

Report 5: MEDIUM TERM BUDGET UPDATE AND TREASURY STRATEGY

1. Purpose of Report

This report requests formal approval for a series of budget carry forwards and transfers to earmarked reserves from the 2021/22 financial year, summarises the effect on the overall reserves position of the Authority and details the strategy for treasury management for approval for the year ahead.

2. Recommendations

The Authority is recommended to:

- a. Approve the carry forwards as detailed in Table 1, Table 2, Table 3 and Para 4g;
- b. Note the transfers to earmarked reserves as detailed in Table 4; and
- c. Approve the treasury management strategy as detailed in Section 7 and 8 of the report.

3. Implications

- a. Financial: After proposed net budget carry forwards and transfers to earmarked reserves and allowing for a planned surplus in the Medium Term Budget Plan, the 2021/22 outturn has made available £116,900 in additional funds. This report proposes this is not allocated but transferred to the General Reserve as discussed in Paragraph 4g.
- b. Equalities: None
- c. Link to Business Plan: Financial performance and budget management are an integral part of resourcing all aspects of the Business Plan and of maintaining an organisation that is fit for the future (Aim 6 of the Business Plan).

4. Medium Term Budget Update

- a. As referenced in Report 2 on this Agenda, the Authority has net income carry forward and transfers to earmarked reserves requests of £466,600 which are detailed in Tables 1, 2, 3 and 4 below.
- b. Details of the Operating Budget expenditure carry forwards of £183,800 are shown in Table 1 as follows

Table 1 Operating Expenditure carry forwards	Carry forward requested
Operating Staff and Related Costs (incl. Storm Arwen backlog)	£109,800
IT – hardware replacement project and blended meeting kit	£15,000
National Park Management Plan	£18,400
Various others under £10,000	£40,600
Total	£183,800

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- c. Details of the Net Project Budget carry forwards of £161,900 are shown below in Table 2 as follows.

Table 2 Net Project Budget Carry Forwards	Carry forward requested
The Sill*	£83,900
Cheviot Hill Heritage Project Development Grant	£47,100
Communities Fund	£19,600
Various others under £10,000	£11,300
Total	£161,900

- d. The Sill project was completed during 2021/22. The final Sill Advisory Board meeting takes place on the 13th June. The balance of funding is partially from NNPA capital earmarked reserves and partially from the NLHF balance. The NLHF worked with us to ensure we could drawdown the grant in full by transferring an additional amount to cover the significant additional non direct staff contribution. This balance will carry forward to prioritise capital works at The Sill after 5 years in operation and to support the core activity programme and additional staff support for that engagement while it catches up from the impact of the Covid pandemic.

- e. Details of The Sill Business Plan carry forwards of £58,000 are shown below in Table 3 as follows.

Table 3 The Sill Business Plan carry forwards	Carry forward requested
Temporary Exhibition Costs – to fund Lost Spells exhibition	£15,100
Café Budget budget surplus – for investment in coming year	£42,900
Total	£58,000

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- f. Details of the transfers to earmarked reserves of £62,900 are shown in Table 4 as follows.

Table 4 Transfers to Earmarked Reserves	
Hadrian's Wall National Trail surplus for capital projects or match funding	£27,700
Northern Upland Chain Local Nature Partnership, NNPA administering on behalf of the partnership	£19,400
Cyclical Maintenance: The Sill. Annual surplus or deficit to move to or from earmarked reserve to enable cyclical building maintenance as required.	£15,300
Interpretation maintenance: The Sill. Annual surplus or deficit to move to or from earmarked reserve to enable cyclical exhibition equipment replacement or maintenance as required to the main exhibition.	£500
Total	£62,900

- g. After proposed net budget carry forwards and transfers to earmarked reserves and allowing for a planned surplus in the Medium-Term Budget Plan, the 2021/22 outturn has made available £116,900 in additional funds. Given the current economic climate and the significant risk of a higher pay award than planned for, it is proposed this is transferred to the General Reserve and not allocated until the results of 2022/23 pay award are known and the impact (if any) calculated.

5. Budget Summary and Reserves

- a. Table 5 as follows shows the summary of budget changes since those reported in March 2012 and the resulting revised annual surplus or deficit

Table 5 Summary of Budget Changes	2022/23	2023/24	2024/25
March 2022 Reported Budget Surplus/ (Deficit)	(£67,500)	(£35,400)	(£82,600)
Impact of Budget Carry Forwards (Table 1, Table 2 and Table 3)	(£392,400)	(£11,300)	-
June 2022 reported Budget Surplus / (Deficit)	(£459,900)	(£46,700)	(£82,600)

- b. FIPL funding has now been confirmed for year 2 and has been added to the annual budget, there is a net nil impact but for members information the budget is £445,100 in 2022/23 and £323,400 in 2023/24.
- c. Table 6 shows the revised reserves position as a result of the budget adjustments summarised in Table 5 and the transfers to earmarked reserves shown in Table 4.

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Table 6 Reserves Summary	2022/23	2023/24	2024/25
Opening Reserves	£1,454,700	£994,800	£948,100
Budget Plan Surplus/ (Deficit)	(£459,900)	(£46,700)	(£82,600)
Closing Reserves	£994,800	£948,100	£865,500
Earmarked Reserves:			
IT Capital Replacement Reserve	(£10,000)	(£20,000)	(£30,000)
Planning Contingency	(£75,000)	(£75,000)	(£75,000)
Legacy Reserve	(£5,100)	(£5,100)	(£5,100)
Exhibition Maintenance Reserve	(£15,100)	(£15,100)	(£15,100)
Sill Cyclical Maintenance Reserve	(£29,900)	(£29,900)	(£29,900)
Climate Change Action Plan Reserve	(£26,000)	(£26,000)	(£26,000)
HW National Trail Capital Projects Reserve	(£129,100)	(£129,100)	(£129,100)
Major Repairs Reserve	(£47,000)	(£57,000)	(£67,000)
Northern Upland Chain Local Nature Partnership Reserve	(£19,400)	(£19,400)	(£19,400)
Total Earmarked Reserves	(£356,600)	(£376,600)	(£396,600)
Total General Reserves	£638,200	£571,500	£468,900

- d. Total General Reserves as at the 31st March 2025, as reported in the Medium-Term Budget Plan 2022/23 – 20245/25 was £352,000. This has increased by the additional unplanned return to reserves from the 2021/22 financial year of £116,900 to £468,900.

6. Prudential Code for Capital Finance

- a. The Authority has the following approved loans from the Public Works Loan Board (PWLB).
 - i. £1,208,100 from the Public Works Loan Board (PWLB) over a 30-year term at an interest rate of 2.45% towards the capital cost of The Sill: National Landscape Discovery Centre. Approved at the National Park Authority meeting on the 15th June 2016.
 - ii. £100,000 for the extension of the Housesteads Car Park was approved on the 9th December 2015, repayable over 10 years at an interest rate of 1.73%.
- b. As a result of the loan finance some key indicators need to be reported.
- c. The affordability prudential indicator for borrowings is the ratio of financing costs to net revenue stream (National Park Grant) and calculates at 2.54%.
- d. As part of the current Medium Term Budget Plan the Authority agreed the Operational Boundary of £1.5 million, which represents possible borrowing and

the Authorised Limit of £2.0 million, the limit beyond which borrowing is prohibited, however please note this is a formality as any financing or re-financing needs the approval of the Authority as per our Financial Regulations.

- e. The Minimum Revenue Provision (MRP) is the amount Local Authorities are required to set aside each year from their revenue account in order to ensure prudent provision is made annually for the repayment of outstanding loan principal. In 2022/23 the MRP is budgeted at £41,900.

7. Treasury Strategy

- a. In June 2012 the Authority, in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services (the Code), formally adopted a revised Treasury Management Policy Statement; and Treasury Management Practices (TMPs).
- b. There have been no changes to CIPFA's Code of Practice for Treasury Management that require the Authority's policies to be changed.
- c. The Authority's Treasury Management Policy and Practices allow deposits to be placed with Authority approved UK high-street Banks and Building Societies with an AAA to A- rating. Any funds deposited must not be placed for a period greater than 2 years.

8. Investment Strategy

- a. The investment strategy for the year continues to be based on four key objectives:
 - 1. To balance the funds invested across at least three lenders and not to invest over £2.5m or 50% of the planned deposits in any one year in any one bank, unless there is a clear interest rate advantage to do so.
 - 2. Ensure sufficient funds are kept in on demand accounts to meet any unexpected cash flow requirements.
 - 3. Manage interest to achieve the maximum return possible against the £3,000 budget target.
 - 4. Continue to review other high street banks to ensure the approved institutions remain competitive.
- b. The Authority has instant access banking facilities with Barclays, HSBC and Santander and a current account with a deposit facility with a minimum 32-day notice return with Lloyds. Although we have a current account with Lloyds to facilitate the deposit facility, we do not hold instant access funds because they could not provide an account where cash could be easily withdrawn when required.
- c. If cashflow is deemed certain, timed deposits will be considered to maximise interest returns and the rate achievable verses the risk of unforeseen events where the cash may be required. The relative interest gain achievable will be considered against those achievable with the on-demand accounts and the

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minimising of withdrawals where cashflow allows (higher rates can be achieved if there are no withdrawals in a calendar month). The current Bank of England base rate increased to 1% on the 5th May 2022.

- d. The credit ratings of the Authority approved Banks and Building Societies (Barclays, Santander, Lloyds and HSBC) continue to be monitored on a regular basis to ensure they remain A- or better.
- e. The Finance Manager will review the cash position and forecast on a regular basis and place the funds in accordance with the points above.

9. Conclusions

- a. The budget changes in the report are generally in relation to timing only. There is an increase of £116,900 to the general (unallocated reserve) at the 31st March 2025, to that published in the Medium-Term Budget Plan 2022/23 – 2024/25, approved in March 2022, as a result of an unplanned Outturn Budget Surplus. This will provide some mitigation to financial risks identified in the plan.

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