

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

5 February 2018

### 2017/2018 Finance Update

#### 1. Purpose of the Report

- 1.1 To provide Members with a budget and reserve update for the financial year 2017/18, and report the actual income and expenditure as at 31st December 2017.

#### 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 report details the position of income and expenditure to 31 December 2017 compared with the budget. A forecast outturn has also been included.
- 2.3 Since the last committee meeting, a small number of adjustments have been made to the income and expenditure budgets for re-profiling the TELI budget and new grant funded projects. This has reduced the net budget and the amount required from reserves to balance the budget, which nevertheless remains at its highest ever level

#### 3. Performance

- 3.1 Total income received to 31 December 2017, excluding NPG was £ 5,735k against a profiled budget figure of £5,759k, £24k less than planned. Total expenditure was £4,382k against a profiled budget of £4,757k, an under spend against the profiled budget of £375k
- 3.2 Members should note that the above figures include income received of £1,015k and expenditure of £661k relating to Sirius Minerals and the Woodsmith Mine development, as this has been allocated over the relevant function headings.
- 3.3 Details of the main variances are shown in **section 5** together with an Income and Expenditure summary shown in **Appendix 1** and a subjective breakdown of income and expenditure type in **Appendix 2**.
- 3.4 With the exception of planning, most areas of *earned* income appear to be exceeding expectations. Car parking income is 4% higher than this time last year, and Visitor Centre income is 3% higher. This is illustrated in the table below which shows the income position over the past three years; this reflects the increase in visitors to the National Park and in particular to our Visitor Centres.

	Actual income 31/12/2015 £	Actual income 31/12/2016 £	Actual income 31/12/2017 £
Car Parks	363,699	397,083	412,970
Visitor Centres	174,791	179,474	185,181
<b>TOTAL</b>	<b>538,490</b>	<b>576,557</b>	<b>598,151</b>

- 3.5 In-year adjustments have reduced the amount of general reserves required to fund the Authority's budget from £219k to £2k, a decrease of £217k from the original budget approved by NPA in March 2017:

2017/18 Budget Summary as at 31st December 2017			
2017/2018 Income and Expenditure	2017/18 Original Budget	2017/18 Current Budget	2017/18 Change in Budget
	£000	£000	£000
<b>Gross Expenditure</b>	8,331	8,024	307
<b>Gross Income</b>	8,112	8,022	90
<b>Net Movement to/from Reserves</b>	<b>219</b>	<b>2</b>	<b>217</b>

### 3.6 In Year Changes to the 2017/18 Budget

A breakdown of the in-year changes shows

In year changes to the 2017/18 Budget			
	Increase in Expenditure or Decrease in Income	Decrease in Expenditure or Increase in Income	Total
	£'000	£'000	£'000
<b>Expenditure</b>			
Previously reported changes	519	729	
Re profile of TELI budget		109	
Turtle Dove Grant Adjustment	12		
<b>Sub Total Expenditure</b>	<b>531</b>	<b>838</b>	<b>307</b>
<b>Income</b>			
Previously reported changes	500	450	
Re profile of TELI budget	52		
Turtle Dove Grant Adjustment		12	
<b>Sub Total Income</b>	<b>552</b>	<b>462</b>	<b>90</b>
<b>In year changes to the 2017/18 Budget</b>			<b>217</b>

3.7 This quarter the majority of new movement is due to the re profile of The TELI budget and the input of budget for Turtle Doves externally grant funded schemes

#### 4. Reserves

4.1 The table below shows the anticipated movement in reserves for 2017/18. The movement in ear marked reserves are as reported in the Authority's Business Plan, however the original estimate anticipated a transfer from reserves of £219k and the table has been amended to show the current budget transfer back to reserves of £2k. The estimated closing balance is currently £2,029k.

Reserve Summary 2017/18	2017/18 Opening Position	2017/18 Planned Movement	2017/18 Planned Closing Position	2017/18 Actual Movement in Reserves	2017/18 Anticipated movement in reserves	2017/18 Estimated Closing Position
	NPA March 17	NPA March 18	NPA March 18	As at 31/12/2017	As at 31/12/2017	As at 31/12/2017
<b>Earmarked Reserves</b>	£'000	£'000	£'000	£'000	£'000	£'000
Emergency Reserve	320		320	0		320
Inflation/Contingency		139	139	0		139
Misc projects match funding		100	100	0		100
TELI Match Funding	228		228	0		228
NYMNR Match Funding		30	30	0		30
Earmarked Section 106 Reserve (Sirius Minerals and Black Swan Development)	384		384	0	-274	110
Earmarked Revenue Reserve	19		19	0		19
Earmarked Capital Reserve	250	610	860	0		860
<b>Non Earmarked Reserves</b>						0
Reserves held to support specified future spending	994	-879	115	-2	110	223
<b>Closing Reserve Balance</b>	<b>2,195</b>	<b>0</b>	<b>2,195</b>	<b>-2</b>	<b>-164</b>	<b>2029</b>

4.2 Members should note that that the table above includes a sum of £384k for s106 reserve Any money which is not spent during 2017/18, from this reserve, or any other underspend s106 money received during the year, will be transferred to this reserve and shown separately from the Authority's own reserves.

## 5. Areas of the 2016/17 Budget where the Variance to Profile Requires Explanation

### 5.1 Natural Environment

Expenditure to the end of December is £172k lower than the profiled budget and income is £2k higher than the profiled income.

The expenditure variance mainly relates to Connectivity, Conservation Agreements, S106 Landscape and Ecology, and Ryevitalise

Members will recall that Ryevitalise is an externally funded project. This budget is behind profile and it is not expected that the total budget of £164k will be spent this financial year; a small amount is likely to be carried forward in to 2018/19. Any underspend in 2017/18 would be offset by a corresponding carry forward of grant income.

The Connectivity budget and Conservation budget are both behind profile and are projected to under spend. These are detailed in section 6 of this report

Unexpected delays in obtaining some permissions to undertake work for the S106 Landscape and Ecology contributions has meant that the delivery of some of the projects is behind schedule but they will be completed by the end of the financial year.

### 5.2 Cultural Heritage

Expenditure to the end of December is £80k lower than the profiled budget and income is £40k higher than profiled income.

The expenditure variance is due to slippage on TELI projects as a result of delays on all aspects of the programme in getting projects through detailed development into delivery. The main areas involved include land management interpretation, Community Grants and website development. This has been caused by a combination of project complications, staff sickness and over estimating the team capacity when completing the originals profiles. However the budget manager still anticipates that the total 2017/18 budget will be spent within the financial year

### 5.3 Recreation Management

Expenditure to the end of December is £23k lower than the profiled budget and income is £45k lower than profiled income.

The expenditure variance correlates to a below profile spend on Apprentices and Silton LEI

The income variance relates to £20k additional car parking income which continues to exceed expectations and an additional contribution towards Apprentices from TELI.

National Trails income (£44k) is behind profile due to the late receipt of grant income

A delay in payment of the external income for the Silton LEI project of £32k, accounts for the remaining income balance. Following discussions with the Forestry Commission this scheme is now expected to be delayed until 2018/19.

#### 5.4 **Promoting Understanding**

Expenditure to the end of December is £24k higher than the profiled budget and income is £79k higher than profiled income.

The variance in expenditure is mainly due to spend relating to Sutton Bank Visitor Centre, which has occurred ahead of profile.

The income variance is due to additional sales income at the Visitor Centres £28k, Coastal Community Fund grant income £20k and exhibitions fees at the Moor Centre £30k which continue to be excellent.

#### 5.5 **Rangers and Volunteers**

Expenditure to the end of December is £117k lower than the profiled budget

The variance in expenditure relates to the Volunteer Services and Estate Service which are below profile by £44k. This mainly relates to volunteer travel claims and staff training costs rather than a drop in outputs. A further variance of £50k relates to the purchase of new minibuses for the volunteer services, which have been ordered but not yet delivered

The Ranger service is also under profile due to an underspend on staff costs

#### 5.6. **Development Management**

Expenditure to the end of December is £79k higher than the profiled budget and income is £65k lower than profiled income.

The expenditure variance is due to S106 payments relating to the Black Swan development together with costs relating to the monitoring of the Sirius s106 construction. Both of these areas will be funded from earmarked reserves as expected.

The income variance relates to planning application fees. The budget manager anticipated that this would be rectified later in the year as a large building development planning application was expected. This has been delayed and is not expected until 2018/19. The variance is expected to be reduced, though not significantly, by the 20% application fee increase taking effect from January 17 providing some increased income for ten weeks prior to the year end.

#### 5.7 **Forward Planning**

Expenditure to the end of December is £61k lower than the profiled budget. The majority of this relates to the Local Plan budget and staff costs which are under profile. This budget is now expected to underspend as the project has slipped slightly due to two pieces of external work now been completed in next financial year. These are the Habitats Regulations Assessment and the Economic Viability Assessment. Both are key pieces of evidence that are required to demonstrate that the plan is sound when it is tested at public examination.

#### 5.8 **Corporate Services**

Expenditure to the end of December is £23k lower than the profiled budget and income is £34k lower than profiled income.

The expenditure variance relates to a lower than profile spend on maintenance at the Old Vicarage and Beaconsfield. This is expected to be rectified before the year end.

The income variance links to the invest to save budget which is below profile.

## 6. **Anticipated Outturn**

Following consultations with the budget managers the current projected outturn for expenditure is £365k under spend which is counter balanced by under achievement of income of £253k resulting in an overall net projected outturn of £110k surplus -against the latest budget of £2k deficit- a variance of £112k

Further details are included below.

The total predicted spend for 2017/18 is £ 7,658k compared with the actual spend for 2016/17 of £6,406k which is an increase of 19%.

### 6.1 **Natural Environment**

This expenditure budget is projected to under spend by £195k. £67k of this is due to a differing year end for S106 Sirius Minerals following the commencement of development on 4th May 2017. This has resulted in each year to running from May to April ; however this is matched by carrying forward income received in advance from Sirius Minerals for payments due in April 2018.

Other major areas of underspend are Connectivity (£15k), Conservation Agreements (£20k) and employee costs (£35k). The employee cost relate to the woodland officer post which is now funded from S106 Sirius Minerals income

Reduced income and expenditure will also be received from external grant sources for BIFFA (£15k) and Ryevitalise (£30k)

### 6.2 **Cultural Heritage**

This budget is anticipated to over spend by £14k due to employee costs..

### 6.3 **Recreation Management**

This expenditure budget is expected to under spend by £52k.

£32k is connected to Silton LEI bridleway improvements. This project is behind schedule due to complications with the Forestry Commission and is now expected to commence in 2018/19. As this project is external funded, the income will also be deferred.

The remaining underspend (£20k) is associated with apprentices pay. Problems with recruiting have led to longer vacancy periods.

The income budget is estimated to over achieve by £2k. This is broken down as follows: - £32k reduction in income for Silton LEI, £19k additional Car Park income and £15k additional apprentice income funded by TELI

### 6.4 **Promoting Understanding**

This budget is predicted to under spend by £29k £42k of this underspend is matched by carrying forward £42k income received in advance from Sirius Minerals for payments in April 2018, due to year one running from May to April.

The remaining £13k is a predicted overspend on exhibitions due to increased sales

Additional sales income of £50k is expected to be generated at the Visitor Centres and Exhibitions

## 6.5 **Development Management**

This area is projecting an expenditure over spend of £46k for S106 payments relating to the Black Swan development. As previously mentioned, these will be funded from the developer's contribution held in an ear marked reserve.

The income budget for future S106 developments is expected to under achieve by £20k, and as previously mentioned planning fees income will under achieve by £60k due to the delay of a large building development planning application.

## 6.6 **Forward Planning**

This section is expected to underspend on the National Park Plan (£3k), Local Plan (£25k) and employee costs (£35k)

## 6.7 **Corporate Services**

This budget is expected to under spend by £40k on the invest to save budget matched by reduced income of £45k

## 7 **Financial, Legal and Staffing Implications**

7.1 The implications are described in the report.

<h2>8. <b>Recommendation</b></h2>
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<p>8.1 Members are asked to note the report</p>
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Contact Officer  
Sandra Strickland  
Accountant  
Tel No 01439 772700

Please note that in the table below green font indicates an under spend or additional income and red font indicates an overspend or income shortfall.

2017/18 Income and Expenditure Summary as at 31 Dec 2017					
	2017/18 Current Budget	2017/18 Profile at 31/12/2017	2017/18 Actual at 31/12/2017	% against Profile 31/12/2017	Anticipated Outturn 31/03/2018
	£	£	£		£
<b>Expenditure</b>					
Natural Environment	1,293,440	689,380	517,439	75%	1,097,850
Cultural Heritage	972,130	590,900	510,596	86%	986,130
Recreation Management	1,233,900	656,360	633,035	96%	1,181,900
Promoting Understanding	2,057,260	1,302,220	1,326,359	102%	2,028,500
Rangers and Volunteers	849,720	549,320	432,296	79%	849,720
Development Management	805,160	474,970	554,000	117%	805,160
Forward Planning	376,920	220,900	159,295	72%	313,920
Corporate and Democratic Core	435,260	272,830	248,975	91%	395,260
<b>Total Expenditure</b>	<b>8,023,790</b>	<b>4,756,880</b>	<b>4,381,995</b>		<b>7,658,440</b>
<b>Income</b>					
Natural Environment	624,210	368,370	370,826	101%	497,620
Cultural Heritage	714,910	286,950	327,111	114%	714,910
Recreation Management	681,740	547,480	502,669	92%	683,740
Promoting Understanding	1,139,760	926,780	1,005,964	109%	1,141,000
Rangers and Volunteers	4,480	3,340	1,978	59%	4,480
Development Management	403,150	341,850	276,657	81%	318,150
Forward Planning	60,360	0	0	0%	60,360
Corporate and Democratic Core	158,880	108,130	73,979	68%	113,880
DEFRA Grant	4,234,800	3,176,100	3,176,097	100%	4,234,800
<b>Total Income</b>	<b>8,022,290</b>	<b>5,759,000</b>	<b>5,735,281</b>		<b>7,768,940</b>
<b>NET SURPLUS</b>	<b>-1,500</b>				<b>110,500</b>
<b>TRANSFER TO RESERVES</b>	<b>-1,500</b>				<b>112,000</b>



<b>2017/2018 Breakdown by Income &amp; Expenditure Type</b>				
	<b>2017/18 Current Budget</b>	<b>2017/18 Profile Budget 31/12/2017</b>	<b>2017/18 Actual at 31/12/2017</b>	<b>2017/18 Anticipated Outturn 31/03/2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure Type</b>				
Employees	3,664	2,722	2,712	3,629
Premises	353	256	253	353
Transport	197	145	118	197
Supplies and Services	2,626	1,557	1,293	2,403
Third Party Payments	376	204	171	376
Section 106 Expenditure	808	602	565	700
<b>Total Expenditure</b>	<b>8,024</b>	<b>5,486</b>	<b>5,112</b>	<b>7,658</b>
<b>Income Type</b>				
Grants (Excluding DEFRA)	1,305	507	363	1,213
Retail Sales	203	171	189	246
Planning Income	270	216	165	210
Car Park Income	456	398	413	475
Other Income	393	247	374	362
Donations	18	13	14	18
Investment Income	20	15	8	20
Capital Receipts	25	10	11	25
Section 106 Income	1,097	1,006	1,021	964
DEFRA GRANT	4,235	3,176	3,176	4235
<b>Total Income</b>	<b>8,022</b>	<b>5,759</b>	<b>5,734</b>	<b>7768</b>