

DRAFT BUDGET 2024/25

Summary: To review the Operating Budget for the financial year 2024/25. The Finance and Governance Committee has reviewed the Budget in detail and recommended that it is presented to the Board for adoption.

Recommendation: That the Board notes and adopts the 2024/25 Operating Budget.

Report by: Magda Glanowska – Head of Finance (HoF)

1. BACKGROUND

- This is a prudent Budget prepared with the acknowledgment that some figures are based on assumptions that may change as more information becomes available. Budget assumptions, process and timeline were reviewed and presented to the Board during the October 2023 meeting.
- This paper seeks to adopt the Draft Budget which was reviewed in detail by the Finance and Governance Committee during their February 2024 meeting. The Chair of the Committee said that the budget looks very reasonable and a very thorough, sound process has been followed.
- The Finance and Governance Committee indicated that following discussion and assurance from officers the Budget is ready to be presented to the Board, along with the new Reserves Policy (appended).

2. PROCESS

- The starting point for 2024/25 budget setting was the 2023/24 Reforecast based on Q2 actuals (six months actuals and six months forecast) which was approved by the Board during the October meeting.
- The Head of Finance worked with all Budget Holders so that a bottom-up approach was followed. The draft budget was collectively reviewed by the Chief Executive's management team, before the final review by the CEO.
- The Draft Budget was then presented by the Head of Finance to the Finance and Governance Committee. The Reserves Movements and the Consolidated Budget were fully explained and approved by the Committee following clear explanations.
- Following the Committee's recommendations, the Draft Budget is now being presented to the Board for final adoption.

3. MAIN BUDGET ASSUMPTIONS**3.1. FUNDING**

- **Defra:** 2024/25 will be the final year of the existing agreement, so the assumption is that the core settlement will remain the same as the current year, i.e. £529,744.
- **Local authorities:** Following the CEO's discussions with the 15 local authorities, the assumption is that funding will increase in line with inflation (CPIH). Funding received in 2023/24 was £139,086.
- **Natural England – National Trail:** It is assumed that funding from Natural England for the Cotswold Way will remain the same as the current year at £64,428 (excluding 'one-off' capital project funding).
- **Farming in Protected Landscapes (FiPL):** Allocation has already been agreed for Year 4 which is the final year of the programme. For Year 4, Defra has approved total funding of

£2.01m which consists of £1.76m project allocation, the rest relates to Admin and Advice/Guidance.

- **Removing Barriers:** Year 3 of the project to be delivered in full, amount already agreed by Defra at £254k.
- **National Highways:** Year 2 of the Designated Funds Biodiversity programme will be delivered in full (£693k).
- **Thames Water:** Everyone's Evenlode project (part of the Smarter Water Catchments programme) to be delivered in full (£110k).
- **Defra Capex:** It has been confirmed that the CNL Board will receive £383k additional funding for Capital Expenditure. We are preparing list of potential projects.

3.2. OVERHEADS

- An assumption of a 3% pay increase for all employees has been built into the budget.
- A Climate Action Lead has been recruited in February 2024 and will be fully in post in the next financial year, this role is being fully funded from core.
- FiPL – due to the significant increase in Admin and Advice/Guidance budget, additional resource is being recruited and more support provided by the core team (inc. the Management Accountant and Comms Lead).
- Property costs to Gloucestershire Wildlife Trust and Cotswold Business Centre to remain the same as in 2023/24. There are no more costs associated with the Old Prison.
- Other costs – due to fact that we will be retendering for a new internal auditor, there will be additional costs involved. Also, additional consultant fees have been included to help with the Board's ethical investment strategy.

4. RESERVES MOVEMENTS

- As per the updated Reserves Policy (see *Appendix C – Reserves Policy*), we are striving to maintain the General Fund at £70-£75k which is c.5% of total operating costs with a focus on growing the Development Fund (within Designated Funds) with a target for the total available reserves (General Fund plus Development Fund combined) to be £180k.
- The Draft Budget predicts a General Fund of £73k and £304k in Designated Funds of which £181k is the Development Fund (see *Appendix A – Reserves Movements*). Total available reserves are budgeted at £254k. This is a significant growth compared to the current year, where total available reserves are forecasted to be £142k.
- **Restricted reserves:**
 - **A417 Biodiversity** – The Biodiversity project is budgeting £609k surplus in 2024/25. The closing balance at the end of next year is calculated to be £1.06m, this has been calculated in a long-term cash flow model and covers 30 years of Management payments to landowners (based on 30.3ha Year 1 and 50ha Year 2). Management fees (to cover site visits and contingency) are separately held in Management and Administration Fund within Designated Funds and total £115k. Therefore, a transfer of £54k is budgeted to top up the balance of the Management and Administration Fund. The remaining surplus (c. £80k) is to be transferred to the Development Fund. Note, the opening balance has been increased due to latest updates in respect of the increased revenue for the Biodiversity Project in the current year.
 - **Glorious Grasslands Fund** – The GCG project is budgeting a surplus of £22k. As agreed, future surpluses of GCG above the agreed sum of £78k (to cover six months of employee, equipment and residual Esmee Fairbairn Funding) are to be moved to the Development Fund – therefore, £20k budgeted to be transferred to the Development Fund in 2024/25.
 - **National Grid LEI** – we are continuing to spend the funding in 2024/25.

- **Rail Corridor Enhancement Project Fund** – currently Forecast 2 predicts £175k to be spent this financial year, this appears unlikely and if unspent the opening balance will be increased by the unspent amount. In 2024/25, we are budgeting to utilise the remaining funds on projects and subsequently close the fund.
- **Rural Skills** – we are continuing to spend remaining funding in 2024/25, projected spent is c.£6k and it has been agreed that any remaining funds will be moved into General Fund.
- The other restricted funds do not have transfers and show either predicted profit or spending of the fund (Caring for the Cotswolds Fund).
- **General Funds** - £10k core deficit budgeted for 2024/25. £10k surplus to be transferred to the Development Fund in order to keep the General Fund at £70-75k in accordance with the latest Reserves Policy.
- **Designated Funds** – As explained, we are focusing on growing the Development Funds and the transfers in has been explained above. A417 Biodiversity (Management and Administration Fund) as explained above is to be used for future management fees and site visits.

5. INCOME AND EXPENDITURE

- This stretching, yet achievable budget is targeting an overall combined increase in both revenue and net surplus. Total revenue is expected to grow from £3.5m this year (forecasted) to over £4.5m in the next financial year. This significant increase is due to Defra increased project funding in its final year of FiPL, new Defra capital grant and National Highways' Biodiversity programme Year 2. See *Consolidated Income and Expenditure Budget at Appendix B*.
- The total combined operating costs of the organisation budgeted for 2024/25 are in line with the previous year, at £1.5m (£1.495m in 2023/24). The increased revenue with operating costs in line with the current year leads to an increased budgeted profit (after Capex) of £375k in 2024/25, up from £191k this financial year (forecasted).
- **Core:**
 - **Revenue** – Total core income budgeted at almost £1.1m. Increase vs current year of £366k driven predominantly by the new Defra Capital grant of £383k awarded for the next financial year. This money is to be spent on capital projects only.
 - **Overheads** – Total overheads budgeted at £722k, £56k saving vs current year. Savings predominantly driven by no costs for property and maintenance (due to cessation of the lease on the Old Prison) and higher contribution to core funding by the Biodiversity programme.
 - The 2024/25 budgeted core year-end position to be c.£10k deficit, an improvement of £37k vs current year.
- **Restricted:**
 - **Revenue** – Total restricted income budgeted at £3.47m. Increase of £675k vs current year driven predominantly by Defra FiPL programme in its final year, 47% YoY increase, Defra Removing Barriers, £200k higher than current year and delivery of Year 2 of the National Highways' Biodiversity programme budgeted to be delivered in full at £855k. Please note this is subject to change and may not be achieved in full.
 - **Overheads** - Restricted overheads budgeted at £778k, £61k higher than current year to enable delivery of the increased number of projects, main reason being higher payroll costs.
 - The 2024/25 budgeted restricted year-end position to be £384k, nearly £150k better than the current year.

6. KEY RISKS AND OPPORTUNITIES

- The budget is based on a number of key assumptions that also carry some potential risk. The following list highlights those key risks and potential opportunities that may impact the budget.
- **Risks:**
 - National Highways' Biodiversity Programme Year 2 is not delivered in full. 50ha assumption is a best guess/target at this stage. Even small changes in actual area delivered will have a big impact on this programme. Based on our 2024 experience the likelihood of it changing is high.
 - During the last Board meeting the Chief Executive explained the 80/20 rule with respect to funding from Defra being conditional on it being no more than 80% of our overall funding. The remaining 20% of core funds comes from local authorities. This is a potentially significant concern for the future.
 - The FiPL programme is in its final year. Whilst this has no impact for the 2024/25 Budget, it is unknown what will replace this programme in future years.
 - Timing of the Defra funding / grants paid is sometimes difficult to predict and there may be delays.
 - Pay increases being higher than assumed. Other costs higher than budgeted.
 - An inflationary increase in local authority contributions unmaterialised, however very low impact on the overall position.
- **Opportunities:**
 - Lower costs or higher income in the final quarter of 2023/24, that increases reserves carried forward.
 - Additional unbudgeted grants / funding received.
 - National Highways' Biodiversity Programme Year 2 delivery exceeds the expectations.
 - Additional income generated from Glorious Cotswold Grasslands operation.

SUPPORTING PAPERS

- Appendix A – Reserves Movements
- Appendix B – Income and Expenditure
- Appendix C – Reserves Policy

Magda Glanowska, Head of Finance
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