

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

7 September 2015

Financial Planning Update

1. Purpose of the Report

- 1.1 To update Members on progress in relation to Financial Planning and the update of the Business Plan.

2. Background

- 2.1 The Authority's usual processes for Financial Planning include three year financial forecasts within the Business Plan which forms the Medium Term Financial Strategy. These forecasts are underpinned by the three year indicative settlements provided by Defra. The details of these financial forecasts are updated on an annual basis and a balanced budget for the following financial year is approved at the March Authority meeting, following confirmation by Defra of the annual grant.
- 2.2 In 2014 the Authority resolved to develop an interim Business Plan to extend the 2012-2015 Business Plan by one year to cover the 2015/2016 financial year. This was approved in March 2015. This was on the basis that a three year settlement had not been provided to National Park Authorities by Defra by the autumn of 2014. It was anticipated that the Spending Review announcement would be made following the general election. The Chancellor of the Exchequer presented the Summer Budget on 9 July; however, this did not provide significant detail of departmental budgets except for the current financial year. The Spending Review is currently underway and it is anticipated that the Departmental Expenditure Limits (DEL) will be announced on 25 November 2015. Although the July Budget announced that the Chancellors target deadline to set a balanced budget had shifted to 2019/20 from 2018/19 there was also an announcement that the Defence budget would also be 'protected' which will inevitably have an impact on the unprotected departments including Defra. On this basis the Authority is anticipating further reductions in Defra grant over the Spending Review Period.

3. Current Position and Work Conducted to Date

- 3.1 It is difficult to commence any in depth financial planning given that it is unlikely that Defra will receive final confirmation of its future resources until late autumn. At this stage National Park Authorities have had no indication as to the timing of our settlement announcement, though it is understood that Defra will try to notify this before Christmas. Nor is there certainty as to whether the announcement will cover a three or four year period (given the reductions that have already been made, knowing the medium term trajectory of funding is critical), though we believe Defra is aiming for four years. The range of possible settlements also seems to be very wide – NPAs have not been asked to model the 25% and 40% cuts that Defra and other unprotected Departments have been asked to consider, but the significance of this, if any, isn't known. As a result work in the interim has been more focussed on developing existing income streams and ensuring flexibility in the 2016/17 budget.

3.2 At an informal Members Seminar in July Members and Officers discussed a number of potential scenarios for the long term position of the Authority and from this Members provided a steer to the future of the organisation at this Seminar which can be summarised as follows.

- We should be ambitious and bold in seeking opportunities to increase income and base scenario planning around this
- The approach to financial planning should focus on these three questions;
 1. What is the desired outcome?
 2. What resources are needed to achieve this?
 3. How are we going to find the resources to make it happen?
- We should continue to champion the importance of National Parks as national treasures and huge assets.

3.3 Members have previously discussed a timetable for the review of the Business Plan with a target date for approval of the next Business Plan at the June 2016 Authority meeting. This was however, in the hope that the Authority would receive news from Defra during the summer. If however it is delayed into 2016 this could be impossible since modelling several widely different scenarios would take too much time and create vast uncertainty. On the basis that Officers still believe the June 2016 target date is desirable and should be achieved if possible the following are alternatives for Members of this Committee to consider with a view to making a recommendation to the Authority:

Option A – continue with the plan to complete a full Business Plan by June 2016 if at all possible on the basis that the financial forecasts will be high level, may need to cover a range of scenarios and that one of the Actions for the first year is to firm up these forecasts

Option B – decide now to postpone the Business Plan again and produce a further one year interim Business Plan focusing on the 16/17 budget only, followed by a full Business Plan by June 2017 covering a three or four year settlement..

3.4 Officers suggest that Option B is more realistic and that once the funding situation is known a one year budget is set for 16/17 making 'quick fix' adjustments if necessary such as vacancy management and reduction in discretionary budgets. Following this another fundamental review of the Authority's operations is undertaken if needed and a plan is developed to reduce the deficit over the Business Plan period according to Members' priorities. It is also proposed that Directors continue to focus on the the achievement of the stretch targets in the Income Strategy and Members focus on where spending reductions need to be implemented.

3.5 Officers are proposing further informal Seminars in early October 2015 and April 2016 specifically to discuss the financial planning scenarios and business plan. These are detailed in Item 16 on this agenda.

4. **Financial Implications**

4.1 There are no financial implications resulting directly from this report.

5. **Legal and Sustainability Implications**

5.1 There are no legal or sustainability implications resulting directly from this report.

6. Recommendation

- 6.1 That Members note the contents of this report and comment on the principles and proposed approach to Business Planning including which is the preferred option to present to Authority.

Contact Officers:

Andy Wilson

Chief Executive

Irene Brannon

Director of Corporate Services

01439 772700

Background documents to this report

File Ref.