



NPA/23/010

## Dartmoor National Park Authority

3 March 2023

# Budget And Medium Term Financial Plan 2023/24 to 2025/26

### Report of the Head of Business Support

**Recommendations:**    **That Members:**

- (i)    **approve the 2023/24 budget and note the indicative budgets for 2024/25 and 2025/26 as shown in Appendices 1 – 3;**
- (ii)    **approve the use of Earmarked Reserves balances as set out in Appendix 5; and**
- (iii)    **approve the Capital Investment Strategy as set out in section 4 of the report.**

## 1 Background

- 1.1 The Authority is required by statute to set a balanced annual revenue budget. The basis for the revenue and capital expenditure is the pursuit of the ‘Special Purposes’ for which the National Parks were designated in the Environment Act 1995 (the Act). Section 65 of the Act determines the purposes as: conserving and enhancing the natural beauty, wildlife and cultural heritage of National Parks and of promoting opportunities for the understanding and enjoyment of the Parks by the public. The Authority also has a duty to seek to foster the economic and social well-being of local communities within the National Park.
- 1.2 The key source of funding for the Authority is National Park Grant (NPG) which is paid by the Department of the Environment, Food and Rural Affairs (Defra). Currently NPG accounts for over 80% of total income. At the time of writing this report Defra has yet to confirm how much NPG the Authority will receive in 2023/24 and beyond. The delay in announcing NPG has an obvious impact on our ability to plan over both the short and medium term. We are also awaiting a decision on potential additional grant in 2022/23.

## 2 Financial Context

- 2.1 The Government’s Autumn Statement announced day-to-day departmental spending will increase by 3.7% per year in real terms. Although it should be noted the increase is for protected government departments. Unprotected government departments will see 1.2% real terms cut per year on average for the next two years.

- 2.2 Defra's resource funding will drop by 3.5% per year for the next two years, but their capital funding will increase by 41% next year and the following year seeing a reduction of 5%. The Authority does not receive specific capital funding and, despite asking, has not been provided with an opportunity to bid for capital funds.
- 2.3 Defra has indicated that we are likely to receive grant funds at the same level as for 2022/23. This will mean in real-terms the value of our DEFRA grant is a cut again, when taking into consideration the rate of inflation and nationally set pay awards, which are all outside of our control. It is worth noting that National Park Grant has remained at £3.8m since 2019/20.
- 2.4 A standstill grant, means our current projection is that our existing deficit will grow, if the grant is not adjusted for inflation and other pressures out of our control. The Authority has had to live with continued austerity since 2010/11. If NPG had kept pace with inflation it would now be worth in excess of £7.3m but we anticipate receiving £3.8m in 2023/24. We have had to undertake a number of business reviews over the last 12 years in order to reduce expenditure. These reviews have meant compulsory redundancies and reduction in service provision. The latest business review was undertaken in 2022/23 and is in the process of being implemented. A key proposal in the 2022/23 business review was the potential closure of the National Park Visitor Centre at Princetown. Members have agreed that we will use reserves to keep the Visitor Centre open for a period of up-to six months from April 2023. This will allow a decision to be made on any additional funding from Defra and for our discussions on different operational models to be progressed.
- 2.5 As noted above, following the decision by Members of the Authority in January 2023 to keep the National Park Visitor centre at Princetown open for up to six months from April 2023 we are using reserves to set a balanced budget for 2023/24.

### **3 2023/24 Budget and Medium Term Financial Plan Overview**

- 3.1 The 2023/24 Budget and indicative financial plans for 2024-25 and 2025-26 can be found at Appendices 1 to 3. The Authority does not build each annual budget on an incremental basis, choosing instead to zero-base each year. Assumptions used are:
- Pay Award: the single largest area of expenditure is staff salaries. A 4% pay award has been applied for years 2023/24, 2024/25 and 3% for 2025/26. An extra 1% increase in pay, if awarded in year 1, would cost around £33k; a provision for this is included within earmarked reserves;
  - Inflation and price increases are only included after discussion with suppliers / service providers;
  - External grant income: only included if confirmed;
  - Fees and charges income: target budgets are estimated using historical and trend data;
  - NPG: for planning purposes the MTFP assumes that the funding settlement will be flat cash (i.e. the same as 2022/23) for 2023/24 and 2024/25. For 2025/26 we have assumed a 3% increase in our NPG, this assumes government increasing our core funding to reflect our assumption for the pay award in 2025/26.
- 3.2 The forecast budget gap in years two and three, if they were to remain unchanged, could be met from reserves. However, it is too early to make changes at this stage until we get more clarity from Defra regarding our indicative funding figures.

<b>No increase in NPG</b>	<b>Budget Gap / (Surplus) £</b>
2023-2024 (to be met from reserves)	101,282
2024-2025	175,007
2025-2026	206,351
<b>Total</b>	<b>482,640</b>

- 3.3 If Defra were to apply an uplift of 1% to NPG in years two and three the deficit would be reduced by 16% in year two and there would be almost halved in year three (based on the current MTFP):

<b>Impact of a 1%increase in NPG in years two and three only</b>	<b>Budget Gap / (Surplus) £</b>
2023-2024	101,282
2024-2025	136,748
2025-2026	166,172
<b>Total</b>	<b>404,975</b>

- 3.4 If increased core funding from Defra is not forthcoming in the near future, then we will need to take further decisions to adjust our work programmes in order to set an affordable and balanced budget in future years. To keep calling on Reserves for more than one year is not sustainable. Similarly, as we have built the 2023/24 budget assuming a flat cash settlement, if this is not the case, a revised budget may have to be brought back to the Authority after the start of the financial year, so that Members can make decisions about how to rebalance the budget (and the MTFP).

## 4 Budget Detail

- 4.1 The following table provides a summary of some of the most significant projects and income targets that have been included in the MTFP; some of which may become at risk if increased core funding is not forthcoming.

<b>Projects and Programmes</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>
Adopt a Monument Project External Funding	15,000 (10,000)	15,000 (10,000)	15,000 (10,000)
Monument Management Scheme Projects External funding	15,000 (10,000)	15,000 (10,000)	15,000 (10,000)
Biodiversity action plan (including Living Dartmoor)	7,000	7,000	7,000
Curlew recovery project	3,000	3,000	3,000
Management for DNPA woodlands External funding	18,460 (15,792)	9,884 (9,884)	10,479 (8,891)
Pine Martin Reintroduction	5,000	5,000	5,000
Management of own land	3,000	3,000	3,000

Outreach & Education (incl. Ranger Ralph, Junior & Youth Rangers)	12,950	15,165	16,200
Vehicle purchases	84,689	28,689	52,553
Electric Vehicle lease – 2 pool cars	9,000	9,000	9,000
Parke House maintenance programme	27,000	14,000	13,000
Duchy Hotel maintenance programme	28,250	16,000	0
Car park improvements/ resurfacing	47,500	22,500	22,500
Car parking income – demand led	(120,000)	(120,000)	(120,000)
Planning fee income – demand led	(176,000)	(191,000)	(191,000)
Visitor Centres retail stock procurement	80,000	50,000	50,000
Visitor Centres sales income	(147,000)	(85,000)	(85,000)
Donate for Dartmoor (target not budget)	(30,000)	(30,000)	(30,000)

4.2 Members' attention is also specifically drawn to the following projects:

- (i) The Hill Farm Project is principally funded from the Prince's Countryside Fund, Duchy of Cornwall and the Authority. Beyond March 2024 external funding for this project is not confirmed. The Authority is committing to continue to the future of the Project and help the farming community transition to a new Environmental Land Management Scheme (ELMS), which is a key priority in the Authority's Business Plan.
- (ii) Our Common Cause is a national partnership project, being led by the Foundation for Common Land with funding from the Heritage Lottery Fund, with the National Trust acting as the accountable body and will be completed by 2024.
- (iii) The Authority is a delivery partner in the Defra funded South West Peatlands Project being led by South West Water which commenced in 2018/19. This has been extended for another three years. On Dartmoor, a programme of restoration is underway with a budget of approximately £8m being funded by Natural England; and grants, contributions and in-kind support from local partners including the Authority.
- (iv) Dartmoor's Dynamic Landscapes is an external funded package working in partnership with others to help deliver key priorities in the Dartmoor Partnership Plan: including nature recovery, environmental enhancement, engaging and welcoming a wider range of people and supporting sustainable use of the National Park, the local economy, jobs, and communities. In December 2022, the Authority was successful in securing £361,082 grant towards the development phase of the project from the National Lottery Heritage Fund.
- (v) The Authority is also a delivery partner for the Dartmoor Natural Flood Management Project, which is being led by the Environment Agency (EA) for the delivery of nature-based solutions to deliver multiple benefits. A budget of £6 million has been secured by the EA, with in-kind and financial support (£83,606 for the length of the MTFP) contributions from the Authority for a 6-year project. The Authority is hosting the employment of the Project Officers and is recharging all cost to the EA.
- (vi) Farming in Protected Landscapes programme (FiPL) – developed by Defra, commenced in July 2021 and continues until March 2024. Dartmoor was allotted £1.5m for the three years. FiPL provides funding for farmers and other land

managers to make improvements to the natural environment, mitigate impacts of climate change, provide public access on their land and support nature-friendly, sustainable farming. This funding has been apportioned across protected landscape bodies to enable the farmers and land managers to bid for grants. It has recently been announced that FiPL will continue for a further year, but grant funds to be awarded are yet to be announced

- 4.3 In recent years the Authority has operated a Project Fund as part of its Revenue Budget. This Fund has enabled us to: buy-in additional support and capacity; to match-fund new projects; and to invest in new equipment during the financial year. This strategy has helped to provide flexibility and agility and it is therefore proposed that we continue with this approach for the life of the new MTFP. The amount allocated to the Project Fund for each year is summarised below:

<b>Project Fund</b>	<b>£</b>
2023/24	75,000
2024/25	75,000
2025/26	75,000

- 4.4 The triennial valuation of the Local Government Pension Fund took place in 2022 and the Authority's funding level improved from 97.8% in 2019 to 101.6% on 31 March 2022. An employer contribution target rate was subsequently set by the Actuary to 19.7% of pensionable pay, rather than 19.5%. The Authority's pension fund is fully funded, but we are on the cusp. If changes with economy, members of the fund leaving or joining etc., being fully funded could alter over the next three years. Although the Actuary has stated we need to pay a suggested minimum of 19.7% the Authority has made the prudent decision to set the contribution rate to 20%.

Funding Position	As at 31 March 2022 £	As at 31 March 2019 £
Assets	25,916,864	20,976,145
Liabilities	25,497,480	21,453,290
Surplus/(Deficit)	419,384	(477,145)
Actuarial Funding Position	101.6%	97.8%

- 4.5 The next valuation will take place in 2025, with the new rates, once known, taking effect from 1st April 2026.

## **5 Capital Strategy and Prudential Indicators**

- 5.1 As part of the annual budgeting process the Authority is required to produce an affordable Medium Term Capital Programme (MTCP) alongside its revenue budget, if relevant. There is also the requirement to produce a Capital Strategy in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2021. The Prudential Code is a professional code of practice to support local authorities when taking capital investment (fixed asset) decisions. The objectives are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with

good professional practice. A Treasury Management & Investment Strategy report is also being presented for approval today.

- 5.2 The obligation to have a Capital Strategy has arisen, as some authorities have become increasingly willing to invest significant amounts in commercial developments, in order to generate returns that will offset some of the financial impact of austerity.
- 5.3 This Authority rarely has a Capital Programme or the need for significant investment in physical assets in the same way as local authorities, who have responsibility for highways or housing. Capital spend for this Authority is commonly of a small scale nature such as related to vehicles or IT. For larger schemes such as new buildings or conversions, Members receive specific reports to support decision making; which provides background, the reasons why the scheme is being recommended and a cost benefit analysis; and will identify sources of finance. In advance of the report being presented to the Authority, Leadership Team will have scrutinised the proposed scheme.
- 5.4 The Authority historically has a low-risk attitude toward capital investment; having never borrowed internally or externally to fund capital schemes; entered into long-term liabilities such as Private Finance Initiatives; nor invested for commercial purposes. Capital investment decisions are made to support National Park Purposes only.
- 5.5 We seek external contributions towards supporting our capital spend wherever possible. If capital receipts (sale of assets) become available, these must be used to finance capital spend. In the absence of both these, revenue income (via NPG or fees and charges) or revenue reserves are used to fund capital expenditure.
- 5.6 Stewardship of our assets is led by Leadership Team and delivered by various officers within the Authority; the portfolio is small. Assets are kept under review to assess their ability to deliver or support National Park Purposes, to identify and manage future liabilities and identify opportunities for disposal. Built assets are subject to regular condition assessments and have a repair and redecoration programme that is built into the MTFP.
- 5.7 The Authority's capital programme for the MTFP period currently consists of:

<b>Capital Scheme/ Project</b>	<b>2023/24</b> <b>£</b>	<b>2024/25</b> <b>£</b>	<b>2025/26</b> <b>£</b>
Replacement Vehicles for CWT and Rangers	84,689	28,689	52,553
<b>Funded From</b>	<b>£</b>	<b>£</b>	
Capital Receipts and Vehicle Reserve	84,689	28,689	52,553

- 5.8 If any other Capital Projects are proposed in-year, for example in respect Climate Change Action Plan, they will be subject to submission of a business case to have the allocation of required funding approved.
- 5.9 If sources of additional capital income become available during the year, for example via additional grants, external contributions, or capital receipts, or if any other

business decisions are proposed that will result in a change to the Capital Programme the Authority will be presented with a business case for approval. Any changes required to the Prudential Indicators will be brought to the authority for approval.

## 6 Reserves

6.1 In 2010/11 the Audit & Governance Committee, at the request of the Authority, undertook work to formulate a risk-based approach to determining the level and use of reserves required by the Authority. The outcome of that work was an agreed methodology (NPA/AG/10/014) which continues to be applied to determine the level of reserves held.

6.2 Our reserve balances are regularly reviewed and are made up as follows:

- General Reserve (unallocated) - a contingency balance for emergency situations and is the minimum level that we have determined will always be maintained
- Contingency Reserves (allocated) - provisions set aside using a risk-based analysis to cushion the impact of uneven cash flows, and unexpected events where the timing of and / or amounts are uncertain (e.g. pay awards, pension contributions, loss of income).
- Earmarked Reserves (allocated) - consisting of ring-fenced grants and contributions received from third parties, sums set aside for capital schemes, commitments against future contracts and agreements and our external funding allocations where we are working in partnership with others.

6.3 The Risk Based analysis can be found at Appendix 4 and is at a summary level. Appendix 5 shows the likely General Fund Reserve Balances for the MTFP period at a detailed level. It can therefore be seen that the majority of our Reserve Balances are “allocated”. The following table is a summary of how reserves are currently being allocated in each year of the MTFP the detail of which can see found at Appendix 5:

<b>Earmarked Reserves</b>	<b>2022/23 £</b>	<b>2023/24 £</b>	<b>2024/25 £</b>	<b>2025/26 £</b>
Opening Balance	2,537,742	2,099,768	1,679,191	1,436,995
Movements	(437,974)	(420,577)	(242,196)	(284,404)
Closing Balance	2,099,768	1,679,191	1,436,995	1,152,591
<b>General Reserve</b>	500,000	500,000	500,000	500,000

6.4 If no increases in NPG are received for the next two years our Earmarked Reserve balances will be reduced by over 45% at the end of this MTFP period based on current assumptions and scenario planning (current future years indicative budget gap deficits are included).

6.5 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Authority’s finances. Section 25 of the Local Government Act 2003 requires the

S151 officer to report on the adequacy of the Council's financial resources on an annual basis.

- 6.6 Earmarked reserves are working balances, and many are ringfenced as they represent external match funding. These balances will naturally fluctuate between years. The current MTFP has been put together using cautious assumptions and our reserves risk assessed as normal. Even though years two and three are currently forecast to be in deficit, if there is no future increase in NPG, the position is considered will need to be made by undertaking further cost cutting, service reduction or restructuring.
- 6.7 The General (unallocated) Reserve balance was increased in 2019 to £500,000 in order to maintain this reserve at approximately 12% of the net budget. This amount does still maintain a reserve of 12% of the 2023/24 budget which is deemed sufficient.

## 7 Risk Analysis

- 7.1 It should be noted that the first year of the MTFP i.e. the 2023/24 budget is normally the most robust and accurate financial plan of the three year period; it is inevitable that future years' financial plans can change for all sorts of reasons and influences, internal and external. However, as, at the time of writing, NPG has not been confirmed for 2023/24 (and beyond) there is a degree of uncertainty and there is a risk that the 2023/24 budget may have to be re-visited. The Authority continues to actively manage its financial and non-financial risks and therefore makes allowances for them by promoting a culture of flexibility and agility to militate against threats, to be proactive and to embrace opportunities as they arise.
- 7.2 The budget and MTFP contains a number of assumptions that may or may not prove to be accurate. In addition, events may occur that have the potential to affect the Authority's underlying finances. We must therefore consider for ongoing risks and uncertainties such as:

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating Factors</b>
Brexit	High	Unknown	At the date of this report, there still remains a number of uncertainties associated with Brexit and which may have a positive or negative outcome for the Authority. Positive outcomes may include additional funding for ELMS. Uncertainties which might be either positive or negative include the economic performance of the wider economy, and its impact on government funding or on investment markets (and therefore on Pension funding), and changes in tourism patterns.
NPG – no increase	High	High	Level of reserves held. NPG has not yet been notified at time of writing this report. Budgets may have to be revised.



Staff costs in excess of budget	Medium	High	Beyond 2023/24, annual inflation-related pay awards are assumed to continue at the rate of 4.0% in 2024/25 and 3% for 2025/26. This assumption is used for modelling purposes only. Higher rates of national pay award may be agreed (as the local government pay continues to lag behind inflation); this would also have a knock-on effect on employer pension contributions. Provision (short term) made in reserves. Some notice will be provided which will enable a timely response.
Economic situation could deteriorate. Run-away inflation affecting expenditure and income.	High	High	MTFP constructed on 3-year timescale with annual review. Budgetary control arrangements are in place to monitor income and expenditure. Reserves provision (short-term) made to manage immediate pressures.
Liabilities related to property estate	Medium	Medium	A contingency fund established in reserves. On-going maintenance programme and not all property costs need to be met immediately.
Failure to deliver Business Plan objectives	Low	High	Closely managed process, with regular 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.
External grant income reduced	High	Medium	We have an active programme of developing new project ideas, but external funding sources are extremely competitive; time and capacity to bid has to be carefully factored in
The Landscapes (Glover) Review	High	Medium	Published in Autumn 2019, the report contains recommendations that would place additional demands on NPAs if we are asked to implement them. Costs associated with such actions would require additional funding from Defra, without which we would be obliged to reduce budgets for our existing programmes and priorities.

## 8 Equality & Sustainability Impact

8.1 Consideration is given when deciding which areas of expenditure should be supported of the impact on under-represented groups, and the need to promote

equal opportunities both as an employer and in respect of the services provided. Our Climate and Environmental Emergency declaration does feature within the MTFP; however, our ability to deliver significant projects could be hampered due to lack of resources (funding).

## **9 Conclusions**

- 9.1 The Authority's cost base is increasing at a faster rate than its underlying funding and there are one-off and ongoing costs that need to be met. A MTFP has been produced bringing together sensible assumptions over the future direction of income and expenses. However, the reality will inevitably be different, and we need to be prepared for less favourable scenarios. In particular, NPG not increasing with inflation; especially as the ONS are forecasting inflation to continue to be above targeted rate for the next two years. The uncertainty over staff costs with regards to the pay award, which are currently unknown for this and future years.
- 9.2 This is very much a one-year budget whilst we wait until we have a clearer view of longer-term prospects. At the time of writing, we do not know our NPG settlement for 2023/24 let alone for 2024/25 and 2025/26. The results may be positive, in which case any action taken now would be unnecessary and potentially damaging. Indeed, accurate financial planning and budgeting continues to be incredibly challenging given the current uncertainty.
- 9.3 Clause 25 of part 2 of the Local Government Act 2003 requires the Chief Financial Officer (section 151 Officer) to report to Members, when calculating the net budget requirement, on the robustness of estimates made including the overall public sector financing climate. The 2023/24 budget is "balanced" and is robust and realistic, but there has been a need to use reserves. There may be a need to draw on the reserves for the future years, which means that reserves balances may have to be depleted at a faster rate than in previous years.
- 9.4 A continued period of austerity will threaten our ability to deliver National Park purposes, contribute to the targets in the 25 Year Environment Plan, meet our publicly stated objectives around climate change and the Government's commitment to the Landscapes Review.

ANGELA STIRLAND

**Attachments:**    **Appendices 1, 2 & 3 – 2023/24, 2024/25 & 2025/26 Revenue Budgets**  
                          **Appendix 4 – Reserves risk-based analysis**  
                          **Appendix 5 – Reserve balances**