

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

5 February 2018

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 and includes the changes discussed at December 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 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 this meeting and the Authority meeting in March 2018, though little further change is anticipated unless requested at FRASC.

3. 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. There has been no change in this position.

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 and a comparison to the numbers presented at November FRASC.

The detail supporting these figures can be found at **Appendix 1** and a summary of the main changes since November FRASC are set out below and show a reduction in the ask from reserves in 18/19. Members will note that this budget would be by some margin the largest ever set by this Authority.

	2017/18 Latest Budget	2018/19 Indicative Budget – Nov FRASC	2018/19 Indicative Budget – Feb FRASC
	£'000	£'000	£'000
Gross Expenditure	8,024	8,010	9,029
DEFRA Grant	-4,235	-4,308	-4,308
Other Income	-3,787	-3,513	-4,653
Budgeted Transfer from Various Reserves	2	189	68

- 4.2 Salaries: the draft budget in November assumed an increase of 1.5% in 18/19 with the pay cap expected to be lifted. The pay award details have now been received and there will be a 2% increase in each of the three years for all staff, with the lower paid getting higher increases on a sliding scale. This has increased the expenditure in the 18/19 budget by £45k.
- 4.3 TELI project spend has been rephased across the years which has a favourable impact on 18/19 of £107k.
- 4.4 A planning application for the Boulby mine which was expected in 17/18 is now expected to be submitted in 18/19 providing additional income next year of £78k.
- 4.5 Extra money has been allocated to Communications Strategy, IT licencing, Targeted Transport, Rural Housing Enabler and Search and Rescue. Savings and additional income have been identified to help fund all but £19k of these increases.
- 4.6 An additional £20k for each of Rights of Way and Archaeology has been budgeted from 19/20.
- 4.7 **Earned Income Update**

Assumptions on increased income were made in 2017 and have been reported and included in the budget. This includes the 20% planning fee increase which will be introduced from the 17 January 2018 from which additional costs such as the Planning Trainee will be funded. 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.

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 reserve held to support specified future spending provides funding for new externally funded projects and 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 table below summarises the reserves position. The first section is the earmarked reserves which are already ring-fenced and therefore not available for spend on other projects. The second section is approved budgets where NPA approval has already been given to spend these budgets but they are currently initial estimates with the work not yet finalised / undertaken. This leaves a balance of £352k for additional projects.

		£'000
	Reserves Balance c/f 17/18	2,029
Earmarked reserves	TELI Funding	-228
	Section 106 earmarked reserve	-110
	Earmarked revenue reserves	-19
	North York Moors Railway	-30
	Emergency reserve	-320
	Balance after Earmarked reserves	1,322
Approved Programmes	Grosmont car park	-110
	Sutton Bank project	-460
	Building capital programme	-400
	Balance to spend on proposals	352

5.3 Projects and spend that have been identified as a potential call on reserves over the next three years are as follows :-

- £68k call on reserves from the 18/19 budget
- Ryevitalise
- Monument Management Scheme
- Landscape Enhancement Initiative
- Young People's Mental Health
- Alum on the Edge
- Esk Pearl Mussel and Salmon Recovery
- Additional Sutton Bank Building Improvements and Car Park
- Moors Centre
- Forge Valley Boardwalk
- Vehicle replacements
- IT replacements

Members will be aware that there will not be sufficient reserves available to do all of this unless considerable additional external funding is raised with no match funding requirements or money is made available from discretionary budgets and in year budget management. Therefore the process of prioritisation as discussed at November FRASC and Directors' away days needs to continue.

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 for onward transmission to the full Authority in March.

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Appendix 1

	2018/19	Growth adjustments	2018/19
	MTFS Budget		Draft Revised Budget
Expenditure	£	£	£
Natural Environment	1,032,761	77,459	1,110,220
Cultural Heritage	1,248,731	423,979	1,672,710
Recreation Management	1,118,381	105,009	1,223,390
Promoting Understanding	1,261,813	329,507	1,591,320
Rangers and Volunteers	832,632	-7,742	824,890
Development Management	729,984	-2,814	727,170
Forward Planning	467,981	-98,611	369,370
Corporate and Democratic Core	231,861	-14,331	217,530
Contingency	75,000		
Total Expenditure	6,999,144	812,456	7,736,600
Income	£	£	£
Natural Environment	274,400	-2,900	271,500
Cultural Heritage	847,540	315,680	1,163,220
Recreation Management	623,380	74,500	697,880
Promoting Understanding	319,840	221,090	540,930
Rangers and Volunteers	4,480	0	4,480
Development Management	328,750	75,000	403,750
Forward Planning	60,360	0	60,360
Corporate and Democratic Core	175,000	44,000	219,000
DEFRA Grant	4,307,634		4,307,634
Total Income	6,941,384	727,370	7,668,754
NET SURPLUS	-57,760	-85,086	-67,846
NET TRANSFER TO RESERVES	-57,760		-67,846
Polyhalite			
Expenditure			1,292,000
Income			-
TOTAL			0