7. <u>BUDGET 2017/18 (A137/PN)</u>

Purpose of the Report

1. This report presents the formal budget approval for 2017/18 following approval of the approach to investing in delivery of the Authority's Corporate Strategy presented to Members on May 27th 2016, and the Member Workshops in October and November 2016.

Recommendations

2. **That:**

   1. **the base budget for the 2017/18 financial year shown in Appendix 1 and 2 be approved, which incorporate the investment allocations shown in paragraph 9 of the report.**

   2. **the additional baseline allocation of £15,000 per annum and the one-off allocation of £180,000 in paragraph 10 of the report be added to the existing delegations (Authority Minute 20/16) to the Leadership Team, working with the Chief Finance Officer.**

   3. **the financial position of the Authority in the period up to March 2020 be noted as explained in paragraph 11 of the report.**

How does this Contribute to our Policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for the 2017/18 financial year. This year will be the fourteenth year that National Park Grant has been funded directly at the 100% level from central government. In previous years, 25% of the Grant was financed from a levy on constituent councils, although the funding was still provided centrally by the Department of Environment, Food and Rural Affairs (Defra) to Local Authorities. The Authority's levying powers remain and are in theory capable of being used in the future, although in the past they have always been used by way of joint agreement between Defra and the Department of Communities and Local Government, with a corresponding mutual funding arrangement so that the cost of National Parks was not borne by local taxpayers. Although they remain unused, it is considered that retaining levying powers is an important consideration in terms of the Authority's ability to recover VAT as a Section 33 body, within the same VAT regime as other Local Authorities, as well as its utility as a funding mechanism being preserved in statute.

Background

4. The 2017-18 budget year forms the second year of the new Spending Review period of 4 years up to March 2020.

The 2017/18 Settlement

5. The previous Chancellor's Autumn Statement on the 25th November 2015 confirmed that resource savings of 15% in real terms would be achieved by the Department of Environment, Food and Rural Affairs over the next Spending Review period, however within this announcement there were a number of commitments to investment, amongst which was a welcome headline announcement that there would be "protection" of over £350m funding for public forests, National Parks and Areas of Outstanding Natural Beauty over the Spending Review period.

   As a consequence of this announcement Defra issued a settlement letter on 21st January 2016 giving a four year settlement figure for National Park Grant showing that the Grant would be protected in real terms over the Spending Review period (see table below). The inflation measure used to calculate the real terms protection is an annual increase of 1.72% over the period.

	2015-16	2016-17	2017-18	2018-19	2019-20
	£	£	£	£	£
National Park Grant	**6,257,122**	**6,364,744**	**6,474,218**	**6,585,575**	**6,698,847**
Increase - £	-	107,622	109,474	111,357	113,272
Increase - %	-	1.72	1.72	1.72	1.72

In the Autumn 2016 Statement the new Chancellor confirmed his expectation that departmental spending plans set out in the 2015 Spending Review would continue to be delivered.

Defra have re-confirmed in December 2016 that the settlement letter can be relied upon for financial planning during the whole period, unless “exceptionally, there is another Spending Review for some unforeseen reason”.

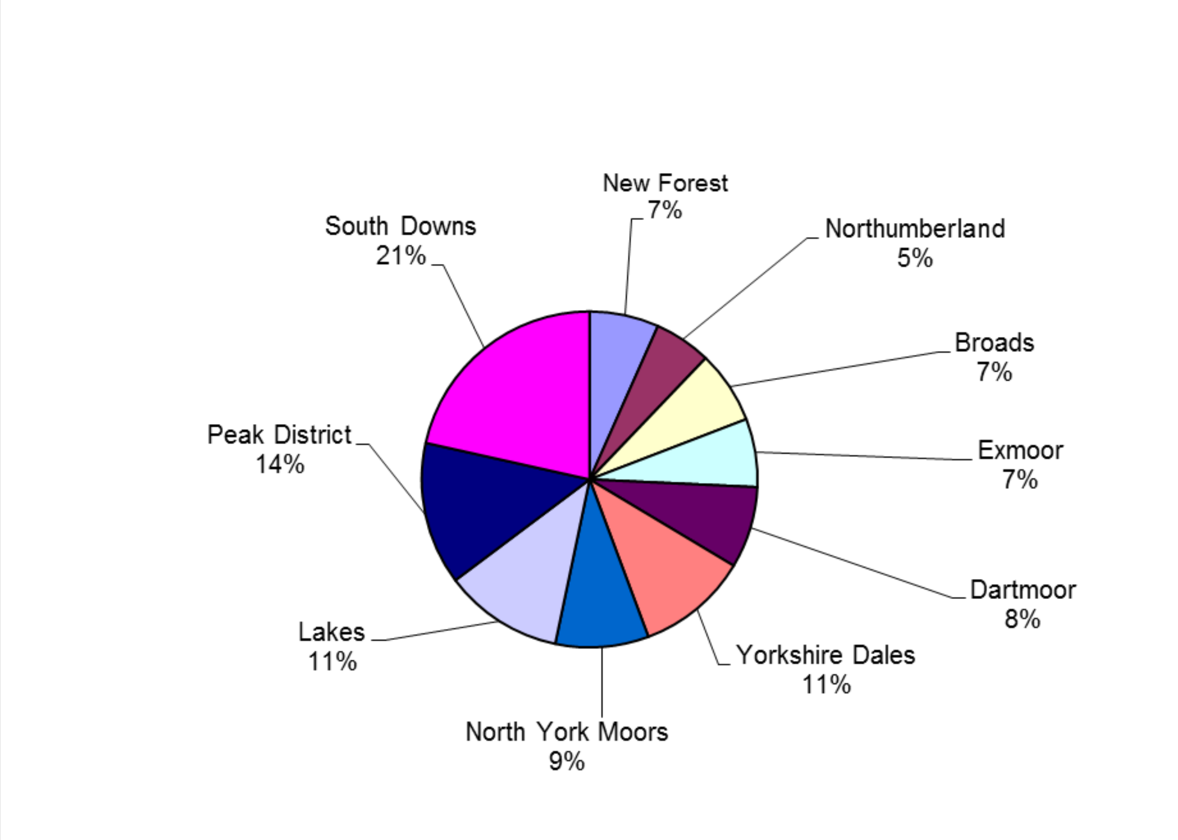
The original settlement letter contained a number of key points:-

- That the protection referred to in the Chancellor’s *[George Osborne’s]* statement is in real, not cash, terms, and includes an allowance for inflation
- The *[ex]* Minister, Rory Stewart, states in the letter that “this settlement reflects the huge value the Secretary of State and I attach to the National Parks and how impressed we have been by the impact that the Authorities are having across a whole range of important issues, including: natural capital, ecosystem services, water catchment, rural business and food production, and community engagement”
- That Defra “very much look forward to working with Members and Chief Executives in the delivery of Defra’s priorities and in particular the 25 Environment Plan and a new Plan for the National Parks”.
- In previous settlements caution has been expressed about future years being “indicative” figures, with the possibility of being changed, but the letter does not contain any provisos of this nature.

The figure quoted for 2017/18 is therefore the basis on which the budget has been set.

The welcome protection in the new Spending Review settlement follows a period of year on year reductions in National Park Grant from 2010-11 up to 2015/16, leaving our National Park Grant in 2017/18 at a cash level £1.8m below its 2010/11 figure, or in real terms, taking account of inflation over the period, a £3.6m cut, with the Grant now at approximately 65% of its previous spending power in 2010/11.

6. The Yorkshire Dales and Lake District boundary extensions have resulted in their 2017/18 grants being further increased by 11.32% and 2.2% respectively, with the other English Parks increases being capped at the chosen inflation rate of 1.72% - the boundary extension elements being about £436,000 for the Dales and £27,000 for the Lakes in cash terms. The % distribution of £47.1m of National Park Grant between English Parks has very slightly changed as a result:-



Financial Planning for 2017/18: Setting a Balanced Budget – Revenue

7. As a consequence of the four year settlement, and confirmation that proposed reductions in the 2016/17 baseline would be achieved, Members were appraised in the Chief Executive's report of May 2016 of the investment opportunities in support of the Authority's strategic framework. These comprised the possibility of a baseline allocation amounting in total to £320,000 per annum for the four year period (and continuing beyond), and the availability of one off investment sums of £595,000; the total investment within the four year period being £1,875,000. In May 2016 the Audit, Resources & Performance Committee approved a further one off investment sum of up to £200,000 subject to finalisation of the figure in the outturn; the final figure subsequently being confirmed at £176,000. The final one-off allocation figure is also affected by when the baseline allocations are implemented, so the total available is also supplemented by approximately £379,300 based on current proposals. The total one–off allocation figure for financial planning purposes is therefore £1,150,300.

8. In May 2016 Members approved one off immediate allocations of £269,500 and baseline allocations of £236,500 (Table 4 of the May report: Authority Minute 20/16) and in Table 5 of the same report approved the basis on which further investment proposals would be developed for the remaining sums, delegating the detail to the Leadership Team working with the Chief Finance Officer, with the proposals to be incorporated into the annual Budget approval process. Members received details of the proposed allocations at Strategic Advisory Group meetings and were invited to comment on proposals as part of the two workshops in October and November.

A summary of the proposals is shown in the table below and the individual allocations are presented in Appendix 5 of this report, should Members have any questions about their nature.

9.

Baseline £,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Total**
Immediate allocations Minute 20/16	102.5	48.5	28.5	57	**236.5**
Developing Knowledge & Expertise	15.5	51.4	-	-	**66.9**
Developing the Commercial Programme	-	-	-	-	**-**
Developing and enhancing the way we work with communities and partners	-	-	-	-	**-**
Ensure our asset portfolio is at a standard fit for the Corporate Strategy	-	5	-	-	**5**
Annual Total	**118**	**104.9**	**28.5**	**57**	**308.4**
Remainder to allocate (i.e. from the £320,000 available)					**11.6**

One-off allocations £,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Total**
Immediate allocations Minute 20/16	114	53.5	34	68	**269.5**
Developing Knowledge & Expertise	16	165	33.2	21	**235.2**
Developing the Commercial Programme	-	87	75	-	**162**
Developing and enhancing the way we work with communities and partners	-	45	45	25	**115**
Ensure our asset portfolio is at a standard fit for the Corporate Strategy	-	148	135	-	**283**
Annual Total	**130**	**498.5**	**322.2**	**114**	**1,064.7**
Remainder to allocate (i.e. from the £1,150,300 available)					**85.6**

10. Members will be aware from the workshops that the 2017/18 budget forecasts were influenced by a number of assumptions which had to be made, dependant on future announcements:-

a) That National Park Grant remains as allocated in the Defra letter.
b) That normal incremental progression is assumed for staff and incorporates an estimated pay award of 1%.
c) That the actuarial valuation of the pension scheme would result in an increased employer superannuation cost of £100,000 per annum.
d) That interest rate assumptions are assumed to remain at low levels but an increase of £10,000 is assumed arising from higher cash holdings.
e) Revised income targets and savings are achieved.
f) An apprenticeship levy of £25,000 was assumed based on current pay levels

With the exceptions of c) and f) the assumptions have been proved to be sound. In respect of c) we received confirmation in January that the pension cost increase was less than feared, with the pension fund deemed to be 92% funded compared to the 88% of three years ago, and as a result the employers' superannuation costs will only be increased by £40,000 p.a., saving £60,000 per annum compared to the original assumption. Because the fund is not yet 100% funded there is a likelihood of further increases at the next valuation in 2020, although much depends on the performance of the underlying assets and discount rates used to determine the liabilities. For purposes of financial sustainability it is proposed to retain the capability to finance any future increases from this £60,000 baseline allocation, but despite this it does mean that there is a three year one-off allocation figure of £60,000 x 3 = £180,000 available for adding to the one-off allocation total.

Similarly, in respect of f) the apprenticeship levy has a levy-free employers allowance of £15,000 which was not anticipated, adding a further £15,000 p.a. to the baseline figure available.

It is proposed therefore that these additional sums are added into the investment proposal totals if Members support Recommendation 2; the totals now being:-

One – off allocations remaining*	**265,600**
Baseline allocations remaining (per annum)	**26,600**

*The precise amount of the one-off allocation remaining will however depend on when the baseline allocation is made.

It is also possible that the 2016/17 outturn may allow additional allocations to be considered and Members will decide their approach to these in the May Audit and Resources Committee outturn report.

11. **The Financial Position up to March 2020**

	£,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Net Baseline Budget (after all external income is accounted for)	5,911	6,020	6,110	6,192
	Financed by:-				
	National Park Grant	(6,365)	(6,474)	(6,586)	(6,699)
	Interest Receipts	(30)	(40)	(50)	(65)
	Funds (from) to Reserves	(32)	0	0	0
A	**(Surplus) Deficit**	**(516)**	**(494)**	**(526)**	**(572)**
	Baseline Allocations	118	223	252	309
B	**Baseline Budget**	**(398)**	**(271)**	**(274)**	**(263)**
	One – off Allocations	130	499	322	114
C	**Financial Planning Budget (Surplus) Deficit**	**(268)**	**228**	**48**	**(149)**
	2016/17 Outturn reserve	(176)	-	-	-
D	Reserve Balances – investment allocation remaining	(444)	(216)	(168)	(317)

The table above shows the underlying current baseline budget at row A, and the new Baseline Budget at B arising from the new baseline allocations. It can be seen that in 2019/20 the baseline budget is still in surplus, giving an initial resilience if there is a non inflation protected settlement in the next Spending Review. This positive position is mainly the result of the decision to continue with the planned baseline reductions in 2016/17. The actual budget position is now reflected at Row C, taking account of the impact of the one off allocations. The phasing is such that the budget can be demonstrated to be balanced over the current Spending Review period by carrying forward the unused surpluses from reserves. Row D shows the reserves position, but is likely to be less than these sums, as the sums include the remaining one-off and baseline allocations yet to be determined mentioned in paragraph 10 above.

In approving the 2017/18 budget members will be approving a budget which shows that the deficit of £228,000 in row C is fully financed from part of the £444,000 surplus carried forward from 2016/17.

12. In respect of the 2017/18 budget, Members may wish to note the following:-

The budget headings contained within Appendix 1 may change slightly in future as final budget structures for the new Heads of Service are confirmed. The changes will not be significant, as the budget is structured and reported according to business units/activities and the agreed functional headings for National Parks, but there may be amalgations in the budgets currently showing in their “old” structure format, which will be finalised during 2017/18.

The budgets which may be presented differently are likely to be:-

- An amalgamation of the “Rural Economy” and “Natural Environment” budgets
- The allocation of estates-related woodlands to the respective estate budgets
- An amalgamation of the Outreach development and Ranger budgets
- Finalising the precise split in the new areas of marketing communications and fundraising development

13. In line with previous committee resolutions, understanding the full cost of our individual properties is an important aspect of Local Authority governance and property management and the recent improvements in accounting for these properties as business units will continue. Some re-calculations may be necessary as a result of the different management inputs into the properties, and the full cost of the properties also depends on a complex support service recharge model, the calculations for which were made in 2013 and may also need to be updated in due course: the calculations are sufficient for current purposes.

A number of properties and business units have financial objectives expressed in terms of the extent to which they cover their costs, and the objectives set and incorporated into the budget for these activities are shown in the table below.

Service	Financial Objective	Minute Reference
Warslow Estate	100% Full Cost Recovery	Authority 57/14
North Lees Estate	93% Full Cost Recovery	ARP 16/15 and 53/15
Minor Properties	Break – even on direct costs	Authority 57/14
Cycle Hire	94% Full Cost Recovery	ARP 16/15 and 54/15
Footpaths team	Break – even on direct costs	Approved Budget
Visitor Centres	70% Full Cost Recovery	ARP 16/15

The Authority depends on some £2.2m of externally generated income (fees and charges) to balance its revenue budget, principally to maintain its Recreation Management and Promoting Understanding outcomes, but increasingly also to sustain its core services. Services with income targets are expected to increase targets routinely to cope with pay and non-pay inflationary increases in order to maintain margins and stay within established financial objectives, as well as accommodate additional targets approved as part of coping with reduced grant levels. The following considerations were made in reviewing the principal areas of income risk:-

- Learning Team. Now forming the new Outreach Development service, the income targets for the Learning & Discovery team are set to achieve a net budget of £145,000 p.a. which is consistent with the decision by Members when Losehill Hall was sold, indexed by inflation, but with some small savings through relocation to Aldern House and relinquishing of a dedicated vehicle.

- Visitor Centres. The budget for 2016/17 was increased by a target of £30,000 as part of seeking to achieve a higher percentage of cost recovery of the service against its full cost. The service has found savings and additional income totalling £130,000 over the last four years. With estimated corporate support service costs of £110,000 the gross expenditure budget is £836,000 of which income is estimated to be £583,000, representing 70% of the full cost of the service. The Castleton project will be operational in 2017/18.

- Cycle Hire. The financial objective for the service to work towards full cost recovery requires the service to make a surplus above its direct costs, in order to cover the estimated corporate support service costs of £58,000. Total expenditure for the service of £323,000, and an income target of £304,000, leads to a budget achieving 94% of the full cost of the service; leaving an additional £19,000 to find to achieve 100% full cost recovery. The approach to Cycle Hire in 2016/17 and 2017/18 will be to consider at outturn stage whether the service, if it achieves a budget surplus at year end, should make the £19,000 contribution to full cost at that stage; and consideration will be given in the commercial plan to moving to a 100% full cost target at the budget approval stage.

- Planning Fees. The level of pre-planning charges is estimated to remain at £50,000. In relation to planning fees, on the 21st February 2017 notice was received from the Department for Communities and Local Government that the Authority may increase its fee charges by 20% from July 2017 providing it commits to invest the additional fee income in the planning department. The fee increase, assuming estimated volumes of applications prevail, could be in the region of £50,000. Acceptance of national planning fee structures is delegated to the Director of Conservation and Planning and the Chief Finance Officer and the Director will report to Members on the obligations arising from acceptance of the increase in due course. The fee increase is not therefore shown in Appendix 1 at this stage.

- Footpaths team. The Footpaths team budget has been set to recover in full its direct costs, with the team tasked with finding £106,000 income. There is some risk mitigation in the ability to flex labour costs, because the team is carrying vacancies, but the target remains ambitious in the context of less favourable Local Authority settlements, on which a majority of the income is based.

- Countryside Volunteers team. The team retains its income target of £24,000, although benefitting from the sponsorhip by Tarmac plc in the medium term which allows for additional staffing and vehicle running costs.

- Warslow Estate The Warslow Estate maintains its commitment to achieve full cost recovery, requiring a contribution to the estimated corporate support service costs of £55,000. The total cost of the estate is estimated to be £327,000 and the income estimate therefore is £327,000, representing 100% cost recovery.

- North Lees Estate The North Lees estate has an increased income / cost reduction target in line with the objective to recover the full cost of the estate, requiring a contribution to the estimated corporate support service costs of £38,000. The total cost of the estate is estimated to be £211,000 and the income estimate is £196,000, representing 93% cost recovery.

- Moors for the Future The Authority's allocation of £91,000 does not meet the full cost of the core staff within the partnership and the business plan is reliant upon other external contracts and agreements for funding the core team and the team's activities into the future (as reported to Audit Resources and Peformance Committee). The Authority's allocation represents approximately 29% of the running costs of the team, and the cash sum allocated therefore forms the basis of the financial objective for the team under the current business plan. The significant expenditure shown under the Moors for the Future projects heading reflects the approximate total value of contracts reported in the Operational Plan seen by Members in the separate Audit Resources and Performance report. There is an additional allocation of £5,000 p.a. which represents the Authority's small cash contribution to the Moorlife 2020 proposal. Following a request from the PDNPA's Chief Executive for specific assurance about the funding status of the Moorlife 2020 project a letter has been received on the 9th February from the Permanent Secretary of Defra stating that this project is underwritten by HM Treasury, in line with a more general undertaking by the Chief Secretary to the Treasury issued in 2016. This means that the project can proceed to conclusion with the significant level of European debt the Authority will carry on its balance sheet underwritten by the UK government.

- Car Parking income A revised approach to ensuring that users of our car parks have paid correctly for their usage of our facilities will be in place in 2017/18. This is expected to increase the Authority's car parking income at all sites. The budget has not been increased however, with 2017/18 being regarded as a pilot year, after which our experience of the new initiative will help to inform next year's budget. Any additional income received in 2017/18 will be used to carry out backlog maintenance on the car parks and associated facilities.

- Income levels from trading and fees are monitored by the Budget Monitoring group through the year.

14. (a) The usual small non-pay inflation provision of £15,000 is proposed. This allocation is a very small sum representing 0.5% of the Authority's overall non-pay expenditure and is therefore precisely targeted largely at unavoidable expenditure increases (e.g. utilities bills, audit fees, licences etc) – it does not offer protection from the effects of inflation for the majority of budgets. Bidding for the funds is done at the Midyear Review stage (November).

(b) In addition to the amount paid to an employee, 28% of salary on average is paid as an additional cost to support employer payments to the pension fund (18.57%), and also for employers' statutory National Insurance contributions (varies around 7-14%). Derbyshire County Council Pension fund requires the Authority to pay employers' contributions towards employee pensions of 14% of current employees' total superannuable pay, plus £219,000 p.a. which represents a deficit recovery sum determined by the actuary to ensure the scheme is able to meet its future pension payments to staff. In order to achieve the latter service budgets are charged a combined rate of 15.87% of their employees' gross costs. The 2017 actuarial revaluation means that the employers' pension contributions will increase by £40,000 from 2017/18, with the pension fund considered to be 92% funded. National Insurance payments are based on earnings thresholds and are revised annually by government, and the 2017/18 rates have not changed significantly (last year because of the removal of rebates for contracted-out employees, there was an increase of £115,000).

(c) In respect of estimated pay awards, and increments, a 1% pay award assumption has been incorporated into budgets, as well as incremental progressions due to staff.

(d) For 2017/18 interest receipt expectations are assumed to remain the same, however the estimate has been increased by £10,000 reflecting higher average cash balances. This is not expected to be a high risk increase as 2016/17 levels are already at this figure, although it does depend on cash balances remaining higher than usual. Sums are invested with North Yorkshire County Council (as per the Authority report on Treasury Management).

(e) The new apprenticeship levy is a charge of 0.5% of "National Insurance'able" pay and is considered to be in the region of £10,000 per annum, which has been incorporated into the baseline.

Financial Planning for 2017/18: Capital

15. The Chief Finance Officer's report on application of the Prudential Code for Capital Finance is reported to this Authority meeting, and his day to day responsibility for Treasury Mgt is set within the constraints of the Treasury Management Policy, which forms part of the same report.

16. In December 2015 the Authority approved a revised Capital Strategy paper covering key principles and working assumptions over the next corporate strategy period, and a prospective Capital Programme financed from a combination of borrowing and capital receipts.

17. Following this report the Resource Management Team has delegation to approve projects under £150,000 within the Capital Programme, financed from either borrowing or the Capital Fund. Projects above that sum will require further committee approval. Members have therefore approved borrowing of up to £330,000 for the Castleton Visitor Centre project (ARP Minute 18/16) and £600,000 from the Capital Fund for Trails infrastructure (ARP Minute 51/16), consistent with this Programme. The outturn report to Audit Resources and Performance committee in May contains a summary of all delegated borrowing approvals.

18. Following accounting convention and the introduction of the prudential code for capital finance all capital expenditure is separated from the revenue budget in Appendix 1, and is shown in the capital budget in Appendix 2. The only capital items shown in the Revenue Budget are the debt charges and revenue financing of capital expenditure. Appendix 2 only shows capital expenditure which has been approved.

Financial Planning for 2017/18 – Financial Position - Reserves

19. Clause 25 of Part 2 of the Local Government Act 2003 requires the Chief Finance Officer to report to Members, when calculating the net budget requirement, on the level and adequacy of cash reserves. The full level of reserves is reported to Members in the outturn report in May and the financial accounts to the same meeting. The level of cash

backed reserves are carefully managed and the situation at the end of 2017/18 is envisaged to be:-

£,000	**Actuals at 31/03/16**	**Estimates at 31/03/18**
General Reserve	318	260
Minerals & Legal Reserve	436	400
Restructuring Reserve	242	100
Capital Reserve	1,012	375
Matched Funding Reserve	523	900
Carry forward Surplus	304	0
Slippage	882	900
Specific Reserves	787	375
Total	**4,504**	**3,310**

20. The General Reserve has traditionally been calculated on the basis of a minimum recommended level which is 2% of net expenditure (c. £130,000), with a trading contingency of £75,000, giving a base level of £205,000. The current level is considered to be satisfactory given the current complex mix of activities within the revenue budget. The level of the reserve is reviewed annually to take account of the availability of other reserves, the degree of income risk, the degree of risk underlying budget assumptions, and the availability of other contingencies.

21. The Minerals & Legal Reserve contains funds anticipated to be required to handle a number of minerals cases over the spending review period and the levels potentially required are kept under regular review by Resource Management Team. The impact of other legal cases pursued by the Authority (eg Rights of Way and Compulsory Purchase Orders) has been added to the scope of this reserve. The reserve needs to be maintained at a level which allows a degree of financial resilience in handling a number of cases without immediate recourse to re-allocation of baseline resources which would disrupt other priorities.

22. The Restructuring Reserve is used for statutory redundancy and superannuation fund shortfall payments and was essential in providing the one-off resources needed to support the transition to a lower baseline and restructuring. The future of the reserve will be considered once the current structure review has been completed.

23. The Capital Reserve is only available to support capital expenditure, although the previous Chancellor's 2015 Autumn statement announced that some revenue expenditure could be eligible for financing revenue reform projects, on request to the Department of Communities and Local Government. The ability of Local Authorities to use capital funds in this way is called a Section 16 2 (b) Capitalisation Direction, and is a discretion granted to the Secretary of State, usually confined to strict criteria controlled by DCLG. It is not considered necessary for this Authority to seek an application. The level of the reserve has increased following the sale of a number of woodlands, Warren Lodge and Losehill Hall bungalow. The Capital Strategy estimated capital receipts of up to £1.7m could be available for allocation to the Capital Programme in the period up to 2019, and the estimated reserve level shown is based on a balance between receipts estimated to be received by 31/03/2018, and capital expenditure proposed to have been spent. A base level of £50,000 is considered to be an acceptable minimum allowing a small cash reserve for emergency capital expenditure; it is also desirable to maintain the capability to

substitute some of the reserve (e.g. £100,000 p.a.) to replace revenue financed capital in order to allow some flexibility for emergency revenue sums.

24. The Matched Funding Reserve is used to earmark funds for commitments already made for matched funding payments to external funding projects, and has also been used as the temporary home for one-off sums requiring agreement on allocation against priorities. The timing of expenditure for the approved allocations varies, with the earmarked sums for future years retained in the reserve. The reserve will increase in size over the medium term period, mainly because of the investment sums reported in paragraph 8 to 10 above, but also taking account of the fact that there are some large matched funding requirements over this period as well.

The Carry Forward Surplus is not a separate reserve but is a sum retained within the General Reserve; these were the funds earmarked specifically to be used as a contingency against the ability for the Authority to balance the revenue budget in any one year, in the context of year on year reductions in core grant and correspondingly higher risk budget assumptions. Following the Spending Review the Carry Forward Surplus was not considered to be required as a contingency and was therefore incorporated into the investment allocation sums in paragraph 8 to 10 above. It will therefore be incorporated into the Matched Funding Reserve level and not reported separately, until spent.

25. The Slippage Reserve is a temporary year-end balance arising from the deferral of expenditure between financial years. The funds are all committed and are allocated into budgets in the next financial year, once slippage requests have been approved at the May Audit, Resources and Performance (ARP) committee. The level is expected to remain about the same.

26. The Specific Reserves are used to support individual service areas and each reserve's objective and planned usage is reported to the ARP committee in May. Specific reserves, although earmarked for specific purposes, are available to support any Authority priorities as required in an emergency, subject to any commitments already made from them. As tighter financial objectives are set for the property portfolio and other business units, it is considered important that the property managers have access to and from a specific reserve, to allow them to manage and achieve their financial objective between financial years without impacting on corporate reserves.

27. Under the circumstances prevailing in the last Spending Review, and until recently as forecast in the next Spending Review, the Chief Finance Officer was of the opinion that these reserves were essential to give confidence that budgets could be balanced in future years, in the context of continuing revenue grant cuts; noting a greater dependency on variable income sources, and also the fact that the cumulative impact of savings made decreased the resilience of the remaining budgets and therefore increased overall risk. Higher than usual reserve levels were a necessary consequence of future uncertainty over resource provision, and Defra acknowledged the challenging nature of these reductions and the Authority's efforts in dealing with them.

Because of the welcome 4 year settlement announcement, the Authority has shifted the emphasis of its reserves from supporting the transition to a newer smaller baseline, to supporting the new corporate strategy priorities and managing any temporary earmarked funds through the reserves until they are deployed on achieving National Park purposes. The settlement allows us to build on the valued government grant to achieve one of the Authority's directional shifts, which is to grow income and diversify our funding, to try and regain some of our lost spending power. It will be some time before "normal" reserve levels are achieved, and there will always be a need to ensure that reserve levels are strong when public funding rounds are heavily influenced by cyclical economic circumstances. Reserve levels are only available as one-off sources of finance and cannot be relied upon to balance future budgets except on a temporary basis.

The Authority's ability to make use of the Prudential Borrowing powers is also significantly helpful in achieving invest-to-save proposals, ensuring that access to capital finance allows sensible investment decisions to proceed.

Are there any corporate implications Members should be concerned about?

28. The financial, property, sustainability and human resource implications of the budget are integrated and planned by the Resource Management Team and the budget for 2017/18 includes all relevant matters arising from these plans, as well as all previous Member resolutions.

Risk Management

29. Clause 25 of Part 2 of the Local Government Act 2003 also requires the Chief Finance officer to report to Members, when calculating the net budget requirement, to advise on the robustness of the estimates made. Relevant factors include the previous year's outturn; pay & price increases; pension contributions; the revenue impact of capital investment; realistic income assumptions; the internal financial control environment; audit conclusions; and the overall public sector financing climate. Part of this assurance is gained from the Annual Governance Statement, the Risk Register reported quarterly to Management Team, the Head of Finance's involvement in all financial planning matters, and other relevant discussions with Management Team.

30. The Authority's reliance on external income targets and estimates always remains a key risk area and as is usual, is carefully monitored by the Budget Monitoring Group during the year, especially where additional savings targets have been identified. The Moors for the Future team's continuing ability to handle very significant project expenditure remains important.

31. The Spending Review period has allowed a welcome period of consolidation following some severe reductions, and as a consequence the 2017/18 budget is robust, and can be recommended as such to Members. The medium term outlook is also stable as shown in the report above.

32. **Background Papers** (not previously published)
Defra Settlement Letter 21st January 2016
Letter of Permanent Secretary Defra re Moorlife 2020 project 9th February 2017

Appendices -
Appendix 1 Revenue Budget
Appendix 2 Capital Budget
Appendix 3 Breakdown of baseline budgets
Appendix 4 Explanation of Appendix 1
Appendix 5 Investment Allocations

Report Author, Job Title and Publication Date

Philip Naylor, Chief Finance Officer, 9 March 2017