period to 30 September 2024 was equivalent to an **annual rate of return of 5.6%**.
- 5.4 The original estimate for interest earnings for 2024/25 was £130,000 based on an average forecast interest rate of 4.30% on £3,000,000 invested over the year. Given the recent, and likely upcoming, reducing rates of return, the latest prudent forecast would still be around £130,000 in interest earnings for the year.
- 5.5 A list of investments at 30 September 2024 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 2024 compared to the benchmark. The performances are shown as annualised figures.

	<b>Cash Flow Investments</b>
	<b>%</b>
Benchmark Return (annualised)	5.60
Actual Return (annualised)	5.17
Return above Benchmark	0.43

- 6.5 As at 30 September 2024, our cash-flow interest earnings bettered the 2024/25 benchmark by 0.43%. 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 £2.0m with each institution currently; the exception being the Authority's own bank for which the limit will be £2.5m, of which up to £1.5m can be held without instant access. The limit on government accounts, such as the DMO, is £2.5m.
- 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 2024/25.

## **10. Conclusions**

- 10.1 Temporary interest earnings of around £130,000 (matching the original budget) are forecast for the 2024/25 financial year.

## Treasury Performance Report Appendix 1

### Investments & Holdings at 30 September 2024

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	5.24	Instant Access	
Debt Mgmt Office (DMO)	2,500,000	5.26	Instant Access*	
Lloyds Current Account	706,000	2.00	Instant Access	
Lloyds Savings Account	500,000	4.00	Instant Access	
<b>Total</b>	<b>4,206,000</b>			

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