

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

19 November 2018

Budget Estimate 2019/20

1. Purpose of the Report

- 1.1 To provide Members with an updated proposal for the budget for 2019/20 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 2019/20 financial year by 31 March 2019. This report contains the current proposal for the 2019/20 budget for Members’ discussion and builds on the MTFS which was presented at September FRASC and October NPA. It also incorporates discussions held at the Members Evening Seminar in October.
- 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 complexity of the Authority’s finances.
- 2.4 Furthermore emerging budget pressures identified through in-year management of the 2018/19 budget are adding to this complexity and the MTFS highlighted the potential for significant budget deficits over the next three years.
- 2.5 It is against this backdrop that work on the draft budget proposals have been formulated. Significant progress has been made in identifying opportunities to address the deficit and options have been developed following the Members’ Seminar in October.
- 2.6 The draft proposals are based on latest available information and subject to comments from FRASC and at NPA. The budget estimates will be updated only if exceptional information becomes available between the December NPA meeting and the Authority meeting in March 2019.

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 and there is no further indication at this time as to what will happen in the future. Whilst the increase in the DEFRA grant has been very welcome, it is to be noted that inflation has increased above the level of the grant, resulting in a real terms cut to funding, which increases the pressure on the Authority finances.

4. 2019/20 Budget

4.1 The table below summarises the draft budget for the next three years as previously seen by Members. The detail for this can be seen in **Appendix 1** at DEFRA heading level and **Appendix 2** at subjective level. Members will note that the value of the budget has increased once again and is the highest value budget the Authority has ever set.

Draft Budget	2019/20 £000	2020/21 £000	2021/22 £000
Expenditure	9,341	9,924	9,484
Income	-9,148	-9,662	-9,390
Deficit	193	262	94

Expenditure

4.2 Pay award is included per the announcement to remove the pay cap last year. This is approximately 2.7% increase to the Authority's payroll in 2019/20 which is higher than the increase in the DEFRA core grant and therefore reflects a cut in real terms.

4.3 The budget includes discretionary grants held at business plan levels.

4.4 The Ryevitalise project is included in the budget as detailed in the Medium Term Financial Strategy (see section 7 for additional detail).

4.5 The draft budget includes increasing contributions to reserves to support a future capital programme on vehicles, IT and assets to ensure there is capacity in the revenue budget to cover ongoing commitments.

Earned Income

4.6 Planning income includes the full 20% increase in the planning income and the previous increase to pre-application fees.

4.7 There is a challenging target for both car parking and visitor centres incorporated. No car parking tariff increase has currently been included in the Medium Term Financial Strategy, but as was discussed at the Members Evening Seminar, Officers expect to recommend an increase from January 2020.

4.8 The sponsorship and staff time targets have been reduced in the budget as these are not currently being achieved. These will become a focus of longer term income generation plans for which there is a £100k additional income generation target in year 3 of the MTFs. This will help to mitigate the loss of the £80k anticipated income increase from the Sutton Bank Project which was expected at the time the Business Plan assumptions were set. It is expected that the plans for income generation will be formulated and presented in more detail at February FRASC.

5. Proposed Solution to the 2019/20 Budget Deficit

- 5.1 The deficit next year needs to be resolved, and very helpful discussions were held at the evening seminar to consider potential solutions. The following is the recommendation of officers to mitigate the £193k budget deficit. Subject to changes/approval, this will be the proposed balanced budget, which can be seen in **Appendix 3**.

	£000	Comments
19/20 Deficit	193	
Pre-application fees increase	-10	Increase in fees from 1st April 2019
Apprentice scheme changes	-40	Changes to the apprentice scheme next year.
Conservation staff post freeze	-29	1.2fte to be frozen for one year.
PAWS reduction	-20] Reduced just for 2019/20
Tourism Community Grant reduction	-24	
Conservation Community Grant reduction	-23	
TBS reduction	-24	
Building Conservation reduction	-23	
Proposed Balanced Budget	0.0	

- 5.2 It is considered that pre-application fees can be increased marginally further from April 2019. There is still scope to align fees with other National Parks and Local Authorities whilst retaining a justified level of charging for this service compared to the cost of delivery.
- 5.3 The proposed reduction in the apprentice budget reflects the expectation of external funding in this area (for which the Authority is providing match funding elsewhere in the budget). Whereas the Environmental Conservation apprentice schemes have been a resounding success for the Authority for many years recruitment has become more difficult and recent changes have resulted in the apprentice supervisors looking after 4 rather than 6 apprentices on a daily basis. The other two in each team are longer serving and more skilled apprentices who work directly with each Ranger team. External funding via Ryevitalise and the North Yorkshire Moors Railway, if either or both are successful in their respective HLF bids, will necessitate changes to the way in which the teams are currently organised and managed. Officers are currently considering the changes that will be needed to facilitate this and consider that overall savings can be made.
- 5.4 Conservation post freeze. 1.2 FTE posts have been identified, which are currently vacant and can be held for a further year.
- 5.5 PAWS. It is considered unlikely that the full budget for this will be spent next year, and an analysis undertaken as part of the detailed budget process identified a £20k underspend.
- 5.6 Discretionary grant budgets. Whilst the remaining balance is taken from our discretionary grant budgets, the Authority currently gives a large number of additional grants through other sources. Therefore a reduction in these grants will still allow the Authority to deliver against its Business Plan.

6. Identification of Budget Risks

- 6.1 For various reasons the level of risk facing the Authority has grown. Among others, increased risk can be found in the following areas: earned income, legal costs, Brexit, match funding, potential cover for Forge Valley project.
- 6.2 The Authority has traditionally relied on its substantial core discretionary budgets, particularly grants, to act as buffer on the rare occasions when unexpected risks have materialised. These budgets are now smaller than they were and the overall budget larger. The business plan indicates that the emergency reserve should be set at a level of 5% of gross expenditure. Excluding Polyhalite expenditure, this equates to £7.7m and this suggests an emergency reserve of at least £385k is required - an increase on the current position of £55k. There is currently £93k of unallocated reserves which could be used for this.

7. Reserves

- 7.1 The level of reserves is periodically checked for adequacy and continually monitored by the Authority's s151 Officer. The principles which underpin the Authority's use of reserves are:
- Maintain an unallocated emergency reserve (proposed £385k) to deal with the costs associated with dealing with exceptional and unexpected events (see the risk section 6);
 - Restricted and Committed Reserves are those that the Authority is contractually or legally obliged to fulfil;
 - Committee Approved Reserves are for projects that have been approved by Members to be spent on a specific project or investment. If these have not already been committed, it is within the remit of Members to reconsider these options, although careful consideration needs to be given to the impacts, if monies are not spent as previously approved;
 - The general unallocated reserve is for future commitments not yet identified or approved.
- 7.2 The table in **Appendix 3** summarises the anticipated reserve movements over the next three years.
- 7.3 The first section is the restricted and committed reserves which are already ring-fenced and therefore not available for spend on other projects.
- 7.4 The second section is approved budgets where approval has already been given to spend these budgets but they are currently initial estimates with the work not yet finalised / undertaken.
- 7.5 This leaves a balance of £169k in the 'General Unallocated Reserve' of which £76k has been carried forward for the TELI project. This leaves £93k available to support future spending plans of which £55k may be needed to increase the Emergency Reserve following risk assessment
- 7.6 The budget therefore includes a contribution to reserves for inflation contingency as well as to cover capital programme requirements. These include:
- Vehicle replacements
 - Larger capital IT requirements
 - Maintenance of our assets including buildings and car parks

- 7.7 The budget puts this money aside on an increasing basis over the three years to make sure that there are sufficient funds available in reserves to cover these requirements in the future, particularly as the majority of available reserves are already allocated to programmes which are expected to be fully spent. The spend on these areas is estimated and more work is required to confirm final values and timing of this.

8. **Grant Funded Projects**

- 8.1 Financial and resource demands from the delivery of large scale projects such as TELL, Sutton Bank and Ryevitalise need careful consideration in terms of their match funding requirements and potential long term liabilities.

Sutton Bank Visitor Centre

- 8.2 It has not been possible to devise a programme that would generate the additional £80k of additional income from 21/22. A bid for external funding is to go ahead for a package of additional activities at the site, but it is expected that the additional income generated will largely be offset by costs incurred to facilitate this, leaving a modest net contribution to the budget from 2020.

Ryevitalise External Funding

- 8.3 Officers are confident that another £200k of external funding can be raised over the 4 year project, reducing the revenue requirement from its current worst case scenario position of £556.8k to £356.8k. The proposed budget reflects this position, but it remains a risk.

9. **Staffing**

- 9.1 Members will be aware of the recent decision to confirm Briony Fox as the new Conservation Director. She will also oversee the work of the Polyhalite team. It will be necessary to appoint a new person to manage the Polyhalite Project on a day to day basis on a senior (but not Director) level).
- 9.2 While the basic structure of the Department will remain the same with two Heads reporting to the Director (Cultural Heritage and Natural Environment) there will be some minor clarification of the latter's job role. It is also seen as highly desirable to strengthen core ecological expertise; it is envisaged that the final decision about this should be made when the outcome of the Ryevitalise HLF bid and four other grant bids are known, by end March 2019. No extra costs are implied by any decision to date.
- 9.3 The retirement of the Director of Park Services and the fact that his replacement is internal has given the opportunity for a minor reorganisation within the Department to bring in more logical reporting lines, and enhance the responsibilities of a number of staff. These changes are cost neutral with the exception of the Car Park Operations Managers which is described below.

10. **New Ranger Service Post – Car Park Operations Manager**

- 10.1 This post will lead on the design and implementation of targeted improvements across our network of car parks. A full time post is proposed, initially on a 3 year fixed term contract, which will allow sufficient time for the post holder to demonstrate that the post will continue to deliver a clear financial surplus. The post will have very clear objectives, including stretching income targets. Supporting objectives will ensure that income generation targets over and above existing ones are met or exceeded, in a way that reflects the Authority's values.

Progression through the Authority's existing pay structure will be linked to performance through the existing appraisal scheme, but with an emphasis on achieving income targets over the 3 year period.

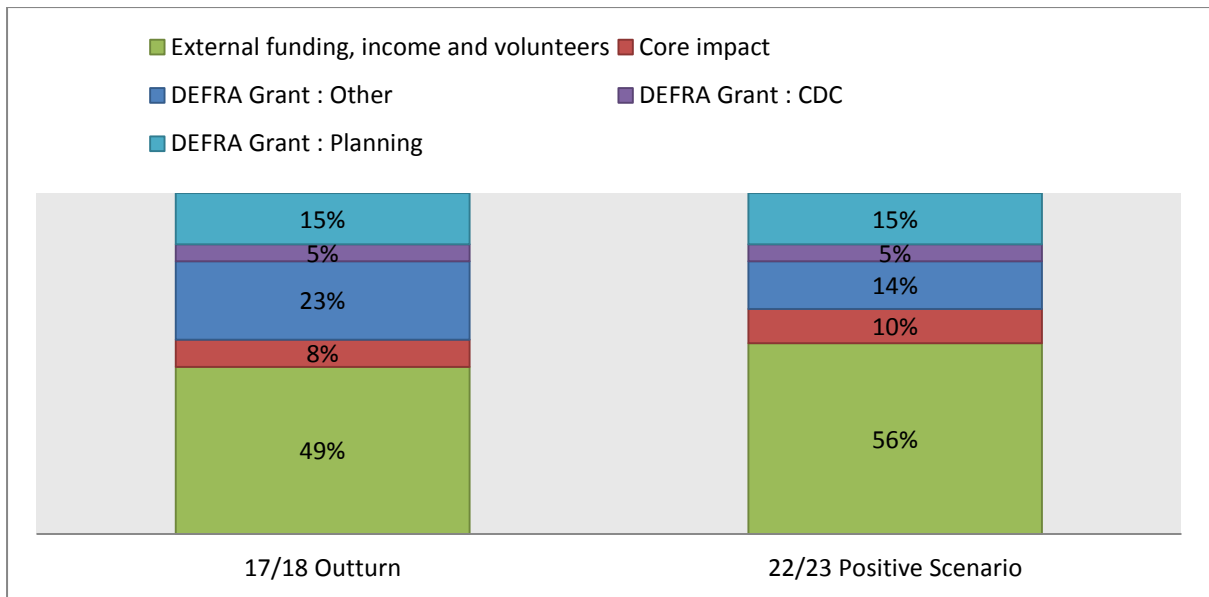
- 10.2 At the end of the fixed term, the Authority will have the opportunity to review the effectiveness and value delivered by the post and take a decision with a view to extending or terminating the post. The Car Parking Operations Manager will identify the best opportunities and deliver the improvements over the 3 year fixed term period (with the support and direction of the Head of Recreation and Ranger Services).
- 10.3 It is recommended that this post receives a salary of circa £30k per annum. This is to be funded from two different sources: (a) from savings related to the appointment of the new Director of Park Services, and (b) from a capital sum of £100k made available for investment in car parking operations.
- 10.4 It is recommended that the £100k is made available from underspend on the buildings reserve, as noted in the reserves table in 7.5.

11. Financial and Staffing Implications

- 11.1 The budget has been set considering the pressure on core resources to deliver. The budget will be the largest ever set by the Authority once again, and consideration needs to be given to how much can be delivered by the core resource funded by the DEFRA grant.
- 11.2 Pay and general inflation are now exceeding the DEFRA grant, resulting in a cut in Government funding in real terms.
- 11.3 The Authority is increasingly using external funding and volunteer resources to help achieve its aims. The inclusion of volunteers demonstrates the full value of resources deployed:

	19/20 £000s	20/21 £000s	21/22 £000s
Total Cash Expenditure	9,341	9,924	9,483
Volunteer Time	1,331	1,500	1,500
Total Resource Deployed	10,672	11,424	10,983

- 11.4 The graph below demonstrates the impact of external funding on core resource, and is the context in which this budget is presented.



12. Contribution to National Park Management Plan

12.1 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.

13. Legal Implications

13.1 The Authority has to set a balanced budget by 31 March 2019 and this report is part of the process to be undertaken in order to ensure that this is done.

14. Recommendation

14.1 That Members note the draft proposals for the budget 2019/20, comment on the contents of this report for onward transmission to the NPA in December.

14.2 That Members note year 2 and 3 of the indicative budget with further onward work required.

14.3 That Members approve the reallocation of the £100k underspend on the building reserve to fund improved car park site management, as detailed in paragraph 10.

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Appendix 1

Breakdown by Function	2019/20 Budget	2020/21 Budget	2021/22 Budget
Expenditure	£	£	£
Conservation Of Cultural Heritage	1,427,080	518,070	315,490
Conservation Of The Natural Environment	1,137,610	1,686,340	1,691,990
Corporate Management	1,353,880	1,413,360	1,395,220
Development Control	538,390	546,740	555,240
Forward Planning	366,880	364,670	251,490
Information	1,087,070	1,126,320	1,146,830
Polyhalite	1,614,010	2,314,200	2,158,320
Rangers	679,770	688,840	699,300
Recreation Management	1,000,320	1,046,470	970,400
Resources (DEFRA Grant)	0	0	0
Contribution to reserves	100,000	150,000	200,000
Inflation contingency	36,000	69,000	99,500
Total Expenditure	9,341,010	9,924,010	9,483,780
Income			
Conservation Of Cultural Heritage	-1,130,230	-383,740	-13,250
Conservation Of The Natural Environment	-460,750	-944,490	-943,520
Corporate Management	-190,000	-210,000	-360,000
Development Control	-274,250	-274,250	-274,250
Forward Planning	-35,360	-15,360	-15,360
Information	-340,240	-342,240	-362,240
Polyhalite	-1,614,010	-2,314,200	-2,158,320
Rangers	-4,480	-4,480	-4,480
Recreation Management	-716,500	-716,500	-716,500
Resources (DEFRA Grant)	-4,381,730	-4,456,430	-4,531,730
Total Income	-9,147,550	-9,661,690	-9,389,650
Deficit	193,460	262,320	94,130

Recharges from Corporate Services to functions are still to be completed

Appendix 2

Breakdown by Subjective	2019/20 Budget	2020/21 Budget	2021/22 Budget
Expenditure	£	£	£
Employees	3,585,350	3,619,150	3,497,830
Premises	408,750	408,750	358,750
Transport	189,050	189,050	184,250
Supplies & Services	2,543,050	2,274,060	2,085,330
Grants	521,600	541,600	541,600
Third Party	343,200	358,200	358,200
Polyhalite	1,614,010	2,314,200	2,158,320
Contribution to reserves	100,000	150,000	200,000
Inflation contingency	36,000	69,000	99,500
Total Expenditure	9,341,010	9,924,010	9,483,780
Income			
Other Grants	-1,454,330	-1,023,770	-804,310
Sales	-212,250	-214,250	-234,250
Lettings	-97,370	-99,370	-99,370
Booking Fees	-61,300	-61,300	-61,300
Car Park Income	-511,000	-511,000	-511,000
Planning Fees	-274,250	-274,250	-284,250
Other Income	-110,080	-100,080	-100,080
Donations & Sponsorship	-10,000	-30,000	-80,000
Investment Income	-40,000	-40,000	-40,000
Capital Receipts	-15,360	-15,360	-15,360
External Match Funding	-265,870	-421,680	-269,680
S106 staff recharge	-100,000	-100,000	-100,000
Income Challenge			-100,000
DEFRA Grant	-4,381,730	-4,456,430	-4,531,730
Polyhalite	-1,614,010	-2,314,200	-2,158,320
Total Income	-9,147,550	-9,661,690	-9,389,650
Deficit	193,460	262,320	94,130

Appendix 3
Proposed 19/20 Budget

Breakdown by Function	2019/20 Balanced Budget
Expenditure	£
Conservation Of Cultural Heritage	1,403,580
Conservation Of The Natural Environment	1,065,110
Corporate Management	1,353,920
Development Control	538,390
Development Control General	0
Forward Planning	319,880
Information	1,087,070
Polyhalite	1,614,010
Rangers	679,770
Recreation Management	960,320
Contribution to reserves	100,000
Inflation contingency	36,000
Total Expenditure	9,158,050
Income	
Conservation Of Cultural Heritage	-1,130,230
Conservation Of The Natural Environment	-460,750
Corporate Management	-190,000
Development Control	-284,750
Forward Planning	-35,360
Information	-340,240
Polyhalite	-1,614,010
Rangers	-4,480
Recreation Management	-716,500
Resources (DEFRA Grant)	-4,381,730
Total Income	-9,158,050

Reserves	18/19 Closing Bal Forecast	19/20 Cont	19/20 Spend	19/20 Bal	20/21 Cont	20/21 Spend	20/21 Bal	21/22 Cont	21/22 Spend	21/22 Bal
S106	-287		143.5	-143.5		143.5	0		0	0
TELI	-203		63.5	-139.5		139.5	0		0	0
NYMNR	-30		30	0		0	0		0	0
Emergency	-320		0	-320		0	-320		0	-320
Restricted and Committed	-840	0	237	-603	0	283	-320	0	0	-320
Buildings	-250		125	-125		125	0	-30	0	-30
Assets maintenance	0	-54	50	-4	-54	50	-8	-74	84.75	2.75
Ryevitalise	-153		38	-115		38	-77		38	-39
Sutton Bank VC	-278		278	0		0	0		0	0
IT & Vehicle Replacements	-52	-46	75	-23	-96	119	0	-96	73.5	-22.5
Income generation car parking	-100		25	-75		50	-25		25	0
Member Approved	-833	-100	591	-342	-150	382	-110	-200	221.25	-88.75
General Unallocated Reserve	-169	-36	76	-129	-69	0	-198	-99.5	0	-297.5
Total Reserves	-1842	-136	904	-1074	-219	665	-628	-299.5	221.25	-706.25