

North York Moors National Park Authority

Finance, Risk, Audit and Standards Committee

19 May 2014

Future Financial Planning Update

1. Purpose of the Report

- 1.1 To inform Members of the timetable and progress made on future financial planning including consideration of risks and give them the opportunity to discuss certain aspects of the financial situation in more detail.

2. Background

- 2.1 Members and Officers have had a number of formal and informal sessions throughout the past year in which the future financial planning challenges and processes have been discussed. Following the announcement in December that the Defra grant would be further reduced in 2014/15 and 2015/16 a series of key decisions have been made which in summary are:
- 2014/15 balanced budget approved including a number of in year reductions to Discretionary Budgets
 - 2015/16 budget discussions will be fast tracked following feedback from staff (see Appendix 2)
 - Longer term position discussed at the same time
 - Consideration be given to the establishment of a trust
 - Second Voluntary redundancy programme is now in operation
 - Consideration of changes to terms and conditions of employment is nearing completion
 - Consideration of how the Authority could generate more income
- 2.2 The context of this paper is the setting of the 2015/16 budget (which must be formally balanced and approved by 31 March 2016) and the need for the Authority to update the Business Plan for 2016-2018 which will contain the Medium Term Financial Strategy. At this stage the Authority has had an indication that the core grant for 2015/16 will be £4,092,793.

3. Looking Forward

- 3.1 As indicated above the Authority has not had indication of the settlements beyond the 2015/16 election year, however, it is quite clear irrespective of the outcome of the General Election the austerity measures in some parts of the public sector are likely to continue for the foreseeable future. Defra as an 'unprotected' department remains vulnerable to extensive further cuts and within Defra the environmental elements may prove more vulnerable than others. All National Park Authorities have received correspondence from Defra which adds some immediate context to the financial issues and future challenges facing the Department. In this correspondence it is made clear that there will be no additional funding available at a national level to fund the costs of redundancy and more significantly that National Park Authorities should 'proceed with caution' in terms of our financial planning and monitoring. A copy of this correspondence will be available at the meeting.

- 3.2 It remains the case, however, that National Parks continue to be highly valued by the public and offer extremely good value for money. The infographic attached at **Appendix 1** illustrates these points very well. Regular discussions take place nationally among Chairs and NPOs to ensure such information is placed in front of those who need to see it.
- 3.3 Nevertheless, the impact of reduction in grant based on current levels of spending and income is that the projected deficit in 2015/16 is £615k. Assuming core grant remain static the impact of inflationary pressures will increase this to £725k from 2016/17 to £900k in 17/18. This coupled with a reduction in the level of reserves as reported in Item 6 emphasises the need for radical action to produce a sustainable model of operation. Members will be aware of the assumptions that are being made in developing a plan to deliver that radical action from the discussion on 15 May.

4. **Timetable for Decisions**

- 4.1 In February this Committee discussed a proposed timetable for decision making and since that time the Chief Executive and Chair of the Authority had discussed the expediency of accelerating the timetable. One of the reasons for this was that some staff and their Trade Union have expressed a desire to know what is happening at an earlier stage and also so that the organisation has more time within which to implement any cultural or operational changes required to succeed. A revised timetable is attached as the **Appendix 2**.
- 4.2 The key changes to note are that the Chair will be asked to agree to Special Authority Meetings to be arranged on 28 July and for a date to be identified in October.

5. **Income Generation**

- 5.1 Further work has been undertaken to scope the potential for income generation bearing in mind the feedback received at the Members Evening Seminar and consultation with staff and external bodies already operating in the area concerned. Officers have estimated potential range of net additional income which could be generated from a variety of sources, these plans are ambitious and whilst some may not be achievable it is hoped that other areas may result in greater long term opportunities. An update will be provided at the meeting but the potential range is from £100k - £120k in the first year rising to approximately £800k in the long term which when set in the context of the baseline of £1.5m indicates that increased income generation has the potential to go some way to bridging the deficit. This would however, require a real commitment of time, energy and cash and still carry a considerable risk.

6. **Staff reductions**

- 6.1 In the light of the proposed accelerated timetable the staff communications and consultation timescales have also been reviewed. Following the March Authority the Voluntary Redundancy Programme and timescale for expressions of interest have been communicated to staff.
- 6.2 Meetings with UNISON take place on a more frequent monthly cycle in line with best practice during this process and consultations will include potential changes to terms and conditions and pay protection periods. Further reports will be provided to members as appropriate.

6.3 Over the last few years the Authority has been working with Renovo to assist staff affected by the change programme to update their skills in job seeking or to explore other options for their future e.g. starting their own business. This service is optional on the part of the employee and a minimal cost to the Authority. This is in addition to the support that can be offered by the Union or by the Staff Care Network.

6.4 Being mindful of the impact that the current circumstances could have on staff morale we will seek to find other feasible mechanisms for supporting staff.

7. **Risk Factors around forward financial planning**

7.1 There are a number of risks which should be drawn to Members attention, these are;

- Following a prolonged period of pay restraint within the public sector the forward projects incorporate estimates for very modest pay inflation in order to counter the increasing cost of living. It is possible that the Pay award inflation may increase at a faster and higher rate than anticipated resulting in extra costs.
- Officers are monitoring the impact of proposed changes to National Insurance to be implemented from 2017 and undertaking further work to finalise the impact on the costs associated with employees in the pension scheme.
- In relation to the Potash planning application officers are concerned that the change to a tunnel as the means of transporting the mineral has introduced a major new element which is likely to result in increased costs for the Authority over a longer period of time. This risk has been highlighted to Defra in the light of the recent correspondence.
- The recent Pension Fund Triennial Valuation has had the impact of stabilising the costs to the Authority over the next three years in terms of the total 21 year recovery period. It is impossible to predict the impact of the next valuation due in 2016 with any degree of certainty.
- The challenges associated with the ability to achieve additional income should not be underestimated and are subject to both internal and external barriers. It is important that the organisation develops further the appropriate culture of creativity and acceptable risk taking to enable this to happen within the context of the Core Values. As the risks may also be due to external factors outside the Authority's control this requires constant horizon scanning and the ability to adapt to take advantage of any new opportunities.

7.2 These risks will be continually monitored and key messages to staff will include ensuring that there is clarity in terms of the importance of income targets.

8. **Establishment of a Trust**

8.1 Officers will provide a verbal update on this at the meeting.

9. **Financial and Staffing Implications**

9.1 These are discussed in the main body of the report.

10. **Sustainability and Legal Implications**

10.1 There are no sustainability or legal implications arising from this report.

11. **Recommendation**

11.1 That Members note the content of this report and the comment on the timetable attached as the **Appendix**.

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Background documents to this report

File Ref

None