8. BUDGET 2018/19 (A137/PN)

Purpose of the Report

1. This report presents the formal budget approval for 2018/19 following approval of the approach to investing in delivery of the Authority's Corporate Strategy presented to Members on May 27th 2016, and subsequent workshops during 2016 and 2017.

Recommendations

2. **That:**

   1. **the base budget for the 2018/19 financial year shown in Appendix 1 and 2 be approved, which incorporate the investment allocations delegated to the Leadership Team, working with the Chief Finance Officer (Authority Minute 20/16) shown in paragraph 9 of the report.**

   2. **the financial position of the Authority in the period up to March 2020 be noted as explained in paragraph 11 of the report.**

How does this Contribute to our Policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for the 2018/19 financial year. This year will be the fifteenth year that National Park Grant has been funded directly at the 100% level from central government. In previous years, 25% of the Grant was financed from a levy on constituent councils, although the funding was still provided centrally by the Department of Environment, Food and Rural Affairs (Defra) to Local Authorities. The Authority's levying powers remain and are in theory capable of being used in the future, although in the past they have always been used by way of joint agreement between Defra and the Department of Communities and Local Government, with a corresponding mutual funding arrangement 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 other Local Authorities, as well as its utility as a funding mechanism being preserved in statute.

Background

4. The 2018-19 budget year forms the third year of the new Spending Review period of 4 years up to March 2020.

The 2018/19 Settlement

5. The previous Chancellor's Autumn Statement on the 25th November 2015 contained the welcome headline announcement that there would be "protection" of over £350m funding for public forests, National Parks and Areas of Outstanding Natural Beauty over the Spending Review period.

   As a consequence of this announcement Defra issued a settlement letter on 21st January 2016 giving a four year settlement figure for National Park Grant showing that the Grant would be protected in real terms over the Spending Review period (see table below). The inflation measure used to calculate the real terms protection is an annual increase of 1.72% over the period.

	2016-17	2017-18	2018-19	2019-20
	£	£	£	£
National Park Grant	**6,364,744**	**6,474,218**	**6,585,575**	**6,698,847**
Increase - £	107,622	109,474	111,357	113,272
Increase - %	1.72	1.72	1.72	1.72

Defra re-confirmed in December 2016 that the settlement letter can be relied upon for financial planning during the whole period, unless “exceptionally, there is another Spending Review for some unforeseen reason”.

The original settlement letter contained a number of key points:-

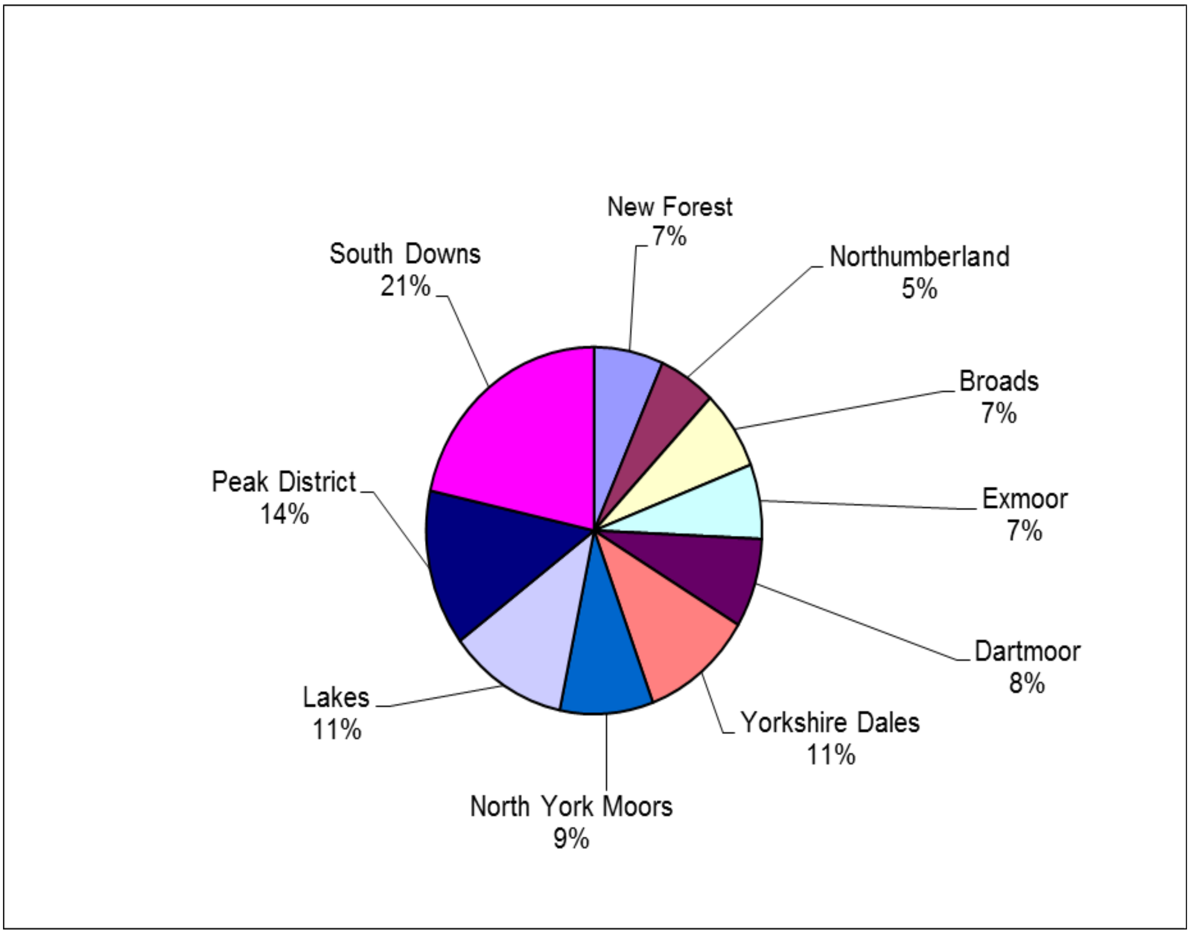
- That the protection referred to in the Chancellor’s *[George Osborne’s]* statement is in real, not cash, terms, and includes an allowance for inflation
- The *[ex]* Minister, Rory Stewart, states in the letter that “this settlement reflects the huge value the Secretary of State and I attach to the National Parks and how impressed we have been by the impact that the Authorities are having across a whole range of important issues, including: natural capital, ecosystem services, water catchment, rural business and food production, and community engagement”
- That Defra “very much look forward to working with Members and Chief Executives in the delivery of Defra’s priorities and in particular the 25 Environment Plan and a new Plan for the National Parks”.
- In previous settlements caution has been expressed about future years being “indicative” figures, with the possibility of being changed, but the letter does not contain any provisos of this nature.

Now that the 25 year plan has been published (January 2018) Members will be aware of the high level of government support for the contribution National Parks make to the national strategy.

The figure quoted for 2018/19 is therefore the basis on which the budget has been set.

The welcome protection in the current Spending Review settlement followed a period of year on year reductions in National Park Grant from 2010-11 up to 2015/16, leaving our National Park Grant at approximately 65% of its previous spending power in 2010/11.

6. The Yorkshire Dales and Lake District boundary extensions resulted in extra allocations to their 2016/7 and 2017/18 grants, but with those increases now built in, the share of 2018/19 grant for all the English National Parks remains the same, with a uniform inflation increase of 1.72% (which reflected the inflation estimates made at the time of the original settlement). The % distribution of £47.9m of National Park Grant between English Parks is therefore:-



Financial Planning for 2018/19: Setting a Balanced Budget – Revenue

7. As a consequence of the four year settlement, and confirmation that proposed reductions in the 2016/17 baseline would be achieved, Members were appraised in the Chief Executive's report of May 2016 of the investment opportunities in support of the Authority's strategic framework. These comprised the possibility of a baseline allocation amounting in total to £320,000 per annum for 2016/17 and £335,000 for the remaining three years (and continuing beyond), and the availability of one off investment sums of £595,000; the total investment within the four year period being £1,920,000. In May 2016 and May 2017 the Audit, Resources & Performance Committee approved further one off investment sums of £176,000 and £34,000 respectively, making the final total £2,130,000.

8. In May 2016 Members approved one off immediate allocations of £290,500 and baseline allocations of £236,500 (Table 4 of the May report: Authority Minute 20/16) and in Table 5 of the same report approved the basis on which further investment proposals would be developed for the remaining sums, delegating the detail to the Leadership Team working with the Chief Finance Officer, with the proposals to be incorporated into the annual Budget approval process.

Allocation decisions have been made as per the delegation and a summary of the proposals is shown in the table below and the individual allocations are presented in Appendix 5 of this report, should Members have any questions about their nature.

9.

Baseline £,000	2016/17	2017/18	2018/19	2019/20	Total
Immediate allocations Minute 20/16	102.5	122.5	147.5	236.5	**609**
Developing Knowledge & Expertise	15.5	66.9	66.9	66.9	**216.2**
Ensure our asset portfolio is at a standard fit for the Corporate Strategy	-	5	5	5	**15**
Total	**118**	**194.4**	**219.4**	**308.4**	**840.2**

One-off allocations £,000	2016/17	2017/18	2018/19	2019/20	Total
Immediate allocations Minute 20/16	114	53.5	34	89	**290.5**
Developing Knowledge & Expertise	11	170.8	33.2	-	**215**
Developing the Commercial Programme	-	87	87	-	**174**
Developing and enhancing the way we work with communities and partners	-	55	55	25	**135**
Ensure our asset portfolio is at a standard fit for the Corporate Strategy	-	176.5	241.5	70	**488**
Annual Total	**125**	**542.8**	**450.7**	**184**	**1,302.5**

The totals of the tables above very slightly exceeds the amount available for allocation (£2,130,000) so it is considered that the delegated sum is now fully allocated.

It is possible that the 2017/18 outturn may allow additional allocations to be considered and Members will decide their approach to these in the May Audit and Resources Committee outturn report.

10. The 2018/19 budget is able to be balanced because the original assumptions have largely been correctly estimated, with the following observations:-

- the key dependence is the assumption that National Park Grant remains as allocated in the Defra letter. No change to this has been indicated by Defra.
- The original assumption of a 1% staff pay award has now been revised upwards to incorporate the employers' 2 year offer of a 2.7% rise, with the lower spinal points benefitting from higher rates because of the commitment to increase hourly pay towards the aspirations for the National Living Wage. The increase for the lower spinal points on the scale range from 9% (spinal point 6 – scale A) down to 3.7% (spinal point 19 – scale E) with all staff over spinal point 19 potentially receiving a 2% increase. The effect of this increase above the original estimate is approximately £70,000.
- In addition to the amount paid to an employee, 27% of salary on average is paid as an additional cost to support employer payments to the pension fund (18.57%), and also for employers' statutory National Insurance contributions (varies around 7-14%). Derbyshire County Council Pension fund requires the Authority to pay employers' contributions towards employee pensions of 14% of current employees' total pay, plus £219,000 p.a. which represents a deficit recovery sum determined by the actuary to ensure the scheme is able to meet its future pension payments to staff. In order to achieve the latter service budgets are charged a combined rate of 18.57% of their employees' gross costs. The 2017 actuarial revaluation considered the pension fund to be 92% funded and these contributions are recommended by the Actuary with an objective to achieve 100% funding: this resulted in an increase in employer superannuation costs of £40,000

per annum which continues in 2018/19 but was lower than the original expectation. (The estimated cost for 2018/19 being in total £1,065,000). National Insurance payments are based on earnings thresholds and are revised annually by government, and the 2018/19 rates have not changed significantly (the significant hike of £115,000 occurred in the 2016/17 year because of the removal of rebates for contracted-out employees).

- Interest rate assumptions are assumed to remain at low levels but a further increase of £10,000 is assumed arising from higher cash holdings and the possibility that the recent 0.25% increase in rate may feed through into better investment returns. Sums are invested with North Yorkshire County Council (as per the Authority report on Treasury Management which is presented in March).
- All income targets, some of which remain stretching, need to be achieved.
- The usual small non-pay inflation provision of £15,000 is proposed. This allocation is a very small sum representing 0.5% of the Authority's overall non-pay expenditure and is therefore precisely targeted largely at unavoidable expenditure increases (e.g. utilities bills, audit fees, licences etc) – it does not offer protection from the effects of inflation for the majority of budgets. Bidding for the funds is done at the Midyear Review stage (November).
- Vacancies which arise during the year are retained within the service and the service is encouraged to achieve operational objectives by using the funds left by the vacant post; at the end of the year these savings may be the subject of slippage requests or relinquished for corporate purposes.

11. **The Financial Position up to March 2020**

	£,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Net Baseline Budget (after all external income is accounted for)	5,801	6,005	6,273	6,393
	Financed by:-				
	National Park Grant	(6,365)	(6,474)	(6,586)	(6,699)
	Interest Receipts	(30)	(40)	(50)	(65)
	(Surplus) Deficit	**(594)**	**(509)**	**(363)**	**(371)**
	Baseline Allocations	118	194	219	308
A	**Baseline Budget (Surplus) Deficit**	**(476)**	**(315)**	**(144)**	**(63)**
	One – off Allocations	125	543	451	184
	Allocations from Reserve	(33)	(228)	(307)	(121)
B	**Financial Planning Budget (Surplus) Deficit**	**(384)**	**0**	**0**	**0**
	2016/17 reserves c/f	(272)	-	-	-
C	**Reserve Balances – investment allocation remaining**	**(656)**	**(428)**	**(121)**	**0**

The table above shows the underlying current baseline budget at row A, after the new baseline allocations. It can be seen that in 2019/20 the baseline budget is still in surplus, giving an initial resilience if there is a non-inflation protected settlement in the next Spending Review. This positive position is mainly the result of the decision to continue with the planned baseline reductions in 2016/17. The actual budget position is now reflected at Row B, taking account of the impact of the one off allocations. The phasing is such that the budget can be demonstrated to be balanced over the current Spending Review period by carrying forward the unused surpluses from the investment allocation in reserves at C.

In approving the 2018/19 budget members will be approving a budget which shows that the baseline surplus of £144,000 helps to finance the one off allocation of £451,000, with the remainder drawn down from reserves, from previous years' surpluses carried forward.

12. The budget headings contained within Appendix 1 have changed as teams have merged into the new third tier structures, although the budget is structured and reported for costing purposes according to business units/activities and the agreed functional headings for National Parks.

The main changes are:-

- An amalgamation of the old Learning and Discovery team and Ranger budgets into the new Outreach development team
- A final allocation of vehicle costs to their respective teams (previously vehicles were managed together within the Ranger budget)
- The creation of the new Countryside Maintenance and Projects team from the old Footpaths team, some Field Ranger resource, and the Estates Workers team.
- The combination of the cycle hire service and the visitor centres team into a new combined Visitor Services team, although the individual centres remain as separate cost/profit centres within the merged service.

13. In addition, following the Members' workshop in November, Appendix 1 has been re-configured to reduce the number of columns, in order to provide two additional analyses:-

- Firstly, Column K and L show the net budget approved by Members in 2017/18, and the difference respectively. This was requested to allow Members to see where the main movements were between years. A brief reason for any difference is highlighted.
- Secondly, Columns M and N show the "support service recharges" and the full cost of the front line service respectively. This is the re-allocation of costs from the support services (shown in the Corporate and Democratic Core heading) to front line services based on estimates of the level of support to each service. The original methodology for determining this was based on an activity based costing approach, with support service managers asked to brigade their costs into five or six "activity headings" and then to apply suitable "cost drivers" which acted as "proxies" for how costs were incurred by front line services e.g. for finance the cost of the activity of "payment of suppliers" is determined by working out the cost of this activity within the team, which would then be charged out according to the number of purchase invoices processed by each service. This method allows for a better understanding of how the different activities of the front line services create demand for the resources of the support services, and where those demands change, there is a mechanism to understand how the support services need to grow or contract in proportion to the front line services.

14. The "full cost" of the front line service is used as a financial objective for some budgets in line with previous committee resolutions, and understanding the full cost of our individual properties is an important aspect of Local Authority governance and property management and the recent improvements in accounting for these properties as business units continues. Some re-calculations may be necessary as a result of the different management inputs into the properties, and as mentioned above the full cost of the properties also depends on a complex support service recharge model, the calculations for which were made in 2013 and may also need to be updated in due

course: the calculations are considered to be sufficient for current purposes.

A number of properties and business units have these financial objectives:-

Service	Financial Objective	Minute Reference
Warslow Estate	100% Full Cost Recovery	Authority 57/14
North Lees Estate	94% Full Cost Recovery	ARP 16/15 and 53/15
Minor Properties	Break – even on direct costs	Authority 57/14
Visitor Services	76% Full Cost Recovery (a combination of the old cycle hire service of 100% and the visitor centres of 70%)	ARP 16/15 and 54/15

15. The Authority depends on some £2.24m of externally generated income (fees and charges) to balance its revenue budget, principally to maintain its Recreation Management and Promoting Understanding outcomes. Services with income targets are expected to increase targets routinely to cope with pay and non-pay inflationary increases in order to maintain margins and stay within established financial objectives, as well as accommodate additional targets approved as part of coping with reduced grant levels. The following considerations were made in reviewing the principal areas of income risk:-

- Outreach Team. Now forming the new Outreach Development service, the income targets for the old Learning & Discovery team are incorporated into the new service with an education income target of £116,000. This is scaleable as the pay budget contains £36,000 of casual resource which is only deployed if the costs can be covered from income. The joint ranger agreements with the water authorities total £190,000 and need to be achieved to support the Ranger establishment as per previous years.

- Visitor Services. The Visitor Services budget was increased by a further target of £30,000 in 2016/17 as part of seeking to achieve a higher percentage of cost recovery of the service against its full cost. The service has found savings and additional income totalling £130,000 over the last four years. The approach to Cycle Hire in 2016/17 and 2017/18 was to consider at outturn stage whether the service, if it achieved a budget surplus at year end, should make the £19,000 contribution to full cost at that stage; this was done in the 17/18 outturn and it is considered appropriate to move the service to a 100% full cost target at the budget approval stage instead, which has now been incorporated into the 2018/19 target, prior to merging it with the visitor centres budget. Now the services are combined the financial objective for the combined service shows an income target of £840,000 against an expenditure total of £1,095,000 (including support service recharges of £171,000), representing 76% towards full cost recovery. This represents the level at which the remaining 24% support for the service is considered to be appropriate for it to achieve its visitor experience and connecting people objectives.

- Planning Fees. The level of planning fees was increased from January 2018 (a delay of 6 months in gaining the necessary consents) and based on current volumes the fee increase is expected to result in extra income towards recovery of planning costs of £50,000. The fee increase is not shown in Appendix 1 at this stage, as the Authority has been required to commit that any extra fees arising from the increase (above current volume estimates) is ring-fenced for planning development purposes. Once the Director has gained approvals for use of these monies in line with the commitment the income and expenditure will be added to the budget.

- Countryside Maintenance & Projects team. This team is the new team combined from resources within the old Footpaths, Estate workers and Field Ranger teams. There are 7 FTE posts, with 1 post temporary pending better understanding of whether the income targets set for the service can be sustainably achieved. The external income target for the service is £39,000, with £50,000 of work being carried out on the Authority's own estates as a matter of prior agreement. For costing purposes this is shown as other income but will comprise a simple annual recharge to the relevant property budgets.

- Countryside Volunteers team. The team retains its income target of £22,000, although it benefits from the sponsorship by Tarmac plc in the medium term, which allows for additional staffing and vehicle running costs.

- Warslow Estate The Warslow Estate maintains its commitment to achieve full cost recovery, requiring a contribution to the estimated corporate support service costs of £55,000. The total cost of the estate is estimated to be £328,000 and the income estimate therefore is £328,000, representing 100% cost recovery.

- North Lees Estate The North Lees estate maintains an income / cost reduction target in line with the objective to recover 94% of the full cost of the estate, requiring a contribution to the direct management and estimated corporate support service costs of £71,000. The total cost of the estate is estimated to be £225,000 and the income estimate is £212,000.

- Moors for the Future The Authority's allocation of £98,000 comprises £5,000 support to the Moorlife 2020 project and £93,000 to the core team, but does not meet the full cost of the core staff within the partnership and the business plan is reliant upon other external contracts and agreements for funding the core team and the team's activities into the future (as reported to Audit Resources and Peformance Committee). The Authority's allocation represents approximately 28% of the running costs of the team, and the cash sum allocated therefore forms the basis of the financial objective for the team under the current business plan. The significant expenditure shown under the Moors for the Future projects heading reflects the approximate total value of contracts reported in the Operational Plan seen by Members in the separate Audit Resources and Performance report. Following a request from the PDNPA's Chief Executive for specific assurance about the funding status of the Moorlife 2020 project a letter has been received on the 9th February 2017 from the Permanent Secretary of Defra stating that this project is underwritten by HM Treasury, in line with a more general undertaking by the Chief Secretary to the Treasury issued in 2016. This means that the project can proceed to conclusion with the significant level of European debt the Authority will carry on its balance sheet underwritten by the UK government (this letter is available as a background document).

- Car Parking income A revised approach to ensuring that users of our car parks have paid correctly for their usage of our facilities will be in place in 2018/19. This is expected to increase the Authority's car parking income at all sites. The budget has not been increased however, with 2018/19 being regarded as a pilot year, after which our experience of the new initiative will help to inform next year's budget. Any additional income received in 2018/19 will be used to carry out backlog maintenance on the car parks and associated facilities.

- Income levels from trading and fees are monitored by the Budget Monitoring group through the year.

Financial Planning for 2018/19: Capital

16. The Chief Finance Officer's report on application of the Prudential Code for Capital Finance is reported to the March Authority meeting, and his day to day responsibility for Treasury Mgt is set within the constraints of the Treasury Management Policy, which forms part of the same report.

In December 2015 the Authority approved a revised Capital Strategy paper covering key principles and working assumptions over the current corporate strategy period, and a prospective Capital Programme financed from a combination of borrowing and capital receipts.

17. Following this report the Resource Management Meeting has delegation to approve projects under £150,000 within the Capital Programme, financed from either borrowing or the Capital Fund. Projects above that sum will require further committee approval. The last three principal schemes Members approved were borrowing of up to £330,000 for the Castleton Visitor Centre project (ARP Minute 18/16); £600,000 from the Capital Fund for Trails infrastructure (ARP Minute 51/16); and £271,000 mainly from the Capital Fund for Pump Farm estate base, consistent with this Programme. The outturn report to Audit Resources and Performance committee in May contains a summary of all delegated borrowing approvals.

18. In respect of disposals which are required to achieve the Capital programme financing Woodlands which can securely be returned to private ownership whilst retaining conservation benefits continue to be sold (as per ARP Minutes 32/15 & 75/16) and Members approved a similar approach to other land properties which could be transferred to other responsible owners (ARP Minute 50/17).

In November 2017 Members approved acceptance of a substantial legacy (ARP Min 52/17) which will be brought onto the Authority's Asset Register with a future options appraisal to come to a future Audit, Resources and Performance Committee. The main financial considerations are likely to be retention of the asset and understanding the balance of revenue costs and income which might be achieved, or whether the asset could be disposed of and transferred to other owners, with either options considering how best to achieve national park purposes. If the asset is disposed of the capital receipt will need to be used only for capital purposes, and this will be considered within the context of the current capital strategy.

19. Following accounting convention and the introduction of the prudential code for capital finance all capital expenditure is separated from the revenue budget in Appendix 1, and is shown in the capital budget in Appendix 2. The only capital items shown in the Revenue Budget are the debt charges and revenue financing of capital expenditure. Appendix 2 only shows capital expenditure which has been approved.

<u>Financial Planning for 2018/19 – Financial Position - Reserves</u>

20. Clause 25 of Part 2 of the Local Government Act 2003 requires the Chief Finance Officer to report to Members, when calculating the net budget requirement, on the level and adequacy of cash reserves. The full level of reserves is reported to Members in the outturn report in May and the financial accounts to the same meeting. The level of cash backed reserves are carefully managed and the situation at the end of 2018/19 is envisaged to be:-

£,000	**Actuals at 31/03/17**	**Estimates at 31/03/19**	**Difference**
General Reserve	648	500	(148)
Minerals & Legal Reserve	481	400	(81)
Restructuring Reserve	147	110	(37)
Capital Reserve	1,188	470	(718)
Matched Funding Reserve	1,019	530	(489)
Slippage	902	850	(52)
Specific Reserves	778	500	(278)
Total	**5,163**	**3,360**	**(1,803)**

21. The reduction in reserves is about 34% of the 31/03/2017 figure and arises predominantly from planned use of the Capital Reserve, the Matched Funding Reserve and General Reserve (mainly the investment allocations) and normal use of the Specific Reserves.

    The General Reserve has traditionally been calculated on the basis of a minimum recommended level which is 2% of net expenditure (c. £140,000), with a trading contingency of £75,000, giving a base level of £215,000. The current level is considered to be satisfactory 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.

22. The Minerals & Legal Reserve contains funds anticipated to be required to handle a number of minerals and other legal cases (e.g. Rights of Way and Compulsory Purchase Orders) over the spending review period and the levels potentially required are kept under regular review by Resource Management Meeting. The reserve needs to be maintained at a level which allows a degree of financial resilience in handling a number of cases without immediate recourse to re-allocation of baseline resources which would disrupt other priorities.

23. The Restructuring Reserve is used for statutory redundancy and superannuation fund shortfall payments and was essential in providing the one-off resources needed to support the transition to a lower baseline and restructuring. The future of the reserve will be considered once the current structure review has been completed.

24. The Capital Reserve is only available to support capital expenditure. The level of the reserve has increased following the sale of a number of woodlands. The Capital Strategy estimated capital receipts of up to £1.7m could be available for allocation to the Capital Programme in the period up to 2019, although only £1.1m was recommended for allocation in the programme. The estimated reserve level shown is based on a balance between receipts estimated to be received by 31/03/2019, and capital expenditure proposed to have been spent. Progress on capital receipts is considered to be capable of achieving the £1.1m allocated. A base level of £100,000 is considered to be an acceptable minimum allowing a small cash reserve for emergency capital expenditure; it is also desirable to maintain the capability to substitute some of the reserve (e.g. a further £100,000 p.a.) to replace revenue financed capital in order to allow some flexibility for emergency revenue sums.

25. The Matched Funding Reserve is used to earmark funds for commitments already made

for matched funding payments to external funding projects, and has also been used as the temporary home for one-off sums requiring agreement on allocation against priorities. The timing of expenditure for the approved allocations varies, with the earmarked sums for future years retained in the reserve. The reserve increased in size over the medium term period, mainly because of the investment sums reported in paragraph 8 to 9 above, but also taking account of the fact that there are some large matched funding requirements over this period as well; the reserve is expected to diminish as the one off sums are spent.

26. The Slippage Reserve is a temporary year-end balance arising from the deferral of expenditure between financial years. The funds are all committed and are allocated into budgets in the next financial year, once slippage requests have been approved at the May Audit, Resources and Performance (ARP) committee. The level is expected to remain about the same.

27. The Specific Reserves are used to support individual service areas and each reserve's objective and planned usage is reported to the ARP committee in May. 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. As tighter financial objectives are set for the property portfolio and other business units, it is considered important that the property managers have access to a specific reserve, to allow them to manage and achieve their financial objective between financial years without impacting on corporate reserves.

28. Under the circumstances prevailing in the last Spending Review, and until recently as forecast in the next Spending Review, the Chief Finance Officer was of the opinion that these reserves were essential to give confidence that budgets could be balanced in future years, in the context of continuing revenue grant cuts; noting a greater dependency on variable income sources, and also the fact that the cumulative impact of savings made decreased the resilience of the remaining budgets and therefore increased overall risk. Higher than usual reserve levels were a necessary consequence of future uncertainty over resource provision, and Defra acknowledged the challenging nature of these reductions and the Authority's efforts in dealing with them.

Because of the welcome 4 year settlement announcement, the Authority has shifted the emphasis of its reserves from supporting the transition to a newer smaller baseline, to supporting the new corporate strategy priorities and managing any temporary earmarked funds through the reserves until they are deployed on achieving National Park purposes. The settlement allows us to build on the valued government grant to achieve one of the Authority's directional shifts, which is to grow income and diversify our funding, to try and regain some of our lost spending power. It will be some time before "normal" reserve levels are achieved, and there will always be a need to ensure that reserve levels are strong when public funding rounds are heavily influenced by cyclical economic circumstances. 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.

The Authority's ability to make use of the Prudential Borrowing powers is also significantly helpful in achieving invest-to-save proposals, ensuring that access to capital finance allows sensible investment decisions to proceed.

Are there any corporate implications Members should be concerned about?

29. The financial, property, sustainability and human resource implications of the budget are integrated and planned by the Resource Management Meeting and the budget for 2018/19 includes all relevant matters arising from these plans, as well as all previous Member resolutions.

Risk Management

30. 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 Senior Leadership Team.

31. The Authority's reliance on external income targets and estimates always remains a key risk area and as is usual, is carefully monitored by the Budget Monitoring Group during the year, especially where additional savings targets have been identified. The Moors for the Future team's continuing ability to handle very significant project expenditure remains important.

32. The Spending Review period has allowed a welcome period of consolidation following some severe reductions, and as a consequence the 2018/19 budget is robust, and can be recommended as such to Members. The outlook for 2019/20 is also stable as shown in the report above, assuming the Defra grant is allocated as per the 2016 Defra commitment. The "Hobhouse" Review of National Parks to be commissioned as part of Defra's newly published 25 year plan is noted but the context is positive; how this progresses will be of close interest.

33. **Background Papers**
Defra Settlement Letter 21st January 2016
Letter of Permanent Secretary Defra re Moorlife 2020 project 9th February 2017

Appendices -
Appendix 1 Revenue Budget
Appendix 2 Capital Budget
Appendix 3 Explanation of Appendix 1
Appendix 4 Breakdown of Baseline Budgets
Appendix 5 Investment Allocations

Report Author, Job Title and Publication Date

Philip Naylor, Chief Finance Officer, 25 January 2018