

North York Moors National Park Authority Finance, Risk Audit and Standards Committee

01 June 2014

Draft Financial Outturn

1. Purpose of the Report

- 1.1 To provide Members with the draft financial outturn for the financial year ended 31 March 2015
- 1.2 To obtain approval for the carry forward of budget to fund specific projects not completed as at 31 March 2015.

2. Background

- 2.1 This report provides the quarterly update to Members required by the Authority's Financial Regulations:

"4.4.4. Budget Monitoring Statements, including a forecast for the full financial year shall be submitted to each quarterly meeting of the Authority's Finance, Risk, Audit and Standards Committee".

- 2.2 This is the final detailed update on the 2014/15 budget that Members have received since the budget was approved by Authority in March 2014. This report also details changes to the 2014/15 budget which have been identified since the budget was set in March resulting in the revised (RE) budget for approval. There are no virements which required approval in this quarter.
- 2.3 The figures in this report will be used to form the basis of the Draft 2014/15 Statement of Final Accounts. These will then be subject to audit by Deloitte as the Audit Commission appointed auditors with the final figures to be agreed by 30 September 2014. As a result they remain in draft form and may be subject to change as part of the accounts preparation and audit process.

3. Performance

- 3.1 The **Appendix** to this report shows the total spend against the updated budget for 2014/15 to 31 March 2015. The overall position is that the Authority has generated a net surplus to transfer to reserves of £159.1k. This has arisen due to a number of factors:

- additional income received following good performance especially in the final quarter of the year;
- projects not yet completed. The budget provision will be requested to be carried forward to fund the incomplete work in the new financial year;
- savings made on the 14/15 budget resulting from organisational change which have been achieved earlier than was anticipated and other general underspends. These savings will be transferred into reserves and earmarked to cover cost pressures facing the Authority in future years.

3.2 To analyse this further, overall gross expenditure exceeded the Revised Estimate Budget by £174k which is mainly due to the direct expenditure incurred under the potash Planning Performance Agreement, (PPA) of £281k. This was offset by underspends totalling £107k (net). The PPA income (£281k) is included in the income overachievement of £531.5k, but it is clear that overall income generation has been a real focus and success within the financial year. The table below summarises the position and shows the impact on reserves; which has resulted in a transfer into reserves of £159.1k rather than the anticipated transfer from reserves of £198.6k which provides a net variance of £357.7k.

	CUMULATIVE TO 31 MARCH 2015			
	2014/15 RE BUDGET	BUDGET	ACTUAL	VARIANCE
	£000's	£000's	£000's	£000's
Gross Expenditure	5889.5	5,889.5	6063.3	173.8
DEFRA Grant	(4,165.2)	(4,165.2)	(4,165.2)	0.0
Other Income	(1,525.7)	(1,525.7)	(2,057.2)	(531.5)
Transfer (from)/to reserves	(198.6)	(198.6)	159.1	357.7
Net Expenditure	0.0	0.0	0.0	0.0

The **Appendix** to this report provides further detail and explanations of significant variances **not explained below**.

The outturn position should be viewed as a positive outcome at the end of what has been a challenging year in particular;

- The income generation performance has again improved and is a sign of improvements that Officers have become more aware of the importance of income generation to the long term sustainability of the Authority and in particular that work on raising the profile is having an impact as well as the benefit of good weather;
- Some of the planned savings for 2015/16, particularly in Corporate Services have been partially achieved in the current year with costs such as postage, mileage, telephones and travel costs being lower than anticipated. These budgets have been reduced in future years and consideration will be given as to whether further reductions are achievable.
- Members will note that the Corporate Recharges have also been reduced from a budgeted figure of £1.232m to an actual of £1,127m. This is partially due to an in year transfer of the non Corporate Core elements of the Legal Services budget to enable Directors to manage the budget as a direct cost (approximately £55k) and the remainder is due to the in-year savings and the impact of service reductions on the apportionment method. As a result the net cost of other services has been reduced.

There is however, a real challenge in the ability of staff to commit financial resources as the overall staffing levels of the organisation are reduced and it is often the case that other higher priority work detracts from the day to day procurement, grant giving and other spending activities.

3.3 The table below details the performance against income targets in year.

Income Type	2014/15 RE Budget £000's	Cumulative to 31 March 2015		
		Budget Year To Date £000's	Actual £000's	Variance £000's
Grants (excluding NPG)	576.5	576.5	666.6	90.1
Retail Sales	193.4	193.4	193.5	0.1
Planning Income	213.8	213.8	258.7	44.9
Car Parking	349.2	349.2	384.2	35.0
Miscellaneous	177.8	177.8	258.6	80.8
York Potash/PPA	0.0	0.0	281.5	281.5
Investment Income	15.0	15.0	14.1	(0.9)
Total Income	1525.7	1525.7	2057.2	531.5

The table above summarises the gross income position for the year into categories and actual income has exceeded budgeted income in all areas except for interest received and regular updates on the predicted shortfall in this have been provided as part of the Treasury Management reporting. Examples of where this is the case are detailed below;

- Additional grant income has been received from Environment Agency for work in connection with Connectivity (£24k), and an additional £10k from Natural England and the East Yorkshire Rivers Trust for work on 'wetlands and water' (the new project connected with the Esk and through the Derwent Catchment Partnership).
- Planning income includes £44k for the Section 106 agreement for the Linkfoot Lane development. This income was then paid to Helmsley Town Council to improve community facilities and does not impact on the Authority's net financial position
- As has been reported throughout 2014/15 Car Park income exceeded the budget, however, performance in the final quarter has been even better than expected. This will mean that the Car Park income has now matched the target level set in 2011 for the first time.
- Key additional income within the category includes additional Events and Exhibitions Income following an extremely successful exhibition early in the year, resulting in significant sales commissions and the receipt of an insurance claim for the stolen Mobile Display Unit, which is matched by additional expenditure on the provision of the replacement trailer.

3.4 Members will be aware that the Authority has an outstanding debtor for grant relating to the completed Coast Alive Project funded by EU grant. Confirmation was recently received that the final claim for the Coast Alive project has been approved for payment. It is expected that this will be in the region of £34k which is slightly below the amount expected due to changes in the exchange rate. The appropriate adjustments have been made in the current financial year.

3.5 Members are requested to approve that the following sums of money can be carried forward into 15/16:

- **Aerial Photography** – a budget was originally allocated in 13/14 in relation to a contract to update the Authority's aerial photographs. The contract spans a number of years and as at 31 March 2014 a balance of £14.4k remained outstanding for work not yet completed. It was agreed that this be carried forward and the work completed in 2014/15. Unfortunately, the contractors were unable to complete the work, again due to the weather, so the amount remains outstanding and it is requested that the budget be transferred into 2015/16. Officers consider

that the work is essential as the images provide an invaluable tool especially for Officers in Conservation and Development Management including Enforcement.

- **Public Health Project** – Redcar and Cleveland Borough Council provided match funding of £10k in 13/14 the intended project has been delayed and as a result the funding is required to be carried forward into 15/16.
- **Replacement Sewage Tank** – a contract has been let to replace the septic tank at one of the toilet sites but at the time that the work was programmed to take place the water table on the site was too high and the work delayed. It is therefore requested that the budget of £15k be carried forward.
- **Flood Alleviation Work** – Funding was received at the start of the year from Defra to fund flood damage works. Defra has requested that the funding be ring-fenced for this purpose. It has not however, been possible to complete all the work in year and, as a result, it is requested that £26k of the funding be carried forward to 2015/16.
- **York Potash Application** – Funding for the ongoing advice on the York Potash Application remains a challenge for the Authority and budget provision has been made in 15/16. However, due to delays in information some of the contracted out work which was due to be completed in the financial year has been delayed and a further £40k is required to be carried forward into the new financial year.
- **Monument Management Scheme** – the contract has been extended for a further 2 months until the end of May 2015 in order to complete the work from the current contract. £14,580 relating to expenditure in April and May will therefore be required to be carried forward to fund this work, this has been funded by English Heritage.

3.6 The table below summarises the gross underspend and analysis between the following categories; additional income, carry forwards related to slippage on specific projects, additional staff savings, other cost savings and general underspends.

Budget Area	Amount Projected in February	Amount as at Outturn
Carry Forward		
Farmed Land (Aerial Photography)	£14k	£14k
Access to Open Land – Sewerage		£15k
Access to Open Land - Public Health Project		£10k
Access to Open Land – Flood Alleviation	£7k	£26k
York Potash		£40k
Monument Management Scheme		£14K
Sub Total		£119k
Additional Staff Savings		
	-£14k	£2k
Sub Total		£2k
Additional Income		
Conservation	£24k	£24k
Car Parking & Toilets	£15k	£42k
Planning	-£18k	£25k
Information and Interpretation	£35k	£33k
Sub Total		£124k
Savings/Underspends		
Conservation – Moorland	£12k	£20k
Conservation – Farmed Land	£24k	£60k
Conservation - Biodiversity	£18k	£15k
Conservation – Built		£7k
Volunteers		£7k
Corporate Services	-£10k	£23k
Public Transport	£13k	£18k
Information and Interpretation	-£13k	-£7k
Other Miscellaneous (net)	£10k	-£30k
Sub Total		£113k
Total	£117k	£358k

4. Reserves

- 4.1 The expected level of reserves (subject to completion of the audit) at the end of the financial year is £1,296k, this compares to a projected balance of £1,055k as reported to Finance, Risk, Audit and Standards Committee. This compares to the opening balance of £1,137k.
- 4.2 The s151 Officer has a duty to advise the Authority on the level of reserves required to ensure to meet estimated future expenditure and to safeguard authorities from over-committing themselves financially. Earmarked reserves are necessary to manage expenditure between years, match funding for grants, fund large infrequent and necessary items of expenditure such as replacement of equipment and refurbishment of buildings and to fund known financial risk items. In addition it is advisable to maintain an 'emergency reserve', to cover unexpected expenditure which should be replenished back to an agreed level if it is used. This Authority has historically set this at £220k.
- 4.3 Reserves can be classified as earmarked, i.e. set aside to fund a known future commitment or risk, or general, in which case they are unallocated to specific items of expenditure at that stage. In the past the Authority resolved to pool all the

resources into a General Reserve on the balance sheet to enable the adoption of a more flexible approach to the use of reserves. Officers maintained and reported as part of the quarterly monitoring reports a supplementary breakdown of this highlighting known potential future financial requirements such as the funding required to balance future budgets, pay for the Minerals Planning advice and to match fund the Heritage Lottery Fund 'This Exploited Land' funding bid.

- 4.4 The Authority's reserves have steadily been declining over the Business Plan period and given there are a number of other significant risks in particular, the ongoing revenue costs of the Minerals related planning applications and the increasing need for significant maintenance and refurbishment works at the Authority's premises it is now considered prudent to separate the items below based on current estimates of the likely amounts. Members are requested to approve the allocation of reserves. This allocation includes a proposal to increase the Emergency Reserve by £100k to £320k to allow flexibility to deal with any complex legal issues which may arise. This would equate to approximately 8% of the Defra National Park Grant an increase of 3%.

The table below summaries the breakdown of this:

Reserve	Reserves as at 31/3/14	Movement in 14/15	Reserves as at 31/3/15	Planned Use 15/16	Estimated 16/17 Balance
	£000's	£000's	£000's	£000's	£000's
Earmarked Reserves					
Emergency Reserve	220	100	320	0	320
This Exploited Land Match Funding	250	-18	232	0	232
Smoothing the Budget reduction (Business Plan)	220	-220	0	0	
Carry Forward to 15/16 (para 3.5)	25	54	79	-79	0
Capital and Maintenance Reserve (primarily essential work on Helmsley HQ).	0	250	250	0	250
Minerals Planning Reserve including carry forward	0	70	70	-70	0
General Reserves (Non Earmarked)					
General Reserve	422	-77	345	38	383
Total	1137	159	1,296	(111)	1185

5. Financial, Legal and Staffing Implications

- 5.1 The implications are described in the report.

6. Recommendation

- 6.1 That Members note the content of this report, and
- 6.2 approve the carry forward of budgets detailed in paragraph 3.6.
- 6.3 Approve the reserves detailed in paragraph 4.4

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Background documents to this report

File Ref.

- 1. Business Plan 2012-2015
- 2. Use of Reserves Report – National Park Authority 28 September 2009
- 3. Accounts and Audit (England) Regulations 2011
- 4. SI 2011 No 817 – Communities and Local Government Website

FUNCTION	BUDGETARY CHANGES							Col.7 Original Budget	Col.8 Comments
	Col. 1 2014/15 Revised Annual Estimate	Col. 2 Proposed Virements	Col.3 Col 2 + Col 1 Revised Annual Estimate	Col.4 Profile to end Mar 2015	Col.5 Actual to end 'Mar 2015	Col.6= Col.5-Col.4 Variance to end 'Mar 2015	Col. 7 2014/15 Projected Outturn Jan 15		
Gross Expenditure	5,889,480.0	0.0	5,889,480.0	5,889,480.0	6,063,298.4	173,818.4	6,075,638.0	5,834,650.0	
Gross Income	(1,525,650.0)	0.0	(1,525,650.0)	(1,525,650.0)	(2,057,169.6)	(531,519.6)	(1,811,201.6)	(1,486,420.0)	
NET TOTAL	4,363,830.0	0.0	4,363,830.0	4,363,830.0	4,006,128.8	(357,701.2)	4,264,436.4	4,348,230.0	
Funded by:									
NPG & LOCAL AUTHORITY	(4,165,232.0)		(4,165,232.0)	(4,165,232.0)	(4,165,232.0)	0.0	(4,165,232.0)	(4,165,232.0)	
From / To Reserves	(198,598.0)	0.0	(198,598.0)	(198,598.0)	159,103.2	357,701.2	(198,598.0)	(182,998.0)	
	(4,363,830.0)	0.0	(4,363,830.0)	(4,363,830.0)	(4,006,128.8)	357,701.2	(4,363,830.0)	(4,348,230.0)	
Budget After Grants & Levies	0.0	0.0	0.0	0.0	0.0	0.0	(99,393.6)	0.0	