

AGENDA ITEM No. 10

PEAK DISTRICT NATIONAL PARK AUTHORITY

NATIONAL PARK AUTHORITY MEETING

9 FEBRUARY 2007

CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

PART A

1. BUDGET 2007/08 (A137/PN)

Proposal

1. This report presents the final budget proposals for 2007/08, after the proposals for achieving a balanced revenue budget were agreed by the Authority on the 12th January (Minute 3 /07 refers).

2. RECOMMENDATION:

That:

1. **the budget for the 2007/08 financial year shown in Annex 1 and 2 be approved.**
2. **the staffing proposals arising from the budget – extensions to existing posts; disestablishment of posts; and proposed new posts - identified in Annex 4 be approved, and the staff issues managed through the Managing Change Policy.**
3. **a further report be brought to the Authority for allocation of the remaining contingency.**

Policy/Legal Background

3. The Authority is required to set a balanced revenue budget for the 2007/8 financial year. This year will be the fourth year that National Park Grant has been funded directly at the 100% level from central government, as part of an extension of the original three year trial. During this period the Authority's levying powers remain but are not being used, and our constituent local authorities are not paid corresponding amounts in their own Revenue Support Grants. The basis for the Policies are the statutory purposes, the emerging National Park Management Plan and the Best Value Performance Plan 2006/07, all of which originate from the Environment Act 1995. This report follows agreement by Members of the changes necessary to align resources to priorities outlined in the previous report to the Authority on 12th January.

Key Issues

The 2007/08 Settlement

4. The final settlement was formally announced by Defra on the 20th December 2007 as follows:-

	Grant 2006-07	Grant 2007-08	Increase	
	£	£	%	£
National Park Grant	7,523,177	7,723,294	2.66	200,117
Sustainable Dev Fund	200,000	200,000	0	0
Total	7,723,177	7,923,294	2.59	200,117

To aid interpretation, the table below shows how Defra has managed the overall National Park Grant allocation to the English National Parks over a five year period.

<u>£,000</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Yorkshire Dales accommodation	500				
Broads Authority accommodation	-	270	270	-	-
Broads Waterways navigation	-	-	500	500	500
Access funding*	2,000	1,850	2,875	3,025	3,025
Sustainable Development Fund	1,600	1,600	1,600	1,800	1,800
Defra contingency	1,400	-	71	47	68
New Forest allocation	-	-	3,517	3,623	3,714
National Park Grant (NPG)	31,459	32,036	33,397	34,126	35,132
	36,959	35,756	42,130	43,121	44,239

*now incorporated into the base

6. The main points emerging from the Defra provisional settlement letter are as follows:-
- The Secretary of State (David Miliband) has been encouraged by the constructive engagement of National Park Authorities in the difficult and challenging spending review process.
 - The 2007/08 year is confirmed as a bridging year leading up to the 2007 Comprehensive Spending Review (CSR07) which will inform future allocations in the three year period 2008/09 – 2011/12
 - Defra's overall settlement for 2008/09 could be a "flat cash settlement" however the National Parks' allocations for 2007/08 confirm those announced by the previous Minister Jim Knight in April 2006.
7. Given the size of Defra's departmental budget and structural changes in programmes it is difficult to relate their overall potential allocation for 2008/09 to that which will be ultimately received by National Parks. However given the warnings over flat settlements into the future the budget proposals in this report do not commit the Authority significantly into the 2008/09 year; of the total net extra allocations approved towards priority areas (£195,000) only £39,000 are likely to be recurring, with the remaining not committed beyond the 2007/08 financial year. This will allow a reasonable initial planning buffer if there is a flat settlement in 2008/09. As illustrated in the tables below, the inflationary increase required to maintain services at current levels are in the region of £200,000 p.a.

Special Funding Allocations

8. Several temporary ring-fenced funds are still available. The Authority benefits significantly from these funds, but has always ensured that any expenditure is time limited based on the duration of each funding stream.
9. Defra has confirmed that the Sustainable Development Fund (SDF) Grant is available for another year (£200,000).
10. The Planning Delivery Grant figure for 2007/08 will be announced in two stages during the year – April & June. The numerous performance indicators which dictate the final grant figure do not necessarily reflect National Park criteria but the Authority will need to receive an overall grant of £100,000 to meet current expenditure plans. The first tranche, which will be finalised in April, was a provisional £8,129 for this Authority. The second larger tranche will be allocated in June and will need to be at least £91,871 to achieve current plans; the contingency left unallocated is in part aimed to meet any shortfall which could arise.

Financial Planning for 2007/08: Setting a Balanced Budget – Revenue

11. The paper to the 12th January Authority meeting specifically addressed in some detail how the Resource Management Team have balanced the budget for 2007/08, and the areas in which those resources were being adjusted related to the steers from Members at the Finance Seminar on 10th November 2006. A summary of the broad movements in resource allocations required is shown below.

Changes in Resources planned for 2007/08	£,000 increase (decrease)
Inflation increases (permanent staff and non-pay)	198
Staff fixed term contract extension and workforce planning measures (i.e. required to maintain priority areas of work)	223
Staffing decreases – delivering services differently	(118)
Growth in priority areas	42
Reductions in services	(48)
Extra income targets and efficiency savings	(110)
Other adjustments to baseline (e.g. removal of one – off allocations)	(36)
Contingency	49
Additional National Park Grant	(200)
Balance	0

12. Since the 12th January report there has been one additional resource allocation agreed by Resource Management Team, as follows :

Additional allocation	£,000
Destination Management System (DMS). Revenue support to the Destination Management Partnership for central costs of this system as part of the Service Level Agreement which all other authorities have now committed to sign	5
Total	5
<i>Financed by:-</i>	
Reduction in the contingency	(5)

13. The Resource Management Team will at the conclusion of the 2007/08 budget, begin to address the next stage of balancing the Authority's revenue budgets over the medium term, bearing in mind the pressures on finances over that period. It is hoped that this planning will be able to include assumptions on at least inflationary increases in National Park Grant from the 2008/09 year onwards following the results of the government's comprehensive spending review in 2007; however it may be that we have to plan for no inflationary increases, if the broad comment in the settlement letter about proposed future flat cash settlements for Defra translates into similar proposals for National Parks.

Financial Planning for 2007/08: Capital

14. The Chief Finance Officer's report on application of the Prudential Code for Capital Finance is contained in a separate report to this meeting. The authorised limit remains at a low level reflecting the early development of the capital strategy informed by the agreed Asset Management Plan action plan. Other National Park Authorities are similarly cautious with their borrowing plans, with only one other National Park intending to borrow in 2007/08.
15. Where projects fall below the financial limit requiring committee authority (£100,000) borrowing will only be done on the basis of an agreed business case in accordance with delegated authority, but consistent with the authorised limit /operational boundary set by Members in the above mentioned report. Without placing extra constraints on the normal decision making process, it is considered that the only projects for which borrowing will be undertaken before the capital strategy is fully in place, other than those which will go to committee separately in their own right, will be spend-to-save projects where there is a clear value for money advantage in the use of borrowing and where capital funds are not otherwise available from other cash reserves or from revenue funding.
16. Following accounting convention and the introduction of the prudential code for capital finance all capital expenditure is separated from the revenue budget in Annex 1, and is shown in the capital budget in Annex 2. The only capital items shown in the Revenue Budget are the debt charges and revenue financing of capital expenditure, shown below the total Net Operating Expenditure at the bottom of the page. In future, capital charges reflecting the use by services of capital assets (i.e. depreciation charges) may be allocated to services' budgets in line with standard accounting practice.
17. The only significant area of new borrowing arising in 2007/08 will be a loan to finance the replacement of old vehicles as reported to the Services Committee (Minute 45/06 Services Committee 29th September); assuming the business case for purchase rather than leasing is supported by Resource Management Team. This scheme represents value for money to the Authority as it is an invest-to-save scheme, with the revenue consequences of the loans financed wholly from savings arising from cessation of rental payments. The Authority is likely to make use of the very recently negotiated Central Vehicle Purchasing Framework led by the Office For Government Commerce (OGC) to achieve significant savings, following a successful meeting with their fleet manager this month.

Financial Planning for 2007/08 – Financial Position - Reserves

18. 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 June and the financial accounts to the same meeting. The level of cash backed reserves which are not committed funds are carefully managed and the situation for 2007/8 is envisaged to be:-

£,000

General Reserve	238
Capital Reserve	611
Specific Reserves	300
Total	<u>1,149</u>

19. The General Reserve is above the minimum recommended level which is 2% of net expenditure (c£150,000). The reserve was increased to take account of the need to make provisions for exceptional minerals costs during 2006/07, which could not be accommodated from within the normal revenue provision in the Legal Services budget. The Resource Management Team continuously appraise the risks surrounding the potential costs of defending the Authority's policy positions on minerals extraction in the Park, and the Authority responds to demands by adjusting its cash reserves, or for more significant exposures, its net revenue expenditure as required. The reserve level above takes account of provisions and expenditure required to meet current cases. The minimum level of reserve (£150,000) is considered to be essential to help mitigate and manage any overspending risks in what is a complex mix of activities within the revenue budget.
20. The Capital Reserve is likely to be increased by the sale of a number of assets identified for disposal as part of the Asset Management Plan approved by the Authority Meeting in May 2006 (Min ref:62/06), with the proviso that individual cases will be approved by Committee during the year. The capital reserve is only available to support capital expenditure. A base level of £50,000 is considered to be an acceptable minimum, however the provision of a long term loan guarantee of £70,000 means that the minimum level is considered to be effectively £120,000 during the period of the three year guarantee – up to October 2009. There are no proposals at this stage to use any capital receipts arising in 2007/8, other than for supporting emergency capital expenditure on a case by case basis. It is important that use of the reserve is linked to the asset management plan and Capital Strategy.
21. The Specific Reserves are used to support individual service areas and each reserve's objective and planned usage is reported to Services Committee in June. These reserves include the matched funding reserve and the slippage reserve. Specific reserves, although earmarked for specific purposes, are available to support any Authority priorities as required.
22. The Chief Finance Officer is of the opinion that these reserves are sufficient providing the risk analysis and budgetary control processes undertaken during the year by the Resource Management team is effective.

Resources

23. The financial, property and human resource implications of the budget are integrated and planned by the Resource Management Team and the budget for 2007/08 includes all relevant matters arising from these plans, with appropriate consultations having taken place with Staff Committee representatives and Unison. Annex 4 lists the posts which the Authority are being asked to dis-establish, establish and extend as part of these budget proposals. Some decisions on accepting four voluntary redundancies and dis-establishing three Ranger posts were made at the Authority meeting on 12th January as they come into effect on 1 April 2007. Staff issues are managed through the Authority's Managing Change Policy.

Risk Management

24. 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, and audit conclusions. Part of this assurance is gained from from the Statement on Internal Control published in the Annual Accounts Statement; the Risk Register reported quarterly to Resource Management Team, the Head of Finance's involvement in all financial planning matters, and other relevant discussions with Management Team.
25. The Authority's reliance on external income targets and estimates always remains a key risk area and needs to be particularly carefully monitored in 2007/08. The Authority also needs to be able to respond quickly to any further developments in its minerals development control programme which may add to exposure beyond that already provided for.
26. Notwithstanding the above, and taking account of the retention of suitable contingencies within the proposed budget, the Chief Finance Officer believes that the 2007/08 budget is sufficiently robust.

Human Rights, Equal Opportunities, Health & Safety

27. There are none arising.

Consultees

28. Members have been closely involved during the year in agreeing new corporate outcomes and allocating resources towards those outcomes of higher priority, culminating in their agreement to the revised allocations at the Authority Meeting in January. Service Heads have been involved by their Directors in all stages of the budget preparation process, and have been consulted on this report alongside the Management Team. Staff Committee and Unison representatives have been fully involved as have staff affected by specific proposals.

Enclosures

30. Annex 1 Revenue Budget
Annex 2 Capital Budget
Annex 3 Breakdown of baseline budgets
Annex 4 Dis-establishment, extension and establishment of staff arising from these proposals
Annex 5 Explanation of Annex 1

List of Background Papers (not previously published)

31. None

Report Author

32. Philip Naylor, Head of Finance

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33. 1 February 2007