

Report 3: Medium Term Budget Plan 2024/25 to 2026/27

1. Purpose of Report

The purpose of this report is to seek approval of the Budget Plan for the next three years.

2. Recommendations

The Authority is recommended to:

- a. Approve the Budget Plan for the three years 2024/25 to 2026/27 in Table 8;
- b. Approve the Budget earmarked reserves and level of General Reserves detailed in section 7;
- c. Note the key risks to the Budget Plan detailed in section 8; and
- d. Approve the Operational Boundary and Authorised Borrowing limits as set out in section 9.

3. Implications

- a. Financial: This Medium-Term Budget Plan maintains general reserves above the agreed minimum level of £500,000 at the end of each year and at £510,500 at March 2027. It also continues to build reserves to fund cyclical and future liabilities.
- b. Equalities: None
- c. Link to Business Plan: Financial performance and budget management are an integral part of resourcing all aspects of the Business Plan and of maintaining an organisation that is Fit for the Future (Outcome 6 of the Business Plan).

4. Background

- a. A rolling Medium-Term Budget Plan is presented to the Authority each March for formal approval.
- b. This financial strategy, at 4.c. below, considers the Authority's Business Plan (2023 – 2026), which was developed following the adoption of the National Park Management Plan in October 2022 and a priority setting workshop with Members in November 2022
- c. The Finance and Audit Group considered the key budget assumptions and the medium-term financial strategy, including a full review of The Sill Business Plan at its meeting on 21 February 2024. The Group has endorsed for members approval a strategy which:
 1. Ensures a realistic, yet prudent approach to budget setting,
 2. Strives to maximise income generating opportunities, including self-generated income, to enable the Authority to maintain as much of its

operational capacity and staff expertise as possible in a time of significant real term budget cuts.

3. Continually challenges and monitors The Sill Business Plan to operate this key asset as efficiently and as effectively as possible.
4. Fundraises for priority projects as outlined in the Business Plan 2023 - 2026.
5. Makes use of the Projects and Investment Earmarked Reserve to invest in new projects, initiatives and systems to support the efficient operation of the Authority and the delivery of the Business Plan 2023 – 2026.
6. Continues, despite challenging budget circumstances, to ensure we are building earmarked reserves to enable investment in maintaining and funding major repairs and other investments in our estate and systems in the future.

5. Key Budget Assumptions

Defra National Park Grant

- a. A 3-year grant funding agreement was signed in June 2022, which had an indicative settlement of flat cash for 2024/25 which is yet to be officially confirmed. Indications are the grant will be as expected. In 2025/26 we have assumed a 3% increase and in 2026/27 2% increase in line with our pay inflation assumption. This is discussed further under the risk section of the report.
- b. Additional capital funding was announced by the government in November 2023. This is expected to be a significant one-off sum; however, it has not been officially confirmed yet and therefore is not included in this budget.

Table 1, National Park Grant

	2024/25	2025/26	2026/27
National Park Grant	£2,672,900	£2,753,100	£2,808,200

Operating Staff and Related Costs

- c. Salary and related costs are major component of our annual expenditure budget. Staff inflation is assumed at 4% in 2024/25 in line with the current published CPI inflation figures. 3% has been assumed in 2025/26, recognising the continuing high inflation rates in the general economy, before returning to 2% in 2026/27.

Table 2, Operating Staff & Related Costs (excluding Sill Business Plan & projects)

	2024/25	2025/26	2026/27
Operating Staff & Related Costs	(£2,554,200)	(£2,625,200)	(£2,562,500)

Operating Expenditure

- d. All budget holders have carefully considered their budgets and how we deliver our core work and taken savings where feasible, but these have been slightly exceeded by general cost increases. The high increase in energy budgets from the end of our prior fixed term contract (October 2023) have not been realised to the level expected following a decrease in market costs. Members are aware the cost of external audit has significantly increased. This is due to the level of audit required increasing in line with stringent Audit Standards. Table 3 breaks down these movements for members information. Representations have been made to Defra to support National Parks with this additional burden, but no additional funding is available.

Table 3, Operating Expenditure budget

	2024/25	2025/26	2026/27
Base Other Operating Costs	(£932,400)	(£947,600)	(£961,900)
Decrease in energy budgets	£62,300	£63,600	£64,900
Increase in External Audit	(£24,200)	(£24,200)	(£24,200)
Balance of other budget increases	(£2,000)	(£8,900)	(£4,200)
Revised Operating costs	(£896,300)	(£917,100)	(£925,400)

Operating Income

- e. As part of the 2022/23 to 2024/25 and 2023/24 to 2025/26 Medium-Term Budget Plans income generation was increased in the budget plan to counter the impact of the extended flat cash settlement to 2024/25. Income generation is forecast to largely achieve within the current financial year. The areas identified have been considered and the targets in this plan have been adjusted based on experience to date. The overall sum has decreased by circa £40,000 over 3 years when the time limited income streams are excluded. The targets remain stretching but are considered achievable within the overall resource we have available.
- f. Table 4, and the detail behind each target that follows, gives members an overview of the income generating areas where attention is particularly focussed. The table is split into the items which are included in the Operating Budget (Table 5), and which are included in Projects (Table 6).
- g. There is no budget assumption included for new time limited income opportunities in year 3 but given the projectised way the Authority now has to work and the delivery partnerships which have been formed, we highly anticipate further opportunities will arise for future years which will assist the budget position in future.

Table 4, Breakdown of additional net income generation included

	2024/25	2025/26	2026/27
Staff services	£15,000	£15,000	£15,000
Great Northumberland Forest	£22,500	£22,500	-
Rental income	£7,500	£15,000	£15,000
Car Park Tap & Donate	-	-	-
Business As Usual Fundraising	£5,000	£5,000	£5,000
Rights of Way Contribution	£52,000	£52,000	£52,000
Total Included in Operating Income (Table 5)	£102,000	£109,500	£87,000
Farm Business Support (net income)	£105,000	£110,000	-
CS Scheme Woodland (net income)	£9,200	£9,200	£9,200
Total Included in Projects (Table 6)	£114,200	£119,200	£9,200

h. Detail behind each target follows:

- **Staff services:** Is generated by recovering the cost of staff time, inclusive of overheads, on project or partnership working, wherever possible. We have a proven track record of over-achieving this target. We have a number of projects in the pipeline which will generate a net contribution to this target.
- **Great Northumberland Forest:** 3 years funding has been secured ending in 2024/25. We are confident there will be a one-year extension to this funding stream.
- **Rental income:** This target is based on rationalising and letting additional underutilised office space at Eastburn and Rothbury. This target has been reduced against the previous plan to generate a further £20,000 per annum.
- **Car Park Income Tap and Donate and additional sites:** We previously planned to trial low-cost donation options at our non-charging car park sites (text to donate or QR code signage). On further investigation this is deemed low return against the time and budget investment to implement.
- **Business As Usual Fundraising:** The Fundraising team are seeing a good success rate with this income stream introduced in the 2022/23 to 2024/25 Medium-Term Budget Plan and it is considered a better use of the limited resource available to grow this area of fundraising.
- **Rights of Way Contribution:** Northumberland County Council have been approached, as the statutory Highways Authority, to seek a contribution to maintaining the 900 plus kilometres, of rights of way in the national park. There is precedent for other highways authorities making contributions to other national park authorities for undertaking such work, as this forms part of the highways authority's duties. Our request has been for up to 50% of the costs of providing the service currently, based on offering a minimum level of

service and deliverables. Discussions are ongoing and have been reasonably positive.

- **Farm Business Support:** We are delivery partners to provide farm business support services to the whole of Northumberland with Advance Northumberland via the Rural Investment Plan. This generates a net contribution to the costs of employing our farming team.
 - **CS Scheme Woodland,** Hareshaw Linn, Walltown, Thirlwall and Cawfields woods are now in Countryside Stewardship Schemes, these are 5-year capital and revenue schemes and will generate net revenue to us.
- i. Bank interest rates are currently high, and the budget has been adjusted in light of this. The target for bank interest receivable is £25,000 in 2024/25, £20,000 in 2025/26 and £15,000 in 2026/27. This reflects the assumption that interest rates will reduce in line with inflation.

Table 5, Operating Income Budget

	2024/25	2025/26	2026/27
Operating Income	£696,700	£760,900	£713,500

Projects

- j. The breakdown of the project budget is shown in Table 6.

Table 6, Projects

	2024/25	2025/26	2026/27
Hadrian's Wall National Trail	(£138,200)	(£138,200)	(£138,200)
Facilitation Fund	(£56,100)	(£56,100)	(£16,000)
Greenlee Countryside Stewardship	(£7,200)	(24,600)	(£24,600)
Farming in Protected Landscapes (FiPL)	(£855,300)	-	-
Northern Upland Chain Local Nature Partnership	(£17,500)	(£17,500)	(£17,500)
CS Scheme Woodlands	(£90,600)	(£67,000)	(£19,100)
Northumberland Farm Business Support	(£70,000)	(£65,000)	-
Nature Rangers (BMW)	(£64,100)	-	-
UK National Parks Conference 2024	(£72,500)	-	-
Total Projects Expenditure	(£1,371,500)	(£368,400)	(£215,400)
Hadrian's Wall National Trail	£153,200	£153,200	£153,200
Facilitation Fund	£66,200	£41,500	£18,000
Greenlee Countryside Stewardship	£26,000	£24,600	£24,600
Farming in Protected Landscapes (FiPL)	£867,100	-	-

	2024/25	2025/26	2026/27
Northern Upland Chain Local Nature Partnership	£12,500	£12,500	£12,500
CS Scheme Woodlands	£99,800	£76,200	£28,300
Northumberland Farm Business Support	£175,000	£175,000	-
Nature Rangers (BMW)	£64,100	-	-
UK National Parks Conference 2024	£72,500	-	-
Total Projects Income	£1,536,400	£483,000	£236,600
Net Projects Income / (Expenditure)	£164,900	£114,600	£21,200

- k. Greenlee Countryside Stewardship balances out to zero cost to the Authority over several years. In 2024/25 a surplus budget is shown, this is partially paying back funds from prior years where there was a budgeted deficit for our contribution to capital costs over and above the capital funding. After the payback period there is likely to be a requirement for some form of staff resource. The Landscape Recovery Pilot is in the final stages of approval. When the project is officially confirmed alongside the associated budget, additional resource will be considered in the round. To allow for this flexibility the Countryside Stewardship project is shown as net nil from 2025/26 onwards.
- l. There have been three bids made to the North of Tyne Investment Fund as part of the Rural Asset Multiplier Pilot (RAMP) programme.
- a. Healthy People, Healthy Park
 - b. Green Pathways to Employment
 - c. A Welcoming Park – South
- m. We have just been informed the Healthy People Healthy Park bid has been successful, but we have not yet had the official confirmation and grant funding agreement. The remaining two projects will go a future grants panel meeting. Once official grant offers, and funding agreements signed for the projects which are successful the budget will be updated, and members will be informed in a future budget update report.
- n. Other projects will carry forward from the current financial year, and there are currently projects in development which are expected to come on stream during the budget period and these will be added as funding is confirmed.

The Sill Business Plan

- o. The Sill Business Plan has been reviewed in full and the assumptions made have been closely considered. The cost of running The Sill is circa £30,000 less than the previous Medium Term Budget Plan allowed for. The reduction arises from the electricity contracts secured being at a better rate than the high prices quoted and allowed for at the time of the last budget plan.

- p. The Sill Business Plan as a whole has been discussed, challenged, and endorsed by the Leadership Team and the Finance and Audit Group.
- q. Table 7 shows the business plan figures and breaks these down into the key areas.

Table 7, The Sill Business Plan

	2024/25	2025/26	2026/27
Target for number of Visitors	125,000	127,500	127,500
Retail Income	£267,900	£284,800	£296,800
Retail Expenditure	(£213,800)	(£225,400)	(£234,000)
Net Retail Income	£54,100	£59,400	£62,800
Café Income	£330,600	£343,600	£350,400
Café Expenditure	(£323,400)	(£339,000)	(£346,600)
Net Café Income	£7,200	£4,600	£3,800
YHA Income	£55,700	£55,700	£55,700
Car Parking Income	£59,600	£60,800	£60,800
Car Parking Expenditure	(£18,500)	(£18,900)	(£18,900)
Net Car Park Income	£41,100	£41,900	£41,900
Hires Income	£26,700	£27,500	£28,900
Hires Expenditure	(£9,400)	(£9,800)	(£9,900)
Net Hire Income	£17,300	£17,700	£19,000
General Sponsorship Income	£11,000	£11,000	£11,000
Staff and related costs	(£131,500)	(£136,000)	(£139,200)
Sill Operational Expenditure:			
- Annual Maintenance	(£33,100)	(£33,500)	(£33,900)
- Cyclical Maintenance Allowance*	(£30,000)	(£30,000)	(£30,000)
- Temporary Exhibitions	(£10,000)	(£10,000)	(£10,000)
- Utility Costs	(£130,200)	(£130,400)	(£133,000)
- Other Costs	(£80,400)	(£81,700)	(£83,000)
Sill Operational Recharge Income	£116,700	£117,500	£119,600
Net Operational Expenditure	(£167,000)	(£168,100)	(£170,300)
Total Income	£868,200	£900,900	£923,200
Total Expenditure	(£980,300)	(£1,014,700)	(£1,038,500)
Net Surplus/ (Deficit)	(£112,100)	(£113,800)	(£115,300)

Revenue Loan Repayments

- r. The annual loan revenue repayments for all budgeted loans from revenue are shown in Table 8. The breakdown is as follows.
- £10,900pa is repayable over 10 years (last payment March 2026) to finance the Authority's approved save to invest capital expenditure at Housesteads car park.
 - £57,100pa repayable on The Sill capital build loan to the Authority. This planned loan is repayable over 30 years (last payment June 2046).

6. Budget Summary

- a. A summary of the annual net budget position, taking into account the various elements discussed is shown in Table 8.

Table 8 Annual budget surplus/ (deficit) summary

	2024/25	2025/26	2026/27
National Park Grant (Table 1)	£2,672,900	£2,753,100	£2,808,200
Staff Related Costs (Table 2)	(£2,554,200)	(£2,625,200)	(£2,562,500)
Operating Costs (Table 3)	(£896,300)	(£917,100)	(£925,400)
Operating Income (Table 5)	£696,700	£760,900	£713,500
Operating Surplus/(Deficit)	(£80,900)	(£28,300)	£33,800
Projects (Table 6)	£164,900	£114,600	£21,200
Surplus after operating & projects	£84,000	£86,300	£55,000
The Sill Business Plan (Table 7)	(£112,100)	(£113,800)	(£115,300)
Revenue Repayment of Loans	(£68,000)	(£68,000)	(£57,100)
Total Budget Surplus/(Deficit)	(£96,100)	(£95,500)	(£117,400)
Deficit Funded by allocations from the Project and Investment Reserve	£134,800	£125,100	-
Impact on General Reserve: increase/ (decrease)	£38,700	£29,600	(£117,400)

- b. Although the budget shows a deficit position in 2024/25 and 2025/26, the staff related costs contain fixed term costs released from the Projects and Investments Fund. Table 8 shows the annual budget returns funds to the general reserve when this is accounted for. That surplus as well as the positive difference in the annual budget position to that updated to members in December 2023 releases additional funds which can cover the deficit of £117,400 in 2026/27.
- c. The deficit in 2026/27 arises mainly from two fixed term income generating partnership projects ending in 2025/26, Northumberland Farm Business Support

and Great Northumberland Forest, as discussed earlier in the report. It is expected other opportunities will arise and as such this figure is prudent for planning at this stage.

7. Reserves

- a. The Authority has several earmarked reserves, namely:
- ICT Capital Replacement Reserve A fund increasing by £15,000 per annum to be utilised for periodic replacement of ICT hardware and core systems. A significant replacement programme of server hardware concluded in 2021/22 and another in 2023/24. The reserve is being built up again for the next major replacements required. Previously this reserve increased by £10,000 per year but that is not sufficient to “save up” in time for the next replacement in 2026/27 therefore this has increased by £5,000 per annum.
 - Planning Cyclical Costs Reserve, (previously Planning Contingency). In previous Medium-Term Budget Plans, the Planning Contingency Reserve has been held to ensure there are funds for preparation and defence of any major planning challenges and public inquiries. This instance has not arisen in the time this earmarked reserve has existed. There is a requirement for large cyclical costs in relation to the Local Plan. The Local Plan should be produced every five years, although the timing of the next review is uncertain due to new legislation and a new approach to Local Plans still to be determined by Government. Guidance is still emerging. Therefore, the proposal is to repurpose the reserve and add £15,000 per annum to ensure funds are available when required. This is the same principle used for many of our earmarked reserve allowing the Authority to “save up” year on year to meet future liabilities.
 - Planning Fees Improvement Reserve. This reserve has been created to ringfence 20% of Development management fees earned which have not yet been spent or allocated to actions which enable improvements to the planning service. The increase to development management fees in 2018 obliged local authorities to set aside 20% of income from fees. As expenditure is made, the corresponding amount will be released accordingly. Members are asked to note that it is proposed that 20% of fees will no longer be ringfenced from December 2023 as this obligation no longer exists under new legislation.
 - Exhibition Maintenance This reserve has been created to cover cyclical maintenance of the main exhibition and interpretation at The Sill. An annual amount is provided in the budget whereas the spend requirement will not accrue evenly. Any balance on the budget will transfer to this reserve at the year end to build up funds to cover future cyclical interpretive maintenance requirements.
 - Sill Cyclical Maintenance This reserve has been created to cover cyclical maintenance at The Sill. An annual amount is provided in the budget whereas

the spend requirement will not accrue evenly. Any balance on the budget will transfer to this reserve at the year end to build up funds to cover future cyclical maintenance requirements.

- Projects and Investments Reserve. An earmarked fund to invest in new projects, initiatives and systems to support the efficient operation of the Authority and the delivery of the Business Plan. Release of these funds is subject to individual business cases.
 - Climate Change Allocation to fund individual actions from the first 3 years of the Authority’s Climate Change Action Plan.
 - Hadrian’s Wall National Trail Capital works reserve This reserve is the accumulated surplus on the project which will be used for capital projects or match funding other funding sources.
 - Northern Upland Chain Local Nature Partnership As the current administrators of this partnership, we are collecting the contributions and distributing the funds to projects. This reserve holds the excess annual undistributed project funds until they are required.
 - Major Repairs Reserve. A fund increasing by £10,000 per annum to be utilised as and when required for major repairs across the whole of our property portfolio. Examples include the replacement of kitchen equipment at The Sill or the replacement of heating systems in Eastburn.
- b. Table 9 shows the Budget movement on reserves and the impact of earmarked reserves on the general reserve.

Table 9, Budget General and Earmarked Reserves

£000’s	2024/25	2025/26	2026/27
Opening Reserves	1,479.3	1,442.4	1,346.9
Budget Plan Surplus / (Deficit)	(96.1)	(95.5)	(117.4)
Forecast Budget Surplus 2023/24	59.2	-	-
Closing Reserves	1,442.4	1,346.9	1,229.5
Earmarked Reserves:			
IT Capital Replacement Reserve	(15.0)	(30.0)	(45.0)
Planning Cyclical Costs Reserve (was planning contingency)	(75.0)	(90.0)	(105.0)
Planning Fees Improvement Reserve	(24.2)	(24.2)	(24.2)
Exhibition Maintenance	(10.7)	(10.7)	(10.7)
Sill Cyclical Maintenance	(45.2)	(45.2)	(45.2)
Projects and Investments Reserve	(373.4)	(248.3)	(248.3)
Climate Change	(26.0)	(26.0)	(26.0)
Hadrian’s Wall National Trail Capital Reserve	(92.2)	(92.2)	(92.2)
Northern Upland Chain Local Nature Partnership	(35.4)	(35.4)	(35.4)

£000's	2024/25	2025/26	2026/27
Major Repairs Reserve	(67.0)	(77.0)	(87.0)
Total Earmarked Reserves	(764.1)	(679.0)	(719.0)
Total General Reserves	678.3	667.9	510.5

- c. The overall aim of the reserves policy should be to ensure that the level of reserves should be sufficient (but not excessive) to meet any exceptional cost pressures, to mitigate financial risks and to provide future investment funding. It is the opinion of the Chief Finance Officer the plan should aim to deliver a minimum general reserve of £500,000 each year. This level was increased with the agreement of the Authority in the previous Medium-Term Budget Plan reflecting the remaining high financial risks in this budget strategy as outlined in the following section.

8. Risks and Potential for Mitigation

- a. There are 3 main areas of budget risk identified to manage and mitigate.
- b. Risk 1: Further increases to staff and related costs from higher than planned staff inflationary increases. This is not something we can influence, and we may not find out the final agreement until well into the budget period. This is by far the highest impact if the actual differs to our assumptions. Carrying a minimum of £500,000 in general reserves will give reasonable contingency towards this risk until mitigating budget adjustments can be planned and taken.
- c. Risk 2: Income generation targets remain high and capacity to generate the income is stretched. It is important further income generation opportunities are balanced with investment in capacity to deliver. Carrying a minimum of £500,000 in general reserves will give reasonable contingency towards this risk until mitigating budget adjustments can be planned and taken.
- d. Risk 3: 2025/26 and 2026/27 rely on an assumed inflationary increase in Defra grant. We will maintain regular and strong dialogue with Defra; however, the general economic outlook indicates continued pressure on government finances. We have an annual meeting each year with Defra where we inform them of the very real challenges this Authority faces. Defra have informed us they will revisit the funding formula; however, this has been delayed once already.

9. Capital Budget, Operational Boundary and Authorised Borrowing Limit

- a. Within the Budget Plan, no new capital projects are currently proposed which require funding from revenue or from loan finance.
- b. As required by the Financial Regulations any capital investment proposals will be presented to the Authority for approval. This will include the financing proposal for the investment.
- c. There are no plans for any long-term capital borrowing contained in the Budget, but the Authority may want the flexibility to do so, particularly if financial plans

change. It is recommended that the Operational Boundary borrowing limit (which represents possible borrowing) is maintained at £1,500,000. The projected balance of actual external debt on the balance sheet at 31st March 2024 is £1,004,567. The balance of £495,433 will give the Authority a degree of flexibility for new capital projects and allows for any capital proposals arising for the Authority's estate. Any proposals to borrow funds or enter into any loan agreements will require Authority approval in advance.

- d. The adoption of a new reporting standard in 2024/25 relating to leases means that the Authority will have external borrowing in relation to leases that it currently holds or enters. All operating leases, except for low value or short leases will be reclassified as finance leases and this has the accounting effect of bringing lease liabilities onto the balance sheet. These liabilities will count as debt, however, as it relates to transactions that the Authority has already approved, there is no action required, apart from to take this newly recognised debt into account when setting our borrowing limits. The current headroom is considered sufficient to take this into account.
- e. It is recommended that the Authorised Borrowing Limit (the maximum borrowing limit) is maintained to £2,000,000, this allows a degree of flexibility. Once again, any proposals to borrow funds would be put before the Authority for approval.
- f. The Authority is asked to approve the limits set out below for each of the years, 2024/25, 2025/26 and 2026/27. The Operational Boundary and Authorised Limits are reviewed annually so the impact of any financial changes can be considered at that time.
- g. Actual External Debt at the projected balance sheet date of 31st March 2024 is:

Borrowing	£1,004,567
Other long-term liabilities	£0
Total Actual External Debt	£1,004,567

- h. Operational Boundary, which represents external debt (if option to borrow is taken) during the course of the year be set as:

Borrowing	£1,500,000
Other long-term liabilities	£0
Total Operational Boundary	£1,500,000

- i. Authorised Limit (the limit beyond which borrowing is prohibited allowing a margin of flexibility) set as:

Borrowing	£2,000,000
Other long-term liabilities	£0
Total Authorised Limit	£2,000,000

10. Conclusion

- a. Our budget continues to be very challenging. The one-off funding from Defra in March 2023 put the Authority on a better footing with regards increasing general reserves to mitigate higher financial risk and allowed for creation of a Projects and Investment Earmarked Reserve. The improvement in the budgeted energy costs has also released funding to enable this Medium-Term Budget Plan to be managed without the need to increase self-generated income further or reduce staff costs. This creates a much-needed period of stability to deliver the current Business Plan but is probable going forward budget challenges will remain.
- b. Although there is a deficit budget of £117,400 in 2026/27, this is due in the main to time limited income generating projects ending in the prior year. It is expected as time passes further opportunities will arise, but no assumption has been made at this early stage.
- c. As a small authority we continue to put resources aside to meet cyclical costs. The next significant expenditure which will need cyclical funding being the Local Plan.
- d. The main risk in the budget lies with future assumptions on Defra funding. As with all of the budget risks identified carrying a minimum general reserve of £500,000 creates some contingency.

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