

11. REVENUE BUDGET 2023/2024 AND MEDIUM TERM FINANCIAL PLAN 2023/24 TO 2026/27 (JW)

1. Purpose of the report

This report presents the Authority's 2023/24 revenue budget for Member approval.

2. Recommendations

- 1. the Authority's annual budget for the 2023/24 financial year as shown in Appendix 1a be approved.**
- 2. Members note the budget reductions at Appendix 2 taken to balance the 2023/24 budget**
- 3. Members note the Medium Term Financial Position (MTFP) of the Authority in the period up to March 2027.**

How does this contribute to our policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for the 2023/24 financial year. For 2023/24 the National Park Grant is 100% funded from central government, from the Department of Environment, Food and Rural Affairs (Defra). The Authority retains the ability to levy Grant from constituent councils, although that funding historically was also provided centrally by the Defra to Local Authorities 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 Local Authorities, as well as its utility as a funding mechanism being preserved in statute.

Background

4. The National Park Grant (NPG), provided by Defra, is the Authority's largest source of income amounting to £6.7m annually. The NPG agreement received by the Authority in March 2021 confirmed the 2022/23 allocation of £6.7m and provided indicative values for the 2023/24 and 2024/25 financial years for National Park Authorities that this value would continue. At the time of writing this report the Authority's 2023/24 NPG settlement figure is not confirmed. The MTFP assumes that the settlement will continue to be a cash settlement with no inflation protection nor any other increases up to 2026/27.
5. The NPG settlement for the Authority has remained at the 2019/20 level of £6.7m and there is no current indication that this will change. The Authority continues to report to Defra on how the Authority planned for and uses the NPG.
6. For the 2021/22 budget the Authority took decisions that cut £609k from the base budget, this, along with the baselining of the 'biodiversity fund' means the 2022/23 was balanced. However, Members approved changes to the 2022/23 budget (minute 100/22) as a result of a much higher than anticipated pay award and increased energy costs offset by higher interest received on the Authority's balances and the introduction of a vacancy factor. The 2022/23 pay award gave rise to an overall pay increase of 6.8% that was much higher than planned for. The pay award that was agreed added £1,925 to each pay point on the National Joint Committee (NJC) pay scale, giving a range of percentage increases between 10.5% for scale point (scp) 1 to 3.87% for scp 45.

Proposals – 2023/24 Budget

7. The 2023/24 budget has been set on the basis that there is a balanced budget for the financial year. The Management Team worked together to bring forward £204k of budget reductions to enable this (Appendix 2). These were shared with members at the Autumn 2022 workshops and have now been included in the budget shown at Appendix 1a. The Finance team has continued to work with budget holders to review the baseline budgets and set the 2023/24 using a bottom up approach. This is to ensure that operational budgets are a true reflection of the expenditure and income for each service.
8. The 2023/24 pay award is not yet known but this will continue to be a budget pressure for the Authority. The impacts of increasing National Living Wage (NLW) as well as inflation and high costs of living has meant that the 2023/24 budget and Medium Term Financial Plan includes a forecast of a 5% increase. For the 2023/24 budget a 5% pay increase will cost the Authority £350k and this has been included in contingency costs in Appendix 1a. Members approved a 4% vacancy factor in December 2022 (minute number 100/22) to be included in the revised budget for 2022/23 and this continues in the 2023/24 budget at a level of £272k. This is included in Other Reserves in the funded by section of Appendix 1a. A vacancy factor is the assumption that there will be a saving to the Authority whilst posts are vacant as part of usual recruitment practices (i.e. gaps between officers leaving and new officers being appointed into post).
9. The 2019 actuarial revaluation results, published in January 2020, gave rise to employer contributions of 19.57% (an increase of 1% from 18.57%). The Actuary considered this level was required to maintain the Authority's pension fund at 101% funded. This increase was implemented in 2020/21 and is continued in 2023/24 budget, however the actuary reviews the employer contribution levels every three years. The outcome of the current review is due now but the results have not yet been shared with the Authority, therefore contingency costs includes £71k for a projected increase of 1.25% for employer pension costs.
10. Contingency costs also includes an additional £70k for energy cost increases. The Authority continually reviews the current position on energy costs and has estimated an increase of £70k will be required across all sites for 2023/24.
11. As reported to Members in December 2022, interest rates have increased throughout 2022/23 which has meant the Authority has received higher interest on investments. It is assumed that this will continue into 2023/24. The base interest rate at the time of writing is 3.5% with the next review in February 2023. The Bank of England has stated that they will continue to increase the base rate as necessary to bring down inflation (December 2022 CPI at 10.5%). The budget for interest income for 2022/23 was revised to £75k, however actual receipts to date are higher at £94k. Therefore the budget for 2023/24 has been increased to £110k.
12. The contingency costs includes £30k for an anticipated increase in external audit fees. In November 2021 Members approved the arrangements for appointing and External Auditor through Public Sector Audit Appointments (PSAA). The outcome of the tender was made known in 2022/23 and Local Authorities were advised that budgets for the 2023/24 audits would need to increase by up to 150%. The current scale fee for the Authority is £10.2k, however additional fees have been required each year. The Authority has a baseline budget of £18k per year to allow for the additional fees, therefore an additional amount of £30k has been allowed in the 2023/24 budget (£18k +150% totals £48k).
13. Additional funding of £47k has also been included in the 2023/24 budget for Fundraising. This was agreed by RMM in February 2022 to support the Authority's

fundraising approach. Whilst the Fundraising Team has been subject to change over the last year it was agreed to continue to invest in fundraising and a further report to Members on this agenda gives more information.

14. The budget headings for 2023/24 contained within Appendix 1a have been reviewed for 2023/24 and are structured according to the current Management structure and according to their separate business units / activities. A detailed explanation of the headings within Appendix 1a is shown at Appendix 1b.

Capital Strategy and Programme 2023/24

15. The Chief Finance Officer's report on the application of the Prudential Code for Capital Finance will be reported to the March 2023 Authority meeting, and the day to day responsibility for Treasury Management is set within the constraints of the Treasury Management Policy, which forms part of the same report.
16. The current Capital Strategy was approved in December 2015 covering the years 2015 to 2020. This is planned to be refreshed and brought to Members in March 2023 alongside the Treasury Management Policy. The Capital Strategy will also include the Capital budget for 2023/24.

Medium Term Financial Plan 2023/24 to 2026/27

17. As previously mentioned, the Authority is still awaiting confirmation from Defra of our NPG for 2023/24. It is assumed that the level of NPG will remain at the same value (£6.699m) for the next three financial years. This is the same value as in the previous three financial years (from 2019/20).

18. The MTFP is as follows:

	2023/24	2024/25	2025/26	2026/27
	£000's	£000's	£000's	£000's
Net Expenditure	7,166	7,450	7,874	8,313
Financed by:				
National Park Grant	(6,699)	(6,699)	(6,699)	(6,699)
Reserves and Interest	(468)	(448)	(465)	(483)
Funding	(7,167)	(7,147)	(7,164)	(7,182)
(Surplus) or Deficit after financing	(1)	303	710	1,131
Cumulative Position	(1)	302	1,013	1,433

- 19.. The key assumptions included in the MTFP are:
- The NPG will not increase for the whole period;
 - Pay will rise by 5% each year;
 - The vacancy factor of 4% continues to support the annual budget;
 - There will be no other significant taxation changes;
 - The superannuation triennial review will result in a 1.25% increase in employer contributions from 2023/24 onwards;
 - £20k per year included for non-pay inflation;
20. The budget for 2023/24 is balanced, however there need to be significant savings made or income growth to balance the budgets for 2024/25 onwards. This is based on a 5% pay award for 2023/24 and for the next three financial years. The Authority is about to begin a period of organisational change, part of which is to provide more financial resilience for the Authority, therefore the MTFP is only correct as now without allowing for any future changes, however it will be used to inform the change process.

Reserves

21. 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 in the financial accounts. The level of cash backed reserves are carefully managed and the situation at the end of 2023/24 is expected to be:-

<u>Reserves (£'000s)</u>	Actuals as at 31/03/2022 (from Statement of Accounts) £'000s	Estimates as at 31/03/2024 £'000s	Difference £'000s
General Reserve	614	615	1
Minerals & Legal Reserve	567	567	0
Restructuring Reserve	486	486	0
Matched Funding Reserve	1,184	1,184	0
Slippage Reserve	1,173	234	(939)
Covid-19 Reserve	126	126	0
Revenue Grant Reserve	1,589	1,589	0
Capital Reserve	1,598	1,598	0
Specific Reserves	2,152	2,152	0
Restricted Reserves	123	123	0
Total	9,612	8,638	(974)

The reduction in reserves of £974k is 10% of the 31 March 2022 reserve balance. This comprises the expected use of the revenue grant reserve as raised by services during the budget process, and use of the slippage reserve. It is hoped that slippage will be reduced at outturn (2022/23) to minimal levels. This, however, does stop the use of specific reserves that are required end of the 2022/23 financial year (included in the Outturn in May 2023) nor any other events that arise during the 2023/24 financial year.

22. General Reserve
The minimum level of the general reserve has traditionally been calculated on the basis of a recommended level which is 2% of net expenditure (approximately £140k), with a trading contingency of £75k, giving a base level of £215k. However this should be considered as an absolute minimum. The general reserve balance at the end of the Statement of Accounts for 2021/22 was £614k which is considered to be sufficient 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.
23. Capital Reserve
This is only available to support capital expenditure as it holds unused proceeds from the disposal of capital assets. This reserve will be used to support the capital programme and will also be considered as part of the Capital Strategy refresh.
24. Specific Reserves
These are used to support individual service areas and each reserve's objective and planned usage is reported to the Authority 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.

25. It is necessary to maintain adequate reserve levels to meet future financial commitments and to cushion any unexpected events. 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.

Are there any corporate implications members should be concerned about?

26. **Financial:**

The financial implications are contained in the main body of the report.

27. **Risk Management:**

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, the Head of Finance's involvement in all financial planning matters, and other relevant discussions with the Management Team.

The 2023/24 budget has been set based on the savings taken in Appendix 2 and on on-going financial restraint. The Authority remains vulnerable to increases in pay, inflation, energy and other unavoidable costs and the continued likelihood of no increases to the National Park Grant provision.

The Moors for the Future team's continuing ability to handle very significant project expenditure remains important, in order to meet grant and contractual conditions, and to finance its core team.

28. **Sustainability:**

The 2023/24 revenue budget and MTFP are key documents to ensure the financial sustainability of the Authority.

29. **Equality:**

Any issues of equality are included within the budget setting process.

30. **Climate Change:**

Any issues relating to climate change are included within the budget setting process.

31. **Background papers** (not previously published)

None

31. **Appendices –**

Appendix 1a – Revenue Budget 2023/24

Appendix 1b – Explanation of Appendix 1a

Appendix 2 – Budget Savings 2023/24

32. **Report Author, Job Title and Publication Date**

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