

North York Moors National Park Authority

Finance, Risk, Audit and Standards Committee

20 November 2017

Budget Estimate 2018/19

1. Purpose of the Report

- 1.1 To provide Members with an updated proposal for the budget for 2018/19 and a wider assessment of the pressures on the budget for the years thereafter including consideration of the use of reserves.

2. Background

- 2.1 The Authority is legally required to approve a “balanced budget” for the 2018/19 financial year by 31 March 2018. This report contains the current proposal for the 2018/19 budget for Members’ discussion.
- 2.2 In December 2016 the National Park Authority approved a 5 year Business Plan and with it a Medium Term Financial Strategy and indicative budget for the plan period.
- 2.3 The Business Plan and MTFS were formulated within the context of a drive to increase 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.
- 2.4 The budget estimates will be updated as information becomes available between the meeting and the Authority meeting in March 2018. More movement than normal is expected this year between the initial and final proposals from officers given the complexity of income streams.

3. Update on National Park Grant

- 3.1 In January 2016 the Parliamentary Under Secretary of State for Environment and Rural Affairs wrote to all National Park Authorities confirming grant allocations would be protected in real terms through to 2019/20.
- 3.2 This was welcome news and provided some much needed certainty over medium term funding which enabled the Business Plan to be formulated with some confidence.
- 3.3 The grant allocations set out in that letter showed the National Park Grant increase by 1.7% year on year from 2015/16 to 2019/20.

4. 2018/19 Budget

- 4.1 The table below summarises the position in relation to expenditure and income for the current financial year 2017/18 after the approved utilisation of reserves, together with a current projection for 2018/19. The detail supporting these figures can be found at **Appendix 1** and a summary of the main changes, which relate to salary assumptions are set out in section 4.3 below.

	2017/18 Latest Budget £000	2018/19 Indicative Budget £000
Gross Expenditure	8,122	8,010
DEFRA Grant	(4,235)	(4,308)
Other Income	(3,828)	(3513)
Budgeted Transfer from Various Reserves	59	189

Transfers to/from Reserves

4.2 Members will be aware of the expected reduced call on reserves in the current year (against that anticipated in the MTFS). The increased call on reserves proposed for 18/19 reflects the concentration of TELoI spend next year and the need to provide significant match funding in excess of that due to be withdrawn down from reserves. This, and match funding for the Ryevitalise Project, were due to be found from revenue budgets but as the sums involved are significant (approximately £150k) it is proposed that approximately two thirds of the required amount is found from reserves and £50k from revenue budgets. Officers are content with this as these are not permanent commitments (though planning for future revenue calls from such projects needs to be better planned and this constitutes a risk given the lower levels of core discretionary budgets following the austerity reductions in funding).

4.3 Salary Assumptions Update

4.3.1 The Business Plan estimate assumes a pay award of 1% in 18/19 although rising inflation means that removal of the 1% public sector pay cap is likely. A further 0.5% increase in pay would add £20k to the base budget and given the risk of an increase above the current budget provision, this has been added to the indicative budget for 2018/19.

In addition to the agreed new posts created as a result of Business Plan priorities and external grants the budget also includes an extra £25k to ensure the effective recruitment of Apprentices, £20k to recognise the pressures on Corporate Services resulting from expansion in the rest of the organisation, £20k reflecting the costs of past market related recruitment and £55k to reflect a variety of market related recruitment and retention issues which are expected to materialise over the next year. Officers will explain in more detail what these comprise at the meeting.

4.3.2 Based on the current approved establishment, the percentage of staffing costs as a proportion of budget currently stands at under 50% if gross spend figures are used but around 75% if core staff cost is set against just the Defra grant. This highlights the dependence on other sources of income. Officers will present further information on this increasingly complex picture at the meeting.

4.4 Earned Income Update

A fuller update on this will be prepared for the February FRASC meeting. Assumptions on increased income were made earlier in the year and have been reported and included in the budget. This includes the planning fee increase which is proceeding. Income from National Parks Partnership Limited seems likely to be much reduced from that predicted for the immediate future at least and rental income is likely to be down in the medium term as staff numbers increase. Overall the position is very healthy.

4.5 **Grosmont Car Park**

This Car Park is located in the TEL area and has its own ironstone heritage. Members will recall a private report submitted to February 2017 FRASC proposing the purchase of the car park and surrounding area from Scarborough Council. The approved recommendation authorised the Chief Executive, with expert external advice, to secure the purchase of the Car Park subject to agreement of satisfactory terms following due diligence with the S151 officer. External advice and negotiations are well underway and officers expect to purchase the site within the anticipated price range and conclude negotiations shortly. This would mean a requirement for substantial funding in 2018/19. Provision has not been included in the Business Plan for this project and it would therefore be a call on reserves

4.6 **Projects Update**

The projects below were all identified as priorities in the Business Plan. The extent to which they have been accommodated in the MTFS varies depending on the state of progress with grant applications and project development at that time. There are resource implications in all of them...match funding is almost always a requirement and a reasonable level of this usually helps persuade the grantor.

4.6.1 **This Exploited Land of Iron**

This budget has been re profiled to take account of slippage occurring between 2017/18 and 2018/19 as projects move through to delivery. This will increase the expenditure budget by £614k which is off-set by an increase in grant income of £508k resulting in a net deficit of £106k. These figures are included in the table in paragraph 4.1 and are incorporated in the reserve requirement to balance the overall 2018/19 revised budget.

4.6.2 **Ryevitalise**

At NPA in September 2017 members discussed a report highlighting the shortfall in funds for the Ryevitalise project of £238k due to increased salary costs.

Since the committee meeting, £85k has potentially been offered as match funding. This means that the shortfall now stands at £153k. Officers may meet with HLF to establish if any of the remaining shortfall can be funded via the lottery grant without increasing the intervention rate too high.

Match funding from the core budget and reserves for 2018/19 is included in the table in paragraph 4.1 and described above. Match funding for years beyond that needs to be resolved.

4.6.3 **Monument Management Scheme**

Funding for the current MMS project finishes at the end of 2017/18. Any future bid to extend the scheme would require match funding of approximately £30k, which will have to be underwritten from the Authority's core budget. No financial provision for this was included in the MTFS.

4.6.4 **Landscape Enhancement Initiative**

External bids for future LEI schemes are expected to be submitted in the future and match funding would be required from the Authority. The LEI pot is limited to certain Protected Landscapes.

4.6.5 **Young People's Mental Health**

As included in the business plan, a proposal has been developed for a project to build on the success of our youth engagement work and the Explorer Club model to engage more young people with the aim of improving their mental health. Whilst much of the Authority's contribution to this project would be via a commitment of existing staff time, there may be a requirement for up to £15,000 of cash match funding.

4.6.6 **Alum on the Edge**

This project was also included in the business plan and an external bid would require £20k match funding from the Authority

4.6.7 **Esk Pearl Mussel and Salmon Recovery**

Future work on this project is essential to consolidate previous work. It would necessitate an external bid with at least an estimated £30k match funding.

4.6.8 **New External Grants**

Funding for the Communities and Coastal Fund (£140k) and the EARDF Destination Moors and Dales (£79k) have been secured and have been built in to figures included in the table in paragraph 4.1.

4.6.9 **Sutton Bank Building Improvements and Car Park**

The MTFS included reserve provision for £360k for the building work and £100k for the extension to the car park. Revised figures have increased these figures potentially to £750k for the building work and £320k for the car park. This translates into a £390k shortfall for the building work and a £220k shortfall for the car park (but depending of course on levels of grant aid).

A further detailed report on this project is included at **Item 16** of this agenda.

4.6.10 **Moors Centre**

A £150k bid has been put forward to update the toilets and café area to correspond with a new TELL exhibition in spring 2019. This was not included in the MTFS.

4.7 **Project Outlook**

- 4.7.1 A table summarising the costs and funding of the above projects and core budget shows a funding shortfall of £1,165k over the 3 years to 2020/21, based on current assumptions regarding external funding and reserves.

	2018/19 £000s	2019/20 £000s	2020/21 £000s	TOTAL £000s
Grosmont Car Park (total expenditure approved)	110	0	0	110
Ryevitalise (stage 1 funding agreed)	0	153	0	153
Alum on the edge	10	10		20
Esk Pearl Mussel and Salmon Recovery*			30	30
Landscape Enhancement Initiative		150	150	300
Mental Health of YP		15		15
Monument Management Scheme			30	30
Additional funding for Sutton Bank Car Park	220			220
Potential Additional funding for Sutton Bank Building Improvements	390			390
Moors Centre	50	100		150
	780	428	210	1418
Less Funding from Misc Project Reserve	-100			-100
Possible Additional Funding from HLF for Rye		-153		-153
PROJECT FUNDING SHORTFALL	680	275	210	1165

*This may need match funding in earlier years

4.7.2 The detail in this table 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. Notwithstanding the likelihood that some of the projects above will fail to get funding, and that others may receive higher intervention rates than anticipated, there is clearly the need for co-ordination of timing and prioritisation between the items on this list.

5. Reserves

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

- Maintain an unallocated emergency reserve of £320k 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 vary from year to year. These reserves also cover 'ring-fenced' resources which are subject to stringent conditions in relation to their usage (i.e. s106 contributions);
- The General Reserve assists in 'smoothing' the impact of any unforeseen budgetary pressures and acts 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 reserves in 2017/18 total £2,222k although this is subject to in-year performance. Whilst this represents a sizeable sum, current and potential commitments mean that looking ahead there will be insufficient funds to carry out all of the priorities the Authority has identified without further leverage of external funding. The table below sets out the current allocation of reserves and a summary of planned commitments (excluding the items listed at paragraph 4.7.1).

	Forecast Opening Balance 1 April 2018 £000	Planned Commitment £000's	Forecast Balance Available £000's
Earmarked Reserves			
Emergency Reserve	320	0	320
Capital	930	830	100
Match Funding	328	250	78
S106	384	384	0
Inflation/Contingency/Revenue	158	131	27
General Reserve	102	58	44
Total	2,222	1,653	569

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 to identify the resources available and budget issues in order to support delivery of the National Park Management Plan.

8. Legal Implications

- 8.1 The Authority has to set a balanced budget by 31 March 2018 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 2018/19, comment on the contents of this report, and the work to date including the allocation of reserves in section 5 for onward transmission to the full Authority meeting and further discussion at February FRASC.

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Appendix 1

	2018/19	Adjustments	2018/19
	MTFS Budget		Draft Revised Budget
Expenditure	£	£	£
Natural Environment	1,032,761	119,385	1,152,146
Cultural Heritage	1,248,731	646,435	1,895,166
Recreation Management	1,118,381	27,365	1,145,746
Promoting Understanding	1,261,813	230,807	1,492,620
Rangers and Volunteers	832,632	9,922	842,554
Development Management	729,984	9,888	739,872
Forward Planning	467,981	8,051	476,032
Corporate and Democratic Core	231,861	34,117	265,978
Contingency	75,000	-75,000	0
Total Expenditure	6,999,144	1,010,970	8,010,114
Income	£	£	£
Natural Environment	274,400	92,000	366,400
Cultural Heritage	847,540	507,917	1,355,457
Recreation Management	623,380	10,000	633,380
Promoting Understanding	319,840	219,490	539,330
Rangers and Volunteers	4,480		4,480
Development Management	328,750		328,750
Forward Planning	60,360		60,360
Corporate and Democratic Core	175,000	50,000	225,000
DEFRA Grant	4,307,634		4,307,634
Total Income	6,941,384	879,407	7,820,791
NET DEFICT	-57,760	-131,563	-189,323
NET TRANSFER FROM RESERVES	57,760	131,563	189,323

The above figures exclude Polyhalite