

EXMOOR NATIONAL PARK AUTHORITY

RESOURCES COMMITTEE – 8 MARCH 2006

MEDIUM TERM FINANCIAL PLAN 2006/07 to 2008/09

Report of the Chief Finance Officer

Purpose of Report: To consider and agree a Medium Term Financial Plan for the Authority covering the period 2006/07 to 2008/09.

Legal Implications including Human Rights Act 1998:

Standing Orders has delegated to the Resources Committee the responsibility to regulate and control the Authority's finances.

Financial Implications:

A Medium Term Financial Plan will enable the Authority to prioritise its future spending within available resources.

National Park Purposes:

A Medium Term Financial Plan will enable the Authority to consider its priorities and develop its activities to meet its statutory purposes.

RECOMMENDATION:

The Resources Committee is recommended to:

- (i) APPOINT a small task and finish group to review with the National Park Officer the staffing levels of the Authority.
- (ii) APPROVE the Medium Term Financial Plan as set out in this paper covering the period 2006/07 to 2008/09.

1. INTRODUCTION

1.1 Members considered a report at the 18 October 2005 meeting of the Resources Committee setting out the background to the introduction of a Medium Term Financial Plan which is one of the issues that emerged from the Performance Assessment Process carried out earlier in the current financial year.

1.2 This is therefore the first Medium Term Financial Plan for the Authority and has been built on

- the Annual Business Planning process that is carried out;
- the priorities paper considered at the Authority meeting on 7 February 2006;
- the detailed reviews that it has been agreed should be carried out; and
- the Improvement Plan that is being produced following the performance assessment that was carried out for the Authority.

2. PRIORITIES

- 2.1 The Authority has recently commenced a review of the National Park Management Plan (NPMP) and public consultations on the emerging issues will take place in April/May 2006 leading to a draft Management Plan later in the year. The priority setting for 2006/07 is therefore seen as a 'transitional year' that provides focus for the next 12 months while retaining flexibility to respond to the emerging NPMP priorities.
- 2.2 The focus on priority setting has been based on a 'direction of travel' with the result that following consultation with members the attached Appendix 1 sets out the summarised position to inform the budget setting exercise for 2006/07.
- 2.3 There has also been an indication from members that there are certain areas of the Authority's work that should be reviewed to better understand the input of the activities undertaken and the future options for the deployment of the Authority's resources. The areas to be reviewed during 2006/07 are
- The Ranger Service
 - National Park Centres
 - Education Service with particular reference to Pinkery
 - Partnership working
 - Potential for the disposal of land and property owned by the Authority
 - Future management of the Authority's Exmoor Pony herd.
- 2.4 Members have also indicated that they wish a comprehensive review of the staffing levels of the Authority to be carried out and it is recommended that the Resources Committee sets up a small task and finish group to carry out this review with the National Park Officer.

3. FINANCIAL FORECASTS

- 3.1 Whilst formal notification of the Authority's National Park Grant (NPG) settlement for 2006/07 is still awaited from DEFRA, advice was received in October 2005 that the access funding received in 2005/06 would be incorporated and that the funding for 2006/07 and 2007/08 would be at the same level as 2005/06, in other words there would be no increase even to cover the costs of inflation.
- 3.2 In addition to NPG the Authority has received specific funding from DEFRA for sustainable development, from the Office of the Deputy Prime Minister (ODPM) by way of a Planning Delivery Grant to drive up performance on planning services and up to 2005/06 from ODPM towards Implementing Electronic Government. To supplement the DEFRA funding towards sustainable development the Regional Development Agency has awarded the Authority £300,000 over the three years 2005/06 to 2007/08.
- 3.3 The Authority also generates income from fees (planning applications, car parks etc.) from rents, from grants for joint works, (English Nature, Environment Agency etc.) and from interest earned on the investment of surplus funds. Periodically the Authority submits applications for external funding individually or in partnership with others to carry out significant projects e.g. Simonsbath Sawmill, English Past for Everyone, etc. As part of its financial strategy the Authority will be making strenuous efforts to maximise this other income potential.

- 3.4 The financial forecasts for this three year financial plan compared with the current year are seen as follows:

	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000
National Park Grant <i>(this assumes an increase in grant of 5% in 2008/09 – inflation of 3% and 2% for development)</i>	3,416.4	3,416.4	3,416.4	3,587.2
Sustainable Development - DEFRA - RDA	200.0 50.0	200.0 150.0	200.0 100.0	200.0 -
Planning Delivery Grant <i>(grant for 2006/07 likely to be the greater than £200,000 and that for 2007/08 is uncertain and is in any event dependent upon planning performance)</i>	165.0	200.0	75.0	-
Self Generated Income <i>(at this stage it is felt that it would not be prudent to forecast any significant increase in the amount of self-generated income - interest is expected to fall through the utilisation of reserves)</i>	257	268	293	293

- 3.5 Account has to be taken of the effects of inflation over the period of the medium term financial plan. The cost of living pay award for staff for 2006/07 has been nationally agreed at 2.95% and this is the most significant inflationary cost that has to be met by the Authority. Based on historical trends and current levels of inflation it would be reasonable to assume that pay inflation will continue to run at around 3% per annum in both 2007/08 and 2008/09. The Authority is facing year on year increases in its employer's contribution to the Local Government Pensions Scheme, annual increases on employer's national insurance costs and the effects of inflation on goods and services. The minimum provisions for inflation are therefore seen to be:

	2006/07 £000	2007/08 £000	2008/09 £000
Cost of living pay awards	60	63	65
Pension and National Insurance increases	20	21	22
Cost increases for goods and services	30	31	33
Total for year	110	115	120
Cumulative yearly effect	110	225	345

The total requirement over the period of the Medium Term Financial Plan is therefore £680,000.

- 3.6 The financial policy followed by the Authority is to separate its spending between its Core Budget (Recurring costs and unavoidable ongoing commitments) which it reviews periodically and its Discretionary/Project Budget which is the balancing figure. In 2005/06 the Discretionary/Project Budget amounted to £441,000 and faced with a 'standstill' budget in 2006/07 and 2007/08 the challenge to the Authority is to maintain the spending at the £400K level. Whilst the deployment of reserves will be able to provide some "cushion" towards finding the provisions needed for inflation this is not a sustainable long term option. The financial strategy, faced with reductions in real term resources for at least the next two years, has to be geared to reducing the Core Budget requirement so that the Discretionary / Project Budget can be maintained at around its current level.

4. MEDIUM TERM FINANCIAL STRATEGY

- 4.1 The objective has to be to ensure that services are maintained and delivered as efficiently and effectively as possible with spending plans designed to maintain a Discretionary / Project Budget of at least £400K per year. This requires driving down the current cost base and this is one of the reasons why the reviews outlined in paragraphs 2.3 and 2.4 are being undertaken.

4.2 The financial strategy proposed for the period of the Medium Term Financial Plan when funding is being reduced in real terms is:

- the Core Budget will be reviewed in detail to reduce costs wherever possible to lower the cost base
- the service reviews being carried out will consider ways in which efficiency can be improved including any alternative methods of delivery. Whilst savings are being sought any additional requirement emerging would, in the first instance, have to be met from within existing or reduced resources.
- all options to be considered to maximise and extend self generated income.
- all staff vacancies that arise to be critically reviewed and alternatives explored and considered.
- Discretionary / Project Budget to be supported by transfers from reserves to supplement spending for the next two years.
- Underspendings arising in year to be carried forward to “cushion” future years.

5. FINANCIAL PROJECTIONS

5.1 The projected position for 2006/07 to 2008/09 compared with the 2005/06 revised budget is set out in the attached Appendix 2.

5.2 In producing such a financial model it is necessary to base the projections on a number of assumptions:

- An increase in NPG of 5% in 2008/09 (3% inflation plus 2% development).
- Planning Delivery Grant will reduce in 2007/08 and cease in 2008/09.
- Self generated income will increase through pay and display in car parks and contributions from the County Councils towards rights of way maintenance.
- Interest on investments will reduce because of the lower levels of reserves.
- Staffing costs will reduce in 2007/08 and 2008/09 following the review of staffing levels which will also consider those posts on fixed-term contracts currently paid out of Planning Delivery Grant.
- Member costs will go down with the reduction in the number of Authority members and the decision to pay car allowances at the Inland Revenue mileage rate.
- All non-pay costs will not increase in line with inflation – most will be cash-limited.
- Objective will be to maintain the Discretionary / Project Budget at £400K per year.
- Transfers from reserves can be made in 2006/07 and 2007/08 to sustain spending proposals.

Charles Burrows
Chief Finance Officer
24 February 2006



PRIORITIES FOR 2006/07 BUSINESS PLAN

ASPECT/THEME

Do More

1. Moorland management
2. Landscape
3. Managing the NPA's own estate *See Note (ii)*
4. Working with Farmers & Landowners
5. Woodland management
6. Wildlife Conservation
7. Archaeology

Keep the Same

8. Visitor facilities
9. Publicity and communications
10. National Park Centres / LIPs *See Note (ii)*
11. Local community and economy
12. Information & interpretation
13. Historic Buildings and Settlements
14. Volunteer programme
15. Education *See Note (ii)*
16. Partnerships *See Note (ii)*
17. Tourism economy
18. Conserving Exmoor Ponies and other native breeds *See Note (ii)*
19. Member Services / Support
20. Performance improvement
21. RoW Management & Improvement
22. Development control

Do Less/Stop

23. Red Deer management
24. Forward planning
25. Staff and finance management
26. Access land [CROW Act]
27. Social inclusion / outreach
28. Outdoor recreation management
29. Traffic management & public transport

Notes

- (i) Priorities listed above as considered by the Authority at the meeting on 7 February 2006.
- (ii) Members have agreed to review these aspects during 2006/07.

Exmoor National Park Authority Medium Term Financial Plan projections

	2005/06 revised		2006/07 estimate		2007/08 projected		2008/09 projected	
	£'000	%	£'000	%	£'000	%	£'000	%
Income								
National Park Grant	3417	82%	3417	80%	3417	82%	3587	88%
Sustainable Development Fund (SDF)	200	5%	200	5%	200	5%	200	5%
SWRDA contribution to SDF	50	1%	150	3%	100	2%	0	0%
Planning Delivery Grant (PDG)	165	4%	200	5%	75	2%	0	0%
Implementing Electronic Government	100	2%	0	0%	0	0%	0	0%
Income:-								
- Fees (planning, car parks)	70	2%	78	2%	88	2%	88	2%
- Interest earned	65	2%	55	1%	40	1%	40	1%
- Rents	61	1%	61	1%	61	1%	61	1%
- Other	30	1%	43	1%	73	2%	73	2%
- Grants	31	1%	31	1%	31	1%	31	1%
Transfer from reserves	0	0%	60	1%	70	2%	0	0%
Total Income	4189		4295		4155		4080	
Expenditure								
Core budget								
Staffing costs	2117	49%	2184	51%	2241	55%	2311	57%
Member costs	100	2%	100	2%	93	2%	96	2%
Premises costs	241	6%	248	6%	255	6%	263	6%
Travel / vehicle costs	171	4%	175	4%	180	4%	186	4%
Management agreements / FCS	98	2%	101	2%	95	2%	87	2%
Equipment	94	2%	97	2%	100	2%	103	3%
Contracted work	71	2%	73	2%	75	2%	77	2%
Consumables	62	1%	60	1%	61	1%	62	2%
Projects	24	1%	25	1%	26	1%	27	1%
Misc	123	3%	124	3%	128	3%	132	3%
Net cost - Pinkery	34	1%	35	1%	30	1%	30	1%
Net cost - National Park Centres	117	3%	120	3%	120	3%	120	3%
Discretionary budget								
Projects	441	10%	432	10%	400	10%	400	10%
Net contribution to other projects*	6	0%	6	0%	6	0%	6	0%
Sustainable development grants	225	5%	315	7%	270	6%	180	4%
Implementing Electronic Government	100	2%	0	0%	0	0%	0	0%
Planning delivery grant	165	4%	200	5%	75	2%	0	0%
Total expenditure	4189		4295		4155		4080	

Note: Projections in this financial model are based on the assumptions set out in Paragraph 5.2 of the medium Term Financial Plan

