

North York Moors National Park Authority Finance, Risk, Audit and Standards Committee

23 November 2015

Budget Estimate 2016/17

1. Purpose of the Report

- 1.1 To provide Members with an updated proposal for the budget for 2016/17 and a wider assessment of the pressures on the budget for the years thereafter.

2. Background

- 2.1 The Authority is legally required to approve a “balanced budget” for the 2016/17 financial year by 31 March 2016. This report contains the current proposal for the 2016/17 budget for Members’ discussion.
- 2.2 Members agreed that as a result of the uncertainty in terms of the financial settlement from Defra that the Officers would propose a one year budget and prepare a second one year interim Business Plan. The longer term assumptions will be developed as part of the Medium Term Financial Strategy in the Business Plan to be developed once the longer term financial outlook is known.
- 2.3 The budget estimates will be updated as information becomes available between the meeting and the Authority meeting in March 2016.

3. Update on Future Budget Pressures

- 3.1 Although the Authority has had welcome news that the 15/16 National Park Grant, and hence the baseline for 16/17 has not been further reduced the announcement for 16/17 and beyond is unlikely to be known until early in the 2016. At this stage the budget is based on a freeze in National Park Grant, however, Officers have discussed with Members options for implementing interim measures to balance the budget for one year in the eventuality of a further reduction to the Authority’s core grant in addition to the sustained reductions since 2010.
- 3.2 Members have been kept updated on the situation and as a result of further delays in the expected announcement a decision has been taken to delay the production of a three to four year Business Plan. The impact of this is that over the next few months Officers will work with Members to refine the budget estimate for 16/17 and develop a one year interim Business Plan.

4. 2016/17 Budget

- 4.1 The table below summarises the position in relation to expenditure and income for the current financial year 2015/16 after the approved utilisation of reserves, together with a current projection for 2016/17. The detail supporting these figures can be found at **Appendix 1**.

	2015/16 Latest Budget £'000	2016/17 Indicative Budget £'000
Gross Expenditure	6287	6333
DEFRA Grant	-4093	-4093
Other Income	-2212	-2154
Budgeted Transfer from(-)/ to Various Reserves	18	-86

4.2 The current estimate assumes a pay award of 1% in 16/17 although this will be subject to consultation between the employers and the Union which has not yet been undertaken. The National Insurance changes which are to be implemented in April 2016 have been factored into the estimates.

4.3 **This Exploited Land**

The assumptions in relation to external grant income assume that work on the Delivery Phase of the 'This Exploited Land Project' will commence on 1 April 2016 as planned. The costs and income projections included in the estimate are based on the phasing cashflow forecast submitted with the Development Phase documents. A commitment of £250,000 has been made from the Authority's reserves to contribute to the match funding requirement for the project. At this stage it is assumed that this will be drawn down in full in the first year, however, it may be that during the year other sources of match funding are identified resulting in this funding being carried forward to future years. In addition a revenue match has been identified of £13.5k per annum over the five years. Members should be aware that at the time of submission of the Stage 2 bid the Project was awaiting confirmation of approximately £320k of the required match funding over the 5 years of the project. Whilst it is likely that this will be forthcoming once the Stage 2 approval has been received and the project team do have planned risk mitigation actions this does constitute a significant risk to the Authority's financial reserves position and as such regular reports will be submitted to this Committee by the Project Team to update on progress. The Authority is unable to commit any further cash resources itself to the project as in addition to the cash allocations above a significant amount of core staff resource will be required to ensure the successful delivery of significant aspects of the projects. Whilst this is not eligible to be counted as 'in-kind' match funding as the Heritage Lottery Funds excludes public sector staff time from the eligible 'in-kind' match funding it will have a significant impact on the organisations ability to deliver other schemes and as such should be carefully monitored.

4.4 **York Potash s106 Monitoring Contributions**

The s106 Agreement included provision for the payment of contributions to the Authority to fund the resources necessary to monitor compliance with the approval and the s106 agreement. The first of these payments, which are linked to the issue of the decision, is due in November 2015/16 and the second in November 2016/17 and these are included in the figures in the appendices as income and expenditure. At the end of each financial year any contributions that cannot be allocated to a cost in year must be transferred into a specific 'ringfenced' reserve until appropriate expenditure is incurred or refunded to the developer. On the commencement of construction the payment of other s106 contributions will be triggered, however, as there is no firm indication as to the date of commencement of construction the income and expenditure linked to these payments have not been included in the estimates at this stage.

4.5 The detail in the budget will be reviewed by the Directors at the forthcoming Away days and will be updated for the report to be submitted to National Park Authority in December.

5. Reserves

5.1 The level of reserves is periodically checked for adequacy and continually monitored with the Authority's s151 Officer.

- Maintain an unallocated emergency reserve of £350k (increased from £250k in June 2015) to deal with the costs associated with dealing with exceptional and unexpected events.
- Earmarked Capital and Maintenance reserves are to fund future planned 'lumpy' or likely expenditure such as essential repair and equipment replacement costs.
- Earmarked Revenue Reserves are to cover specific match funding commitments for externally funded projects which span a number of financial years. The exact amounts to be drawn down from these reserves varies from year to year. These reserves also cover 'ringfenced' resources which are subject to stringent conditions in relation to their usage (i.e. s106 contributions).
- General Reserves are to assist in 'smoothing' the impact of any unforeseen budgetary pressures and act as a safeguard against variations in earned income and non-discretionary expenditure from year to year.
- In addition at the year-end an amount is transferred to reserves to cover work in progress on projects which the Authority is contractually committed to but which are not sufficiently complete to create an accrual in the accounts (carry forward). These sums are immediately 'reversed' into the budget in the following financial year following approval by this committee.

5.2 The current projected end of year reserve in 2015/16 is £1318k. Officers consider that the level of reserves now needs to be considered very carefully in the light of the role it may need to play in managing a further round of cuts with no indication as to the funding beyond 2015/16 and given that the level of reserves held by the Authority is significantly lower than the reserves held by some comparator organisations. As a result it is considered prudent to minimise the use of reserves to balance 'in year' budgets. Given the need to drawdown the match funding for 'This Exploited Land' in 2016/17 and the ambitious plans in relation to other large scale externally funded projects identified in Item 13 (External Funding paper) on this agenda it is proposed that the Earmarked Revenue reserves are replenished in 16/17. The table below proposes an allocation of reserves for Members consideration.

	2015/16 RE Budget £'000	2016/17 OE Budget £'000
Opening Reserves Balance	1,300	1318
Use of General Reserves/Transfer	18	-86
Predicted Reserve Balance at year-end, split between:	1318	1232
- General Reserves	468	472
- Emergency Reserve	350	350
- Earmarked Capital Reserves	250	250
- Ear-marked Revenue Reserves	250	160

5.3 While £1318k is the current expected year-end reserve balance this is dependent on the level of any revenue budget under-spends by the Authority, and the extent to which these under-spends have to be allocated to ear-marked reserves (because they represent commitments to spend sometime in the future) or general reserves, which could potentially be used to meet any immediate funding gaps arising in 2016/17 or

beyond. This projected year-end balance is kept under review throughout the financial year and at this stage it is anticipated that the outturn could result in an increase of £178k (Item 7).

6 Financial and Staffing Implications

6.1 These are covered in the main part of the report.

7. Contribution to National Park Management Plan

7.1 The aim of the report is ultimately to minimise the harm done to the implementation of the Management Plan by the difficult budget situation.

8. Legal Implications

8.1 The Authority has to set a balanced budget by 31 March 2016 and this report is part of the process to be undertaken in order to ensure that this is done.

9. Recommendation

9.1 That Members note the proposals for the budget 2016/17 and contents of this report, and approve the work to date including the allocation of reserves in section 5.

Contact Officers:
Irene Brannon
Director of Corporate Services
Tel No 01439 772700

Background papers to this Report

File ref.

FUNCTION	Col. 1	Col.2	Col. 3.
	2015/16 Revised Estimate	Draft OE 2016/17	Difference RE 15/16 & OE 16/17
Conservation Natural Environment			
Woodlands & Trees	4,000.00	4,000.00	0.00
Income	0.00	0.00	0.00
Net Expenditure	4,000.00	4,000.00	0.00
Moorland	26,160.00	26,160.00	0.00
Income	-21,750.00	-21,750.00	0.00
Net Expenditure	4,410.00	4,410.00	0.00
Wetlands & Water	118,320.00	112,490.00	-5,830.00
Income	-121,900.00	-102,500.00	19,400.00
Net Expenditure	-3,580.00	9,990.00	13,570.00
Farmed Land	280,400.00	245,000.00	-35,400.00
Income	-65,000.00	0.00	65,000.00
Net Expenditure	215,400.00	245,000.00	29,600.00
Coast			0.00
Income			0.00
Net Expenditure	0.00	0.00	0.00
Biodiversity and Wildlife Conservation	43,000.00	43,000.00	0.00
Income			0.00
Net Expenditure	43,000.00	43,000.00	0.00
Conserv Nat Env (Emp)	301,710.00	277,410.00	-24,300.00
Income			
Recharges	154,500.00	154,500.00	0.00
Gross Expenditure	928,090.00	862,560.00	-65,530.00
INCOME	-208,650.00	-124,250.00	84,400.00
NET TOTAL	719,440.00	738,310.00	18,870.00
Conservation Cultural Heritage			
Buildings	29,170.00	29,170.00	0.00
Income	-25,870.00	0.00	25,870.00
Net Expenditure	3,300.00	29,170.00	25,870.00
Archaeology	73,130.00	54,080.00	-19,050.00
Income	-54,970.00	-45,580.00	9,390.00
Net Expenditure	18,160.00	8,500.00	-9,660.00
Enhancement Schemes	156,010.00	682,780.00	526,770.00
Income	-136,360.00	-430,930.00	-294,570.00
Net Expenditure	19,650.00	251,850.00	232,200.00
Conservation Areas	11,230.00	11,230.00	0.00
Local Culture & Tradition	2,500.00	2,500.00	0.00
Conserv Cult Her (Emp)	99,820.00	105,400.00	5,580.00
Recharges	73,850.00	73,850.00	0.00
Gross Expenditure	445,710.00	959,010.00	513,300.00
INCOME	-217,200.00	-476,510.00	-259,310.00
NET TOTAL	228,510.00	482,500.00	253,990.00
Recreation Management			
National Trails	132,740.00	131,940.00	-800.00
Income	-108,860.00	-108,860.00	0.00
Net Expenditure	23,880.00	23,080.00	-800.00
Access to Open Land	369,230.00	363,420.00	-5,810.00
Income	-72,000.00	-59,000.00	13,000.00
Net Expenditure	297,230.00	304,420.00	7,190.00
Visitor Mgt & Facilities	51,900.00	51,900.00	0.00
Specialist Recreation			0.00
Income			0.00
Net Expenditure	0.00	0.00	0.00
Car Parks	119,870.00	120,650.00	780.00
Income	-370,520.00	-395,520.00	-25,000.00
Net Expenditure	-250,650.00	-274,870.00	-24,220.00
Targeted Outreach	24,720.00	24,820.00	100.00
Income	-7,000.00	-7,000.00	0.00
Net Expenditure	17,720.00	17,820.00	100.00
Recreation (Emp)	127,420.00	131,960.00	4,540.00
Recharges	287,800.00	287,800.00	0.00
Gross Expenditure	1,113,680.00	1,112,490.00	-1,190.00
INCOME	-558,380.00	-570,380.00	-12,000.00
NET TOTAL	555,300.00	542,110.00	-13,190.00
Promoting Understanding			
Visitor Centres	532,050.00	490,340.00	-41,710.00
Income	-226,550.00	-226,550.00	0.00
Net Expenditure	305,500.00	263,790.00	-41,710.00
Info & Interp Services	353,110.00	261,520.00	-91,590.00
Income	-319,810.00	-218,110.00	101,700.00
Net Expenditure	33,300.00	43,410.00	10,110.00
Education Service	75,390.00	76,980.00	1,590.00
Income	-17,100.00	-17,100.00	0.00
Net Expenditure	58,290.00	59,880.00	1,590.00

FUNCTION	Col. 1	Col.2	Col. 3.
	2015/16 Revised Estimate	Draft OE 2016/17	Difference RE 15/16 & OE 16/17
Info Interp Educ (Emp)	199,710.00	212,660.00	12,950.00
Income	-4,000.00	-4,000.00	0.00
Recharges	260,180.00	260,180.00	0.00
Gross Expenditure	1,420,440.00	1,301,680.00	-118,760.00
INCOME	-567,460.00	-465,760.00	101,700.00
NET TOTAL	852,980.00	835,920.00	-17,060.00
Rangers & Volunteers			
Ranger Services	198,890.00	203,500.00	4,610.00
Maintenance Teams	253,310.00	176,300.00	-77,010.00
Income	-35,000.00		35,000.00
Net Expenditure	218,310.00	176,300.00	-42,010.00
Volunteers	198,480.00	202,370.00	3,890.00
Income	-4,440.00	-4,480.00	-40.00
Net Expenditure	194,040.00	197,890.00	3,850.00
Recharges	159,690.00	159,690.00	0.00
Gross Expenditure	810,370.00	741,860.00	-68,510.00
INCOME	-39,440.00	-4,480.00	34,960.00
NET TOTAL	770,930.00	737,380.00	-33,550.00
Development Control			
Development Control	460,110.00	230,110.00	-230,000.00
Development Control (Emp)	389,740.00	407,310.00	17,570.00
Recharges	194,580.00	194,580.00	0.00
Gross Expenditure	1,044,430.00	832,000.00	-212,430.00
INCOME	-559,750.00	-409,750.00	150,000.00
NET TOTAL	484,680.00	422,250.00	-62,430.00
Forward Planning			
National Park Mgt Plan	3,000.00	3,000.00	0.00
Statutory Devt Plans	10,000.00	30,000.00	20,000.00
Local Studies & Plan	39,500.00	39,500.00	0.00
Income			0.00
Net Expenditure	39,500.00	39,500.00	0.00
Minerals Policy			
Sustainable Development Fund	72,400.00	72,400.00	0.00
Income	-15,130.00	-15,360.00	-230.00
Net Expenditure	57,270.00	57,040.00	-230.00
Forward Planning (Emp)	70,950.00	85,380.00	14,430.00
Recharges	50,090.00	50,090.00	0.00
Gross Expenditure	245,940.00	280,370.00	34,430.00
Income	-15,130.00	-15,360.00	-230.00
NET TOTAL	230,810.00	265,010.00	34,200.00
Corporate and Democratic Core			
Support Staff Costs	385,720.00	384,240.00	-1,480.00
Office Accommodation	57,650.00	57,650.00	0.00
Income	-25,000.00	-25,000.00	0.00
Net Expenditure	32,650.00	32,650.00	0.00
Support Supplies & Servs	302,850.00	309,850.00	7,000.00
Income	-18,000.00	-20,000.00	-2,000.00
Net Expenditure	284,850.00	289,850.00	5,000.00
Contracted in Services	126,070.00	133,070.00	7,000.00
Democratic (Cttee) Costs	77,620.00	76,880.00	-740.00
Change Management	173,800.00	115,000.00	-58,800.00
New Income Streams	-3,000.00	-43,000.00	-40,000.00
Corp Mgt & Admin (Emp)	334,870.00	346,830.00	11,960.00
Recharges	-1,180,690.00	-1,180,690.00	0.00
Gross Expenditure	277,890.00	242,830.00	-35,060.00
INCOME	-46,000.00	-88,000.00	-42,000.00
NET TOTAL	231,890.00	154,830.00	-77,060.00
Gross Expenditure	6,286,550.00	6,332,800.00	46,250.00
Gross Income	-2,212,010.00	-2,154,490.00	57,520.00
NET TOTAL	4,074,540.00	4,178,310.00	103,770.00
Funded by:			
NPG	-4,092,790.00	-4,092,790.00	0.00
Match Funding Reserve - TEL		-250,000.00	-250,000.00
Carry Forward Projects 14/15	-119,980.00	0.00	119,980.00
From (-) / To Reserves In Year	138,230.00	164,480.00	26,250.00
	-4,074,540.00	-4,178,310.00	-103,770.00
Budget After Grants	0.00	0.00	0.00