

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

1 February 2015

Budget Estimate 2016/17

<p>1. Purpose of the Report</p>
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<p>1.1 To provide Members with an updated proposal for the budget for 2016/17.</p>
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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 presents an update to the proposal presented to FRASC in November 2015 and the National Park Authority in December 2015.

2.2 Members have agreed that as a result of the uncertainty in terms of the financial settlement officers would propose a one year budget and a second one year interim Business Plan. The Medium Term Financial Strategy and four year Business Plan would be developed with strong Member input, 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”. A detailed explanation of these welcome words including the Authority’s own grant for 16/17 is expected very shortly. It seems likely that the Authority will receive a four year settlement which would be extremely helpful in terms of the development of the full Business Plan.

3.2 The budget developed so far is based on a freeze in National Park Grant and in the absence of a definitive figure from Defra, no changes are proposed at this stage.

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 has since been accepted by the House of Lords.

Officers suggest that a structured discussion with Members on how best these powers could be used takes place with the conclusions included in the full Business Plan.

4. 2016/17 Budget

- 4.1 Since the reports in November and December, officers have reviewed progress against both income and expenditure budgets to 31 December 2015 and propose some minor amendments to the budget for 2016/17. 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 RE Budget £'000	2016/17 Indicative Budget £'000
Gross Expenditure	6172	6323
DEFRA Grant	-4093	-4093
Other Income	-2252	-2173
Transfer from/to (-/+) Various Reserves	173	-57
Net Budget	0	0

- 4.2 As before, 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.

The overall income figure (showing a decline) hides a complex picture. In the last financial year substantial sums were received from York Potash through several routes which cannot be repeated in 16/17. At present no substantial income from this source is budgeted for, but may occur. The budget assumes an overall *increase* in earned income from other sources in line with the income generation strategy. Turning to income from grant aid, this typically exceeds in practice the figure budgeted for at this stage in the year by some margin, but there is not sufficient confidence in bids other than TEL to include the associated sums in the budget.

Officers would be very disappointed if the outturn figure for income in 16/17 did not exceed the 15/16 figure by some margin.

4.3 Updated Income Projections

The following amendments have been included in the budget proposals (which had already included a variety of increased income figures):

- Planning Fee income – Based on an assessment of the likelihood of an increase in planning fees by central Government, the latest information on fees this year and ideas for better promotion of the paid service, it is proposed to increase the budget by £30k for 2016/17.
- Enforcement Fee income – the draft budget includes £10k for enforcement income for 2016/17. Based on progress to date it is proposed to reduce this to £5k to reflect a more cautious view.
- Visitor Centre Sales – increases and decreases across the Moors Centre, Sutton Bank, Central sales and Spout House net to an overall increase in budgeted income of £400. This reflects a long record of under-recovery of income from Spout House and Central sales, and masks a budgeted increase of £10k in Visitor Centre sales.
- Web-site donations – a minor increase of £1k is proposed.

4.4 Updated Expenditure Budgets

Officers are suggesting that additional expenditure is added to the budget in view of a) the success in generating increased income, b) the removal of the threat of significant reductions in core grant and c) the pattern of underspend over the last few years. The proposals are:

- New Local Plan (and Management Plan review) - £35k towards the required evidence base etc.
- Sutton Bank - £20k for feasibility study.
- Match funding, invest to save, work on the Trust etc. 45k.
- Tour De Yorkshire - £13k towards promoting the events and supporting communities.

These are all one-off items which will not inhibit the ability of Members to direct resources to chosen priorities in the Business Planning process. They are also all activities which either satisfy agreed priorities or reflect Members' recent decisions.

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 £320k (increased from £220k 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 'ring-fenced' 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 £1,616k (including the potential year-end surplus forecast at Q3 largely as a result of focused effort on income generation over budgeted spend). Officers consider that the level of reserves now needs to be considered in the light of the more promising budgetary outlook but also that the level of reserves held by the Authority is significantly lower than the reserves held by some comparator organisations. Given the need to drawdown the match funding for 'This Exploited Land' in 2016/17, the probability that significant further match funding will be needed for other projects and the ambitious aspirations in relation to large scale projects such as Sutton Bank it is proposed that subject to the additional costs highlighted at paragraph 4.4, revenue reserves are replenished in 2016/17 prior to major decisions as part of the Business Planning process. 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	1,616
Use of General Reserves/Transfer	316	-57
Predicted Reserve Balance at year-end, split between:	1,616	1,559
- General Reserves	636	829
- Earmarked s106 reserve	135	135
- Emergency Reserve	320	320
- Earmarked Capital Reserves	275	275
- Ear-marked Revenue Reserves	250	0

- 5.3 While £1,616k is the current expected year-end reserve balance for 2015/16 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.

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 - Budget report to NPA December 2015
File ref.

FUNCTION	Col. 1	Col.2	Col. 3.
	2015/16 Revised Estimate	Draft OE 2016/17	Difference RE 15/16 & OE 16/17
Conservation Natural Environment			
Woodlands & Trees	4,000	4,000	0
Income	0	0	0
Net Expenditure	4,000	4,000	0
Moorland	26,160	26,160	0
Income	-21,750	-21,750	0
Net Expenditure	4,410	4,410	0
Wetlands & Water	118,320	112,490	-5,830
Income	-121,900	-102,500	19,400
Net Expenditure	-3,580	9,990	13,570
Farmed Land	280,400	245,000	-35,400
Income	-65,000	0	65,000
Net Expenditure	215,400	245,000	29,600
Biodiversity and Wildlife Conservation	43,000	43,000	0
Income	0	0	0
Net Expenditure	43,000	43,000	0
Employees	301,710	277,410	-24,300
Recharges	154,500	154,500	0
Gross Expenditure	928,090	862,560	-65,530
Income	-208,650	-124,250	84,400
NET TOTAL	719,440	738,310	18,870
Conservation Cultural Heritage			
Buildings	29,170	29,170	0
Income	-25,870	0	25,870
Net Expenditure	3,300	29,170	25,870
Archaeology	73,130	54,080	-19,050
Income	-54,970	-45,580	9,390
Net Expenditure	18,160	8,500	-9,660
Enhancement Schemes	141,010	682,780	541,770
Income	-96,360	-430,930	-334,570
Net Expenditure	44,650	251,850	207,200
Conservation Areas	11,230	11,230	0
Local Culture & Tradition	2,500	2,500	0
Employees	99,820	105,400	5,580
Recharges	73,850	73,850	0
Gross Expenditure	430,710	959,010	528,300
Income	-177,200	-476,510	-299,310
NET TOTAL	253,510	482,500	228,990
Recreation Management			
National Trails	132,740	131,940	-800
Income	-108,860	-108,860	0
Net Expenditure	23,880	23,080	-800
Access to Open Land	369,230	363,420	-5,810
Income	-72,000	-59,000	13,000
Net Expenditure	297,230	304,420	7,190
Visitor Mgt & Facilities	59,900	64,900	5,000
Car Parks	119,870	120,650	780
Income	-410,520	-395,520	15,000
Net Expenditure	-290,650	-274,870	15,780
Targeted Outreach	24,720	24,820	100
Income	-7,000	-7,000	0
Net Expenditure	17,720	17,820	100
Employees	127,420	131,960	4,540
Recharges	287,800	287,800	0
Gross Expenditure	1,121,680	1,125,490	3,810
Income	-598,380	-570,380	28,000
NET TOTAL	523,300	555,110	31,810
Promoting Understanding			
Visitor Centres	563,050	506,340	-56,710
Income	-242,550	-223,150	19,400
Net Expenditure	320,500	283,190	-37,310
Info & Interp Services	353,110	261,520	-91,590
Income	-319,810	-218,110	101,700
Net Expenditure	33,300	43,410	10,110
Education Service	75,390	76,980	1,590
Income	-17,100	-17,100	0
Net Expenditure	58,290	59,880	1,590
Employees	195,710	208,660	12,950
Recharges	260,180	260,180	0
Gross Expenditure	1,447,440	1,313,680	-133,760
Income	-579,460	-458,360	121,100
NET TOTAL	867,980	855,320	-12,660

FUNCTION	Col. 1	Col.2	Col. 3.
	2015/16 Revised Estimate	Draft OE 2016/17	Difference RE 15/16 & OE 16/17
Rangers & Volunteers			
Ranger Services	198,890	203,500	4,610
Maintenance Teams	253,310	176,300	-77,010
Income	-35,000	0	35,000
Net Expenditure	218,310	176,300	-42,010
Volunteers	198,480	202,370	3,890
Income	-4,440	-4,480	-40
Net Expenditure	194,040	197,890	3,850
Recharges	159,690	159,690	0
Gross Expenditure	810,370	741,860	-68,510
Income	-39,440	-4,480	34,960
NET TOTAL	770,930	737,380	-33,550
Development Control			
Development Control	370,110	230,110	-140,000
Employees	389,740	407,310	17,570
Recharges	194,580	194,580	0
Gross Expenditure	954,430	832,000	-122,430
Income	-587,750	-434,750	153,000
NET TOTAL	366,680	397,250	30,570
Forward Planning			
National Park Mgt Plan	0	3,000	3,000
Statutory Devt Plans	13,000	30,000	17,000
Local Studies & Plan	39,500	74,500	35,000
Income	0	0	0
Net Expenditure	39,500	74,500	35,000
Sustainable Development Fund	72,400	72,400	0
Income	-15,130	-15,360	-230
Net Expenditure	57,270	57,040	-230
Employees	70,950	85,380	14,430
Recharges	50,090	50,090	0
Gross Expenditure	245,940	315,370	69,430
Income	-15,130	-15,360	-230
NET TOTAL	230,810	300,010	69,200
Corporate and Democratic Core			
Support Staff Costs	385,720	384,240	-1,480
Office Accommodation	67,650	57,650	-10,000
Income	-25,000	-25,000	0
Net Expenditure	42,650	32,650	-10,000
Support Supplies & Servs	287,850	309,850	22,000
Income	-18,000	-20,000	-2,000
Net Expenditure	269,850	289,850	20,000
Contracted in Services	126,070	133,070	7,000
Democratic (Cttee) Costs	77,620	76,880	-740
Change Management	133,800	45,000	-88,800
New Income Streams	-3,000	-44,000	-41,000
Corp Mgt & Admin (Emp)	334,870	346,830	11,960
Recharges	-1,180,690	-1,180,690	0
Gross Expenditure	232,890	172,830	-60,060
Income	-46,000	-89,000	-43,000
NET TOTAL	186,890	83,830	-103,060
Gross Expenditure	6,171,550	6,322,800	151,250
Gross Income	-2,252,010	-2,173,090	78,920
NET TOTAL	3,919,540	4,149,710	230,170
Funded by:			
NPG	-4,092,790	-4,092,790	0
Reserves			
Match Funding Reserve - TEL		-250,000	-250,000
Carry Forward Projects 14/15	-119,980	0	119,980
From (-) / To Reserves In Year	293,230	193,080	-100,150
Net transfer to reserves	173,250	-56,920	-230,170
	-3,919,540	-4,149,710	-230,170
Budget After Grants	0	0	0