

North York Moors National Park Authority

19 March 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 details of 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 size and complexity of the Authority’s finances.

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, though inflation has risen above 1.7%.

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 December NPA. The detail supporting these figures can be found at **Appendix 1** and a summary of the main changes since December NPA 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 £'000	2018/19 Indicative Budget – Dec NPA £'000	2018/19 Indicative Budget – Mar NPA £'000
Gross Expenditure	8,024	8,010	9,039
DEFRA Grant	-4,235	-4,308	-4,308
Other Income	-3,787	-3,513	-4,638
Budgeted Transfer from Various Reserves	2	189	93

Note : the majority of the increase in the table above between December and March NPA is the inclusion of the Polyhalite figures at £1.3m cost and income. These have been included in the latest numbers to show the size of the overall budget that is being set in 18/19. The movement in the budgeted transfer from reserves is illustrated below.

- 4.2 Salaries: the draft budget in December assumed an increase of 1.5% in 18/19 with the pay cap expected to be lifted. The latest pay award proposal indicates 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. This offer has not yet been confirmed, however, so could be subject to additional increases.
- 4.3 TELoI 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. It is noted however that the planning income does assume another large application fee in 18/19 within the base budget and that this does therefore represent a risk if no large application is forthcoming. It is suggested that this risk of approximately £50k is addressed through the year and mitigated either in the revenue budget or potentially through a greater ask on reserves.
- 4.5 The proposed budget now contains a further payment of £10k to National Parks Partnership Limited and a decrease in expected income from this source of £15k. The Board of NPPL has asked for contributions from all 15 Authorities of £10k over each of the next three years. Officers are recommending that further payment should be limited to £10k with any further contribution being dependent on high performance in terms of income generation and governance. The original Business Plan targets for this venture have not been met by a very long measure. The proposed revised Plan shows most of the income being in the form of publicity or resources in kind (such as the Columbia Clothing). No figures have been included indicating the cost to the Authority in staff time of administering the few deals which have been done, though this has been repeatedly requested given the significant nature of this cost. Officers will continue to monitor the performance of NPPL and to help it to achieve its important objectives where this is defensible in terms of value for money in a broad context.
- 4.6 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.
- 4.7 An additional £20k for each of Rights of Way and Archaeology has been budgeted from 19/20.
- 4.8 Members are asked to note that whilst the budget shows a larger ask from reserves than indicated in the MTFs, this is still lower than in the business plan.

4.9 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. Office rental income is likely to be down in the medium term as staff numbers increase Overall, however, 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 £462k 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	Sutton Bank project	-460
	Building capital programme	-400
	Ryevitalise	-153
	Grosmont	-110
	Balance to spend on proposals	199

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

£93k Call on reserves from the 18/19 budget
Potential £50k call on reserves for large application planning income risk
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

- 5.4 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 and constant review needs to continue. Due to pressures on officer resources, the first opportunity to discuss the implications and prioritisation of these requirements at officer level will be on the 29th March.

- 5.5 In addition to the financial restrictions of delivering all of these projects, consideration will also need to be given to the available resources at officer level to deliver. In recent years, the Authority has been very successful in applying for external funding and is delivering more projects than ever before. Latest estimates show that this has the potential to be 86% higher than external funding target income compared to the business plan in 18/19 and 19/20. The core resource to service this has remained broadly at the reduced level following austerity measures. The current budget at £9m is the highest ever set by the authority and going ahead with all of the projects above will increase this to potentially over £11m in future years. If we want to continue to apply for external funding as a strategy, we will need to consider how we fund an increase in core resource to deal with the higher workload. The budget illustrates that to do so would mean not delivering other budgeted activity. For example, longer term strategy may be to consider stopping some of our non-statutory areas of delivery. The immediate need is to decide which of our current aspirations are achievable within the existing core resource deployment.

6. **Visitor Centre Developments**

- 6.1 The Authority's current Business Plan envisages developments at both Visitor Centres during its lifetime. It says "during this Business Plan period we expect to see exciting developments at both Centres and an even greater contribution to the Medium Term Financial Strategy. Firstly at The Moors National Park Centre implementation of the This Exploited Land of Iron project will see new interpretation displays and interpretative play facilities inside and outside the Centre. At Sutton Bank a new development plan will be agreed and work will get underway to significantly extend the Centre's offer, develop exciting new facilities for visitors and earn more income so that it at least covers its immediate staffing and running costs." These aspirations are translated in to figures in the MTFs which show a broadly neutral net position until 21/22 when there is a reduction of £90k in the net cost of the Centres.

The TELoI project is now progressing at full pace and work is expected to start at The Moors Centre over the next year. This will be a significant undertaking involving work both inside and outside the centre.

6.2 The offer at Sutton Bank has improved greatly over the last few years and this has been reflected in improvements in terms of retail and car park income as well as achievement of Park Purposes. As Members are aware, plans for further and more significant improvements here are under consideration. Officers have prepared an outline business plan for the current set of proposals which at their maximum would involve expenditure of approximately £2 million over the forthcoming 2 financial years. If all elements of the current proposals were able to be carried out (which is dependent on a successful external funding bid) and if a 40% increase in visitor numbers was achieved, the (Sutton Bank) business plan suggests there would be a modest net saving though nowhere near the magnitude of that included in the MTFS. At present, it is not certain that all the elements contained in the Plan are deliverable and others, such as road signage to the National Park are contingent on other projects. Without these, officers believe that there is a probability that the proposals will add to the net cost of running the Centre. Failure to meet the optimistic (and uncosted) target set in the MTFS is relatively easily manageable given that the expectations for significantly increased income do not occur until 21/22, though it raises the question as to whether increased Visitor Centre spend is a priority against other areas. Funding an increased running cost, as seems quite possible from the business plan figures, is much more of a problem since we would have moved from a reduction in net cost to an increased one.

6.3 This would mean reducing spend on other areas of core activity which are already at full stretch supporting external funding and delivering core business. Officers are therefore considering further what mix of investments at Sutton Bank would be most likely to bring noticeable if not significant reductions in net cost while maintaining progress on the project as a whole for the longer term so that Members can make informed choices on any deviations from the NPA Business Plan they wish to make. There is a severe squeeze on senior officer capacity which is limiting the ability to maintain close contact with Members on the intricacies of the situation.

7. **Financial and Staffing Implications**

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

8. **Contribution to National Park Management Plan**

8.1 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.

9. **Legal Implications**

9.1 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.

10. **Recommendation**

10.1 That Members approve the budget 2018/19.

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Appendix 1

	2018/19 Draft Budget	Adjustments	2018/19 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	-4,331	227,530
Contingency	75,000	-75,000	0
Total Expenditure	6,999,144	747,456	7,746,600
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	29,000	204,000
DEFRA Grant	4,307,634	0	4,307,634
Total Income	6,941,384	712,370	7,653,754
NET SURPLUS	-57,760	-35,086	-92,846
NET TRANSFER TO RESERVES	-57,760		-92,846
Polyhalite			
Expenditure			1,292,000
Income			-
TOTAL			0

FUNCTION	2018/19 OE
Conservation Natural Environment	
Woodlands & Trees	4,000
<i>Income</i>	0
Net Expenditure	4,000
Moorland	26,160
<i>Income</i>	-31,750
Net Expenditure	-5,590
Wetlands & Water	238,250
<i>Income</i>	-195,750
Net Expenditure	42,500
Farmed Land	275,000
<i>Income</i>	0
Net Expenditure	275,000
Biodiversity and Wildlife Conservation	77,000
<i>Income</i>	-44,000
Net Expenditure	33,000
Employees	338,380
Income	0
Recharges	130,610
Gross Expenditure	1,089,400
<i>Income</i>	-271,500
NET TOTAL	817,900
Conservation Cultural Heritage	
Buildings	54,170
<i>Income</i>	0
Net Expenditure	54,170
Archaeology	19,100
<i>Income</i>	-600
Net Expenditure	18,500
Enhancement Schemes	1,385,030
<i>Income</i>	-1,162,620
Net Expenditure	222,410
Conservation Areas	11,230
Local Culture & Tradition	5,000
Employees	125,980
Recharges	62,260
Gross Expenditure	1,662,770

<i>Income</i>	-1,163,220
NET TOTAL	499,550
Recreation Management	
National Trails	137,130
<i>Income</i>	-108,860
Net Expenditure	28,270
Access to Open Land	409,110
<i>Income</i>	-73,500
Net Expenditure	335,610
Visitor Mgt & Facilities	52,630
<i>Income</i>	0
Net Expenditure	52,630
Car Parks	147,520
<i>Income</i>	-498,520
Net Expenditure	-351,000
Targeted Outreach	35,000
<i>Income</i>	-7,000
Net Expenditure	28,000
Employees	160,090
Recharges	243,160
Gross Expenditure	1,184,640
Income	-687,880
NET TOTAL	496,760
Promoting Understanding	
Visitor Centres	540,980
<i>Income</i>	-257,140
Net Expenditure	283,840
Info & Interp Services	374,140
<i>Income</i>	-249,090
Net Expenditure	125,050
Education Service	162,520
<i>Income</i>	-34,700
Net Expenditure	127,820
Employees	258,720
Income	0
Recharges	219,910
Gross Expenditure	1,556,270
<i>Income</i>	-540,930
NET TOTAL	1,015,340
Rangers & Volunteers	
Ranger Services	219,860
Maintenance Teams	184,000
<i>Income</i>	0

Net Expenditure	184,000
Volunteers	264,510
<i>Income</i>	-4,480
Net Expenditure	260,030
Recharges	135,000
Gross Expenditure	803,370
<i>Income</i>	-4,480
NET TOTAL	798,890
Development Management	
Development Management	95,110
Employees	441,420
Recharges	164,440
Gross Expenditure	700,970
<i>Income</i>	-403,750
NET TOTAL	297,220
Polyhalite S106	
Gross Expenditure	1,292,000
<i>Income</i>	-1,292,000
NET TOTAL	0
Forward Planning	
Statutory Devt Plans	74,200
<i>Income</i>	-45,000
Net Expenditure	29,200
Local Studies & Plan	39,500
<i>Income</i>	0
Net Expenditure	39,500
Sustainable Development Fund	112,400
<i>Income</i>	-15,360
Net Expenditure	97,040
Employees	94,220
Recharges	42,310
Gross Expenditure	362,630
<i>Income</i>	-60,360
NET TOTAL	302,270
Corporate and Democratic Core	
Support Staff Costs	413,300
Office Accommodation	57,650
<i>Income</i>	-14,000
Net Expenditure	43,650
Support Supplies & Servs	332,850
<i>Income</i>	-20,000
Net Expenditure	312,850
Contracted in Services	224,200

Democratic (Cttee) Costs	75,380
Change Management	32,000
New Income Streams	-35,000
Corp Mgt & Admin (Emp)	248,970
<i>Income</i>	-145,000
Net Expenditure	103,970
Recharges	-997,800
Gross Expenditure	386,550
<i>Income</i>	-214,000
NET TOTAL	172,550
Gross Expenditure	9,038,600
<i>Gross Income</i>	-4,638,120
NET TOTAL	4,400,480
Funded by:	
NPG	-4,307,634
Reserves	
Net transfer to reserves	92,846