

North York Moors National Park Authority

15 December 2014

Budget Estimate 2015/16

1. Purpose of the Report

- 1.1 To provide Members with an updated proposal for the budget for 2015/16 for approval 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 2015/16 financial year by 31 March 2015. This report contains the latest proposal for the 2015/16 budget for Members’ discussion.
- 2.2 As discussed informally at the briefing following the September Authority meeting the high level of uncertainty about resources available to the Authority for the years beyond 2015/16 mean that it is not practical to consider indicative figures for 2016/17 or beyond at this stage. It is evident however that there are increasing pressures on the Authority’s budget and this paper outlines these to help inform decision making on budgets and reserves for 2015/16.
- 2.3 The original basis for the budget was the Medium Term Financial Strategy in the 2012-2015 Business Plan approved by Members. This has been adjusted to take into account the significant changes which Members approved on 22 September 2014 and to account for the income targets discussed following the Members’ briefing.
- 2.4 The Budget proposal, subject to one amendment described below was discussed at Finance, Risk, Audit and Standards Committee on 24 November 2014 and it was agreed that the budget was at an appropriate stage to submit for formal approval. This means that if Members agree the attached Appendix it will become the approved start budget for 15/16 and will only be presented in March if significant issues come to light in the first few months of 2015.

3. Update on Future Budget Pressures

- 3.1 As explained in September, the Authority does not have even outline figures for government grants beyond 2015 and as a result financial planning for the periods following the General Election in May 2015 is based on a number of broad scenarios. However, the mainstream political parties have all indicated that the austerity measures will need to continue into the next parliamentary session and if the commitments to protecting key areas such as pensions and the NHS feature in the manifestos of all parties as seems likely it makes the impact of further reductions in other areas greater and the prospect of further cuts to National Park Grant highly probable.
- 3.2 Since the meeting in September Defra has written confirming that there will be not be an in-year reduction to the 2014/15 budget but as yet has not confirmed that the indicative settlement for 2015/16 will remain unchanged, while advising that it might be wise to think beyond this figure. No other figure has however been given.

In response to this the Chief Executive has sought involvement with Defra on NYMNPAs behalf and has been pressing colleagues to seek urgent clarification from Defra in relation to the 2015/16 position. A verbal update will be provided at the meeting. At the point of composing this report it seemed likely that a meeting with Defra officials would be held before 15 December 2014.

4. Update on 2015/16 Budget

4.1 On the 22 September 2014 Members discussed and approved an initial draft of the 2015/16 budget. This is ahead of the usual annual cycle of discussions as the budget setting process is inextricably linked to the decisions taken in relation to organisational change. Since that meeting Officers have continued to update and revise the estimates as further information and detail has become available. **Appendix 1** is based on the draft discussed at that meeting. Whilst most of the assumptions remain unchanged, Members are aware that there are a number of uncertain elements within the estimates, and since that meeting there have been a number of minor adjustments made to the detail. This paper updates on any changes and uncertainties and seeks confirmation of the current working document as the indicative budget for 2015/16.

4.2 The table below summarises the position in relation to expenditure and income for the current financial year 2014/15 after the approved utilisation of reserves, together with a current projection for 2015/16. The detail supporting these figures can be found at **Appendix 1**.

	2014/15 Latest Budget £'000	2015/16 Indicative Budget (September) £'000	2015/16 Indicative Budget (November) £'000	2015/16 Proposed Budget (December) £'000
Gross Expenditure	5936	5196	5279	5255
DEFRA Grant	(4,165)	(4,093)	(4,093)	(4,093)
Other Income	(1,526)	(1,149)	(1,256)	(1,256)
Budgeted Transfer (from)/ to Various Reserves	(245)	46	70	94

4.3 The assumptions in relation to National Park Grant are made in accordance with the letter from Defra on 20 December 2013. A copy of this letter is attached at **Appendix 2** to the report.

4.4 The detail included in **Appendix 1** reflects the decisions taken by Members on 22 September 2014 and has been amended for a few known changes.

4.5 The Authority has received confirmation of pay awards for 2014/15 and 15/16 which have been agreed between NJC and the Unions. A verbal update was provided to Members on 24 November 2014 and since the meeting the appendix has been updated to reflect these changes. The estimates which were presented in September and November assumed pay awards of 1% and 2% respectively; this is following pay freezes between 10/11 and 12/13 and a 1% award in 13/14 and five years of pay freeze for the most senior staff. The agreed pay award relates to the period from January 2015 to March 2016 and is set at 2.2% with a scale based lump sum. This will apply to all staff except the Chief Executive whose pay award is still pending. The impact of these changes is to increase the proposed transfer into reserves by £24k as it is less than the cumulative impact of the original assumptions.

4.6 Since discussed by the Authority in September the following changes to the estimates have been made:

- The staffing budgets have been updated to reflect the impact of any redeployment decisions taken to date and this also includes pay protection where this is payable under the approved policy. The net impact of these changes is that an additional £25k of savings has been achieved as a result of having more accurate estimates.
- Expenditure on Visitor Centres has increased by an additional £8,000 to repair the windows at The Moors Centre which cannot be met from the annual maintenance budget; this is a one off requirement in 2015/16.
- The estimates now include the costs and income for targeted outreach which reduces the net expenditure by £7,000 as a result of additional income which should be recovered through charges.
- The legal services budget has been allocated directly to departments to manage which has no net effect on the totals.
- The additional income targets equating to approximately £58k discussed at the informal briefing following Authority in September have been allocated to the appropriate functional headings. There is an additional £42k still to be allocated.
- The allocation for change management has been increased by £115k to cover the potential seed change costs of joint working with other National Park Authorities, invest to save and income generation expertise. £15k of this has been offset by the decision to advertise the External Fundraising post as a part time position recognising that the balance could be used to procure alternative specialist expertise in income generation.

4.7 There are a number of external grant funded projects which are in progress but which are not included in the assumptions in **Appendix 1** at this stage as notification of the outcome has not been received; these include the next stage of funding for the hosting of the LEADER project, the Coastal Communities Fund and the Monument Management Scheme. In the scenario that the budget requires no further approval these will be updated in the Revised Estimates.

4.8 The indicative budget includes a number of items which remain uncertain, particularly in relation to the costs associated with implementing the changes and progressing income generation and joint working plans.

5. Reserves

5.1 The level of reserves is periodically checked for adequacy and continually monitored with the Authority's s151 Officer. In November 2013 the current approach to reserves was discussed at the Director's Away days and reported to this committee. The broad objective is to:

- Maintain an unallocated emergency reserve of £220k.
- General reserves are planned 'lumpy' or likely expenditure such as essential repair costs, replacement of capital equipment, and potential legal costs. (There is some flexibility in the timing and selection of items within this reserve)
- The Earmarked Reserves are to cover specific match funding commitments for externally funded projects which span a number of financial years and the exact amounts to be drawn down from these reserves varies from year to year.

5.2 The current projected end of year reserve in 2014/15 is £952k but this includes an estimate of the 2014/15 year end underspend of £60k which was discussed with Members at FRASC on 24 November. 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. As a result of the uncertainty relating to the indicative National Park Grant in 2015/16 and with no indication as to the funding beyond

2015/16 and the risks in relation to potential costs of Minerals Planning applications it is considered prudent to budget at this stage for a small transfer into reserves in 2015/16. Members at FRASC resolved that the Authority requires the flexibility to allocate resources as necessary to ensure that the Minerals applications are subject to robust consideration and therefore, although there are sufficient allocations in the budget for 2014/15 it may be necessary to make virements in 2015/16. The table below summarises the current estimated reserves position.

	2014/15 RE Budget £'000	2015/16RE Budget £'000
Opening Reserves Balance	1,137	952
Use of General Reserves	(245)	94
Estimated Year End Underspend	60	0
Predicted Reserve Balance at year-end, split between:	952	1046
- General Reserves (including capital reserves)	470	644
- Emergency Reserve	220	220
- Ear-marked Reserves	262	182

- 5.3 While £952k is the current expected year-end reserve balance this is dependent on the level of any revenue budget under-spends by the Authority which could differ from the £60k estimate, 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 2015/16 or beyond. This projected year-end balance is kept under review throughout the financial year.

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 2015 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 approve the content of this report and the Appendix as the assumptions for the start budget 2015/16, subject to the flexibility to revise in March if significant changes become known.

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Appendix 1

FUNCTION	Col. 1	Col.2	Col. 3.
	2014/15 Revised Estimate	Draft OE 2015/16	Difference RE 14/15 & OE 15/16
Conservation Natural Environment			
Woodlands & Trees	7,000.00	10,000.00	3,000.00
Income	-2,500.00	0.00	2,500.00
Net Expenditure	4,500.00	10,000.00	5,500.00
Moorland	59,930.00	20,000.00	-39,930.00
Income	-41,600.00	-25,250.00	16,350.00
Net Expenditure	18,330.00	-5,250.00	-23,580.00
Wetlands & Water	87,710.00	0.00	-87,710.00
Income	-85,700.00	0.00	85,700.00
Net Expenditure	2,010.00	0.00	-2,010.00
Farmed Land	264,400.00	245,000.00	-19,400.00
Income		-6,680.00	-6,680.00
Net Expenditure	264,400.00	238,320.00	-26,080.00
Coast	34,680.00	0.00	-34,680.00
Income	-11,600.00	0.00	11,600.00
Net Expenditure	23,080.00	0.00	-23,080.00
Biodiversity and Wildlife Conservation	48,000.00	43,000.00	-5,000.00
Income			0.00
Net Expenditure	48,000.00	43,000.00	-5,000.00
Conserv Nat Env (Emp)	291,360.00	303,380.00	12,020.00
Income			
Recharges	135,530.00	143,940.00	8,410.00
Gross Expenditure	928,610.00	765,320.00	-163,290.00
INCOME	-141,400.00	-31,930.00	109,470.00
NET TOTAL	787,210.00	733,390.00	-53,820.00
Conservation Cultural Heritage			
Buildings	25,400.00	29,170.00	3,770.00
Income	0.00	0.00	0.00
Net Expenditure	25,400.00	29,170.00	3,770.00
Archaeology	150,100.00	29,100.00	-121,000.00
Income	-111,600.00	-600.00	111,000.00
Net Expenditure	38,500.00	28,500.00	-10,000.00
Enhancement Schemes	183,690.00	59,620.00	-124,070.00
Income	-165,690.00	-50,300.00	115,390.00
Net Expenditure	18,000.00	9,320.00	-8,680.00
Conservation Areas	15,000.00	11,230.00	-3,770.00
Local Culture & Tradition	2,500.00	2,500.00	0.00
Conserv Cult Her (Emp)	114,160.00	99,030.00	-15,130.00
Recharges	65,550.00	57,130.00	-8,420.00
Gross Expenditure	556,400.00	287,780.00	-268,620.00
INCOME	-277,290.00	-50,900.00	226,390.00
NET TOTAL	279,110.00	236,880.00	-42,230.00
Recreation Management			
National Trails	118,140.00	117,610.00	-530.00
Income	-100,250.00	-113,910.00	-13,660.00
Net Expenditure	17,890.00	3,700.00	-14,190.00
Access to Open Land	353,000.00	299,910.00	-53,090.00
Income	-91,230.00	-59,000.00	32,230.00
Net Expenditure	261,770.00	240,910.00	-20,860.00
Visitor Mgt & Facilities	52,940.00	51,900.00	-1,040.00
Specialist Recreation			0.00
Income			0.00
Net Expenditure			0.00
Car Parks	116,660.00	119,050.00	2,390.00
Income	-355,440.00	-370,520.00	-15,080.00
Net Expenditure	-238,780.00	-251,470.00	-12,690.00
Targeted Outreach	43,560.00	24,720.00	-18,840.00
Income	-7,000.00	-7,000.00	0.00
Net Expenditure	36,560.00	17,720.00	-18,840.00
Recreation (Emp)	167,970.00	127,090.00	-40,880.00
Recharges	248,710.00	247,240.00	-1,470.00
Gross Expenditure	1,100,980.00	987,520.00	-113,460.00
INCOME	-553,920.00	-550,430.00	3,490.00
NET TOTAL	547,060.00	437,090.00	-109,970.00
Promoting Understanding			
Visitor Centres	470,570.00	486,670.00	16,100.00
Income	-226,550.00	-226,550.00	0.00
Net Expenditure	244,020.00	260,120.00	16,100.00
Info & Interp Services	97,400.00	99,150.00	1,750.00
Income	-36,600.00	-44,600.00	-8,000.00
Net Expenditure	60,800.00	54,550.00	-6,250.00
Education Service	76,080.00	75,820.00	-260.00
Income	-17,100.00	-17,100.00	0.00
Net Expenditure	58,980.00	58,720.00	-260.00

FUNCTION	Col. 1	Col.2	Col. 3.
	2014/15 Revised Estimate	Draft OE 2015/16	Difference RE 14/15 & OE 15/16
Info Interp Educ (Emp)	210,380.00	203,180.00	-7,200.00
Income			0.00
Recharges	256,450.00	217,720.00	-38,730.00
Gross Expenditure	1,110,880.00	1,082,540.00	-28,340.00
INCOME	-280,250.00	-288,250.00	-8,000.00
NET TOTAL	830,630.00	794,290.00	-36,340.00
Rangers & Volunteers			
Ranger Services	250,765.00	199,500.00	-51,265.00
Maintenance Teams	213,700.00	191,590.00	-22,110.00
Volunteers	193,820.00	198,610.00	4,790.00
Income	-8,940.00	-3,180.00	5,760.00
Net Expenditure	184,880.00	195,430.00	10,550.00
Recharges	189,400.00	128,180.00	-61,220.00
Gross Expenditure	847,685.00	717,880.00	-129,805.00
INCOME	-8,940.00	-3,180.00	5,760.00
NET TOTAL	838,745.00	714,700.00	-124,045.00
Development Control			
Development Control	110,110.00	80,110.00	-30,000.00
Development Control (Emp)	409,370.00	398,990.00	-10,380.00
Recharges	249,040.00	201,030.00	-48,010.00
Gross Expenditure	768,520.00	680,130.00	-88,390.00
INCOME	-214,750.00	-239,750.00	-25,000.00
NET TOTAL	553,770.00	440,380.00	-113,390.00
Forward Planning			
National Park Mgt Plan	1,000.00	3,000.00	2,000.00
Statutory Devt Plans	35,000.00	10,000.00	-25,000.00
Local Studies & Plan	41,500.00	39,500.00	-2,000.00
Income	-9,100.00		9,100.00
Net Expenditure	32,400.00	39,500.00	7,100.00
Minerals Policy			
Sustainable Development Fund	62,400.00	72,400.00	10,000.00
Income	-10,000.00	-10,000.00	0.00
Net Expenditure	52,400.00	62,400.00	10,000.00
Forward Planning (Emp)	120,040.00	114,450.00	-5,590.00
Recharges	87,430.00	49,150.00	-38,280.00
Gross Expenditure	347,370.00	288,500.00	-58,870.00
Income	-19,100.00	-10,000.00	9,100.00
NET TOTAL	328,270.00	278,500.00	-49,770.00
Corporate and Democratic Core			
Support Staff Costs	394,740.00	388,960.00	-5,780.00
Office Accommodation	57,650.00	57,650.00	0.00
Income	-15,000.00	-25,000.00	-10,000.00
Net Expenditure	42,650.00	32,650.00	-10,000.00
Support Supplies & Servs	310,930.00	302,850.00	-8,080.00
Income	-15,000.00	-15,000.00	0.00
Net Expenditure	295,930.00	287,850.00	-8,080.00
Contracted in Services	126,070.00	126,070.00	0.00
Democratic (Cttee) Costs	76,620.00	77,620.00	1,000.00
Change Management	196,875.00	195,000.00	-1,875.00
New Income Streams		-42,000.00	-42,000.00
Corp Mgt & Admin (Emp)	345,060.00	341,480.00	-3,580.00
Recharges	-1,232,110.00	-1,044,390.00	187,720.00
Gross Expenditure	275,835.00	445,240.00	169,405.00
INCOME	-30,000.00	-82,000.00	-52,000.00
NET TOTAL	245,835.00	363,240.00	117,405.00
Gross Expenditure	5,936,280.00	5,254,910.00	-681,370.00
Gross Income	-1,525,650.00	-1,256,440.00	269,210.00
NET TOTAL	4,410,630.00	3,998,470.00	-412,160.00
Funded by:			
NPG	-4,165,232.00	-4,092,790.00	72,442.00
From / To Reserves	-245,398.00	94,320.00	339,718.00
	-4,410,630.00	-3,998,470.00	412,160.00
Budget After Grants	0.00	0.00	0.00



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20th December 2013

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Dear Andy,

2014/15 and 2015/16 Budgets

I am writing to inform you that Ministers have now approved your budgets for both 2014/15 and 2015/16, including the late adjustment for Autumn statement.

As you are aware, this has been a difficult process with Defra facing budget cuts of 30% during the current Spending Review, SR10, and a further 9.6% cut for 2015/16, SR13. In addition the Autumn Statement of 5th December informed Departments of a further 1.1% reduction to unprotected budgets for 2014/15 and 2015/16. After taking into account a Ministerial commitment to protect floods maintenance this has translated into a reduction of all other budgets by 1.2%. We have had to make some tough decisions in reaching a balanced budget for both years but have tried to make sure that Defra's key priorities are protected.

Details are as follows:

North York Moors National Park Authority	2014/15	2015/16
Funding	£4,165,232	£4,092,793

Please ensure that these figures are the ones you are working to for your current business planning process.



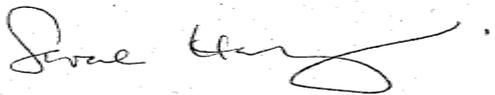
These allocations may be subject to further adjustment as a result of the current work being undertaken across the Network on *Strategic Alignment/One Business*. Any adjustments will only be made as agreed by Network representatives as part of the *One Business* governance structure and endorsed by the Executive Committee and/or the Finance Panel. These budget adjustments will be formally notified to you as and when agreed.

Not surprisingly, I must also signal that the wider fiscal outlook for public finances is still uncertain and there is likely to be continued downward pressure on Government spending. Therefore I must caveat that the budget figures for the next two years could be subject to revision in the event that Defra's budget was materially reduced. Hopefully we can avoid further adjustments to your budget and so you should plan on the above numbers unless advised otherwise. If changes do arise we will ensure that you are notified as soon as possible.

I know that achieving this level of savings will prove challenging and your efforts in getting to this position are very much appreciated. Both the sponsorship and Finance teams are available to work with you on any issues you may have.

Finally, can I just record my thanks to you and your team for all you've done this year and wish you a peaceful Christmas and a happy 2014.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sarah Hendry', with a long, sweeping flourish extending to the right.

Sarah Hendry
Director
Rural Development, Sustainable Communities & Crops