

Report 6: Defra Grant Funding Agreement

1. Purpose of Report

The purpose of this report is to inform members of changes to the Defra National Park Grant Funding Agreement and seek members approval to sign the agreement.

2. Recommendations

The Authority is recommended to:

- a. Note the changes to the Grant Funding Agreement and consider the concerns raised by officers and the Finance and Audit Group, and the assurances offered by Defra officials.
- b. Authorise the Chief Executive to sign the Financial Grant Agreement on behalf of the Authority.

3. Implications

- a. Financial: The delay in signing the agreement creates a significant cash flow impact to the Authority. This has been manageable due to higher than usual cash balances from a positive 2021/22 outturn but cannot be comfortably sustained beyond July.
- b. Equalities: There are no direct equalities implications from this report.
- c. Link to Business Plan: The provision of National Park Grant by Defra is core to the delivery of all aspects of the Authority's Business Plan as it represents the funding to employ our core capacity and carry out statutory functions and governance.

4. Background

- a. National Park Authorities (NPAs) in England were established under the Environment Act 1995 as independent authorities to administer National Parks, within the framework of local authority legislation. Section 72 of the Act empowers the Secretary of State to make grants to a NPA (in consultation with Natural England) and with the consent of HM Treasury, and further states that 'The Secretary of State may make grants to a National Park Authority for such purposes, of such amounts and on such terms and conditions as he thinks fit.'
- b. In 2019 Defra undertook a review of the 'National Park Authorities in England Grant Memorandum' which set out the accounting framework for National Park Grant (NPG). This review was prompted by revised Cabinet Office guidance and a recommendation from the National Audit Office that Defra should update NPA grant arrangements and demonstrate stronger mechanisms for review and oversight. As a result of this review a new Grant Funding Agreement (GFA) was

introduced in the form of a legal agreement and a requirement that a new agreement must be signed each time a new agreement is issued.

- c. The Authority had some concerns as to the format of this new grant funding agreement at the time but 'on balance' did not feel it had any alternative but to accept it and authorised the Chief Executive to accept the GFA on behalf of the Authority.
- d. For the current year a revised GFA has been issued which the Authority is required to formally sign before any National Park Grant or FiPL grant can be drawn down for the current year. (see Appendix 1) As we are now in June and the Authority has been spending money for this year from 1 April, delays in signing the agreement will cause cash flow issues for the Authority.

5. Revised Grant Funding Agreement

- a. The Authority received our Grant Funding Letter for 2022/23 on 1 April 2022. Later that month Defra issued a revised draft GFA for comment to National Parks England (NPE). NPE has sought to co-ordinate comments from national park authorities and has raised a number of comments and sought several amendments.
- b. Whilst some minor amendments were made in response to the matters raised by NPE, a number of concerns remain. Defra have now issued the agreements for signing by each individual NPA.
- c. Following receipt of our agreement on 24 May, a short report was brought before Finance and Audit Group on 25 May to highlight some of the key changes to the agreement and to seek a steer from members of the Group. Members expressed concerns in relation to the amendments to the agreement and asked that the Chief Executive raise these with Defra and seek amendments and assurances. In addition, Finance and Audit Group asked the Chair of the Authority to raise concerns with other NPA Chairs in England and seek to raise these matters with ministers.
- d. FiPL is included within the GFA, but is separate to National Park Grant. The agreement provides the basis for transferring FiPL money (which is ring-fenced for this purpose) to the Authority who then issue grant agreements to successful applicants.
- e. Finance and Audit Group requested a fuller report and further consideration by Full Authority before the GFA could be signed on behalf of the Authority.

6. Key Concerns

- a. The main concerns arising from the amendments to the GFA are set out in Appendix 2. These have been raised with Defra and the response received is shown (in red). The Chief Executive has indicated to Defra that we are not in a position to sign the agreement until consideration by the Full Authority on 22 June 2022.

- b. The Chair has raised our concerns with other NPA Chairs and at a meeting on 9 June 2022 all NPAs agreed that this was not an appropriate grant format for NPA core grant and agreed that the Chair of NPE would formally raise these matters with Defra Minister, the Rt Hon. Lord Benyon MP. The Deputy Chair of our Authority met with Lord Benyon in the Peak District recently and took the opportunity to raise our concerns.
- c. Whilst the Defra response at Appendix 2 does provide a degree of assurance as to a flexible and proportionate approach to the new provisions in the agreement, overall, the GFA as drafted is for one year only and does not offer the financial security to allow for multi-year planning which the Landscapes Review recommended.

7. Conclusions

- a. The revised Defra Grant Funding Agreement contains some potentially significant changes to the previous agreement signed by the Authority. The stated driver behind the changes is to ensure compliance with Cabinet Office guidance and appropriate levels of oversight for Defra and accountability in the allocation and use of public money. (See Appendix 2)
- b. Our primary concern is the suitability of the format of the GFA for an independent, special purpose local authority. In addition, officers still have concerns that that the proposed amendments represent enhanced risks to the Authority. Defra officials have, through correspondence, sought to clarify these risks and the potential implications of the changes and NPE, through formal engagement with Defra ministers, is seeking further assurances and a commitment to review the suitability of the current form of agreement.
- c. It is therefore recommended that members consider the amendments to the Grant Funding Agreement and authorise the Chief Executive to sign this on behalf of the Authority.

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Background papers: None