

REVENUE BUDGET 2024/25 AND MEDIUM TERM FINANCIAL PLAN 2024/25 TO 2027/28 (JW)

1. Purpose of the report

This report presents the Authority's 2024/25 revenue budget for Member approval.

2. Recommendations

- 1. The Authority's annual budget for the 2024/25 financial year as shown in Appendix 1 be approved.**
- 2. Members approve the increase of the Vacancy Factor from 4% to 5%.**
- 3. Members note the Medium Term Financial Plan (MTFP) for the Authority in the period 2024/25 to 2027/28.**

How does this contribute to our policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for the 2024/25 financial year. For 2024/25 the National Park Grant is 100% funded from central government, from the Department of Environment, Food and Rural Affairs (Defra). The Authority retains the ability to levy Grant from constituent councils, although that funding historically was also provided centrally by the Defra to Local Authorities so that the cost of National Parks was not borne by local taxpayers. Although they remain unused, it is considered that retaining levying powers is an important consideration in terms of the Authority's ability to recover VAT as a Section 33 body, within the same VAT regime as Local Authorities, as well as its utility as a funding mechanism being preserved in statute.

Background

4. The National Park Grant (NPG), provided by Defra, is the Authority's largest source of income amounting to £6.7m annually. The NPG agreement received by the Authority in March 2021 confirmed the 2022/23 allocation of £6.7m and provided indicative values for the 2023/24 and 2024/25 financial years for National Park Authorities that this value would continue. At the time of writing this report the Authority's 2024/25 NPG settlement figure is not confirmed. The MTFP assumes that the settlement will continue to be a cash settlement with no inflation protection nor any other increases up to 2027/28.

Proposals – 2024/25 Budget

5. The 2024/25 budget has been set on the basis that there is a balanced budget for the financial year. In 2023/24 the Authority underwent a significant restructure and the 2024/25 budget is based on the outcome of that restructure.
6. The 2024/25 pay award is not yet known but this will continue to be a budget pressure for the Authority. The pay budget continues to be affected by the increasing National Living Wage (NLW) and it is likely that there will still be pay inflation, therefore the 2024/25 pay budget includes the forecast of a 5% increase. For the 2024/25 budget a 5% pay increase will cost the Authority £440k and this has been included in contingency costs in Appendix 1. The Medium Term Financial Plan (MTFP) assumes that pay for 2025/26 will also increase at 5% and then assumes a 3% increase for 2026/27 and 2027/28.

7. Members approved the introduction of a 4% vacancy factor in December 2022 (minute number 100/22) to be included in the revised budget for 2022/23 and this principle continues in the 2024/25 budget and the MTFP. The MTFP presented to Members as part of the 2023/24 revised budget includes an assumption that the vacancy factor will rise to 5% from 2024/25. A vacancy factor is the assumption that there will be a saving to the Authority whilst posts are vacant as part of usual recruitment practices (i.e. gaps between officers leaving and new officers being appointed into post). The outturn for 2022/23 showed a pay variance of £463k or 7.21% and at quarter 2 for 2023/24 the pay variance is 6.02%, therefore setting the level at 5% remains below the outturn.
8. As reported to Members in December 2023, interest rates have continued to increase throughout 2023/24 which has meant the Authority has received higher interest on investments. The Bank of England base rate increased throughout the year up to its current value of 5.25% at which it has remained August 2023. It is forecast that interest rates could drop to 4% but this is dependent on inflation stabilising. The budget for interest income for 2023/24 was revised to £360k, however actual cumulative receipts at quarter 3 (April to December) are £335k with receipts for quarter 3 (October to December) totalling £135k therefore it is forecast that expected that actual interest received for 2024/25 could be as high as £470k. Therefore the budget for 2024/25 has been held at £360k, this is to allow for an reductions in the Authorities balances held and or a small reduction in interest rates.
9. The budget headings for 2024/25 contained within Appendix 1 have been reviewed so they are aligned to the current Management structure and according to their separate business units / activities, which remain recognisable to Members. A detailed explanation of the headings within Appendix 1 is shown at Appendix 2.

Medium Term Financial Plan 2024/25 to 2027/28

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

	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's
Net Expenditure	7,240	7,968	8,072	8,525	9,040
Financed by:					
National Park Grant	(6,699)	(6,699)	(6,699)	(6,699)	(6,699)
Reserves, Vacancy Factor and Interest	(858)	(1,554)	(1,013)	(1,096)	(1,111)
Funding	(7,557)	(8,253)	(7,712)	(7,795)	(7,810)
(Surplus) or Deficit after financing	(317)	(285)	360	730	1,230
Cumulative Position	(317)	(602)	(242)	488	1,718

27. The key assumptions included in the MTFP are:
- The NPG will not increase for the whole period;
 - Pay will rise by 5% for 2024/25, 2025/26 and then 3% for 2026/27 and 2027/28;
 - The vacancy factor increases to 5% to support the annual budget;
 - There will be no other significant taxation changes;
 - The donation for the Visitor Centres starts in January 2024 for 3 calendar years and is replaced by income by January 2027;

- There is a £60k increase in planning fees (from government increases) from 2024/25;
 - £81k additional car park income realised in 2024/25;
 - Assumes that FiPL ends as planned on 31 March 2025 but any extension or new scheme would be fully funded;
 - £20k per year included for non-pay inflation;
12. The budget for 2024/25 is balanced and is actually giving rise to a surplus. As planned, the MTFP assumes that the forecast surpluses for 2023/24 and 2024/25 will support the MTFP for 2025/26 onwards.

Reserves

13. General Reserve
The minimum level of the general reserve has traditionally been calculated on the basis of a recommended level which is 2% of net expenditure (approximately £160k), with a trading contingency of £100k, giving a base level of £260k. However this should be considered as an absolute minimum. The general reserve balance at the end of the Statement of Accounts for 2022/23 was £616k which is considered to be sufficient given the current complex mix of activities within the revenue budget. The level of the reserve is reviewed annually to take account of the availability of other reserves, the degree of income risk, the degree of risk underlying budget assumptions, and the availability of other contingencies.
14. Capital Reserve
This is only available to support capital expenditure as it holds unused proceeds from the disposal of capital assets. This reserve will be used to support the capital programme and will also be considered as part of the Capital Strategy refresh.
15. Specific Reserves
These are used to support individual service areas and each reserve's objective and planned usage is reported to the Authority in the Outturn report in July. Specific reserves, although earmarked for specific purposes, are available to support any Authority priorities as required in an emergency, subject to any commitments already made from them.
16. It is necessary to maintain adequate reserve levels to meet future financial commitments and to cushion any unexpected events. Reserve levels are only available as one-off sources of finance and cannot be relied upon to balance future budgets except on a temporary basis.

Are there any corporate implications members should be concerned about?

17. **Financial:**
The financial implications are contained in the main body of the report.
18. **Risk Management:**
Clause 25 of Part 2 of the Local Government Act 2003 also requires the Chief Finance Officer to report to Members, when calculating the net budget requirement, to advise on the robustness of the estimates made. Relevant factors include the previous year's outturn; pay & price increases; pension contributions; the revenue impact of capital investment; realistic income assumptions; the internal financial control environment; audit conclusions; and the overall public sector financing climate. Part of this assurance is gained from the Annual Governance Statement, the Risk Register

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

The 2024/25 budget has been set based on the restructure and pay strategy implemented in 2023/24. The Authority remains vulnerable to increases in pay, inflation, and other unavoidable costs and the continued likelihood of no increases to the National Park Grant provision.

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

19. **Sustainability:**
The 2024/25 revenue budget and MTFP are key documents to ensure the financial sustainability of the Authority.
20. **Equality:**
Any issues of equality are included within the budget setting process.
21. **Climate Change:**
Any issues relating to climate change are included within the budget setting process.
22. **Background papers** (not previously published)
None

Appendices –

Appendix 1 – Revenue Budget 2024/25

Appendix 2 – Explanation of Appendix 1a

Report Author, Job Title and Publication Date

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