

AGENDA ITEM No. 12

PEAK DISTRICT NATIONAL PARK AUTHORITY

NATIONAL PARK AUTHORITY MEETING

3 DECEMBER 2010

CORPORATE RESOURCES

PART A

1. FURTHER PROPOSALS TO ADDRESS EXPECTED 2011/12 BUDGET DEFICIT (A137/RMM)

Purpose of the report

1. This report asks Members to (a) agree further proposals to allow progress to be made towards addressing the expected budget deficit in 2011/12 in the context of the next 4 year financial planning period (2011/12 – 2014/15) and (b) approve, if our application is successful, utilisation of the capitalisation direction made by the Department for Communities and Local Government (DCLG) to help fund statutory redundancy costs in 2010/11.

Recommendations

2.
 1. **That the proposals in Appendix 2 to address anticipated future year cuts to our National Park Grant settlement be approved for implementation from 1 April 2011 or later in 2011 if a longer implementation period is required**
 2. **That, if required when the actual settlement is known, further proposals for addressing the deficit be brought to the Authority in February 2011 as part of the detailed 2011/12 budget report**
 3. **That, if our request is granted by DCLG, capital receipts up to £160,000 are used to fund statutory redundancy payments incurred in 2010/11.**

How does this contribute to our policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for 2011/12 in the context of expected year-on-year cuts to our grant over the next four year comprehensive spending review period.

Background

4. On 9 June 2010 we received notification from Defra (Department for the Environment, Food and Rural Affairs) that our budget for 2010/11 had been cut by 5%. In the same letter Defra advised us:

On 22 June 2010, the Chancellor will set out the Government's Budget statement. We expect this will include an indication of the Government's overall spending plans for the next few years. We understand that this will then be followed by a spending review process where Departments will secure relative shares of the overall spending available. We obviously don't know yet what this will mean for Defra but we do know that reducing the fiscal deficit is the Government's top priority and we will be expected to make a contribution. I know this will not be a surprise to you but I am taking the opportunity to ask you to be prepared for a period of year-on-year fiscal contraction which might well lead to further reductions in arm's length body allocations over the next 3 years. The Department expects to get its settlement by the end of October and for the allocations to ALBs (Arms Length Bodies) to be decided by soon thereafter'.

5. As a consequence of the above, building on the budget planning we had already started and with strong Defra guidance, we identified 2 planning scenarios for the comprehensive spending period 2011/12 – 2014/15:
 - a) 30% cut in real terms over the 4 year period (6% year on year cut if spread equally over the period)
 - b) 20% cut in real terms over the 4 year period (3% year on year cut if spread equally over the period)

6. As can be seen from the tables at paragraph 7 below:
 - a) at 30% the structural budget deficit will be £1,933,000 in 2014/15 unless we take action
 - b) at 20% the structural budget deficit will be £1,086,000 in 2014/15 unless we take action
 - c) at 30% the structural budget deficit for 2011/12 is £535k (although we can achieve a balanced budget due to carried forward funds at the lower deficit sum of £374k but the difference would still need to be found in future years)
 - d) at 20% the structural budget deficit for 2011/12 is £292k

7. **Table 1: Scenario (1) - 30% real term cut by 2014/15:**

	2010/11	2011/12	2012/13	2013/14	2014/15
	£,000	£,000	£,000	£,000	£,000
Total Baseline Budget	8,232	8,218	8,125	8,257	8,389
Financed by:-					
	-2%	-6.00%	-6.00%	-6.00%	-6.00%
National Park Grant	(8,099)	(7,613)	(7,156)	(6,727)	(6,323)
Interest receipts	(30)	(70)	(96)	(133)	(133)
Reserves	(13)	0	0	0	0
A Structural budget deficit	91	535	873	1,397	1,933
B Cumulative (Surplus) Deficit	(161)	374	1,247	2,645	4,578

Table 2: Scenario (2) – 20% real term cut by 2014/15:

	2010/11 £,000	2011/12 £,000	2012/13 £,000	2013/14 £,000	2014/15 £,000
Total Baseline Budget	8,232	8,218	8,125	8,257	8,389
Financed by:-					
	-2%	-3.00%	-3.00%	-3.00%	-3.00%
National Park Grant	(8,099)	(7,856)	(7,620)	(7,392)	(7,170)
Interest receipts	(30)	(70)	(96)	(133)	(133)
Reserves	(13)	0	0	0	0
A Structural budget deficit	91	292	409	733	1,086
B Cumulative (Surplus) Deficit	(161)	131	540	1,273	2,359

Figures based on following assumptions:

- a) General Inflation in the economy assumed at 2%
 - b) Base from which cuts are determined is 2010/11
 - c) Savings agreed by Authority on 25 June 2010 included
 - d) Pay award assumed at 0% in 2010/11 and then 1% thereafter
 - e) Cut assumed to be in equal parts over period
 - f) Fixed term contract posts are not included
8. At the time of writing this report we are aware that the spending review settlement announced in October means an average 30% reduction for Defra over 4 years with a 29% reduction in its programme spend (in real terms). We are hoping to be advised by Defra of our final settlement by 3 December 2010. Defra has advised recently that the expectation is for any cuts to be made equally over the four year period and that there may be assistance with the costs of redundancy payments.
9. The Authority has considered a number of reports over the last year on our budget planning work. These have included:
- a) **4 December 2009:** approval of our priorities and a set of principles to guide our budget planning work. These can be found at:
<http://resources.peakdistrict.gov.uk/ctte/authority/reports/2009/091204Item10-3App3.pdf>
 - b) **25 June 2010:** approval of (i) proposals to address the 5% in year cut to our 2010/11 baseline budget (ii) £270,000 of cuts to start to address the expected budget deficit in 2011/12 (the figures in the tables above include these reductions) (iii) a contingency budget of £585,000 to fund employee termination costs and invest to save business cases
 - c) **10 September 2010:** consideration of a report on the 'future shape and size of the Authority'. This report set out the rationale for the overall approach to selecting priorities for funding and key principles for changing the Authority over the period to 2015. The rationale and principles were changed following discussion at the Authority meeting and are attached at Appendix I. It was agreed that this forms the basis on which future detailed changes to budgets, staffing structures, ways of working and relationships with partners will be based.

d) **24 September 2010:** approval of the updated Asset Management Plan and proposals for the future of the Environmental Learning service with further reports to Services Committee on 26 November and this Authority meeting.

10. In addition to the above Members have been involved in two workshops (8 October and 5 November) to discuss the different aspects of our approach to our 4 year financial planning as follows:

- Ideas for revenue generation through greater commercialisation.
- Ideas for widening the opportunities for volunteers to contribute to our work.
- Detailed proposals for achieving a balanced budget in 2011/12 which include efficiency savings as well as reductions to some services. As part of the preparation for this Members received a schedule which outlines draft proposals for balancing the budget over the four year period 2011/12 – 2014/15. This is not included in this report as the focus is on 2011/12 but should be referred to as a reminder of the full picture, the impact on outcomes and the need to develop and phase action over the period with different lead times.

Similar workshops are being held with staff as part of the Autumn's Pride in the Park staff engagement events.

11. The outcome of the 8 October workshop has been circulated to Members. There was support for all but one of the proposals put forward to address the expected budget deficit in 2011/12. The summary outcome from the workshop is given against each proposal in Appendix 2.

12. Depending on our actual budget settlements we will want to look again within the four year period at a series of unfunded costs so far in our planning. These include:

- Planning Service posts previously part funded by Housing and Planning Delivery Grant (2 planning assistant posts and planning liaison officer post end on 31 March 2012)
- Future work on the rural economy and community planning after Live & Work Rural funding ends 31 March 2012
- Consequences of possible reduction or end of ring-fenced funding for Sustainable Development Fund
- Long term work on Climate Change
- Full asset management liabilities
- Full or accelerated implementation of major strategies in line with corporate objectives
- Other additional priority 1 work

Proposals

13. At the Member workshop in October the Resource Management Team (RMT) recommended that £500,000 should be found through a combination of efficiency savings, reductions to service budgets and income generation whatever the settlement. This allows an appropriate lead time to implement changes and if the settlement is better than our worst case scenario it allows a contingency to be carried forward for future years as some of our plans for achieving a balanced budget in future years are more ambitious with a greater risk as to whether they can be achieved, at this stage of our work. Although most of the proposals to achieve the £500k target were supported (as detailed in Appendix 2) Members asked for reconsideration of the proposal to reduce the budget for the new national park learning service to £100k under our 30% scenario preferring to allocate £150k as an appropriate budget at least for an interim period. £150k had been the RMT proposal under the 20% scenario.

14. In light of the above it is proposed:

a) that in advance of knowing the final settlement the proposals to find £446k towards the future expected budget deficit as detailed in Appendix 2 be approved. It should be noted that £14k of this relates to possible changes in the number of Members and RMT has categorised the risk of not achieving this saving as a high risk at the current time in our governance review work. If this is not realisable the proposals amount to £432k with all other proposals categorised as a low risk.

b) that the changes proposed are made effective from 1 April 2011 or later in 2011 as indicated or as determined by RMT if a longer lead in time is needed e.g. because of appropriate notice periods for staff, operational lead times etc.

c) that further proposals to meet the full structural budget deficit in 2011/12 depending on the final settlement (and depending on decisions made by Services Committee and the Authority meeting on the new national park learning service and the future of Losehill Hall) be made to the Authority meeting in February 2011 as part of the detailed 2011/12 budget report.

15. An application has been made to DCLG for a 'capitalisation direction' of up to £160k, as allowed at the discretion of the Secretary of State under section 16 (2) of Part 1 of the Local Government Act 2003. The application is believed to meet the criteria set out by DCLG and other authorities have made successful applications in 2009/10 on this basis, and are making similar applications in the current year. If agreed this allows the Authority to use a further £160k of capital receipts towards funding statutory redundancy costs incurred in 2010/11. Such payments are normally classed as revenue expenditure which is why special approval is required. Although we may not need to use this facility as we have our agreed contingency budget it is felt prudent to apply for this in 2010/11 as this is likely to be the only year in our budget planning period that we meet the criteria due to the number of redundancies that will be accounted for in 2010/11. Members are asked to approve this proposal if we are successful in our application.

Are there any corporate implications members should be concerned about?

16. **Financial:** As detailed in main report and Appendix 2.

17. **Risk Management:**

a) The 2010/11 corporate risk register identifies the following corporate risks which relate to the Authority's budget position and public sector funding in general:

7. National Park Grant

Failure to have an effective plan for minimising the impact of a possible reduction in public sector funding on the achievement of National Park Purposes.

9. Planning

Shortfall in income streams from Planning Service including the loss of Housing & Planning Delivery Grant (HPDG) – (Government announced on 10 June that there will be no HPDG allocation in 2010/11)

The proposals in this report are part of the mitigating action to address these risks.

b) RMT has assessed the risk of not achieving the savings proposed. All the proposals are classed as low risk except the saving of £14k which is dependant on a reduction in the number of members as mentioned in paragraph 14 (a) above.

18. **Sustainability:** Sustainability implications have been considered in setting our corporate priorities and objectives.
19. **Human Resources:**
There are implications for staff of the proposals in Appendix 2. These will be handled in accordance with the Authority's Managing Change Policy and where possible changes will be made through voluntary rather than compulsory measures.
20. **Communications:**
Failure to communicate the impact of reductions appropriately to the public and stakeholders is an additional risk and will be managed by Management Team with advice from the Head of Communications. Members assistance will be sought in this too.
21. **Consultations:**
Sensitive negotiations are underway with staff involved and UNISON and Staff Committee were briefed and formally consulted on the proposals at the end of September. In response to consultation comments received on this report amendments have been made to the words used in Appendix 2. There have also been comments made about the consultation process on the proposals and whether this could have been better handled. Further time has been given for receiving consultation comments on this report as UNISON and Staff Committee were only given a few days for comments in advance of the deadline due to a staff absence. An update on consultation comments received will be given at the Authority meeting.
22. **Background papers** (not previously published) – None

Appendices:

Appendix 1: Rationale and key principles for changing the Authority over the period to 2015

Appendix 2: Proposals to address the expected budget deficit in 2011/12

Report Author, Job Title and Publication Date

Ruth Marchington, Director of Corporate Resources, 25 November, 2010