

YORKSHIRE DALES NATIONAL PARK AUTHORITY

31st January 2006**BUDGET: 2006/07****Purpose of the Report**

To seek approval for the proposed budget for the financial year 2006/07, as recommended by the Finance & Resources Committee at its meeting on 14th November 2005.

Strategic Planning Framework

The information contained in this report is consistent with the Authority's approved and adopted strategic planning framework:

- *Best Value Performance Plan*
" Plan and manage all aspects of the Authority's business so as to make the most effective use of our resources."

1. Introduction

The Authority's delegation scheme allocates the following responsibility to the Finance & Resources Committee:

"1(b). to ensure that the Authority has appropriate and rigorous procedures for the preparation of **financial forecasts and budgets and to make recommendations to the Authority regarding the allocation of resources available to the Authority**".

Outside the budget setting process, the Finance & Resources committee has the delegated responsibility for '...securing, management and disposal of the resources necessary to fulfil the Authority's statutory purposes, agreed policies and strategic direction and business plan, including the ...effective use of these resources'. That committee therefore retains the authority to make decisions on resource allocation within the approved budget.

2. The proposed budget for 2006/07.

The budget paper considered by the Finance and Resources Committee in November is attached at **Appendix A**, together with the Policy Priorities to which it makes reference (**Appendix A1**) and the detailed draft budget (**Appendix A2**). The original paper was accompanied by a very detailed analysis of the programmes on which it was proposed that expenditure is incurred, and of the decision making process that had led to these proposals. This additional information (77 pages) was considered at length by the Finance & Resources Committee, who approved the budget for recommendation to the authority in the form that it had been proposed.

DEFRA have confirmed that the grant for 2006/07 has been frozen at the 2005/06 level and a copy of the relevant letter is attached at **Appendix B**.

In 2004, DEFRA said that they would be introducing a three year budgeting cycle, commencing in the financial year 2005/06. DEFRA have continued their grant at the level of that awarded in 2005/06 into 2006/07 (this budget) without any increase for inflation or any other cost pressures. They have indicated that the same financial grant settlement will apply for the remaining year of the three year period (2007/08). It is thus quite conceivable that the zero settlement will be received for both years (2006/07 and 2007/08), which will result in severe budgetary pressure. This situation was discussed at some length at the Finance and Resources Committee. Members were keen to use the time available during 2006 to thoroughly examine the Authority's programmes, and then cost, with a view to identifying the cuts that may need to be made should DEFRA grants remain at the current level beyond the 2006/07 financial year.

RECOMMENDATIONS

That members approve the budget for 2006/07, as recommended by the Finance & Resources Committee at its meeting on 14th November 2005.

IRENE BRANNON
SENIOR FINANCE OFFICER

18 January 2006

YORKSHIRE DALES NATIONAL PARK AUTHORITY
FINANCE AND RESOURCES COMMITTEE

14TH November 2005

PROPOSED BUDGET 2006/07

1. Purpose of the Report

To seek the Finance and Resources Committee's approval to recommend, to the full Authority, the 2006/07 budget as described and to note the projections for the 2007/08 and 2008/09 Financial years.

2. Introduction

This paper sets out the proposed budget for 2006/07, together with 'indicative' budgets for the subsequent two years. The objective of this paper is to give members sufficient background to understand the process that has been followed, and to be able to question the allocations made within the draft budget.

3. The Budget Model: relationship with policy priorities

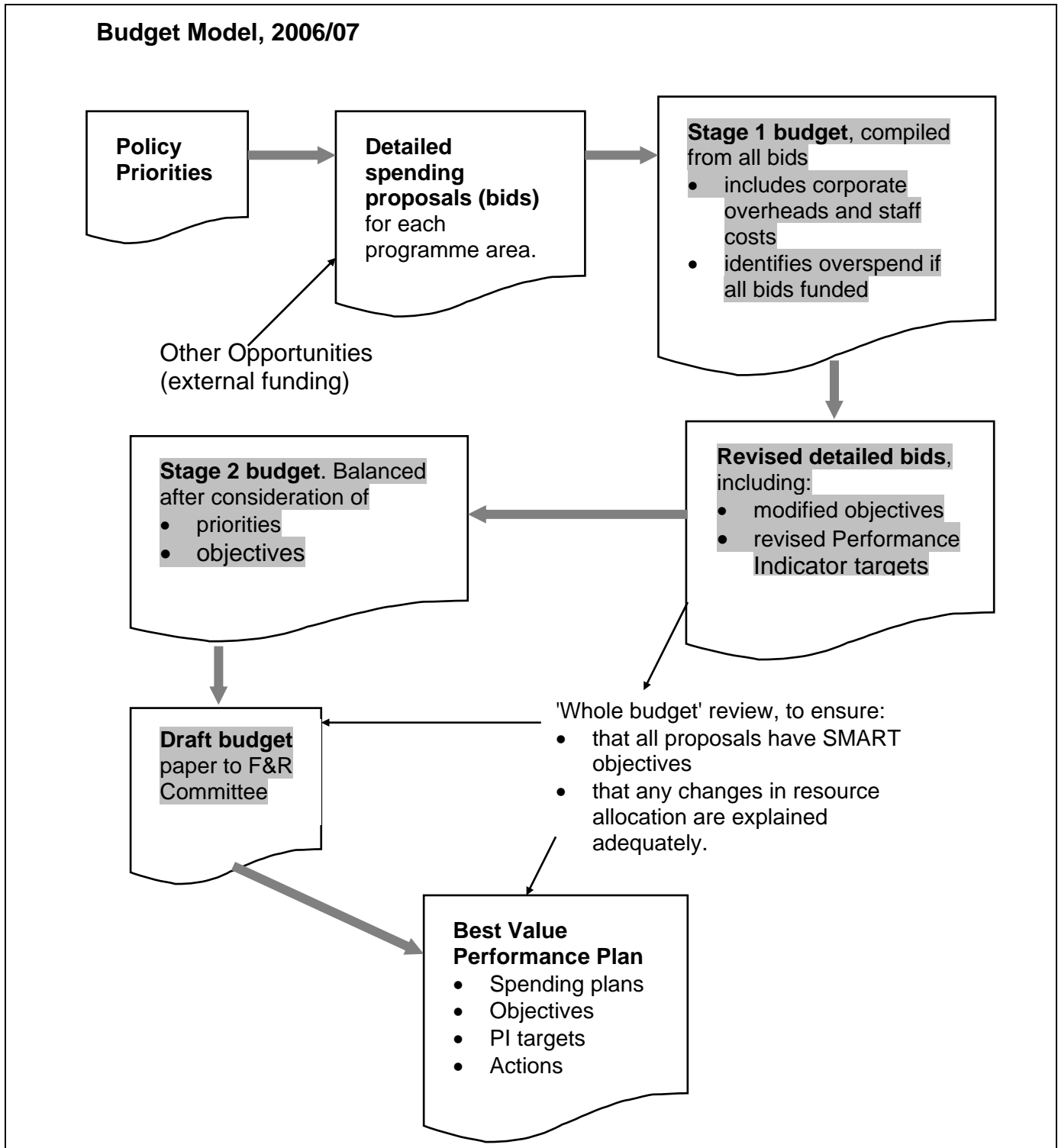
Members will be aware of the work undertaken to identify policy priorities. The budget has been drafted in accordance with the model first used in 2004/05 as a means of linking resources to policy priorities.

DEFRA have stated that for 2006/07 and 2007/08 the annual settlement is to be cash limited at the 2005/06 level without any inflationary increase (see section 4, below). This has required an intensified focus on priorities as the previous 'indicative' budget for 2006/07 had assumed at least inflation, and previous years budgets (04/05 and 05/06) had incorporated the use of reserves (= underspends), which cannot be guaranteed to be generated in future, and cannot therefore be prudently assumed to be available for balancing future years' budgets.

The current list of programmes in Priority order (**Appendix 1**) was approved by the Authority meeting on 26th July 2005; the accompanying paper provided the full definitions of each programme, which were largely unchanged from the previous years. Within the budget model (see diagram, below), the **priorities** now direct resources (the **annual budget**) which are in turn more clearly linked to objectives (the **Best Value Performance Plan**). In other words, the emphasis is on ensuring that we stay on course to meet the Authority's objectives for the higher priority programmes. Whilst this process has operated in previous years, undertaking the detailed review of business objectives at the same time as the budget setting process has been invaluable, both in clearly defining the link between the resources and outcomes, and in establishing the detailed business plan objectives for the next year (albeit at a draft stage). It is important to note, however, at this stage the

budget does not identify any resources that may be required to implement any actions arising from the National Park Authority Performance Assessment process.

The model below shows the key documents within the budget/ best value process; documents shown with shaded text are included as appendices to this paper.



Of the documents in the above model that members are asked to consider:

- Stage 1 Budget (Appendix 2). This shows the costs of fully meeting the Authority's existing objectives, and yielded a net overspend of £418k.
- The changes required to balance the budget (Appendix 3), discussed by the Authority's Senior Management Team (SMT) and Wider Management Team (WMT) lead to revised versions of the individual programme bids. This resulted in £383k of adjustments; these added to a proposed £35k allocation from the 05/06 Opportunities Fund (see separate paper Item 7 on the agenda of this meeting) total £418k .
- A full set of the revised detailed bids for each programme (**Appendix 4**). Please note that these are in alphabetical order, rather than by priority.
- Stage 2 budget (Appendix 5): the balanced version, prepared from the adjustments described in Appendix 3. Note that this is the 'net' budget, and shows, for example, Car Parking income net of operating costs and Retail income net of stock costs.

Appendix 3 therefore identifies the decisions made by the Authority's Senior Management Team in achieving a balanced budget; the narrative to this Appendix gives further details on the nature of these changes. **Members views are sought on the suitability of these decisions, in particular in terms of the wider political environment in which the Authority operates.**

The 'Stage 2' budget (Appendix 5) is divided into three sections:

- Income from DEFRA ('National Park Grant')
- Core Costs
- Programmes

Of these, the first is self-explanatory, and the third is the sum of the revised detailed bids (Appendix 4). As in 2005/06 the report shows **all** staff costs within 'Core Costs'. Although the majority of staff costs relate directly to the delivery of programmes, the reasons for disaggregating them are:

- (1) salary costs are seen, at least in the short- to medium-term, as fixed costs. Existing staff have the flexibility to deliver other objectives or to change emphasis in delivery.
- (2) Salary cost increases are composed of the nationally-agreed annual pay award, annual incremental movements up pay spines and promotions. There is therefore not always a straightforward link between staff costs and the financial allocation to priorities.

4. Assumptions contained in the 2006/07 budget

The following assumptions have been applied in preparing the proposed start budget for 2006/07:

- DEFRA have stated that the grant settlement for 2006/07 and 2007/08 will not increase from the 2005/06 core settlement (including Access Money) i.e no inflation element. Additionally, the ring-fenced funding for Sustainable Development will also remain at the 2005/06 level (£200k). The authority has received written confirmation of this from DEFRA on 27th October 2005 (**Appendix 6**).

- The 2006/07 pay award assumption, applied in this budget is at 2.95%; this is still subject to agreement between the Local Government Association (LGA) and UNISON.
- The staff vacancy factor has been maintained at 5%, and represents a budgeted saving on all staff cost areas (recruitment, salaries, pensions, expenses) of £160k. This is in line with the actual figure projected for 2005/06.
- The employer's contribution rate to the Authority's Pension Scheme has been increased to 19.6% in line with the decision of this Committee on 20th December 2004. There are as yet no clear indications as to whether they will be a further increase in costs related to subsequent changes to the scheme.
- There are no further changes in National Insurance rates.
- The 2005/06 budget was balanced on the basis that £164k of the surplus from previous years be utilised. As these reserves are 'finite' this has been reduced to £35k in 2006/07 and nil in future years. SMT have proposed as part of the Financial Progress report presented to this meeting (Item 7) that £35k from the 2005/06 Opportunity Fund be retained for this purpose.
- In addition, the budget presented in Appendix 5 assumes that a further £6k of managed savings on employee costs be identified in 2006/07 and an additional £98k (£104k less £6k) in 2007/08. These savings are part of a medium term strategy to address the funding gap by reviewing the staffing structure of the organisation; SMT intend to identify these savings by reviewing vacancies as they arise to identify alternative options to recruitment, with the objective of reducing 'fixed' salary costs.

5. Efficiency Savings: national target.

DEFRA have 'applied' the savings required by the Gershon review indirectly on National Park Authorities through the settlement. The organisation consequently needs to identify efficiency savings as a result of the impact of the three year settlement. This is to be achieved by reviewing fixed overheads (mainly, staffing costs), procurement costs and by proactively seeking alternative funding sources.

6. Other issues

The 2008/09 budget assumes that DEFRA will increase the core grant settlement by 4%, however, it is anticipated that any increased settlement in 2008/09 will be part of an indicative three year settlement to cover 2008/09 to 2010/2011.

RECOMMENDATION

That Members support the 2006/07 budget as presented (or, subject to discussions at this meeting of the committee, a revised version thereof), with a recommendation for approval by the full Authority.

IRENE BRANNON
SENIOR FINANCE OFFICER

14th November 2005

YDNPA PRIORITIES, 26TH JULY 2005

A	Biodiversity Enforcement Limestone Country Project Sustainable Development Fund	Development Control Farm Conservation Rights of Way Web-based Services
B	Archaeology CROW Act implementation Outreach Trees and Woodlands	Barns and Walls Dales Volunteers Sustainable Tourism Support Yorkshire Dales Millennium Trust
C	Area Actions Definitive Map Landscape Policy & Advice National Park Centres	Building Conservation Interpretation Local Plans Park Information Points
D	'Access for all' Dales Countryside Museum National Park Management Plan State of the Park	Car Parks Education Publications Toilets
E	Cycling Pennine Bridleway Retail Traffic Management	Dales Apprenticeship Scheme Public Transport Sites and Monuments Record

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National Park Officers

Dear Colleague

Distribution of CRoW access funding in 2006/07 and 2007/08

We have been discussing for some time the way in which the CRoW access funding for National Park Authorities should be brought “within the formula” from 2006/07, such a move being needed to reflect the fact that CRoW implementation will by then have been completed and so your access responsibilities should be funded no differently from all your other statutory responsibilities.

I am very grateful to all those who have made suggestions as to how this might be done, and to all of you for spending time at an ENPOG meeting to discuss the options. Unfortunately none of those attempts has reached a consensus as to the approach which should be adopted. The recent round of sponsorship meetings has also confirmed that a range of views still exists as to which authorities will bear the brunt of this work.

In the light of this, and being very mindful of the fact that a flat settlement will set challenges for all of your Authorities, and having now received the Countryside Agency’s advice following their board meeting of 6 October, the Minister does not wish to adopt a new approach on access funding which would move significant amounts between authorities.

He has therefore decided to incorporate within each Authority’s core grant for 2006/07 and 2007/08 the same level of access funding as you are receiving in 2005/06. In the light of CSR07 we shall then take stock of whether any modification is needed for the years from 2008/09 onwards.

In the case of the New Forest the Minister has decided that, given the substantial amount of access management which will continue to fall to the Forestry Commission there,

£150,000 should be incorporated into the National Park Authority's core grant in 2006/07 and 2007/08 in recognition of its access responsibilities.

Following his visit to the North York Moors, Jim Knight was struck by the unique extra burden that NPA faces in restoring Rights of Way following the floods. We currently do not have sufficient funds to reflect this in the allocation, but if that situation changes we will write again.

The attached table gives the 2006/07 and 2007/08 allocations (along with the 2005/06 figures for comparison).

You will note that, contrary to earlier expectations, it has been possible to fund the New Forest without reducing the amount of access funding going to the other National Park Authorities. This is because correcting the New Forest's population data in the formula had a bigger impact than expected and so created sufficient headroom to meet their access and SDF requirements. (In 2005/06 the formula used a population figure of 75,000, which is the population of the area originally designated by the Countryside Agency, whereas the smaller Park boundary which was finally confirmed contains only some 34,000 residents).

I shall of course let you know if any additional funding becomes available as a result of Defra's internal budgeting process this Autumn. However I continue to see that as unlikely and so you should plan on the assumption that these are the final National Park Grant figures for 2006/07 and 2007/08.

Yours sincerely,

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£	Broads	Dartmoor	Exmoor	Lakes	N'land	Moors	Peak	Y Dales	N Forest	Defra discretionary	Total (£m)
2005/06											
Core	3,708,182*	3,758,058	3,066,422	5,640,679	2,460,044	4,283,864	6,892,550	4,256,870	3,517,297		37.584
Access	25,000	350,000	350,000	450,000	350,000	450,000	450,000	450,000	0		2.875
SDF	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	0		1.6
Total	3,933,182	4,308,058	3,616,422	6,290,679	3,010,044	4,933,864	7,542,550	4,906,870	3,517,297	71,033	42.130
2006/07 and 2007/08											
Core	3,733,182*	4,108,058	3,416,422	6,090,679	2,810,044	4,733,864	7,342,550	4,706,870	3,340,586**		40.283
SDF	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000		1.8
Total	3,933,182	4,308,058	3,616,422	6,290,679	3,010,044	4,933,864	7,542,550	4,906,870	3,540,586	47,744	42.130

*including £500,000 to support the navigation purpose

** i.e. the £3,517,297 of 2005/06 less £326,711 arising from the population data change plus £150,000 in recognition of new CRoW access responsibilities

PRIORITY (PDF 2005)	2005/6	2006/7	CHANGE	CHANGE	2005/06	2006/07	2006/07
	BUDGET NET £000's	BUDGET NET £000's	FROM 2005/6 £'000's	FROM 2005/6 %	Full Time Equiv's £000's	Full Time Equiv's £000's	Direct Costs (Net) £000's

	(a)	(b)	(c)=(b)-(a)	(d)
Core Grant	-4256.8	-4257.0	0.0	0.0%
Sustainable Development Grant	-200.0	-200.0	0.0	0.0%
Access Money	-450.0	-450.0	0.0	0.0%
National Park Grant & Levies	-4906.8	-4907.0	0.0	0.0%

Employment & Central Costs:

Employee Costs (A100)	318	328	10	3.1%
Employee Costs (B100)	136	149	13	9.8%
Employee Costs (C100)	578	524	-54	-9.3%
Employee Costs (D100, D200, D300 & D500)	623	668	45	7.3%
Employee Costs (E100)	37	38	1	2.4%
Employee Costs (F100)	278	271	-7	-2.6%
Employee Costs (G100)	506	509	3	0.6%
Employee Costs (H100 & H101)	111	115	4	3.7%
Employee Costs (J100)	834	815	-19	-2.2%
Planned Savings - to be identified	0	-6	-6	
Media	5	5	0	4.2%
Support Services	121	138	17	13.8%
Secretariat	4	4	0	-9.1%
Legal Services	15	15	0	-2.0%
Office Accomodation	102	93	-9	-8.5%
Health & Safety	5	4	-1	-11.1%
Member Costs	132	132	0	0.0%
YDMT B	45	45	0	0.0%
IT Development	99	119	20	19.8%
Contracts (C200 & C520 & F200)	145	145	0	0.1%
Training	49	39	0	0.0%

PRIORITY (PDF 2005)	2005/6	2006/7	CHANGE	CHANGE	2005/06	2006/07	2006/07
	BUDGET NET £000's	BUDGET NET £000's	FROM 2005/6 £'000's	FROM 2005/6 %	Full Time Equiv's £000's	Full Time Equiv's £000's	Direct Costs (Net) £000's

Bids:

Farm Conservation	A	18	13	-5	-29.3%	2.9	1.8	46.0
Sustainable Development	A	203	204	1	0.4%	0.8	0.8	22.6
Biodiversity	A	82	81	-1	-0.9%	3.5	3.5	65.9
Limestone Country Project	A	60	60	0	0.0%	1.4	1.5	Neutral
Rights of Way including Green Lanes	A	225	250	25	11.1%	9.5	10.9	296.5
Development Control	A	-136	-46	90	-66.2%	12.6	15.2	442.6
Enforcement	A	1	1	1	100.0%	2.3	2.3	59.8
Web-based Services	A	5	13	9	188.9%	1.0	1.0	35.9
Sustainable Tourism Support	B	13	13	0	0.0%	2.6	2.0	63.6
CROW Act Implementation & Local Access Forum	B	179	72	-107	-59.8%	10.1	10.1	274.7
Trees & Woodlands	B	76	76	0	-0.4%	2.5	2.5	77.4
Dales Volunteers	B	47	48	1	2.6%	1.4	1.4	39.5
Outreach	B	24	26	2	8.8%	1.3	2.1	39.5
Archaeology	B	29	26	-3	-10.3%	1.6	1.6	51.1
Landscape & Policy Advice	C	9	0	-9	-100.0%	0.6	0.6	21.1
Interpretation	C	52	55	3	5.8%	0.6	1.0	31.4
Local Plans	C	7	6	-1	-9.1%	1.4	1.4	59.3
Park Information Points	C	7	7	0	0.0%	0.1	0.1	N/A
National Park Centres	C	93	87	-6	-6.6%	10.7	11.3	214.0
Building Conservation	C	20	13	-7	-36.3%	1.5	3.0	83.2
Definitive Map	C	21	15	-6	-28.6%	4.1	4.0	107.1
Area Actions	C	5	0	-5	-100.0%	0.0	0.0	N/A
Publications	D	21	19	-2	-10.4%	0.4	1.0	27.0
National Park Management Plan	D	5	0	-5	-100.0%	0.0	0.0	N/A
Dales Countryside Museum	D	58	52	-6	-10.8%	1.6	2.0	59.9
Car Parks	D	-361	-388	-27	7.6%	1.8	1.8	N/A
Toilets (incl Estates Maintenance)	D	193	167	-26	-13.4%	0.1	0.1	N/A
Education	D	14	4	-10	-71.4%	1.0	0.5	18.0
Access (for All) and Recreation	D	13	5	-8	-61.5%	0.2	0.2	N/A
State of the Park	D	5	2	-3	-60.0%	0.5	0.5	21.3
Public Transport and Traffic Management	E	20	5	-15	-75.0%	1.0	1.0	37.0
Cycling	E	0	0	0		0.7	1.0	Neutral
Retail	E	-88	-96	-8	9.1%	2.0	2.0	55.8
Sites & Monuments Record	E	7	5	-2	0.0%	0.4	0.4	10.2
Pennine Bridleway	E	-5	-5	0	0.0%	1.1	3.0	Neutral
Dales Apprenticeship Scheme	E	6	2	-4	-66.7%	0.5	0.0	N/A
		928	792	-136	-14.7%	85.1	91.6	2261.7

Net Expenditure		5070	4942	-128	-2.5%
National Park Grant & Levies		-4907	-4907	0	0.0%
Use of Surplus		-164	-35	129	-78.6%
Net Position (Surplus) / Deficit		0	0	0	