

North York Moors National Park Authority

16 December 2019

Budget Estimate 2020/21

1. Purpose of the Report

- 1.1 To provide Members with an updated proposal for the budget for 2020/21.

2. Background

- 2.1 The Authority is legally required to approve a “balanced budget” for the 2020/21 financial year by 31 March 2020. This report contains the current proposal for the 2020/21 budget for Members’ discussion. This has minor modifications to the budget which was presented at November FRASC. It builds on the MTFs which was presented at September FRASC and October NPA.
- 2.2 In December 2016 the National Park Authority approved a 4 year Business Plan and with it a Medium Term Financial Strategy and indicative budget for the plan period plus one year.
- 2.3 The Business Plan and MTFs envisaged a reduction in reserves and include a focus on increased earned and grant income. Success in achieving these targets and the advent of the S106 agreement associated with the Woodsmith mine have added considerably to the complexity of the Authority’s finances. This year sees the end of the four year DEFRA grant settlement which gave security over flat real-terms core funding.
- 2.4 It is against this backdrop that work on the draft budget proposals has taken place. As part of the MTFs, proposals were put forward to help reduce the 2020/21 deficit with the aim that only a small ask from reserves was likely, subject to further reductions from the detailed budget process. The result is the proposal in this paper.
- 2.5 The draft proposals went to FRASC in November and are based on latest available information. Subject to comments at this meeting, the proposals are intended to be close to a final budget. However, the current proposal is based on estimates for both pay award and DEFRA grant increases which both have a significant impact on the budget. Any changes to assumptions on these areas announced after December NPA may result in essential reworks to the budget to be presented at February FRASC and March NPA.

3. National Park Grant

- 3.1 For the past four years, the Authority has been able to set its budgets knowing the value of the DEFRA settlement.
- 3.2 There was expected to be a full spending review this autumn, which would help to provide some certainty around the future grant for the Authority but this has been delayed by a year due to current political circumstances. As a result, a one year settlement has been agreed between the Treasury and DEFRA which saw a real terms increase in DEFRA’s grant of 3.3%. DEFRA has not yet agreed what settlement the National Parks will get from this. We are therefore setting the budget amidst a lot of uncertainty from a funding perspective.

Officers have been pressuring DEFRA to provide some certainty but it seems unlikely that we will get a decision in the near future.

- 3.3 As a result the draft budget continues to assume a 1.7% increase to the grant. This is lower than inflation has been for most of the year, but it is worth noting that September CPI did drop to 1.7% from 2% in August. It is also in line with the previous multi-year agreement and is therefore seen as a prudent approach to retain an increase of 1.7%. However, we have to plan for all eventualities and that includes a potential freeze in the DEFRA grant.

4. **2020/21 Budget**

- 4.1 The table below summarises the draft budgets for the next three years as they currently stand. The detail for this can be seen in **Appendix 1** at DEFRA heading level and **Appendix 2** at subjective level.

Draft Budget	2020/21 £000	2021/22 £000	2022/23 £000
Income	9,710	9,350	9,187
Expenditure	-9,738	-9,440	-9,276
Deficit	-28	-90	-89

- 4.2 At the FRASC meeting on 18/11/19 it was requested that officers should seek to reduce the deficit in years 21/22 and 22/23 so there was no call on reserves; in the time between the FRASC meeting and the NPA papers being produced officers have not had time to address this robustly but will give a verbal update at the meeting in preparation for agreement of the rolling MTFS by the financial year-end. On current figures any significant call on reserves to fund revenue in 21/22-22/23 is not recommended.

Expenditure

- 4.3 This section explains key changes in the expenditure budget since the MTFS was approved by Members at the Authority meeting in September.
- 4.4 A full re-evaluation of the salaries budget noted increments which were not included in the MTFS in August which was based on a high level 2% inflation assumption. In addition, apprentice pay costs were assumed to be on the lower end of the scale when budgets were set. However, there have been a higher proportion of older apprentices than expected, which has an increased cost together with significant increases in the 'minimum wage for age' rates. This has been reflected in the budgets going forward. Overall impact of this is to increase the overall salaries budget by £64k in 2020/21 and onwards. The apprentice programmes will be reviewed with a view to putting a ceiling on the pay cost of the programme.
- 4.5 The triennial pension valuation is now received and open to consultation, and the report indicates that this will drive a saving of £140k over the next three years. The initial figures show that the scheme has moved from being 100% funded in 2016 to 120.7% funded in 2019 mainly due to excellent investment returns. Whilst the future service rate is expected to increase to 19.7%, the rate reduction for the surplus will assist in a stepped reduction in the employer contribution rate from the current 18% level to 15.4% in 2022/23.

There is a risk at the next valuation that this could return to the underlying 19.7% rate, so to help mitigate a potentially large increase in year 4, it is considered prudent to take half of the £140k as savings in the next three years, and retain the other half in a reserve to help smooth the potential impact of an increase at the next triennial valuation.

- 4.6 During the budget process, an additional £10k of savings were found across a number of expenditure budgets to help to reduce the deficit.
- 4.7 The aerial photography project was assumed in the MTFS in 2020/21 but as we have photographs available from 2017/18 this will now not be needed until at least 2023/24 with the plan to renew every 5 years. There is also potential for an alternative solution for the future and more will be known about this early next year. The toilet refurbishment review has indicated that some of this budget is now not required to be spent until 2022/23 rather than 2020/21 in line with requirements.
- 4.8 The Ryevitalise project is included in the budget based on the latest profiling of the project which differs a little to that in the MTFS. Overall, the project is still expected to result in £350k of cash expenditure for the Authority over the four years, which includes the target set last year to raise a further £200k of funding towards this. Work is currently underway to raise this additional income but should it not be raised there is a risk to some of the project not being delivered. Members will recall that 2020/21 will be the last year of the TEL project, with an annual legacy cost from the project reflected in the budget.

Earned Income

- 4.9 These are the changes that have been made to the income budgets since the MTFS in September.
- 4.10 An additional £20k of income has been added into planning in 20/21 in relation to resource required on a large planning application which would be developer funded.
- 4.11 An additional £20k has been put into 2020/21 to reflect the potential to make an earlier return on the car park sites project. A more detailed update to the expected income from the car parking sites project will be brought to the December NPA meeting and the budgets updated accordingly. There is a challenging target for both car parking and visitor centres in the budgets. The current year demonstrates how volatile car park income can be in relation to weather conditions. The growth in car parking capacity at Sutton Bank is assumed to help mitigate this risk within the existing budget. Increased tariffs and Sutton Bank project income remain the same as the MTFS.

5. Summary of Changes

- 5.1 The table below summarises the movements in the budget since the MTFS and the mitigation of the budget deficit to a level that can be safely funded from reserves. Note that there have been two changes since FRASC in November which are detailed at the end of the table.

5.2

	£k
2020/21 MTFS Deficit	-260
Increase in staffing costs	-64
Elec vehicle charging	-7.5
2020/21 Budget Deficit	-332
Core grant reductions	93
Reduction to connectivity	75
Additional savings found	10
Toilet refurbishment delivered over 3 years	10
Aerial photography no longer going ahead	30
Planning income – large application	20
Ryevitalise project phasing	20
Pension revaluation saving (estimated)	13
Tourism survey now in 21/22	15
Budget before contribution from reserves reported to FRASC	-46
Removal of Elec vehicle charging project	7.5
Increase in car park management income	10
Budget before contribution from reserves	28
Contribution from reserves to balance the budget	-28
Budget 2020/21	0

5.3 Core grant reductions are covered in more detail in section 6 of this report but are £7k lower than proposed in the MTFS report.

5.4 The £75k reduction in the connectivity budget was proposed in the MTFS paper in September and remains part of the mitigation of the deficit. Members will recall that this was agreed in the context of substantial increased match funding to, and spending by, externally funded projects.

5.5 As indicated in the MTFS, it was anticipated that reserves would be required to balance the 2020/21 budget, and in this proposal it is intended that £28k would be needed to do this. Unallocated reserves are currently £193k which would therefore reduce to £165k. It is to be noted that funding deficits is not a sustainable solution and further savings or income will need to be found or generated to balance the budget in future years.

6. Grants Budget Proposal

6.1 As Members will recall, the MTFS paper recommended that grants be reduced by £100k in order to help address the deficit position in 2020/21 and to manage workloads.

6.2 This was based on the level of grants available in the National Park via the Authority being higher than in previous years, despite the reduction in those grants coming from the core budgets. Key reasons for this are the increase in grants provided as part of externally funded projects and programmes.

6.3 The table in appendix 4 illustrates the sources of grants being provided and the value of the proposal for 2020/21. This proposal maintains the balance of 'popular' grants provided to landowners and individuals. In addition, the other sources of grants are helping to deliver PAWS, light pollution reduction, connectivity, boundary works and tourism amongst others in 2020/21.

6.4 The draft budget proposes a reduction of £92.4k, core grants will still be £26.1k higher than in 2019/20 as illustrated in the table below. The ranger grant was reduced in 2019/20 and it is felt that the value of this at £32,700 accurately reflects the resource capacity in the team to administrate this. Tourism grant is also in line with 19/20 and is reflective of the level of work that can be delivered. The conservation agreements budget has been reduced to £13k, which is a reflection on the current low level of commitments in this area. PAWS work is proposed to reduce to £50k based on capacity to deliver but also with regard to there being PAWS grants provided as part of the Ryevitalise project and the Authority's substantial contribution to this. PAWS work overall will not reduce across all sources of grants. Traditional boundary scheme is to be delivered at the same levels as 2019/20.

6.5

Core Grants	19/20 Current Year	20/21 Proposed Budget
Archaeology	0	20
Ranger / Community	32.7	32.7
Tourism	32.7	32.7
Conservation Agreements	20	13
Historic Buildings	26.9	50
PAWS	60	50
Traditional Boundary Scheme	46.5	46.5
Village Caretakers	28.5	28.5
Total	247.3	273.4

7. Reserves

7.1 The level of reserves is periodically checked for adequacy and continually monitored by the Authority's s151 Officer. The principles which underpin the Authority's use of reserves are:

- Maintain an unallocated emergency reserve (£385k) to deal with the costs associated with dealing with exceptional and unexpected events.;
- Restricted and Committed Reserves are those that the Authority is contractually or legally obliged to fulfil;
- Committee Approved Reserves are for projects that have been approved by Members to be spent on a specific project or investment. If these have not already been committed, it is within the remit of Members to reconsider these options, although careful consideration needs to be given to the impacts, if monies are not spent as previously approved;
- The general unallocated reserve is for future commitments not yet identified or approved.

7.2 The table in **Appendix 3** summarises the anticipated reserve movements over the next three years.

7.3 There is currently an unallocated balance of £193k in the 'General Unallocated Reserve', of which £28k is proposed to help balance the 2020/21 budget. This would leave £165k in the general unallocated reserve.

7.4 An inflation provision is included within the draft budget although it is not allocated to individual budget headings unless required.

7.5 In addition, a smoothing reserve for capital requirements in IT, vehicles and assets is set aside each year at £150k per annum to fund this programme of essential replacements.

7.6 A reserve has been created for the pension revaluation to help smooth any potential adverse impacts on budgets at the next valuation should this return to the primary rate.

8. Grant Funded Projects

8.1 The Authority continues to seek external funding to help deliver large scale projects as part of its strategy to maximise delivery. A key consideration in this area is the requirement to match fund from the Authority monies.

8.2 Previously reserves have assisted in match funding key projects including TEL and Ryevitalise, but with increasing pressure on unallocated reserves, consideration needs to be given to how future projects will be match funded.

8.3 Funding for most current projects is secured and budgeted for, but there is still £200k of additional income to find for Ryevitalise, the majority of which is in 21/22 and 22/23. The MTFs assumes that this additional income is raised, but it is a risk within the MTFs should the Authority not be able to raise this additional funding, and might result in some of the project not being delivered.

9. Potential Increase to the Deficit – DEFRA Grant and Pay Award Uncertainty

9.1 There are still currently two key pieces of information which are unknown which is making setting a balanced budget more challenging. These are the new DEFRA grant settlement for 20/21 and pay award. Our current assumptions in the budget assume a 2% increase in pay award and a 1.7% increase in DEFRA grant, but we need to be aware that the pay award could be higher and the grant lower which would create substantial additional pressures.

9.2 Sensitivity analysis shows that with a freeze/real terms cut in grant and a 3% increase in pay award, the impact could be an additional £100k to find. The table below illustrates this.

9.3

	20/21	Movement
Defra Grant @ 1.7%	4,456,220	
Defra Grant @ 0%	4,381,731	- 74,489
Pay award @ 3%	- 3,602,950	- 34,980
Pay award @ 2%	- 3,567,970	
Potential Risk		- 109,470

9.4 There is currently no indication when we will find out about the grant, but the Government provided DEFRA with its settlement in September so we hope that we will receive notification in the near future so that we can plan our budgeting. We are anticipating a settlement of one year only ahead of a full spending review next year.

9.5 It is proposed that officers address this issue at February FRASC depending on the timing of any future notifications. However, there is significant challenge in finding another £100k in the budget. If decisions were imposed at a very late stage, further cuts in core discretionary activities would be inevitable. The later the notification of the grant, the fewer uncommitted options would be available to address an increased deficit in the short term.

It therefore seems prudent to de-prioritise spending of the conservation connectivity funds potentially released from covering risk on Land of Iron projects at this point. This would potentially deliver an underspend in 2019/20 which could be used to help support the 2020/21 budget until more strategic decisions can be made. If a satisfactory settlement is made earlier, this money can be directed back into conservation work.

10. Car Park Tariff Proposals

10.1 Earlier this year it was agreed to set the car park income budget within the Medium Term Financial Strategy (“MTFS”) to £511k based on the current tariff and to set a target in-line with inflation for the increase in car park charges at £75k. The proposals below are in line with this and provide for modest increases in tariffs which take the general short stay rate up from £2.50 to £2.70 and the long stay rate from £4.50 to £4.80. The draft budget also includes a slightly greater increase in the tariff for the parking of a motorcycle which has risen from £1.50 to £2.00; and coaches have risen from £5.00 to £6.00. Officers will give an updated analysis of the position at the meeting and will be able to illustrate the budgetary effect of a higher increase as requested.

10.2 Several of the car parks have location specific factors that have caused variations in the tariffs over the years, including competition. The following car parks are subject to variations on the general tariff:

- Thornton le Dale – This is the only one of the NPA’s charged car parks in a village on an A road. The tariff in Thornton le Dale had a 1 hour charge introduced in 2017 to allow people to make a quick trip to the shops without having to pay for two hours. The data on the takings indicates that this has not had a detrimental impact on car park income, but a longer period to analyse this is required, so this will be kept under review.
- . Therefore, this hourly charge has remained with an increase from £1.50 to £2.00. Coach and motorbike parking charges have been reintroduced at this car park.
- Hutton le Hole – This location benefits from a small number of businesses including the Ryedale Folk Museum. Discussions with Ryedale Folk Museum, reveal the time visitors stay in the museum and visit the village businesses is around 3 hours. In addition to this the village pub provides all day car parking currently set at £3.00. Therefore, the time period on the short stay has been increased to 3 hours and the charge increased to £3.50 to reflect the additional hour. The long stay charge will be as proposed at £4.80.
- Goathland – The tariff here is a reflection of the competition within the village and as such the charge has remained as an all-day charge at £3.50. It is likely that the competition will raise their prices in line with the changes to the Authority’s.
- Saltergate – The short stay charge has been increased from £1.00 to £2.00 and the long stay increased from £2.00 to £3.80.

10.3 The parking permits will rise approximately in-line with inflation to:

- Annual all car parks increase from £45.00 to £52.50.
- Frequent user (Newton under Roseberry, Sutton Bank, and Moors Centre’s car park increase from £22.50 to £26.50)
- Weekly all car parks increase from £22.50 to £26.50.
- Residents and business permit increase from £15 to £17.50.

10.4 A further paper will be brought to Members in March 2020 which will discuss proposed management improvements

11. Financial and Staffing Implications

11.1 The budget will be the largest ever set by the Authority once again, with total resources deployed over £12 million from an expected Defra grant of £4.5 million. This is very much at the limits of the leverage that is possible and can only occur by not delivering some of the core funded services which were previously supported by permanent staff.

11.2

	20/21 £000s	21/22 £000s	22/23 £000s
Total Cash Expenditure	9,738	9,440	9,276
Volunteer Time (£100 per day)	2,300	2,300	2,300
Total Resource Deployed	12,038	11,740	11,576

12. Legal Implications

12.1 The Authority has to set a balanced budget by 31 March 2020 and this report is part of the process to be undertaken in order to ensure that this is done.

13. Recommendation

13.1 That Members note the proposals for the budget 2020/21, comment on the contents of this report and approve a draft budget for onward transmission to the FRASC in February and then to NPA in March.

13.2 That Members note year 2 and 3 of the indicative budget with further work required to bring the figures into balance.

13.3 That Members approve the action taken as noted in 9.5 to mitigate the risk associated with late notification of DEFRA grant settlement.

13.4 That the car parking tariff proposal in section 10 is approved for implementation from 1 April 2020.

Contact Officers:

Peter Williams

Head of Finance

01439 772700

Appendix 1

Breakdown by Function	2020/21 Budget	2021/22 Budget	2022/23 Budget
Expenditure	£	£	£
Conservation Of Cultural Heritage	-721,490	-305,510	-197,840
Conservation Of The Natural Environment	-1,304,860	-1,558,000	-1,491,110
Corporate Management	-1,412,760	-1,414,140	-1,421,440
Development Control	-569,570	-576,010	-590,930
Forward Planning	-305,890	-262,960	-257,060
Information	-1,245,620	-1,262,750	-1,280,740
Polyhalite	-2,300,000	-2,150,000	-2,060,000
Rangers	-690,350	-701,830	-711,820
Recreation Management	-991,500	-979,610	-1,003,460
Resources (DEFRA Grant)	0	0	0
Inflation and risk contingency	-46,000	-79,000	-112,000
Smoothing reserves contributions	-150,000	-150,000	-150,000
Total Expenditure	-9,738,040	-9,439,810	-9,276,400
Income			
Conservation Of Cultural Heritage	514,690	90,110	600
Conservation Of The Natural Environment	711,790	755,080	694,170
Corporate Management	210,440	260,690	260,960
Development Control	304,750	284,750	284,750
Forward Planning	15,360	15,360	15,360
Information	338,740	358,740	358,740
Polyhalite	2,300,000	2,150,000	2,060,000
Rangers	0	0	0
Recreation Management	858,500	903,500	903,500
Resources (DEFRA Grant)	4,456,220	4,531,970	4,609,020
Total Income	9,710,490	9,350,200	9,187,100
Deficit	-27,550	-89,610	-89,300

Note : All of these figures are pre-recharges.

Appendix 2

Breakdown by Subjective	2020/21 Budget	2021/22 Budget	2022/23 Budget
Expenditure	£	£	£
Employees	-3,567,970	-3,563,950	-3,639,200
Premises	-378,750	-358,750	-368,750
Transport	-180,650	-180,650	-180,650
Supplies & Services	-2,358,870	-2,002,260	-1,810,600
Grants	-379,200	-578,600	-578,600
Third Party	-376,600	-376,600	-376,600
Polyhalite	-2,300,000	-2,150,000	-2,060,000
Inflation and risk contingency	-46,000	-79,000	-112,000
Smoothing reserves contributions	-150,000	-150,000	-150,000
Total Expenditure	-9,738,040	-9,439,810	-9,276,400
Income			
Other Grants	1,075,060	780,670	622,090
Sales	214,250	234,250	234,250
Lettings	91,870	91,870	91,870
Booking Fees	65,300	65,300	65,300
Car Park Income	606,000	651,000	651,000
Planning Fees	304,750	284,750	284,750
Other Income	152,130	135,790	136,060
Donations & Sponsorship	22,500	72,500	72,500
Investment Income	25,000	25,000	25,000
Capital Receipts	15,360	15,360	15,360
Match Funding	282,050	211,740	219,900
S106 staff recharge	100,000	100,000	100,000
DEFRA Grant	4,456,220	4,531,970	4,609,020
Polyhalite	2,300,000	2,150,000	2,060,000
Total Income	9,710,490	9,350,200	9,187,100
Deficit	-27,540	-89,610	-89,300

Appendix 3

Reserve Summary (£k)	2019/20 Opening Position	Contribution from reserves	Transfer Between Reserves	Contribution to reserves	19/20 Closing position	Contribution from reserves	Contribution to reserves	20/21 Closing Position	Contribution from reserves	Contribution to reserves	21/22 Closing Position	Contribution from reserves	Contribution to reserves	22/23 Closing Position
Emergency Reserve	320		65		385			385			385			385
TELI Match Funding	463	-300			163	-123		40	-40		0			0
NYMNR Match Funding	30	-30			0			0			0			0
Section 106 Reserve	643	-400			243	-243		0			0			0
National Trails Reserve	12	-12			0			0			0			0
Restricted and Committed Reserves	1,468	-742	65	0	791	-366	0	425	-40	0	385	0	0	385
Capital : Sutton Bank Visitor Centre	338	-256			82	-82		0			0			0
Capital : Vehicle Replacements	52	-84		45	13	-88	75	0	-67	75	8	-76	75	7
Capital : IT Replacements	0	-19.5		55	35.5	-64.3	75	46.2	-96	75	25.2	-96.5	75	3.7
Capital : Asset Major Programmes	287	-100			187			187			187	-25		162
Projects : Ryevitalise Match Funding	153	-112			41			41			41	-41		0
Projects : Asset Income Generation	100	-25			75	-50		25	-25		0			0
Contingency overhead inflation reserve	0	-18		36	18	-64	46	0	-79	79	0	-112	112	0
Pension reserve (triennial valuation)	0			10	10		20	30		40	70	-70		0
Committee Approved Reserves	930	-615	0	146	462	-348	216	329	-267	269	331	-421	262	173
General Unallocated Reserve	258		-65		193	-28		165			165			165
Total Reserve Balance	2,656	-1,357	0	146	1,446	-742	216	919	-307	269	881	-421	262	723

Appendix 4

		2017/18	2018/19	2019/20	2020/21 Proposed
Core Grants	Archaeology	20,000	628	-	20,000
	Ranger Grant	42,258	56,908	32,700	32,700
	Tourism Grant	40,300	26,330	32,700	32,700
	Connectivity	31,678	20,000	-	-
	Conservation Agreements	10,289	6,388	20,000	13,000
	Historic Buldings Grant	44,680	35,010	26,900	50,000
	PAWS	19,343	32,087	60,000	50,000
	Traditional Boundary Scheme	107,603	64,393	46,500	46,500
	Village caretakers	28,500	28,500	28,500	28,500
	Core Total	344,652	270,243	247,300	273,400
S106 Grants	S106 - Church Conservation Trust	16,000	-	-	
	S106 - Core Policy D	-	99,872	100,000	100,000
	S106 - Landscape and Ecology	-	20,000	-	90,000
	S106 - Tourism	-	55,820	53,000	55,000
	S106 Ryevitalise	-	-	-	
	S106 - Lighting	-	-	50,000	50,000
	S106 Total	16,000	175,692	203,000	295,000
External Funding	External funding - MFF		6,705	12,000	
	External Funding - TEL	106,716	65,509	119,843	48,500
	External funding - Turtle Dove		2,700	9,000	
	External funding - Ryevitalise			137,622	210,779
	External Funding Total	106,716	74,914	278,465	259,279
	Total	467,368	520,849	728,765	827,679