AGENDA ITEM No. 7

PEAK DISTRICT NATIONAL PARK AUTHORITY

NATIONAL PARK AUTHORITY MEETING

5 FEBRUARY 2010

CHIEF EXECUTIVE & CHIEF FINANCE OFFICER

PART A

1. BUDGET 2010/11 (A137/PN)

Purpose of the Report

1. This report presents the final budget proposals for 2010/11, based on the outline budget approved by the Authority in February 2009 as part of the three year financial plan, and following the finance workshop on 6th November and an update report on 4th December.

Recommendations

2. **That:**

   1. **the base budget for the 2010/11 financial year shown in Appendix 1 and 2 be approved.**

   2. **any proceeds from the sale of assets up to £585,408 be paid to the Capital Adjustment Account, with the effect that these funds remain available for use within the General Reserve, rather than the Capital Reserve.**

   3. **the financial position of the Authority in respect of planning for the following 2011-12 and 2013-14 financial years be noted.**

How does this Contribute to our Policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for the 2010/11 financial year. This year will be the seventh year that National Park Grant has been funded directly at the 100% level from central government, in an extension of the original three year trial. In previous years, 25% of the Grant was financed from a levy on constituent councils, although the funding was still provided centrally by Defra to Local Authorities. 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.

Background and Proposals

The Three Year financial planning process

4. The Authority meeting in December updated Members on progress against the original three year financial plan agreed in February 2009 and proposed the next steps and timetable of key dates in rolling forward the three year planning process between 2011/12 to 2013/14.

5. Members agreed allocating resources towards three priorities in the original 2009/10 budget, which also committed resources for the full three year period, these were:-

A Implementing Management Information Strategy
B Climate Change Action Plan
C Planning Liaison Officer post

Members also agreed to maintain and protect resources allocated to existing activities (e.g. Moors for the Future, Rural Development Programmes, Local Development Framework, Planning, Minerals, Cultural Heritage and Conservation)

Alongside these allocations, a number of reductions in resource were approved. In the December report (Appendix 1) an update of the position was given and the result of these updates is now incorporated into the budget proposal for 2010/11. In addition a number of amendments have been made based on changes in overall assumptions, the principal ones being savings arising from the lower 2009/10 pay award and revisions to pay assumptions for 2011/12 and 2012/13 (c. £80,000 p.a.), and revenue savings in vehicle operations following purchase of new vehicles (£12,000 p.a.).

6. Provision for known significant commitments and prudent planning for potential adverse changes have been allowed for in the assumptions underpinning these budget proposals, and there follows a range of financial planning scenarios. The Authority, especially through ENPAA, will continue to present a strong case to Ministers for the protection and indeed enhancement of National Park Grant including protecting the Sustainable Development Fund. However, the deterioration of public finances suggests that the more damaging scenarios may be possible and it is thus prudent of the Authority to be aware of the possibility of these and plan accordingly.

The main assumptions are outlined below:-

(a) The December report outlined the squeeze on public spending and its possible impact on National Park Grant. Pending further announcements, our planning scenarios remain as:

(i) a 2% cut for each year of the three year period (resulting in a 12% cut in real terms over the period) **or**
(ii) a 0% settlement for each year of the three year period (resulting in a 6% cut in real terms over the period) **or**
(iii) an inflation proofed settlement of 2%.

Last year our planning incorporated the possibility of a 0% allocation for one year; it is a measure of the deterioration of public finances and expectations surrounding the next spending review that (i) and (ii) are not impossible scenarios, with something similar only occurring once in the last 20 years (a -1% and -5% cut in 1995/6 and 1996/7 respectively). Because of this Members approved the principles for reviewing the organisation to achieve a balanced budget over the period to 2013/14 in the December report.

(b) The Authority depends on some £3.3m of externally generated income (fees and charges) to balance its revenue budget, principally to maintain its Recreation Management and Promoting Understanding outcomes. Services with income targets are expected to increase targets to cope with pay and non-pay inflationary increases in order to maintain margins and stay within established financial objectives. Budgets are set on a prudent basis and speculative income sources are not built into base budgets, with the levels set based on review of actual results and consultation with budget holders. Aggressive income budgets would require higher reserve levels to cope with the potential for greater volatility in actuals. Services which manage to exceed income targets as a result however are expected to plan for appropriate levels of preventative maintenance, using their specific reserves as an important tool in medium-term planning. The following considerations were made in reviewing the principal areas of income risk:-

- Losehill Hall. 2010/11 is the third year of the five year business plan. In the first year the Service fell just short of its business target and carried forward an overspend of £32,000, offset against future budgets. In the current year the service is making good progress against income targets with redirection and new marketing of the learning team making the best of difficult trading, although income totals remain lower than budgeted. Whilst this team is in transition, conference income is exceeding its initial targets, helping the budget overall; however there may still be a shortfall in income receipts which will need to be balanced by savings in pay or non-pay areas. There remains concern over the impact of the economy on trading, but the budget monitoring steering group (with four members on the group) is monitoring the position closely.

- Visitor Centres. Recent trading remains good with income levels above budget and a strong specific reserve level.

- Cycle Hire. Appendix 1 of the December report reported that the Field Service would find savings in resources to balance the three year budget. Following a review of the Cycle Hire Service (whose business plan will be reported to a future Committee), the financial objective of the service is being restated to ensure that it also recovers attributable support service overheads as well as its direct operational costs. The proposal requires the service to generate an additional £24,000 p.a., the majority of which is achievable by restructuring staffing in the service, following retirement. In 2010/11 this saving will help meet the resource reduction target approved in Appendix 1 of the December report; in future years it is proposed that the saving supports the extra revenue cost of trails maintenance arising from the Cycling Development Project, approved by Services Committee in December 2009 (Minute 51/09).

- Car Park & Concessions. Prices are reviewed annually; the current assumptions do not assume an increase beyond that needed to cover inflation related cost increases, problems with vandalism and theft, and to ensure that a reasonable level of maintenance provision can be maintained.

- Planning Fees. In planning for the 2009/10 budget there was some concern that recession-based application fee levels would be about 10% down compared to 2008-09 levels, and the need to reflect this anticipated decline in application fees was built into the budget – a £50,000 reduction from the 2008-09 level (i.e. £192,000 vs £242,000 including searches). Current receipts are slightly stronger than anticipated, with outturn in the region of £15 - £20,000 above budget; but the assumed fees for 2010-11 remain at the same budget level. In 2011/12 however this £50,000 reduction is reversed and the estimate for 2011/12 reverts back to £242,000. The treatment of any surpluses arising in 2009/10 and 2010/11 will need to take account of the 2011/12 assumption.

- Conservation Properties and Joint Ranger agreements These income targets, though significant, are set based on contractual commitments / guarantees and are not strictly demand-led, though they are subject to confirmation in negotiations.

- Moors for the Future The Authority's allocation 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. The Authority's allocation represents approximately 50% of the direct core staff cost of the team, and the cash sum allocated therefore forms the basis of the financial objective for the team under the current business plan.

- Income levels will be reviewed as part of analysis of the 2009-10 outturn and will be reported to the Services Committee in the usual June outturn report, together with any changes which might have an impact on the above assumptions. Reviews of income will also take place alongside the organisational review informing the 2011/12 – 2013/14 planning period, as per principle 5 in Appendix 3 of the December report.

(c) A small non-pay inflation provision of £25,000 is proposed. Although inflation is forecast to be very low in 2010/11 this provision represents 0.8% 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. In 2011/12 - 2013/14 onwards a £20,000 provision is provisionally allocated. In practice if settlements are severe this may need to be removed.

(d) There is a concern that the next actuarial valuation effective from April 2011 will result in an increase in employers' superannuation costs and the impact of this revaluation is anticipated to be in the region of a £100,000 increase in employer cost which has been built into the assumptions for that year. This increase is consistent with increases in previous years following actuarial revaluations (1998-2000 and 2002-2004).

(e) The current level of permanent staff resource, after income sources are taken into account, was previously considered to be sustainable over a five year planning horizon assuming National Park Grant levels rose at a similar rate to general inflation, and pay awards were similarly constrained. The potential financial planning scenarios cannot now support this statement, and one of the principles for reviewing the organisation agreed in December accepted that it might not be possible to achieve reductions without reducing the permanent establishment or withdrawing from some services. A significant factor in the sustainability of the permanent establishment will be the level, if any, of pay awards finally agreed during any year National Park Grant is cut or frozen. Staffing costs covered by income sources, either grant aided or trading, are reviewed alongside income forecasts, and are set at levels consistent with the financial objectives for those services. In terms of specific posts the current financial assumptions assume that fixed term contract posts will end, and this assumption affects the Planning Liaison Officer post, and the two Trainee Planner posts which are due to end in 31/03/12, together with the Environmental Management Officer post ending 31/03/2011. Decisions to retain these posts would add a further £92,000 p.a. to the figures presented in the forward budget from 2012/13 (Table 1 below). These however are decisions which will form part of the organisation review, in line with the principles agreed. The recent announcement of a further 0.5% increase (making the total 1%) in employers' national insurance contributions from 1st April 2011 has been taken account of.

(f) In terms of matched funding the two principal allocations retained within the baseline are £86,000 for the contribution to core staffing for the Moors for the Future team and the allocation of £123,000 towards the Live Work Rural project. The current assumption in the figures is that the Live Work Rural allocation will end at the project's completion in 31/03/12, however this will also be part of the future decision making process. It should be noted that the financial assumption is that neither Housing Delivery Grant nor the Sustainable Development Fund will be available from 01/04/2011, although the case for the retention and development of both funds will continue to be made.

(g) The dramatic decline in interest rates has removed approximately £230,000 p.a. from the Authority's finances over the last 2 years and the assumptions on interest rates presented in the November seminar have been reviewed further. Based on current forecasts and a slower rise in interest rates back to "normal" the previous interest rate assumptions for the next 4 year period (1.75%/2.4%/3%/4%) have been deferred by one year, with a more probable base rate assumption of 0.75% now estimated for 2010/11. The total impact of this deferral is £167,000 across the four year period and the figures have been adjusted accordingly. A half percentage movement in interest rates equates to approximately £20,000 p.a. for the Authority.

(h) Resource Management Team have discussed the Minerals Finance Plan in the light of developments in cases heard by the courts and the plan is continually re-assessed. Members are reminded that the Minerals Finance Plan encompasses both assumptions on compensation issues, and on issues surrounding permanent resolution of cases, and that the financing for both of these are based on a combination of cash reserves, anticipated capital receipts, and a provision for borrowing built into the revenue budget. It has been stated in previous budget reports that financing of the capital strategy (i.e. the acquisition / disposal / enhancement of the Authority's property, vehicle and Information Technology assets) is effectively frozen until resolution of the Minerals issues facing the Authority. Recent developments, the resolutions approved by Members in Exempt Minute 79/09 4th December 2009, further work on the Asset Management Plan in February and March, and resources possibly required for the organisation review, will require Members to re-examine and agree their priority for allocating resources between these items before firm allocation decisions are made.

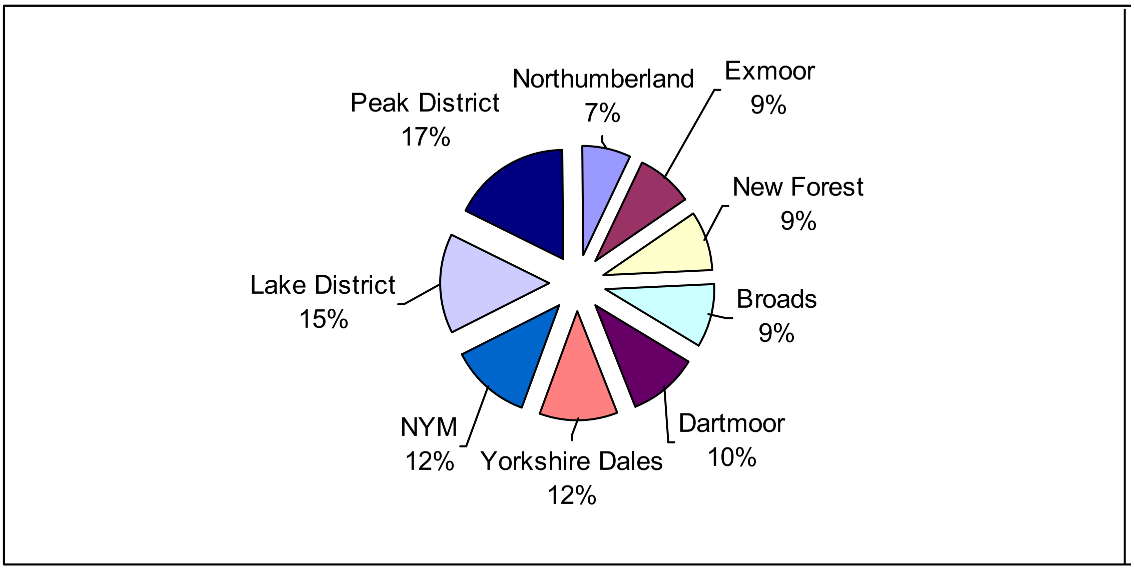
The 2010/11 Settlement

7. The 2009/10 and 2010/11 settlements were announced at the same time as the 2008/9 settlement, in the letter of the – then - Minister (Jonathon Shaw) dated 6th December 2007.

The 2010/11 level was confirmed by Defra by email on the 30th June and the 10th December 2009:-

	2009-10	**2010-11**	**Increase**	
	£	**£**	**%**	**£**
National Park Grant	8,291,549	8,525,067	2.82	233,518
Sustainable Dev Fund	200,000	200,000	0	0
Total	**8,491,549**	**8,725,067**	**2.75**	**233,518**

8. The % distribution of National Park Grant of £47.5m between English Parks is:-



9. The main points emerging from the Defra settlement letter were as follows and are repeated:-

- The Minister (Jonathon Shaw) has, despite severe pressures on the Department, attached huge value to the National Parks; has been impressed by the impact National Parks are having across a whole range of important issues; and has listened very carefully to arguments put to him.

- The National Park Grant will increase in 2010/11 by a further 2.75% , allowing each Authority to receive an increase in core grant in line with the Treasury's inflation forecasts. These figures represent firm intentions, barring any major new pressures arising.

- The share of National Park Grant each Park receives remains constant over the three years, except for the Broads and New Forest which will receive specific funds targeted towards their needs over that period.

10. The confirmation of the final year of the three year settlement is welcome. The uncertainties arising from a general election year, the precise timing of budgets and spending review periods, and the extraordinary state of public finances, are well publicised, and are reflected in our financial planning scenarios, in so far as is possible under the circumstances.

Special Funding Allocations

11. Temporary ring-fenced funds are expected to end. The Authority benefits greatly from these funds, but has always ensured that any expenditure is time limited based on the duration of each funding stream.

12. Defra has confirmed that the Sustainable Development Fund (SDF) Grant is available for 2010/11 at its current cash level (£200,000).

13. The previous Planning Delivery Grant was replaced with the new Housing and Planning Delivery Grant. The PDNPA received £83,040 (98% of the estimated amount) in 2009/10. A final allocation in 2010/11 of £135,000 is estimated. Some £92,000 p.a. of staff resources linked to this grant are fixed term in nature reflecting the uncertainty of future funding from this source, and as mentioned in paragraph 6e above, there is no initial assumption that these posts will be funded from core National Park Grant beyond 31/03/2012. The remainder is allocated to support the Local Development Framework.

Financial Planning for 2010/11: Setting a Balanced Budget – Revenue

14. A summary of the broad movements in resource allocations over the next four years is shown in Table 1 below, assuming the worst case scenario outlined in paragraph 6 a (i) above. The table shows that planned surpluses arising in earlier years are carried forward to help meet potential deficits in 2011/12. The table shows the scale of review needed to achieve a balanced budget in future years; there being two aspects to balancing the revenue budget:- 1) achieving a balance by carrying forward on a one off basis surplus funds from the previous year, and 2) the need to address any underlying in-year deficit in order to achieve sustainability. 1) is an effective mechanism only in as much as it buys the time to plan for and address 2). 1) above is shown in Row B of the table by virtue of the cumulative balance; the in-year balance - representing 2) and the degree of in-year structural deficit - is shown in Row A of the table.

15. In Table 2 below the (much reduced) impact of the second scenario in para. 6 a (ii) is shown. For the purposes of this report however, both Tables show that the Revenue Budget for 2010/11 is balanced, and as such is recommended to Members for approval. Members have approved the approach, timetable and principles underpinning achievement of a balanced budget for the future years in the December report.

16. Principle 6 of Appendix 3 of the December report allowed three purposes for use of the year end surpluses shown in the table below. 1) for facilitating medium term savings on an invest to save basis; 2) to contribute to priorities that contribute to Level 1 corporate objectives; and/or 3) to carry forward the funds to achieve balanced budgets in future years (See also paragraph 29 below).

Table 1 (2% cuts p.a. = 12% cut in real terms)

Net Expenditure	**2009/10 £,000**	**2010/11 £,000**	**2011/12 £,000**	**2012/13 £,000**	**2013/14 £,000**
Conservation of the Natural Environment	1,213	1,195	1,224	1,243	1,262
Conservation of the Cultural Heritage	411	412	426	434	442
Recreation Mgt & Transport	479	469	498	511	524
Promoting Understanding	886	897	922	943	964
Rangers, Estate Workers & Volunteers	1,060	1,065	1,100	1,123	1,146
Development Control	726	685	804	746	770
Forward Planning & Communities	710	707	696	585	597
Corporate & Democratic Core & Corporate Support Services	2,654	2,663	2,684	2,730	2,796
Debt Interest and Principal repayment	119	191	191	191	191
Revenue financing of Capital	21	21	21	21	21
Total Baseline Budget	**8,279**	**8,305**	**8,566**	**8,527**	**8,713**
Financed by:-					
	2.8%	*2.75%*	*-2%*	*-2%*	*-2%*
National Park Grant	(8,292)	(8,525)	(8,355)	(8,187)	(8,024)
Interest receipts	(60)	(30)	(70)	(96)	(133)
Housing Delivery Grant c/f	(80)	(13)	0	0	0
A. (Surplus) Deficit after financing	**(153)**	**(263)**	**141**	**244**	**556**
B. Cumulative (Surplus) Deficit	**(153)**	**(416)**	**(275)**	**(31)**	**525**

Table 2 (0% increase p.a. = 6% cut in real terms)

Financed by:-					
	2.8%	*2.75%*	*0%*	*0%*	*0%*
National Park Grant	(8,292)	(8,525)	(8,525)	(8,525)	(8,525)
Interest receipts	(60)	(30)	(70)	(96)	(133)
Housing Delivery Grant c/f	(80)	(13)	0	0	0
A. (Surplus) Deficit after financing	**(153)**	**(263)**	**(29)**	**(94)**	**55**
B. Cumulative (Surplus) Deficit	**(153)**	**(416)**	**(445)**	**(539)**	**(484)**

Financial Planning for 2009/10: Capital

17. The Chief Finance Officer's report on application of the Prudential Code for Capital Finance will be reported to the Authority on March 26th. Under current resolutions, the most relevant in financial planning terms being Minute 74/08 and Minute 79/09, the Authority has approved a limited use of capital resources to support its Minerals' planning policies, and if this provision is excluded, the Authorised Limit remains at a relatively low level reflecting the early development of the capital strategy, and continuing work on the Asset Management Plan (which is however expected to be reported to Members shortly). Given that there have been developments in Minerals' planning issues in the last year, there is a need to reconsider the extent to which the Minerals Finance Plan continues to have a hold on revenue and capital resources, and it is hoped to bring this to Members alongside the Asset Management Plan work, and any further developments in progress towards achieving the resolutions in Minute 79/09. Resource Management Team agreed that this approach would help to "normalise" the extraordinary arrangements under the Minerals Finance Plan and would therefore help to place any decisions on allocation of capital resources required for this plan within the context of the overall Capital Strategy.

18. Where projects fall below the financial limit requiring committee authority (£100,000) borrowing would normally only be done on the basis of an agreed business case in accordance with delegated authority, but consistent with the prudential code authorised limit /operational boundary set by Members. During this interim position however it is still considered appropriate for all borrowing requests to be brought to Services Committee for approval. As a general principle, before the capital strategy is fully in place, it is not considered appropriate to incur borrowing costs unless debt repayments can be financed from existing revenue budgets, income, or from savings realised from an investment proposal.

In line with this approach therefore the Authority has 5 approvals for borrowing:-

- Aldern House refurbishment £697,000 (Services Minute 41/05) 25 year fixed rate Loan at 4.7% interest taken out 31/03/07; financed from savings in leasing Orme Ct; capital outstanding £649,500.

- Vehicle Replacement £500,000 (Services Minute 22/08) 7 year fixed rate loan at 2.26% interest taken out December 2009; Replacement of 33 vehicles, financed from savings in lease payments within the existing revenue budget; capital outstanding £500,000.

- £250,000 capital investment at Losehill Hall supported from income in line with the revised business plan approved by Members (Services Minute 11/08).

- Vehicle Replacement £40,000 (Services Minute 44/09) Replacement of 3 vehicles, financed from savings in lease payments within the existing revenue budget.

- Information Management Strategy up to £150,000 (Services Minute 16/09) Implement Block 1 of strategy, financed from ICT revenue budget.

The expenditure for the last three items is initially being financed from cashflow in the short term, charged to the service at the same rate as the Authority's average cost of capital. The Chief Finance Officer's day to day responsibility for Treasury Mgt is set within the constraints of the Treasury Mgt Policy, which will be reported to Members on March 26th.

At this stage the only allocation within the financial planning assumptions for additional capital expenditure is the sum of £70,000 p.a. set aside within the revenue budget for debt repayment, which would represent approximately £1,000,000 of capital expenditure, assuming repayment over 25 years.

19. 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, shown below the total Net Operating Expenditure at the bottom of the page. In future, subject to developments in Local Authority accounting, 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, instead of debt financing costs.

Financial Planning for 2010/11 – Financial Position - Reserves

20. 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 2010/11 is envisaged to be:-

£,000	**Actuals at 31/03/09**	**At 31/03/11**
General Reserve	1,290	835
Set aside for Unfinanced Capital expenditure arising from Minerals Plan	(585)	(585)*
General Reserve after accounting for unfinanced capital expenditure	705	250
Capital Reserve	87	700*
Specific Reserves	498	347
Total	**1,290**	**1,297**

** see paragraph 23 below*

21. The General Reserve is above the minimum recommended level which is 2% of net expenditure (c£165,000) plus a VAT contingency of £25,000 – total £190,000. The reserve was increased to take account of the need to make provisions for exceptional minerals costs, which could not be accommodated from within the normal revenue provision in the Legal Services budget. The reserve level above takes account of provisions and expenditure required to meet current cases and Authority resolutions. The minimum level of reserve 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.

22. 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) and from the committee resolutions on specific assets which followed the Plan. The capital reserve is only available to support capital expenditure. A base level of £50,000 is considered to be an acceptable minimum allowing a small cash reserve for emergency capital expenditure. It is important that use of the reserve is ultimately linked to the asset management plan and Capital Strategy, and as stated in paragraph 17 above, subject to Member decision, it is proposed that the remaining issues in the Minerals Finance Plan not covered by General Reserve will be incorporated in overall capital plans at the same time. The remaining issues not covered from within the General Reserve are those contained in Exempt Minute 79/09 Recommendation 2.

23. In the Finance Seminar Members were asked to note a proposal which would allow these capital receipts to be made available for revenue purposes as well. This may be useful to meet some of the financial challenges ahead and so this is proposed in Recommendation 2 of this report. In paragraph 7 of the 26 June 2009 Statement of Accounts report Members were appraised of the background to the £585,000 held in General Reserve and the fact that this was only possible by increasing the Authority's Capital Financing Requirement on a temporary "loan" basis – the reason being to allow any compensation issues arising from the Minerals Finance Plan to be financed from capital resources as well. It is proposed that from this point if any capital receipts are received, up to this £585,000 sum, they be used to pay off the Capital Financing Requirement. The practical effect of this will be to transfer the Capital Receipts to the General Reserve – where they can be used to finance both Capital and Revenue. The General Reserve will therefore stand at £835,000 and not £250,000, and the Capital Fund will be £115,000 and not £700,000, which would remain the position shown in the table above, if this proposal is not approved.

24. 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. Specific reserves, although earmarked for specific purposes, are available to support any Authority priorities as required. The reduction in specific reserves arises mainly from planned programme expenditure although there may also be some pressure on these reserves if income targets are not met.

25. The Chief Finance Officer is of the opinion that these reserves remain sufficient providing the risk analysis and budgetary control processes undertaken during the year by the Resource Management team and Budget Monitoring group remain effective, and that the approach to planning of resources remains prudent.

Are there any corporate implications Members should be concerned about?

26. The financial, property, sustainability and human resource implications of the budget are integrated and planned by the Resource Management Team and the budget for 2010/11 includes all relevant matters arising from these plans.

Risk Management

27. 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 published in the Annual Accounts 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.

28. The Authority's reliance on external income targets and estimates always remains a key risk area and as is usual, will need to be carefully monitored by the Budget Monitoring Group during the year.

29. The scale of structural deficit which would quickly emerge in 2011/12 onwards (Row A Table 1 above) if that financial planning scenario proves to be realistic is a serious concern. The proposals which emerge from the principles in Appendix 3 of the December report will be critical in addressing this concern. Also of assistance are the Authority's current level of Reserves, recent reductions in commitments against those reserves, the retention of short term surpluses within the proposed budgets, and the cautious approach to assumptions. The Chief Finance Officer is of the opinion that any further allocations of unallocated funds which may be proposed under Principle 6 b) in Appendix 3 of the December report (allocation of funds to priorities contributing to Level 1 corporate objectives) should only be considered if there is clarity over the level of National Park Grant in the next Spending Review and the matching proposals for balancing the budgets to this settlement over the next four years to 2013/14 are deliverable within a clear timescale and are not subject to risk or uncertainty of their being achieved. Under ordinary circumstances carrying funds forward on this scale without allocating to priorities within year would be undesirable, but the significant uncertainties and extraordinary circumstances surrounding the next public expenditure round justify this approach. With this caution, the 2010/11 budget is believed to be sufficiently robust and can be recommended as such to Members.

Background Papers (not previously published) - None

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

Report Author, Job Title and Publication Date

Philip Naylor, Chief Finance Officer, 28 January 2010