

RAPC 564/25

NEW FOREST NATIONAL PARK AUTHORITY

RESOURCES, AUDIT AND PERFORMANCE COMMITTEE – 2 JUNE 2025

FINANCIAL OUTTURN AND TREASURY REPORT 2024/25

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

Purpose:

This report sets out the detailed projected outturn position for the Authority for the 2024/25 financial year. This information will latterly be formed into the annual Financial Report (Accounts), which will then be audited and presented for consideration and approval by the Authority. This report also includes the annual report on the Treasury Service and Prudential Indicators for 2024/25.

Executive Summary:

The original budget for 2024/25 was approved by members as NFNPA 673/24 and set within the context of the Medium-Term Financial Plan. The latest Budgetary Control Report, which came to this Committee in February 2025, estimated that the potential general savings and pressures would net off, giving no overall variance.

The draft outturn figures, correct as at writing of this report in mid-May, indicate overall net income and expenditure figures similar to those originally budgeted. Approximately £20,000 will be added to the Revenue Support Reserve and utilised in 2025-27 as set out in the budget approved in March 2025.

1 General Fund Revenue Budget Outturn 2024/25

- 1.1 The draft year-end position is set out in the standard management reporting format in **Annex 1**. Further breakdowns, including within the standard accounting format, is shown in **Annex 2**. Detailed outturn for the Programme Fund and Partnership Projects can be found in **Annexes 3 and 4** respectively. The projected impact on the Reserves (general and earmarked) is shown in **Annex 5**. A report on the Treasury Management Stewardship for the year is shown in **Annex 6**.
- 1.2 The overall original income and expenditure budgets for 2024/25 were £6.59m, as shown in Annex 1. This included £1.9m from Authority-led partnership projects (externally-funded).

1.3 The overall expenditure position at year-end shows £6.33m spend (96% of budget). Without the partnership projects, spend was £4.75m from a budget of £4.68m (101%).

1.4 The overall income position shows £6.33m received (96% of budget). Without the partnership projects, income was £4.75m from a budget of £4.68m (101%).

2 Expenditure – Key Variances (from tables in Annex 1)

2.1 Employee Costs (£87,000 negative variance, c3%)

A smaller number of vacancy savings accrued during the year from across the organisation and the national pay award was marginally higher than originally budgeted.

2.2 Strategy & Planning (£61,000 negative variance, c64%)

There were additional costs related to the Vernon Dene case (which should latterly be returned to the Authority) and for the Local Plan review evidence gathering.

2.3 Authority-led Partnership Projects (lower expenditure and income)

These projects are often multi-year and therefore it can be very difficult to estimate the income and expenditure within a particular financial year. The vast majority of the variance do not mean any income has been lost by the Authority, merely that the project is slightly ahead / behind its financial schedule; there was a £9k (3%) underspend within Farming in Protected Landscapes which cannot be carried forward.

3 Income – Key Variances (from table in Annex 1)

3.1 Investment & Interest Income (£56,000 positive variance, c43%)

As discussed in the quarterly monitoring reports through the year, due to the higher-than-expected national interest rates, our investments (reserves) have brought us significantly more interest this year. A full report on the Treasury function during 2024/25 is attached to this report as **Annex 6**.

5 Partnership Projects (from table in Annex 4)

5.1 The Authority spent a total of £1,585,000 during 2024/25 on Authority-led Partnership Projects as set out in the table in Annex 4. Of this funding, just £46,000 was put in by the Authority; once the project funds are fully spent/claimed, on average for every £1 we put in, a further £34 was generated.

6 Reserves (from table in Annex 5)

- 6.1 The projected position of the Reserves is shown in Annex 5.
- 6.2 Various transfers to and from earmarked reserves are listed in the table in Annex 5. These generally constitute either spending from existing reserves or ring-fenced funding (received in advance) being added to a reserve, as categorised below:

Utilised Amounts – Health & Wellbeing (£14k), Transport (£2k), Green Halo (£7k), New Routes to Nature (29k), Land Advice Service (£1k) and Financial Sustainability (£44k).

Set Aside / Ring-fenced Amounts – Revenue Support (c£22k), Landscape Enhancement Initiative (£262k), Housing (£11k), YouCAN (£75k), SCF (£10k), Pedall (£10k) and Planning / Risk (£25k).

- 6.3 This gives draft 'key' reserve balances of:

Minimum General Fund Reserve	£350,000
Financial Stability Reserve	£352,000
Revenue Support Reserve	£85,000
Planning / Risk Reserve	£145,000*
Capital / Major Projects Reserve	£500,000

*This will be refunded up to £200,000 over the coming five financial years.

7 Developer Contributions (from table in Annex 5)

- 7.1 The first table of Annex 5 shows a summary of the Developer Contributions held by the Authority at year-end. A total of £847,000 was received during the year and £166,000 released.
- 7.2 As Members are aware, a significant proportion of the Affordable Housing contributions will be utilised to fund a pair of homes at the site in Burley in 2025/26.

8 Procurement Waivers

- 8.1 There were no significant procurement waivers granted in 2024/25.

9 Accounts and Accounting Policies 2024/25

- 9.1 At this time it is not expected that many significant changes will be required to the Authority's existing Accounting Policies in order to produce the Financial Report / Statement of Accounts for 2024/25 - a new policy will be drafted for the new Leases (IFRS16) introduction with a de minimis value based on our existing capital thresholds.

10 Summary

- 10.1 The current projection indicates a net transfer to the Revenue Support Reserve of around £20,000 for 2024/25.

11. Recommendations

It is recommended that Members:

- 1 note the provisional outturn position;
- 2 note the Treasury Management Stewardship Report and Prudential Indicators 2024/25 in Annex 6; and
- 3 approve the *indicative* transfers to/(from) Reserves in 2024/25 as set out in section 6 and detailed in Annex 5.

Papers:

RAPC 564/25	Budgetary Control Report
RAPC 564/25 Annex 1	Budget Monitoring
RAPC 564/25 Annex 2	2024/25 Budget Formats
RAPC 564/25 Annex 3	Programme Fund
RAPC 564/25 Annex 4	Authority-led Partnership Projects
RAPC 564/25 Annex 5	Projected Developer Contributions and Reserve Balances
RAPC 564/25 Annex 6	Treasury Management Stewardship - Report & Prudential Indicators

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 2024 – 31 March 2025

	Original Budget	Payments / Income	% of Budget Spent
	£000	£000	
<u>Expenditure:</u>			
Employee Costs (Salary, Travel, Pensions etc)	3,081	3,168	103%
Programme Fund	220	179	81%
Sustainable Communities Fund	30	30	100%
Strategy & Planning	95	156	164%
Central Costs (split below)	913	869	95%
Capital Budgets (split below)	344	344	100%
Subtotal	4,683	4,746	101%
Authority-led Partnership Projects	1,904	1,585	83%
Total Expenditure	6,587	6,331	96%

<u>Income:</u>			
Defra National Park Grant	-3,751	-3,751	100%
Defra Access for All	-94	-94	100%
Planning Income	-375	-365	97%
Shared Services	-244	-257	105%
Income Generation (inc Affordable Housing)	-40	-49	122%
Investment & Interest Income	-130	-186	143%
Contribution to/(from) Other Earmarked Reserves	-49	-44	90%
Subtotal	-4,683	-4,746	101%
Authority-led Partnership Projects	-1,904	-1,585	83%
Total Income	-6,587	-6,331	96%

Central Costs Split

	Latest Budget £000	Payments £000	% of Budget Spent
Secretariat	46	46	100%
Human Resources	82	92	112%
ICT Services	200	228	114%
Member Services	68	63	93%
Finance & Audit Services	78	101	129%
Accommodation	235	238	101%
Business Support (e.g. insurance, printing, stationery)	104	82	79%
Facilities Project	100	19	19%
TOTAL	913	869	95%

Capital Budgets Split

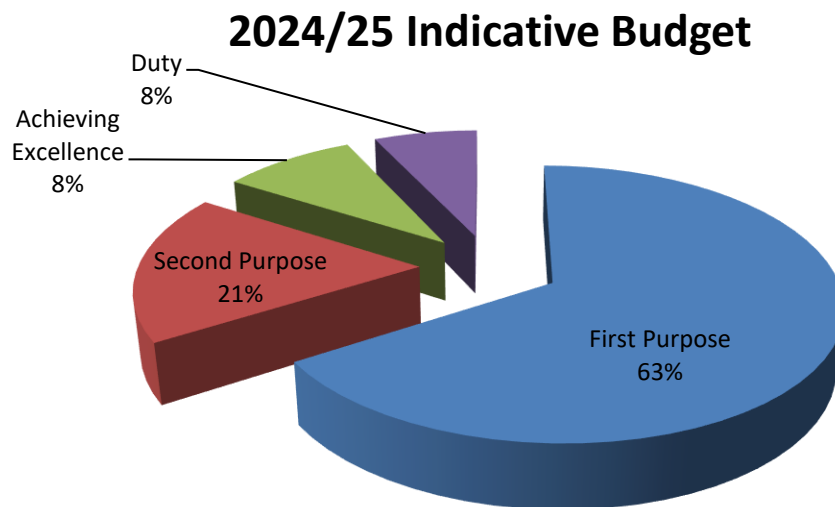
	Latest Budget £000	Payments £000	% of Budget Spent
ICT & Website Renewals and Replacements	80	79	99%
Vehicle Replacements	120	141	118%
Land / Improvements for Climate and Nature Recovery (if available)	50	0	0%
Trees Database / System	0	30	-
Access for All – Pedall Bikes	32	40	125%
Access for All – Footpath Improvements	62	54	87%
TOTAL	344	344	100%

Annex 2

2024/25 Original Budget (£4.68m – not including partnership projects) shown as ‘Protect, Enjoy, Prosper & Achieving Excellence’

	First Purpose*	Second Purpose	Duty	Achieving Excellence
	£000	£000	£000	£000
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
TOTAL	2,933*	999	362	389

*Includes all costs directly related to the Planning Service



2024/25 Budget outturn in Authority's formal reporting format

	Budgeted Net Cost of Services 2024/25		Actual Expenditure	Actual Income	Net Actual
	£000		£000	£000	£000
Conservation of the Natural Environment	405		1,788	-1,339	449
Conservation of Cultural Heritage	278		315	-44	271
Recreation Management and Transport	366		655	-281	374
Promoting Understanding	562		660	-112	548
Rangers, Estates and Volunteers	212		299	-92	207
Development Control	1,132		1,585	-465	1,120
Forward Planning and Communities	502		517	0	517
Corporate and Democratic Core	473		512	-17	495
SUBTOTAL	3,930		6,331	-2,350	3,981
National Park Grant	-3,751			-3,751	
Investment & Interest Income	-130			-186	
Use of Reserves	-49			-44	
TOTAL	0			-6,331	

Annex 3

Programme Fund 2024/25	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
FIRST PURPOSE*	£000	£000		
Ecology and Catchment Co-ordination	12	12	100%	Work with Freshwater Habitats Trust
Natural Environment Evidence Base (HBIC / WRC)	15	15	100%	
Climate and Nature Recovery Projects	25	25	100%	Allocated to 4&Core Studies (like ARUP)
Archaeological Projects and SLAs	10	5	50%	
OTHER (Projects £3,000 or less)	8	8	100%	
FIRST PURPOSE SUBTOTAL	70	65	93%	
SECOND PURPOSE*	£000	£000		
Access Improvements	9	9	100%	
Health and Wellbeing	5	3	60%	
Education (Travel Grants and Resources)	14	11	79%	
Recreation Management	10	10	100%	
Interpretation & Information	8	4	50%	
New Forest Show	6	6	100%	
Media and Promotion	23	22	96%	
Publications and Advertising	32	27	84%	
Contact Management System	5	1	20%	Contract agreed
Ranger Projects	5	4	80%	
People and Wildlife Ranger Projects	5	3	60%	
OTHER (Projects £3,000 or less)	6	4	66%	
SECOND PURPOSE SUBTOTAL	128	104	81%	

	Original Project Budget	Payments to date	% of Budget Spent	Notes on significant variations
DUTY*	£000	£000		
New Forest Marque	4	0	0%	
Sustainable Tourism	5	5	100%	
Sustainable Transport	8	2	25%	
OTHER (Projects £3,000 or less)	5	3	60%	
DUTY SUBTOTAL	22	10	45%	
TOTAL EXPENDITURE	220	179	81%	

*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 2).

Authority-led Partnership Projects 2024/25

Annex 4

	Authority Contribution	Partner Financial Contribution	Total Project Budget	Total Payments	Payments as % of budget	Notes on significant variations
	£000	£000	£000	£000		
Pedall (Lottery)	0	128	128	174	136%	
LCWIP Capability (Active Travel England)	0	100	100	40	40%	Funds 100% allocated
Artists in Residence (Arts Council England)	0	15	15	18	120%	
YouCAN - Youth for Climate & Nature (Lottery)	10	394	404	404	100%	
Higher Level Stewardship	0	84	84	84	100%	
Health Fellowship Programme	0	36	36	14	39%	£180k of funding over 5 years
Hampshire Greenprint	0	10	10	7	70%	
Forest Farming Group	5	17	22	22	100%	
Species Survival Fund (Defra)	23	431	454	263	58%	
New Routes to Nature – Volunteers (Lottery)	3	112	115	39	34%	
Youth Visits Programme (Defra)	0	75	75	72	96%	
Digital Planning Improvement Fund (MHCLG)	0	100	100	100	100%	
Landscape Enhancement Initiative Projects (National Grid)	0	25	25	23	92%	
Farming In Protected Landscapes – Grants Fund (Defra)	0	322	322	313	97%	
Land Advice Service	5	55	60	12	20%	
TOTAL	46	1,904	1,950	1,585	83%	

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	80	290	0*	0*
Funds Received	65	122	611	0	49
Funds Spent / Released	(29)	(28)	(60)	0	(49)
Current Balance	867	174	841	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 £67,000 and Solent Mitigation £46,000.

Current Reserve Balances:

	Starting Balance	Projected Movement	Closing Balance
	£000	£000	£000
General Fund Reserve	350	0	350
Earmarked Reserves:			
Financial Stability Reserve	63	20	83
Revenue Support Reserve	396	(44)	352
Capital / Major Projects Reserve	500	0	500
Planning / Risk Reserve	120	25	145
Other	824	(45)	779
TOTAL	2,253	(44)	2,209

All movements are the *net* overall position for each heading but may incorporate a number of individual movements both to and from those reserves.

Annex 6

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2024/25

1. Introduction

- 1.1 The annual treasury report is a requirement of the Authority's reporting procedures and covers the treasury activity for 2024/25. The report also covers the actual Prudential Indicators for 2024/25 in accordance with the requirements of the Prudential Code.

2. Background

- 2.1 The Authority's treasury management activities are regulated by a variety of professional codes, statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
 - Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
 - The SI also requires the Authority to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
 - Under the Act, DLUHC has issued Investment Guidance to structure and regulate the Authority's investment activities.
- 2.2 This Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the above requirements. These require that the prime objective of the treasury management activity is the effective management of risk, and that any activities are undertaken in a prudent, affordable and sustainable basis.
- 2.3 The Code requires, as a minimum, the regular reporting of treasury management activities to:
- Forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and

- At least two reports on activity and performance one of which will be the annual report (this report).

2.4 This report sets out the information in the following appendices: -

Appendix 1

- A summary of the treasury strategy agreed for 2024/25;
- A summary of the economic factors affecting the strategy over 2024/25;
- The decisions taken and performance of the treasury service and their revenue effects;
- The Authority's treasury position at 31 March 2025.

Appendix 2

- The main Prudential Indicators and compliance with limits;
- Performance indicators set for 2024/25;
- Risk and performance.

APPENDIX 1

TREASURY MANAGEMENT STEWARDSHIP REPORT – 2024/25

1. Introduction

This appendix sets out the performance for the Authority's treasury management activities.

2. Treasury strategy for 2024/25

The Authority approved the Treasury Management Strategy for 2024/25 in March 2024 (NFNPA AM 673/24).

The main principles of the investment strategy cover: -

- The security of investments;
- The liquidity of investments;
- Monitoring investment categories and counterparties;
- The use of money brokers;
- Performance indicators.

3. The Economy and Interest Rates

3.1 UK and Global Economic Background & Outlook

UK GDP growth is low, as is most of continental Europe and the US. Following a sharp initial decline in GDP and other economic output figures globally during 2020 and 2021, there has recently been clear, but very slow, signs of recovery in most of the major world economies.

Interest rates have risen significantly in recent years, to a level above its historic average, with the Bank of England seeking to stave off rising inflation; they are now starting to fall again:

Date	Bank Base Rate
At 1 April 2024	5.25%
31 March 2025	4.50%

3.2 UK Interest Rate Forecast(s)

Given the current economic conditions, it is not possible or practical to give further insight or estimates of future interest rate positioning at this time, other than to say that they have risen sharply in recent times, begun to reduce and most economists seem to expect it to fall further soon.

4. Investment strategy

- 4.1 During the year, no investments were made for 1 year; all were for shorter periods or in deposits with instant access. All investments during the year have allowed for anticipated cash flow movements both on a daily and annual basis.
- 4.2 Short-term temporary investments in 2024/25 have been on average for a period of 30-60 days; this does not include the instant access accounts where the Authority invests.

5. Investments / Holdings

- 5.1 Temporary Investments are deposits which are capable of being repaid within one year. The term of the loans are negotiated from overnight to 364 days.
- 5.2 The interest rate earned for the year was 4.7%.
- 5.3 For 2024/25, the interest receivable on temporary investments was £162,000 and on the current account was £24,000; this is well above the estimated total of £130,000 which was originally budgeted.
- 5.4 A list of investments at 31 March 2025 is shown below:-

Counterparty	Principal	Interest Rate	Investment Date	Maturity Date
	£	%		
Money Market Fund (MMF)	500,000	4.20	Instant Access	
Debt Mgmt Office (DMO)	2,500,000	4.60	Instant Access*	
Lloyds Current Account	669,000	2.00	Instant Access	
Lloyds Savings Account	1,000,000	4.50	Instant Access	
Total	4,669,000			

- 5.5 All temporary investments have been invested according to the parameters set within the Authority's Treasury Policy Statement.

6. Investment benchmark

- 6.1 The temporary investment interest earnings are measured against a target benchmark. It is expected that earnings will at least equal the benchmark.

- 6.2 The benchmark is equivalent to the Sterling Overnight Index Average (SONIA) rate available through the money markets and is measured over the financial year.
- 6.3 The table below shows the performance of the Authority's investments compared to the benchmark.
- 6.4 Results to 31 March 2025 are summarised as follows:

	1-year SONIA %
Benchmark Return	4.8
Actual Return	4.7
Return above/(below) Benchmark	-0.1

- 6.5 As at 31 March 2025 temporary investment interest earnings was slightly below the benchmark, however direct comparison is difficult given the changes in rates throughout the year and the relative higher security of the assets in which we invest.

7. Investment instruments

- 7.1 All of the investments are made in money market deposits other than balances held in Money Market Funds.
- 7.2 All of these deposits earn a yield that is made up entirely of interest earnings. There is no capital appreciation/depreciation. No Gilts or Certificates of Deposits are used.

8. Borrowing Strategy

- 8.1 It was envisaged that no borrowing, other than the bank overdraft facility, would be required in 2024/25 and no loans were raised during the year.
- 8.2 The Authority's overdraft facility with the bank was not used at all during the year and therefore no interest was charged.

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. Treasury Position at 31 March 2025

- 10.1 The following table shows the treasury position at the 31 March 2025 compared with the previous year. All investments have interest payable at a fixed coupon rate for the period of the investment other than the Instant Access account and the Money Market Fund which are variable: -

	31 March 2024		31 March 2025	
	Principal	Rate	Principal	Rate
Temporary Cash-flow Investments				
Bank, Building Society & Gov't Instant Access - Variable Deposit	£3.27m	3.27%	£4.17m	4.14%
Money Market Fund	£0.50m	5.00%	£0.50m	4.20%
Total Investments	£3.77m	3.50%	£4.67m	4.15%

APPENDIX 2

PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES TO 31 MARCH 2025

1. Introduction

- 1.1 The Authority is required by the Prudential Code to report the actual prudential indicators after the year-end.
- 1.2 The following table, at Paragraph 2.2, provides a schedule of all the mandatory prudential indicators applicable to the Authority. However only the Authorised Borrowing Limit is statutory and must not be breached; the other prudential indicators are for guidance only.
- 1.3 Certain of these indicators must be compared to others and are detailed later in this appendix.

2. Estimated and actual treasury position and prudential indicators

- 2.1 The following table compares the actual figure for 2024/25 with the original indicator for 2024/25 and the actual figure for 2023/24.
- 2.2 The original indicator for 2024/25 is the same as was included in the Treasury Management Policy and Strategy Report 2024/25 (NFNPA AM 673/24).

		2023/24 Actual £000	2024/25 Original Indicator £000	2024/25 Actual £000
1	Capital Expenditure (note: assumed Burley development each year)	4	680	350
2	Treasury Position at 31 March - Investments	2,500	2,500	4,000
3	Authorised Borrowing Limit (against maximum position)	0	0	0
4	Operational Borrowing Limit (against average position)	0	0	0
5	Investments - Upper limits on fixed interest rates (against maximum position)	Maximum N/A	Maximum 100%	Maximum N/A
6	Investments - Upper limits on variable interest rates (against maximum position)	Maximum 100%	Maximum 100%	Maximum 100%
7	Interest on Net Investments	132	130	186
8	Maximum principal funds invested (against maximum position)	Maximum 3,772	Maximum 4,500	Maximum 4,000
9	Ratio of capital financing costs to net revenue stream	0%	30%	9%

- 2.3 There were no reportable breaches of any statutory limits during the year.
- 2.4 The Authorised Limit must not be breached. The table demonstrates that during 2024/25 the Authority has maintained gross borrowing within its Authorised Limit.

	2024/25
Authorised Limit	£2.00m
Operational Boundary	£0.00m
Maximum gross borrowing position during the year	£0.00m
Minimum gross borrowing position during the year	£0.00m

The Operational Boundary is the expected average borrowing position of the Authority during the year, and periods where the actual position is over the Boundary is acceptable subject to the Authorised Limit not being breached.

- 2.5 In addition to the above the Authority has adopted the CIPFA Code of Practice which is required as a Prudential Indicator.

3. Treasury service performance indicators for 2024/25

- 3.1 The treasury service has set the following performance indicator:
- For money market investments, the benchmark for return should be set by the Sterling Overnight Index Average (SONIA) rate.
- 3.2 The performance indicator was 4.8% for the year; the performance was 4.7% as explained in paragraphs 6.2-6.5 in appendix 1 above.

4. Risk and performance

- 4.1 The Authority has complied with all of the relevant statutory and regulatory requirements that limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable, and that its treasury practices demonstrate a cautious approach.
- 4.2 The Authority is aware of the risks of passive management of the treasury portfolio and has proactively managed the investments over the year subject to both counterparty and cash flow constraints but tempered by the uncertain market conditions.
- 4.3 Shorter-term market rates and likely future movements of interest rates predominantly determine the Authority's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised (though never totally negated) through the annual investment strategy, accurately forecasting future returns can be difficult.

- 4.4 The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the Authority's deposits, even more so within the current pandemic situation, but there was no evidence at 31 March 2025 that this was likely to crystallise.
- 4.5 Section 5 of appendix 1 shows the returns for 2024/25.