

North York Moors National Park Authority
14 December 2015

Budget Estimate 2016/17

This is an updated paper following the Chancellor's statement on 25/11/15 which announced protection for NP budgets for the CSR period, giving earlier information than had been expected.

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 officers would propose a one year budget and prepare a second one year interim Business Plan. The Medium Term Financial Strategy and four year Business Plan will be developed chiefly from April to December 2016.

3. Update on National Park Grant

- 3.1 In his autumn statement on 25 November the Chancellor announced that "Our commitment to farming and the countryside is reflected in the protection of funding for our national parks and for our forests". This was unexpected and very welcome. There has been no elaboration of this basic statement though the implication is that the overall grant pot will be protected from inflation as well as further cuts. Funding for the Lakes/Dales extension may however need to come from this amount. It is unlikely that we will receive a figure for the North York Moor's 2016/17 grant until January, but is very likely to be for four or five years when it does arrive.
- 3.2 The budget developed so far is based on a freeze in National Park Grant and thus will need little change Officers had 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, but these will no longer be needed. Officers suggest that the measures to increase external grant and earned income should in almost all cases be continued.
- 3.3 The Chancellor also announced that National Parks will be given legal flexibilities to allow them to build sustainable long term revenue streams and boost rural growth. This is happening faster than expected with the Government tabling its own amendment to the Cities and Local Government Devolution Bill. This reflects the success of National Parks England in persuading Defra and other Ministers that a 'functionally specific power of competence' would be appropriate for National Park Authorities. The Chair, local Members and the Chief Executive have been involved in this work which included a meeting with local MP and CLG Minister James Wharton following which an amendment to the Cities and Local Government Devolution Bill was

tabled. In a vote on Monday, 7 December the House of Commons passed the amendment which will become law if the House of Lords accept it.

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 organisation's 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, linked to the issue of the decision notice, was due and made in November 2015/16. The second is due in November 2016/17. 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.

5. Reserves

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

- 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 more promising budgetary outlook 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 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 for 15/16 could result in an increase of £178k although this will be updated for Quarter 3.

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 maximise the achievements of Park purposes and the Management Plan.

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.

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Background papers to this Report

File ref.