

Date: 28 March 2023

Report: BUDGET 2023/24 and Medium Term Financial Strategy

Purpose of report

1. To seek approval for the proposed 2023/24 Budget, the Medium Term Financial Strategy (MTFS) and the associated Reserves Strategy.

Recommendation

2. That Members approve:
 - (a) the draft budget for 2023/24;
 - (b) the indicative budgets for 2024/25 and 2025/26, and;
 - (c) the Reserves Strategy.

Strategic Planning Framework

3. The information and recommendations contained in this report are consistent with the Authority's strategic planning framework, and in particular;
 - **Corporate Plan objective 34**, '*Plan and manage the Authority's work so as to make the most effective use of its resources*' and action 34.5, to '*Prepare the Medium Term Financial Strategy for 2023/24 to 2025/26*'.
4. The requirement that the annual budget be approved by the full Authority is set out in Financial Regulations.

Background

5. A draft version of the MTFS was considered at the Finance & Resources (F&R) Committee meeting in February. The covering report is attached (**Appendix 1**). The F&R Committee proposed that the Budget for 2023/24 and the MTFS should be recommended for approval by the Authority, with the proviso that any significant changes from the draft figures are highlighted at the Authority meeting.
6. A small number of changes have subsequently been made to the draft budgets since the F&R Committee. Items over £10k are listed overleaf. As some of the appendices presented to F&R have changed slightly due to the updates, the appendices attached to this report have been **updated** to clearly present the final budget figures for approval.

Additional Funded Projects (No impact on the net budget):

- a. Semerwater Project in the *Farm Conservation Programme* – £45k in 2023/24 & 2024/25. A further study, fully funded by the Environment Agency, to better understand the current ecological health and water quality of Semerwater, and identify ways to improve the lake habitat. The Authority will be working with the Yorkshire Dales Rivers Trust to progress this work.
- b. Provision of additional Electric Vehicle Chargers in the *Carpark & Toilets programme* of £80k in 2023/24. This is part of a national project in conjunction with National Parks Partnership and BMW. Additional chargers are to be installed at several NPA car parks.
- c. Tees Swale Project - £24k in the *Farm Conservation Programme* in 2023/24. Additional grant from the Esmee Fairbairn Foundation to help deal with recent significant cost of living increases.

Additional increases in Budget requirements:

- d. Introduction of new electric vehicle fleet - £55k per annum from 2024/25; necessitating electric vehicle points at Authority premises - £14k in the coming year - 2023/24.
- e. Infrastructure works for carpark parking meters to improve power and internet reliability for credit card payments as the machines are converted to cashless - £40k in 2023/24.
- f. Pre-application advice planning income – original increase in income reduced by £10k per annum from 2023/24, on the basis of latest data.

The Proposed Budget

7. Members should note that the updated Budget for 2023/24 now incorporates a new deficit of **£70k**. This shortfall will be covered by our General (unallocated) Reserve.
8. There is a new 'balancing line' for the following two years of **£345k** in 2024/25 and **£506k** in 2025/26 shown at the bottom of **Appendix 2** (*£66k per annum more than predicted in February*). These are deficits and will need to be financed by (yet to be identified) additional net income; or by programme cuts or by staffing reductions. With the adoption of a new Income Generation Strategy at the last meeting of the F&R Committee, Programme Managers will be proactively investigating income opportunities which fit the Authority's Corporate Objectives to help address the issue.
9. Members should be aware, for context, that the deficit the Authority is facing continues to rise - **£625k** in 2026/27 and **£890k** in 2027/28. This will need to be addressed in the coming year.
10. The Defra Secretary of State recently announced a 'one off' payment to English NPAs of £440k to assist with the current financial difficulties we face around inflationary

pressures. While welcome in addressing some short term pressures, this sum does little to deal with the longer term financial issues caused by 12 years of underfunding. A longer term core funding commitment from Government is required.

11. The key elements of the proposed budget are set out in the covering report to the F&R Committee, with further detail in the following appendices:

- **Appendix 1: F&R Committee Budget Report.** This is the covering report presented to F&R in February showing the budget proposed as at that date. This is ***unchanged*** from the F&R Committee.
- **Appendix 2: Budget (3 Year Medium Term Financial Strategy 2023/24 - 2025/26).** This shows the updated detailed budget for 2023/24 and projections for the following two years. Each program budget includes the cost of employing the officers directly involved in its delivery. Overhead costs are shown under the heading 'Corporate Employment and Central Costs'. ***This incorporates the changes to the budget since F&R Committee.***
- **Appendix 3: Budget assumptions.** This identifies the assumptions that underpin the projections. The estimates are considered to be robust, and additional explanations are provided where there is any significant level of uncertainty. This is ***unchanged*** from F&R Committee.
- **Appendix 4: Significant budget changes.** This lists those parts of the 2023/24 budget that have changed significantly from the indicative figures for 2023/24 as presented in the 2022/23 MTFS (March 2022). This is ***unchanged*** from the F&R Committee report, the additional changes since F&R Committee are included in this report (Paragraph 6).
- **Appendix 5: Reserves.** The proposed budget makes planned use of a number of our earmarked and General Reserves in 2023/24. This Appendix sets these commitments out in more detail. ***This has been updated with changes since F&R Committee.***
- **Appendix 6: Risks:** issues that may affect our financial performance in relation to this budget during 2023/24. This is ***unchanged*** from the F&R Committee report.

12. The F&R Committee also considered the detailed Work Programmes for 2023/24 in a further Appendix. They have not been included in this paper due to their size but are available should Members wish to see this information.

Equalities Impact Assessment

13. An Equalities Impact Assessment has been completed for this report and the proposals it describes, with specific reference to the protected characteristics prescribed by the Equalities Act 2010. This assessment concluded that the proposals have no adverse impact with respect to equalities.

Conclusions

14. Considerable work had been undertaken in order to deal with the initial 2023/24 financial deficit, though this has now been added to, as identified in paragraph 7. The long term prospects for increases in Government Core Grant continue to look bleak and Members will be aware that our actual grant is now less in cash terms than it was in 2010. Coupled with 12 years of inflation, this paints an alarming picture if these consequences are not addressed. However, the Authority's performance in terms of its own Income Generation activities continues to develop and expand; the F&R Committee approved a new Income Generation Strategy at the February meeting.
15. The coming year will require a more in depth examination of our work programmes and how they are to be funded in future years, to ensure we can secure the objectives set out in the National Park Management Plan.

Michelle Clyde
Head of Finance/Treasurer

02 March 2023

YORKSHIRE DALES NATIONAL PARK AUTHORITY

ITEM 5

Committee: FINANCE AND RESOURCES

Date: 7 February 2023

Report: DRAFT BUDGET 2023/24

Purpose of report

1. To seek approval for:
 - the draft 2023/24 Budget for the Yorkshire Dales National Park Authority and the associated Reserves Strategy; and
 - the indicative draft budgets for 2024-25 and 2025-26 and related actions.

Recommendation

2. That Members approve the draft budget for 2023/24 and indicative budgets for 2024/25 and 2025/26 (**Appendix 1**), and the Reserves Strategy (**Appendix 5**), for submission to the full Authority for final approval.

Strategic Planning Framework

3. The information and recommendations contained in this report are consistent with the Authority's strategic planning framework, and in particular:
 - **Corporate Plan 2022-2023**
Objective 34: *Plan and manage the Authority's work so as to make the most effective use of its resources.*

Background

4. The Authority is required to produce a balanced budget for the financial year ahead. This budget, together with projections for the following two years, constitute the Authority's Three-year Medium Term Financial Strategy (MTFS).
5. Members considered a paper at the December Finance & Resources Committee titled 'Medium Term Financial Strategy MTFS 2023/24 – 25/26: setting the scene'. This paper set out a series of challenges and options facing the Authority; principally how we might manage the financial deficits and increased volatility that were projected for future years.
6. That report contained the following table which set out the scale of the deficits.

Year	Total deficit	Deficit (after use of allocated reserves)
2023/24	£650k	£230k
2024/25	£1,000k	£710k
2025/26	£1,140k	£890k

7. At the meeting in December Members were told that there were still a significant number of uncertainties in the budget projections. The Authority's officers would be reviewing all the income and expenditure components of programmes and overheads, to arrive at a draft balanced budget for this meeting of the Committee.
8. As part of the process to deal with the increasingly difficult financial landscape, Members of this Committee (and the wider membership through a recent Policy Development Forum) discussed the need to increase the pace of the cultural changes and flexibilities required within the Authority to meet these challenges. Essentially, recent years have seen us having to move away from reliance on Government Core grant and, instead, generate increasing amounts of 'earned income' in order to continue to provide the range of our work programmes. In addition, Government has indicated that in future they are likely to use targeted grants to achieve their objectives, rather than a reliance on the Core grant.
9. The need to generate increasing amounts of income isn't a new process for the Authority; indeed, we have been increasingly successful in this endeavour since 2015 – resulting in record spending in the current 2022/23 financial year. However, there is a need to ensure this 'culture' of seeking out funds to help us provide the Authority's work programmes is understood by Members, staff, our partners and the public. Failure to generate such funding would undoubtedly lead to cuts in work programmes and a narrowing of our ambitions and objectives.

Overall position

10. The main features of the proposed Medium Term Financial Strategy are:

- A balanced budget has been produced for 2023/24. This includes the planned use of £0.4m of Earmarked Reserves for IT, Estates, Plant and planned multi-year projects e.g. the Tees-Swale: Naturally Connected project.
- The total planned expenditure is **£10.6m**. This is significantly 'over-achieving' against our objective (£9.1m) although, at the moment, less than the record spending levels of 2022/23 of £12.7m.
- The planned expenditure will support the delivery of almost all the objectives set by Members in December (but see para. 18), notably:
 - Providing almost £1m of funding for farmers and landowners through *Defra's Farming in Protected Landscapes* programme;
 - Improving the quality of rights of way so that 90% are easy to use;
 - Increasing the accessibility of visitor facilities.
 - Producing a new Nature Recovery Plan for the National Park;
 - Providing an efficient and effective Development Management service;
 - Preparing a new Local Plan for the whole National Park.

- Looking forward the projected deficits for 2024/25 onwards have been reduced but they are still challenging and require further structural attention – particularly if we are to meet our objective of maintaining the real value of the Authority’s budget. It is the intention to resolve these issues during 2023 - either by securing additional income or making further savings. These deficits are highlighted at **Appendix 1**. They have significantly reduced from those reported to Members in December (as a result of savings identified in this budget), but they do continue to rise as a direct consequence of the reduction in core Government funding. They now stand at:

	Budget Deficit	Target to meet income generation objective
2024/25	£279k	£418k
2025/26	£440k	£1,527k
2026/27	£558k	£1,771k

11. The table above shows, for comparison, the levels of income that the Authority will need to generate to a) cover the projected deficits and b) to continue to achieve the income objective. Members will note that the latter becomes particularly challenging as the years pass. Nonetheless, Officers do believe these targets can be met if the necessary structural and cultural changes are implemented successfully.

Key features of the budget

12. As reported in December, there have been a number of external changes since last year with a negative impact on the budget:

- The DEFRA core grant is another flat settlement (£5.2 m) with no inflationary increase over the three years. By the end of the three years, there will have been no increase in the grant for 8 years. The grant is less in actual terms than it was in 2010, and in real terms is worth half of what it was then.
- There was a higher than budgeted pay award this year, and an increase in future years pay increases are now forecast due to inflation pressures.
- Overhead costs are significantly higher due to inflation and supply issues.

13. Conversely, some of the external changes have had a positive impact on the budget, most significantly:

- The employers’ pension contribution rate has reduced (from 20.8% to 13.3%);
- The employers’ NI rate has reduced from 15.05% to 13.8%;
- The bank interest forecast rate has increased significantly;
- A successful rates appeal at the Dales Countryside Museum.

14. Members will be aware how quickly the context regarding our finances can change and how significant some of those factors can be in our future planning. In developing the 2023/24 budget, and the wider three-year MTFs, we have had to make some assumptions based on the best information we have currently (see **Appendix 2**).

15. As well as the changes highlighted above in paragraphs 12 and 13, in order to reach a balanced budget for 2023/24, a number of savings have been identified which will impact on our work programmes. Further details of these can be found in **Appendix 3** but the most significant are:

- a. Some initial staff savings from not refilling vacant posts in lower priority work areas (Historic Environment & Minerals Officer) or restructuring of posts (Senior Management Team);
- b. Some cuts to programme spend:
 - i. Sustainable Development Fund (£20k pa)
 - ii. Wildlife Conservation (£20k – one off for 2023/24 only)
 - iii. Apprentices (£17k pa)
 - iv. Trees & Woodlands (£15k pa)

16. The changes identified above, enable the Authority to set a balanced budget for 2023/24. They also have an impact on future years. However, they do not fully address the structural and cultural changes that are required. To deal with these longer term issues, a number of other savings have been identified which, for contractual or practical reasons, cannot be implemented immediately. These do require Member support to enable Officers to enter into discussions with the relevant bodies. The conclusions of those discussions would be brought back to Members for final determination. These are:

- A proposal to remove the Authority's presence from Hudson House in Reeth from 2024/25. This allows for 12-months' notice of the intention to withdraw to be served. This budget sits in a low priority programme and would save £31k per annum.
- The Rights of Way programme, an Authority priority, costs over £1m per year. This is a significant sum and, in view of the financial pressures facing the Authority, unsustainable. Moreover, the statutory responsibility for this work rests with the Highways Authorities. It is intended to enter into discussions with the two new Unitary Authorities to ask them to provide financial support towards Rights of Way maintenance. If these discussions prove unsuccessful then the Authority will need to consider programme cuts or that the maintenance of the Rights of Way network be returned to the bodies responsible for them.
- A proposal to introduce car park machines that take cards only. Removing the need for the main cash collection service, which is becoming increasingly expensive and difficult to maintain. The work to examine this change would happen in 2023/24. If successful, the cash collection costs could be reduced significantly from 2024/25 onwards, saving up to £50k per annum. The capital costs of any agreed change (£25k) would be financed from reserves and are not included in this budget.

17. Members will note from the bottom of **Appendix 1** that a 'balancing line' (shown in red) has been included for the years 2024/25 onwards. This will need to be financed by (yet to be identified) additional net income, or by further programme and staffing reductions. In line with the new Income Generation Strategy (see report on this agenda), managers will be seeking out new income opportunities that fit with our objectives. The Authority's track record gives some confidence that this approach will be successful.

18. Finally, Members should note two changes to the set of objectives agreed at the Authority meeting in December. First, a revised objective has been set for the Sustainable Development Fund (to reflect the cut to that budget). Second, an ‘interim’ objective has been set for biodiversity, pending the completion of work on the forthcoming Nature Recovery Plan – see **Appendix 4**.

The Draft Budget: Detail

19. Detailed information on all programme and corporate activity budgets is contained within the following appendices:

- **Appendix 1: Draft Medium Term Financial Strategy 2023/24-2025/26.** The detailed budget for 2023/24 and projections for the following two years.
- **Appendix 2: Budget assumptions: Costs and income.** The key assumptions that underpin the projections. The estimates are considered to be robust, and additional explanations are provided where there is any significant level of uncertainty.
- **Appendix 3: Significant budget changes.** Those parts of the 2023/24 budget that have changed significantly from the indicative figures presented last year.
- **Appendix 4: Work Programme Budgets.** Detailed proposals for each work programme.
- **Appendix 5: Reserves.** Details of the planned use of a number of our earmarked and General Reserves.
- **Appendix 6: Risks:** significant issues that may affect the budget in 2023/24.

Equalities Impact Assessment

20. An Equalities Impact Assessment has been completed for this report and the proposals it describes, with specific reference to the protected characteristics prescribed by the Equalities Act 2010. This assessment concluded that the proposals have no adverse impact with respect to equalities.

Conclusions

21. This year’s budget is an important preparatory step towards securing our longer-term objectives and financial future. The Authority is now on a firm footing for 2023/24. However, significant further work will still be needed in 2023 to identify and secure new income streams, and – where necessary - make further cuts in order to put the Authority on a more robust financial footing from 2024/25.

22. The Draft Budget may be subject to further revision before it is submitted to the Authority for final approval on 28 March 2023. Any such changes will be highlighted within the accompanying report to be submitted to the Authority meeting in March.

Michelle Clyde
Head of Finance/Treasurer

12 January 2023

APPENDIX 2

Medium Term Financial Strategy 2022/23-2024/25

	2022/23	2023/24	2024/25	2025/26
	BUDGET	BUDGET	BUDGET	BUDGET
	NET	NET	NET	NET
	£000's	£000's	£000's	£000's
PROGRAMME BIDS				
Staff Cost	757.2	743.5	776.3	803.9
Programme Cost	59.7	59.9	60.2	60.4
Income	(270.0)	(320.0)	(321.5)	(322.0)
Development Management Total	546.9	483.4	514.9	542.3
Staff Cost	504.7	591.9	483.3	500.4
Staff income	(265.2)	(269.5)	(143.2)	(145.4)
Programme Cost	1,487.1	1,241.3	178.0	13.0
Income	(1,425.1)	(1,188.3)	(125.0)	(15.0)
Farm Conservation Total	301.5	375.4	393.1	353.0
Staff Cost	146.5	187.4	195.8	169.8
Staff income	0.0	(28.2)	(49.7)	(22.1)
Programme Cost	130.8	100.5	123.8	123.8
Income	(69.5)	(70.5)	(71.5)	(71.5)
Biodiversity Total	207.8	189.3	198.5	200.1
Staff Cost	505.6	574.1	602.5	624.7
Staff Income	(106.8)	(123.1)	(128.7)	(133.4)
Programme Cost	571.0	529.8	582.6	634.0
Income	(281.1)	(277.5)	(355.0)	(355.0)
Rights of Way Total	688.7	703.4	701.5	770.3
Staff Cost	105.6	141.7	120.6	111.0
Programme Cost	41.0	41.0	106.0	26.0
Income	0.0	0.0	0.0	0.0
Development Planning Total	146.6	182.7	226.6	137.0
Staff Cost	92.2	101.7	105.5	109.9
Staff Income	0.0	(1.3)	0.0	0.0
Programme Cost	42.0	83.2	135.3	21.6
Income	0.0	(58.2)	(120.3)	(6.6)
Recreation & Health Total	134.2	125.4	120.5	124.9

	2022/23	2023/24	2024/25	2025/26
	BUDGET	BUDGET	BUDGET	BUDGET
	NET	NET	NET	NET
	£000's	£000's	£000's	£000's
PROGRAMME BIDS				
Staff Cost	192.9	263.6	249.9	243.3
Staff Income	(41.6)	(96.8)	(76.9)	(65.4)
Programme Cost	49.6	43.7	43.7	43.7
Income	(11.9)	(12.7)	(12.7)	(12.7)
Education & Outreach Total	188.9	197.8	204.0	208.8
Staff Cost	276.7	323.8	332.1	178.5
Staff income	(129.8)	(196.3)	(179.8)	(19.0)
Programme Cost	621.0	776.9	719.9	52.6
Income	(561.2)	(742.2)	(672.8)	(5.5)
Trees & Woodlands Total	206.7	162.2	199.4	206.6
Staff Cost	87.9	94.4	99.0	102.7
Programme Cost	141.0	125.7	126.1	154.6
Income	(94.9)	(87.4)	(87.4)	(87.4)
Dales Countryside Museum Total	134.0	132.8	137.7	169.9
Staff Cost	136.8	134.0	142.7	150.1
Staff income	0.0	0.0	(20.2)	(21.4)
Programme Cost	76.5	94.5	56.5	56.5
Income	(30.0)	(68.0)	(30.0)	(30.0)
Historic Environment Total	183.3	160.5	149.0	155.2
Staff Cost	0.0	0.0	0.0	0.0
Programme Cost	1,023.3	3.7	3.7	3.7
Income	(866.0)	0.0	0.0	0.0
Landscape Features Total	157.3	3.7	3.7	3.7
Staff Cost	183.1	203.4	212.6	219.7
Staff Income	(0.6)	0.0	0.0	0.0
Programme Cost	137.1	128.0	120.6	133.7
Income	(4.0)	(10.0)	0.0	0.0
Volunteers and Apprentices Total	315.6	321.4	333.2	353.5

	2022/23 BUDGET NET £000's	2023/24 BUDGET NET £000's	2024/25 BUDGET NET £000's	2025/26 BUDGET NET £000's
PROGRAMME BIDS				
Staff Cost	108.5	118.8	125.0	128.9
Staff Income	0.0	0.0	0.0	0.0
Programme Cost	32.1	20.0	20.0	20.0
Income	0.0	0.0	0.0	0.0
Tourism Total	140.6	138.8	145.0	148.9
Staff Cost	314.0	350.4	348.3	360.9
Programme Cost	300.0	343.2	336.0	331.1
Income	(311.1)	(340.1)	(340.1)	(340.1)
National Park Centres Total	302.9	353.5	344.2	351.9
Staff Cost	37.8	41.4	43.0	44.2
Programme Cost	175.0	155.0	155.0	155.0
Income	0.0	0.0	0.0	0.0
Sustainable Development Total	212.8	196.4	198.0	199.2
Staff Cost	71.6	80.0	85.7	88.2
Programme Cost	318.5	474.5	309.2	324.7
Income	(764.7)	(943.1)	(943.1)	(943.1)
Car Parks & Toilets Total	(374.7)	(388.5)	(548.2)	(530.2)
Staff Cost	60.1	65.5	68.2	70.4
Programme Cost	59.5	46.0	46.0	46.0
Income	(30.0)	(30.0)	(30.0)	(30.0)
Recreation Management Total	89.6	81.5	84.2	86.4
PROGRAMME SUMMARY				
TOTAL GROSS PROGRAMME COSTS	8,846.2	8,282.7	7,113.1	6,107.0
TOTAL PROGRAMME INCOME	(5,263.5)	(4,863.1)	(3,707.7)	(2,625.6)
TOTAL PROGRAMME SPEND	3,582.7	3,419.6	3,405.3	3,481.4

	2022/23 BUDGET NET £000's	2023/24 BUDGET NET £000's	2024/25 BUDGET NET £000's	2025/26 BUDGET NET £000's
CORPORATE EMPLOYMENT & CENTRAL COSTS				
Conservation of the Natural Environment	128.7	128.9	135.0	138.7
Promoting Understanding and Enjoyment	103.0	111.2	117.7	121.0
Communications and Interpretation	182.9	197.3	206.1	213.3
Communications & Corporate - Ranger Services	72.6	79.2	84.4	86.6
Development Planning	0.0	0.0	0.0	0.0
Corporate Services	992.3	1,031.4	1,076.7	1,109.6
Vacancy Factor	(107.5)	(115.2)	(119.2)	(118.9)
Other Employee Costs - Corporate Management	18.6	19.9	20.1	20.5
Other Employee Income - Corporate Management	0.0	0.0	0.0	0.0
TOTAL CENTRAL GROSS COSTS	1,390.6	1,452.7	1,520.7	1,570.8
TOTAL CENTRAL INCOME	0.0	0.0	0.0	0.0
Total Corporate Employment Costs	1,390.6	1,452.7	1,520.7	1,570.8
Support Services	212.9	304.4	268.2	266.5
Support Services Income	(30.0)	(255.5)	(150.0)	(146.0)
CEO Support	7.8	9.9	10.0	10.1
CEO Support Income	0.0	0.0	0.0	0.0
Legal Services	24.1	30.9	24.6	25.4
Legal Services Income	(23.0)	(17.0)	(17.0)	(17.0)
Office Accommodation	113.2	165.1	155.1	160.9
Office Accommodation Income	(12.5)	(14.5)	(14.5)	(14.5)
Office Buildings Maintenance	33.7	40.2	68.7	53.0
Health & Safety	8.1	8.1	8.4	8.6
Member Costs	131.3	122.7	133.6	133.0
IT Licences, Consumables and Support	230.8	254.3	283.5	268.2
Communications	60.4	98.8	65.3	68.0
Communications Income	(0.4)	(23.4)	(2.4)	(2.4)
Training	60.1	60.1	60.1	60.1
TOTAL CENTRAL GROSS COSTS	882.3	1,094.5	1,077.6	1,053.9
TOTAL CENTRAL INCOME	(65.9)	(310.4)	(183.9)	(179.9)
Total Central Costs	816.4	784.1	893.7	874.0
BUDGET SUMMARY				
DEFRA National Park Grant Income	(5,229.8)	(5,229.8)	(5,229.8)	(5,229.8)
Other Income	(5,329.4)	(5,173.5)	(3,891.6)	(2,805.5)
Total Income	(10,559.2)	(10,403.3)	(9,121.4)	(8,035.3)
Gross Expenditure	11,119.1	10,829.9	9,711.3	8,731.7
In-Year Deficit	559.9	426.6	589.9	696.4

	2022/23 BUDGET NET £000's	2023/24 BUDGET NET £000's	2024/25 BUDGET NET £000's	2025/26 BUDGET NET £000's
Opportunities Fund	60.0	60.0	60.0	60.0
In-Year Deficit after Opportunities Fund	619.9	486.6	649.9	756.4
FUNDED BY:				
Matched Funding from Specific Reserves	(113.6)	(278.0)	(100.4)	(9.3)
Capital Expenditure Funded from Reserves	(113.7)	(138.7)	(204.8)	(241.0)
General Balancing Reserve Movement	0	(69.9)	0.0	0.0
New income generation opportunities/Staff or programme cuts	0.0	0.0	(344.7)	(506.1)
(Surplus)/Deficit in year	392.5	0.0	0.0	0.0
% Ratio - Salary Costs to Gross Income	47.4%	52.8%	60.5%	68.5%
Non-DEFRA income % of Total Income	50.5%	49.7%	42.7%	34.9%

Budget assumptions about costs and income

1. Defra Grant

Defra's grant settlement letter for 2023/24 had not been received by the date this report was completed. However, DEFRA has indicated a 'flat settlement' over the next three years. Effectively a real terms cut.

2. Staff Costs

Staff costs have been modelled in detail across the next 5 years to identify potential affordability problems. The projections include the estimated national pay increase, pay-band progression, employer Pension and National Insurance contributions, and a saving due to temporary vacancies (vacancy factor). Projections for the ratio of staff costs to gross income are shown below, together with the previous predictions for the same years as calculated in January 2022.

% Salary Costs to Gross Income	2023/24	2024/25	2025/26	2026/27	2027/28
Projections as at January 2023	54%	61%	68%	69%	71%
Projections as at January 2022	56%	64%	72%	73%	-

Members had adopted an indicative measure for this ratio of 50% - 55%, so the above figures suggest a developing problem from 2024/25. Pay levels continue to rise annually, and because we are now assuming flat levels of Defra grant, the ratio of staff costs to gross income is rising progressively. Note that these values are very likely to fall further if we achieve further success in income generation, which are not wholly matched by staff cost increases. Members can see the percentages have fallen from last year's predictions as a result of securing additional income.

3. Staff/Member Pay

The impact of inflationary pressures during 2022 had a significant impact on staff cost. Consequently, we have needed to amend our assumptions on pay awards for future years. These assumptions have been applied by all National Park Authorities. They are:

2023/24: 5%
 2024/25: 4%
 2025/26: 3%
 2% thereafter

4. Overheads

Inflation on corporate overheads has been applied at variable rates depending on the particular item. Inflation is much higher than previous years, in particular for utilities.

5. Income from Fees & Charges

Projections for income from fees and charges are realistic based on prior years. It is proposed not to reinstate the turnstiles for the use of public toilets at Grassington. Expensive maintenance issues and the cost of dealing with user issues/complaints now out-weigh the level of income received. A donations box has been installed in the toilet in line with policy at other Authority toilets.

6. Capital Expenditure

The Authority's capital expenditure comprises investment in Property, IT and Plant & Equipment, for which detailed schedules have been prepared covering the next five years. These are available at Members' request. At present, all such expenditure is funded from Earmarked Reserves (see **Appendix 5**), which avoids the pressure of having to find this money from within annual programme budgets.

Significant Budget Changes

The changes below highlight significant issues and budgetary changes (increases and reductions) between the indicative budgets agreed in March 2022 for 2023/24, and the budget now proposed.

Staffing

1. National Insurance Employer Contributions:

National decrease of 1.25% from 2023/24 and the secondary threshold was frozen across the three years, a net **saving** of; £27k 23/24, £26k 24/25, £25k 25/26.

2. North Yorkshire Pension Fund Contributions:

Following the positive triennial valuation of the Authority's share of the North Yorkshire Pension Fund's assets and liabilities in 2022, the rates have been reduced from 20.8% to the following rates, **saving** the following amounts:

2023/24: 13.1% - £284k

2024/25: 12.7% - £305k

2025/26: 12.4% - £325k

12.4% thereafter - £355k

3. The National Pay Award for Local Government:

The 2022/23 pay award was larger than budgeted (£1,925 per FTE rather than 2%) so the start point for 2023/24 is now higher. The following pay inflation rates have been assumed, and replace the 2% assumption from the prior year's MTFS, **increasing** the budget by the following amounts:

2023/24: 5% - £294k

2024/25: 4% - £446k

2025/26: 3% - £511k

2% thereafter - £557k

A 1% change either way would add/subtract approximately £50k.

4. Increased staffing costs

- Extension of additional resource to support production of the Local Plan: £40k 23/24, £13k 24/25.
- Additional resource in Land Management: to develop and manage externally-funded projects £54k 23/24, £56k 24/25, £58k 25/26.
- Pennine Way and Bridleway: Income lost £12k p.a.
- Income was overstated in prior MTFS for farming: £79k 24/25, £17k 25/26.

5. Funded Posts (net zero cost to the Authority)

1. Access & Engagement role– Temporary to Dec 23 £24k 23/24.

6. Staffing Savings

- Minerals Officer retirement and posts amalgamated: £23k p.a.
- Senior Management Team restructure following the retirement of the Director of Corporate Services: £32k.
- Potential Built heritage saving, not replacing leaver: Up to £40k p.a.
- Hudson House Staffing redeployment saving of £20k from 2024/25 on salaries.

7. Additional Income – reducing costs

- Biodiversity net gain income: £10k 23/24.
- Yorkshire Peat Partnership 0.5 FTE Ecologist: £22k 23/24-25/26.
- Yorkshire Peat Partnership 0.5 FTE Archaeologist: £21k 23/24-25/26.
- Revere woodland research project: £15k 23/24.

Work Programmes

8. Development Management

- Additional income to reflect proposed national increase in planning fees (£45k p.a) and local increase to pre-planning advice (£15k p.a.)

9. Biodiversity

- Habitat survey not going ahead £20k saving in 23/24 only.

10. Rights of Way

- Cut to core budget £30k in 23/24.
- Income increased by £80k from 24/25 onwards.
- Overhead costs increased (rent, vehicles, utilities, consumables) £27k in 23/24, £23k from 24/25 on.

11. Recreation & Health

- Creatively Connected Arts Council project funding (part of Tees-Swale programme) £58k in 23/24, £51k in 24/25, £7k in 25/26 (net zero cost).
- DEFRA Access fund year 3 £69k in 24/25 (net zero cost).

12. Trees & Woodlands

- Woodland management/creation decreased by £15k.
- Income from Amex of £10k is programmed in 23/24.

13. Dales Countryside Museum

- Business rates saving of £58k in 23/24 rising to 64k in 25/26 following a successful rates appeal.
- Increases in utilities: £20k p.a.
- Saving on maintenance costs: £9k p.a.

14. Historical Environment

- Ingleborough Cave Archaeology project, funded by Westmorland Dales Landscape Partnership £38k in 23/24 (net zero cost).

15. Landscape Features

- Westmorland Dales project, £26k additional cost (re-profiled budget; the net total contribution from the authority over the course of the four-year project remains unchanged, at £300k).

16. Volunteers & Apprentices

- Saving on 1 apprentice place £17k/£13k alternate years.

17. Tourism

- Tourism Membership subscription removed: £12k p.a.

18. National Park Centres and Retail

- Utilities increase ~ £23k p.a.
- Reeth rent saving ~ £11k p.a.
- Net profits increased on retail by £12k p.a.

19. Sustainable Development Fund

- Reduced budget by 20k p.a.

20. Car Parks & Toilets

- Increased car park income by £145k in 23/24, and £225k p.a. from 24/25.
- Projected savings on cash collection from 24/25: up to £50k p.a.

22. Central Costs

- Support services - increase in auditing fees £12k in 23/24, £38k from 24/25 on. Due to new contract and difficulties with retaining auditors, centrally negotiated through PSAA.
- Office accommodation – utilities cost increased by £31k p.a.
- Bank Interest income increase: £128k in 23/24, £104k in 24/25, £100k in 25/26.
- IT costs, alterations to the timing of the capital five-year spend programme, saving £25k in 23/24, increasing cost £100k in 24/25, increasing cost £51k in 25/26. This is funded from an earmarked reserve so does not impact on the bottom line of the budget.

Reserves Strategy

1. The Authority holds Reserves for two purposes:
 - **To help to manage budget risk, by providing** financial ‘insurance’ in case of:
 - contingencies such as a major legal cost or the interim funding needed to cope with a reduction in National Park Grant from Defra;
 - Inaccurate budget estimates or loss of external funding streams.
 - **To support delivery by:**
 - funding investment requirements;
 - enabling us to take advantage of appropriate project opportunities.
2. This Strategy covers the Authority’s **Usable** Reserves. These are Reserves backed by cash and are therefore available to spend on the purposes for which they have been established. At the date of this report, the value of the Authority’s Usable Reserves at 31st March 2023 is expected to be **£3,040k**.

The Strategy

3. It is proposed that the Authority’s Reserves be maintained in line with the table below. Full details of each Reserve, and the purpose for which it is maintained, have not been included here but are available at Members’ request.
4. Reserves will be spent over the following five years to cover the projects and capital spending indicated; the costs of which are included in the main budget.
5. The position at year-end (31 March 2023) will inevitably be different from that shown below, after taking into account the following events:
 - A temporary reserve will be created to contain any carry-forward budgets that are required to complete activity started but not finished in 2022/23, this is normally in the region of £400k to £600k and covers those projects which do not neatly fit into the financial year.
 - The balance of the reserve for the ongoing woodland monitoring obligations until 2030 will be increased by the value attributed to 2022/23 new capital projects completed in year, this balance was not known at the time of writing this report.
 - It is unlikely that the position at year-end will exactly match the set budget which this estimation is based on. The General Fund will be modified in line with the net 2022/23 year-end financial balance (after taking account of carry-forward budgets).

No	Reserve Description	ESTIMATED BALANCE @ 31/3/23 £'000
1.	Contingency Reserve - 10% gross budgeted expenditure 23/24	1062.1
2.	Carry Forward Budgets	TBN
3.	IT (Replacement and Upgrade)	347.0
4.	Property (Maintenance)	252.6
5.	Plant & Equipment	101.0
6.	Broadband Loans (incl. accrued Interest)	23.4
7.	Access for All	30.6
8.	Tees-Swale - Naturally Connected	100.0
9.	Swaledale Barns	59.0
10.	Attracting Younger People	29.3
11.	Ribblesdale Premises - South Park Rangers Accommodation	200.0
12.	Earmarked legacies	140.4
13.	B4RN Shares	74.5
14.	Grow Back Greener Year 5 maintenance	42.7
	Estimated Earmarked Reserves Balance	2,462.6
	<i>Estimated General Fund Reserve</i>	<i>577.8</i>
	Estimated Total Usable Reserve Balance (based on current budget)	3,040.4

Risks associated with the Draft Budget

Risk	Impact	Likelihood	Control / Mitigation
1. Staff costs in excess of budget	High	Moderate	Staff turnover may not generate the saving from vacancies built into the budget, of £115k. At the time of preparing this budget, the Local Government pay award for 2023/24 had not yet been agreed. For every additional 1%, the Authority's staff costs would rise by ~£50k pa.
2. Inflation greater than projected	Moderate	Moderate	Specific rates of inflation, appropriate to each overhead, have been used to prepare the budget. The current situation is volatile and will be monitored, so that more substantial increases in inflation can be taken onto account should the budgeted rates prove to be too low.
3. Unidentified costs missing from budget.	Low	Low	Any significant problems could be managed through a call on the Contingency Reserve.
4. Failure to achieve earned income projections.	Moderate	Low	Achievement of targets is kept under continuous review. The most significant 'earned income' target is car parking, for which our projection for 2023/24 assumes a continuation of the performance seen in 2022/23. The increasing contribution from external grant income to our budgets isn't necessarily accompanied by increased risk: the majority of such income is linked to related expenditure, and if that spending doesn't happen to its planned extent, less grant income will be accessed, but with no overall net <i>financial</i> impact (although the gross income result reported at year end would be lower than is currently projected).
5. Failure to deliver objectives within Corporate Plan	High	Low	Closely managed process, with scheduled in-year review. Where additional spending is required to achieve delivery, budget can be made available from the General Reserve or – if necessary - from redirecting resources from lower priority programmes.
6. Insufficient Reserves to cover spending plans	High	Low	Managed through the Reserves Strategy (see Appendix 5).
7. Longer term plans are unaffordable	High	High	Projections indicate that our plans for 2024/25 and beyond are unlikely to be affordable in their current form. This risk doesn't affect 2023/24, but programme cuts will be needed if additional income cannot be generated from 2024/25.