NPA/24/13

Dartmoor National Park Authority

1 March 2024

Budget And Medium Term Financial Plan 2024/25 to 2026/27

Report of the Head of Business Support

Recommendations: **That Members:**

(i) approve the 2024/25 budget and note the indicative budgets for 2025/26 and 2026/27 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.

(iv) Note that the Authority faces an uncertain financial future and that without further core funding for service delivery will need to undertake a business review to reduce costs in order to set a balanced budget in the medium term. Such a business review will have significant implications in terms of the Authority's ability to deliver National Park purposes.

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 'National Park Purposes'. The National Parks and Access to the Countryside Act 1949 (as amended) sets out two statutory purposes for National Parks:

- To conserve and enhance the natural beauty, wildlife and cultural heritage.
- Promote opportunities for the understanding and enjoyment of the special qualities of national 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. As noted in the draft Business Plan (NPA/24/XXX), the Authority seeks, wherever possible, to integrate delivery of the purposes and the duty.

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 60% of total income. At the time of writing this report Defra has yet to confirm how much NPG the Authority will receive in 2024/25 and there is no indication of grant levels for the medium term. This delay and uncertainty has a profound impact on our ability to plan over both the short and medium term.

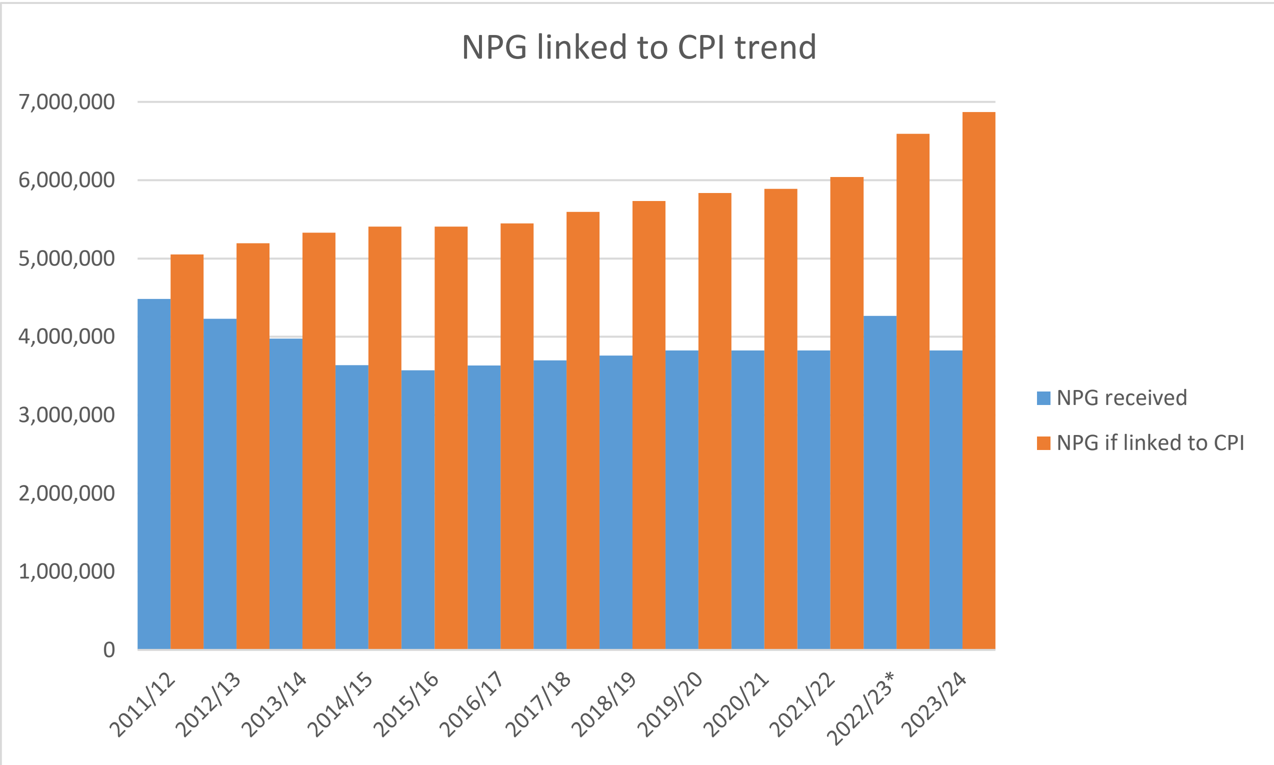
2 Financial Context

2.1 The Government's 2023 Autumn Statement announced departmental spending will increase by 2.6% per year in real terms, but with an aim to make savings against day-to-day central departmental budgets of 5% in 2024/25.

2.2 Defra's resource funding will drop by 4% for the next year, but their capital funding will increase by 4% next year.

2.3 Defra has indicated that we are likely to receive revenue grant funds at the same level as for 2023/24. 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, but it should also be noted the Authority did receive a one off additional funding of £440,000 in March 2023.

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 beyond our control. The Authority has had to live with continued austerity since 2010/11. If NPG had kept pace with inflation (CPI), it would now be worth in excess of £6.8m (RPI £7.8m), but we anticipate receiving £3.8m in 2024/25.



*Includes the additional one off £440,000 funding received.

Whilst the Authority has been successful in securing external funding for projects this money does not contribute to our core services and requires investment of staff time to bid for and manage. We are always reviewing our assets to see if we can generate further income, but the reality of the situation we face is that we own few assets that offer any form of income generation potential and most of our 'assets' (whilst described as such under accountancy conventions) are in reality liabilities.

Over the last twelve years the Authority has conducted a number of business reviews in order to reduce our expenditure and set a balanced budget. We invest approximately 96% of National Park Grant on staffing – specialist staff are our key means of meeting National Park purposes. The reality of the situation we face is that without a real terms increase in NPG we will have to undertake a further business review during 2024/25 if we are to set a balanced budget for 2025/26 and beyond that does not require use of reserves. A further business review will have to look at what we stop doing.

3 2024/25 Budget and Medium Term Financial Plan Overview

3.1 The 2024/25 Budget and indicative financial plans for 2025-26 and 2026-27 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 assumed for 2024/25, 3% for 2025/26 and 2% for 2026/27. An extra 1% increase in pay, if awarded in year 1, would cost around £30k; 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 2023/24) for 2024/25 and 2025/26. For 2026/27 we have assumed a 2% increase in our NPG, this assumes government increasing our core funding to reflect our assumption for the pay award in 2026/27.

3.2 As noted above, if increased core funding from Defra is not forthcoming in the near future, we will need to make some tough decisions to significantly adjust our work programmes in order to set an affordable and balanced budget in future years. The budget for 2024/25 is affordable, as the Authority determined to use the in-year underspend in 2022/23 (a result of the additional one-off grant from Defra received in March 2023) to balance the revenue budget in 2023/24 and 2024/25. We cannot keep calling on reserves as this is simply not sustainable. Also, we have assumed that NPG for 2024/25 will be the same as for 2023/24. 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).

No increase in NPG	**Budget Gap / (Surplus) £**
2024-2025 (to be met from reserves)	409,047
2025-2026	510,035
2026-2027	471,058
Total	**1,390,140**

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.

Projects and Programmes	**2024/25 £**	**2025/26 £**	**2026/27 £**
Adopt a Monument Project External Funding (Historic England)	10,000 (10,000)	15,000 (10,000)	15,000 (5,000)
Monument Management Scheme Projects External funding (Historic England)	10,000 (10,000)	15,000 (10,000)	15,000 (5,000)
Biodiversity invasive projects External Funding (South West Water)	10,000 (10,000)	0	0
Curlew recovery project	3,000	3,000	3,000
Pine Martin Reintroduction	5,000	0	0
Management of own land	3,000	3,000	3,000
Outreach & Education (incl. Ranger Ralph, Junior & Youth Rangers)	11,465	12,500	12,500
Vehicle purchases	92,000	0	0
Electric Vehicle lease – 2 pool cars	9,500	9,500	0
Property maintenance programme	42,000	11,000	10,000
Car park improvements and maintenance	30,030	27,530	30,500
Car parking income – demand led	(190,000)	(194,000)	(198,000)
Planning fee income – demand led	(191,000)	(191,000)	(191,000)
Visitor Centres retail stock procurement Visitor Centres sales income	80,000 (147,000)	50,000 (100,000)	50,000 (100,000)
Donate for Dartmoor (target not budget)	(15,000)	(15,000)	(15,000)

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

(i) The Hill Farm Project is a partnership between the Authority, Duchy of Cornwall and the farming community. The Authority effectively acts as guarantor for the project; anticipates its contribution circa £66,000 for the coming year, with the Duchy of Cornwall contribute £15,000. We have also secured project funding from the Royal Countryside Fund. External funding ends in March 2025. We have made assumptions about which posts the Authority would underwrite going forward but a key priority is to secure external funding for the Hill farm Project.

(ii) Our Common Cause is a national partnership project, being led by the Foundation for Common Land with funding from the National Lottery Heritage Fund, with the National Trust acting as the accountable body and will be completed by November 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. Approximately £9.4million will have been spent on peatland restoration on Dartmoor by the time the current funding programme ends in March 2025. Securing continued funding for peatland restoration is a key objective for the next twelve months (see draft business plan).

(iv) Dartmoor's Dynamic Landscapes is an external funded project 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 a grant of £361,082 towards the development phase of the project from the National Lottery Heritage Fund. Our application for a grant to fund the delivery phase will be submitted in summer 2024 and, if successful, we hope to commence a five year delivery programme in January 2025.

(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 £8 million has been secured by the EA to 2027, with in-kind and financial support (£86,891 for the length of the MTFP) contributions from the Authority. 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 as a three year project, which has been extended for a further year. Dartmoor was received £1.9m for the three years and allotted a further £1.2m for 2024/25. 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. Working through National Parks England we are making the case for FiPL to be extended until the end of the agricultural transition period (2027) or clarity how the lessons learnt through FiPL are being embedded in ELMS and that National Parks will be priority areas for ELMS within local flexibility.

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:

Project Fund	**£**
2024/25	75,000
2025/26	75,000
2026/27	75,000

4.4 The last 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. However, this situation can alter due to external factors such as the state of the economy and members joining and/or leaving. Although the Actuary has stated we need to pay a suggested minimum of 19.7% the Authority made the prudent decision to set the contribution rate to 20%, which members agreed to at the last budget setting (NPA/23/010). 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:

Capital Scheme/ Project	**2024/25 £**	**2025/26 £**	**2026/27 £**
Replacement Vehicles for Rangers	92,000	0	0

Funded From	£	£	
Capital Receipts and Vehicle Reserve	92,000	0	0

5.8 If any other Capital Projects are proposed in-year, for example in respect of the Climate Change Action Plan, they will be subject to submission of a business case to have the allocation of required funding approved.

5.9 At the time of writing this report Defra have indicated that the £10 million of additional funding for protected landscapes in England announced in November 2023 is likely to be in the form of a capital grant of £500,000 for Dartmoor National Park Authority. We understand that any capital grant would have to be spent within the 2024/25 financial year. If this funding is confirmed, then officers will develop proposals for the spend and a revised Capital Programme with associated business case will be presented to a future Authority meeting for approval. with a business case for approval. Any changes required to the Prudential Indicators will also be brought to the Authority for approval.

6 Reserves

6.1 The Authority adopts a risk-based approach to determining the level and sue of reserves (NPA/AG/10/014). We formally review our reserves an annual basis as part of the MTFP process. The reserves are allocated according to three ‘categories’:

- 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:

Earmarked Reserves	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Opening Balance	2,765,018	2,567,768	1,685,740	1,635,740
Movements	(197,250)	(882,028)	(50,000)	(50,000)
Closing Balance	2,567,768	1,685,740	1,635,740	1,585,740

General Reserve	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 57% at the end of this MTFP period based on current assumptions and scenario planning (the final two years of the MTFP indicative budget gap deficits have not been 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. Years two and three are currently forecast to be in deficit, if there is no future increase in NPG, the position is the authority would need to undertaking 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 2024/25 budget which is deemed sufficient.

7 Risk Analysis

7.1 It should be noted that the first year of the MTFP i.e. the 2024/25 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 2024/25 (and beyond) there is a degree of uncertainty and there is a risk that the 2024/25 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:

Risk	Likelihood	Impact	Mitigating Factors
Government Policy	High	Unknown	At the date of this report, there still remains a number of uncertainties associated with Government Policies and being an election year, these could change, which could alter the outcomes for the Authority.
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 2024/25, annual inflation-related pay awards are assumed to continue at the rate of 3.0% in 2025/26 and 2% for 2026/27. 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

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 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 financial context within which we have developed the 2024/25 budget and MTFP is very uncertain:

- We are still waiting for the Government to confirm NPG for 2024/25.
- In November 2023, the Government announced £10 million in additional funding for protected landscapes in England for 2024/25. This has still to be confirmed. We understand that it is likely to be capital funding to be spent within the financial year and not revenue funding which is what we most need.
- There is no indication of NPG levels for 2025/26 onwards and a general election in late 2024 will leave little time for a full spending review meaning we may receive a one year settlement for 2025/26.

This uncertainty makes it very difficult to plan ahead and impossible to prepare a detailed MTFP. Our external auditors, Grant Thornton, have suggested that we should prepare a MTFP covering five or more years rather than the current three. Leadership Team have considered this and do not believe that there is merit in spending staff time on a longer MTFP given the financial uncertainties we face.

The current MTFP demonstrates that without a real-terms increase in core funding we will need to undertake a business review to reduce our costs in order to set a balanced budget in the medium term. However, the financial uncertainty that exists also makes it difficult to define the parameters for such a business review: we could cut services in 2024/25 and then find we have an increased budget in 2025/26; or we could cut services in 2024/25 and then have to cut again in 2025/26 due to further reductions in core grant. Business and service reviews inevitably mean that the organisation 'faces inwards' rather than focuses on delivering National Park purposes.

Our clear need is for increased revenue funding which we can use to support service delivery. If the additional funding announced in November 2023 is restricted to capital spend it will not address the financial reality facing the Authority. We will still need to cut or remove services.

Members are recommended to approve the **2024/25 budget and note the indicative budgets for 2025/26 and 2026/27 as shown in Appendices 1 – 3; approve the use of Earmarked Reserves balances as set out in Appendix 5; and, approve the Capital Investment Strategy as set out in section 4 of the report.**

Members are also asked to note that the **Authority faces an uncertain financial future and that without further core funding for service delivery will need to undertake a business review to reduce costs in order to set a balanced budget in the medium term. Such a business review will have significant implications in terms of the Authority's ability to deliver National Park purposes.**

ANGELA STIRLAND

Attachments: **Appendices 1, 2 & 3 – 2024/25, 2025/26 & 2026/27 Revenue Budgets**
Appendix 4 – Reserves risk-based analysis
Appendix 5 – Reserve balances