

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

24 May 2018

Draft Financial Outturn

1. Purpose of the Report

- 1.1 To provide Members with the draft financial outturn for the financial year ended 31st March 2018.

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 for the 2017/18 budget; there are no virements which required approval in this quarter.
- 2.3 The figures in this report will be used in the 2017/18 Statement of Final Accounts which will be subject to audit by KPMG LLP (UK) as the Public Sector Audit Appointments, appointed auditors. The figures will remain in draft form and may be subject to change until the final figures are agreed by 31st July 2018 at the latest.

3. Performance

- 3.1 Performance in the financial year has been particularly strong with budget managers continuing to focus on increasing income and ensuring that core expenditure is spent within year. Some underspends have occurred during the year but these are mainly due to slippage on externally funded projects and are offset by subsequent reductions in grant income. Overall the authority's expenditure has increased by £960k year on year (15%) and the transfer to core earmarked and general reserves at the end of the financial year has moved from a budgeted £2k transfer from reserves to an actual £11k transfer to reserves.

| 2017/18 Income & Expenditure Summary as at 31st March 2018 | | | |
|---|---------------------------------------|---|--|
| | 2017/18 Current Budget | 2017/18 Outturn as at 31/03/18 | 2017/18 Year End Variance to Budget |
| | £000 | £000 | £000 |
| Gross Expenditure | 8,024 | 7,421 | 603 |
| Gross Income | 8,022 | 7,432 | (590) |
| Net Movement to/from Reserves | (2) | 11 | 13 |

- 3.2 Members should note that the above figures include income and spend relating to Sirius Minerals and the Woodsmith Mine S106 Compensation and Mitigation agreement. Income received was £728k against a budget figure of £1,067k, £339k less than anticipated whilst expenditure was £728k against a budget of £1,071k, an underspend of £343k. This is mainly due to the annual timescale for the project not corresponding with the financial year of the authority (the project's financial year runs from May 2017 to April 2018, while the authority's financial year is from April 2017 to March 2018).
- 3.3 The main variances are detailed in **Appendix 1** together with a functional income and expenditure summary. A breakdown by income type is shown in **Appendix 2**.
- 3.4 With the exception of planning, most areas of *earned* income have exceeded expectations. Car parking income is 1% higher, and the Visitor Centres income is 3% higher than this time last year. 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 | FY16 £ | FY17 £ | FY18 £ |
|-----------------|----------------|----------------|----------------|
| Car Parks | 435,560 | 470,964 | 477,387 |
| Visitor Centres | 198,946 | 199,845 | 205,467 |
| TOTAL | 634,506 | 670,809 | 682,854 |

- 3.5 In terms of expenditure, the majority of the under spend is mainly due to slippage on externally funded projects which is offset by a corresponding reduction in grant income. A more detailed explanation of expenditure variances is included in **Appendix 1**.

4. Reserves

- 4.1 The expected level of reserves (subject to completion of the audit) at the end of the financial year is £2,139k. This is down on the closing balance of the prior year. It is worth noting that this is the first time that the amount of reserves has reduced year on year for some time and is a reflection of the tightening financial position. The table below details the opening and closing position of the Authority's Reserves.

| Reserve Summary 2017/18 (£k) | 2017/18 Opening Position | Movement in Reserves per Business Plan / Approval | Movement in Reserves from/to Revenue | Closing Position |
|--|--------------------------------|--|---|---------------------|
| | NPA Mar 17 | As at 31/03/2018 | As at 31/03/2018 | As at 31/03/2018 |
| Emergency Reserve | 320 | | 0 | 320 |
| TELI Match Funding | 228 | | | 228 |
| NYMNR Match Funding | 0 | 30 | | 30 |
| Section 106 Reserve | 384 | | (97) | 287 |
| Restricted and Committed Reserves | 932 | 30 | (97) | 865 |
| Revenue : Monument Management Scheme | 19 | (19) | | 0 |
| Capital : Sutton Bank Visitor Centre | | 360 | 28 | 388 |
| Capital : Vehicle and IT Replacements | | 100 | | 100 |
| Capital : Office Building Works | 250 | 150 | | 400 |

| | | | | |
|--------------------------------------|--------------|------------|-------------|--------------|
| Projects : Grosmont Car Park | | 110 | | 110 |
| Projects : Ryevitalise Match Funding | | 153 | | 153 |
| Committee Approved Reserves | 269 | 854 | 28 | 1,151 |
| General Unallocated Reserve | 994 | (884) | 13 | 123 |
| Closing Reserve Balance | 2,195 | 0 | (56) | 2,139 |

4.2 Members will recall that the anticipated outturn, reported to the February meeting, included a £112k transfer to Business Plan Reserves. These actual outturn figures show that this has been substantially reduced to £13k. This was driven by additional spend on car parks and apprentices plus CCF income which was lower than expected.

4.3 The This Exploited Land of Iron (TELI) earmarked reserve will be drawn down over a number of financial years as and when it is required. No drawn down was required in 2017/18 but future years budgets will be adjusted within year to take account of this.

4.4 In terms of the Earmarked S106 reserves, any unspent or new contributions not spent at the end of 2017/18 will either be transferred back into reserves or repaid to the developer depending upon the terms of the agreement.

4.5 The committee approved reserves have all been approved as either part of the Business Planning process or at Committee during the year. Where these funds have not been committed as yet (see point 4.7), there is still the option to not go ahead with these projects, although Members should consider all impacts of this including that some of these projects form part of the commitments within the Business Plan.

4.6 Of the closing balance within the Committee Approved Reserves, there is a further £76.7k of spend which is committed to be spent for the Sutton Bank Project. No other monies are currently committed although work on some projects has commenced.

4.7 The Sutton Bank Project had an approved reserve of £460k at the beginning of the year. Of this £100k was drawn down to revenue as part of the 17/18 budget setting process leaving £360k in the reserve. During the course of this year, £72k of the £100k amount drawn down to revenue was spent, resulting in the remaining unspent £28k being transferred back to reserves. This leaves a balance of £388k in the reserve of which £76.7k is committed to be spent in 18/19.

| Sutton Bank Project Reserve | Revenue | Reserve | Total |
|---|----------------|----------------|--------------|
| Balance as at 01.04.2017 | 100 | 360 | 460 |
| In Year Spend | (72) | 0 | (72) |
| Transfer from revenue | (28) | 28 | 0 |
| Balance as at 31.03.2018 | 0 | 388 | 388 |
| Committed to spend in 18-19 | 0 | (77) | (77) |
| Balance not committed as at 31.03.2018 | 0 | 311 | 311 |

4.8 The S151 Officer has a duty to advise the Authority on the level of reserves required to meet estimated future expenditure and to safeguard authorities from over-committing themselves financially. Whilst the Authority has reasonable earmarked reserves these will limit the funding available to match fund future initiatives and manage longer term commitments, therefore prioritisation of spending will inevitably be needed. 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 set this at £320K.

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 reserves detailed in paragraph 4.

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APPENDIX 1 : 2017/18 Income and Expenditure Summary as at 31st March 2018

| | 2017/18 Current | 2017/18 Actual at | Variance | Commentary on Key Variances |
|---------------------------------------|--------------------|----------------------|----------------|---|
| Expenditure | £k | £k | £k | |
| Natural Environment | 1,028.3 | 882.9 | 145.3 | Project slippage on Ryevitalise (£45k) and BIFFA (£16k). Underspends on PAWS, Connectivity, Conservation Agreements and employees. |
| Cultural Heritage | 925.1 | 887.2 | 37.9 | Project slippage on TELI (£90k) offset by overspend on MMS (£20k) and employees (£33k) |
| Recreation Management | 1,092.5 | 1,141.6 | (49.0) | Spend relating to additional grant for National Trail project (£45k). |
| Promoting Understanding | 1,551.1 | 1,570.9 | (19.8) | Overspends on Visitor Centres (£30K), Exhibitions (£14k), Education (£24k) and recharges (£18k) partly offset by grant underspends on CCF (£52k) and ERDF £17k) |
| Rangers and Volunteers | 846.4 | 813.8 | 32.5 | Lower spend on volunteer rangers and service (£47k) offset by additional spend on vehicles in year. (£19k) |
| Development Management | 700.8 | 707.6 | (6.8) | |
| Forward Planning | 366.9 | 311.8 | 55.1 | Lower than expected consultancy spend on the landscape character assessment in the Local Plan budget |
| Corporate and Democratic Core | 440.7 | 376.5 | 64.3 | Lower invest to save spend (£40k) plus lower recharges (£40k) offset by increase in spend on computer hardware (£17k). |
| Total Function Expenditure | 6,951.8 | 6,692.2 | 259.6 | |
| S106 Compensation & Mitgation | 1,072.0 | 728.2 | 343.8 | |
| Total Expenditure | 8,023.8 | 7,420.4 | 603.4 | |
| | | | | |
| Income | | | | |
| Natural Environment | 362.1 | 288.2 | (73.8) | Project slippage on Ryevitalise (£34k) and BIFFA (£16k) and loss of income from the Woodlands Trust (£15k). |
| Cultural Heritage | 668.4 | 609.4 | (59.0) | Project slippage on TELI (£78k) offset by increased income for MMS (£18k) |
| Recreation Management | 640.4 | 684.3 | 43.9 | Additional grant for National Trail project (£49k). |
| Promoting Understanding | 525.8 | 516.7 | (9.1) | Additional income for Visitor Centres (£21K) and Exhibitions (£29k) offset by on CCF (£45k) and ERDF (£16k) |
| Rangers and Volunteers | 4.5 | 3.8 | (0.7) | |
| Development Management | 299.8 | 223.9 | (75.8) | Delay in major planning application as previously reported (£54k) and lower S106 planning income (£22k). |
| Forward Planning | 60.4 | 51.5 | (8.9) | Lower grant income from the DCLG for Self-Build and Custom Housebuilding Grant and for a Brownfield Sites Register (£9k). |
| Corporate and Democratic Core | 158.9 | 91.6 | (67.3) | Under attainment of income for corporate sponsorship (£30k), Old Vicarage rent reduced with the Police move (£10k) and lower recharge income (27k). |
| DEFRA Grant | 4,234.8 | 4,234.8 | (0.0) | |
| Total Function Income | 6,954.9 | 6,704.2 | (250.7) | |
| S106 Compensation & Mitgation | 1,067.4 | 728.2 | (339.2) | |
| Total Income | 8,022.3 | 7,432.4 | (589.9) | |
| | | | | |
| NET SURPLUS TO TFR TO RESERVES | (1.5) | 12.0 | 13.5 | |

Please note that in the table above unbracketed variances indicate an under spend or additional income and bracketed variances indicate an over spend or income shortfall. This table includes £210k creditors and £434k debtors.

| APPENDIX 2 : 2017/2018 Breakdown by Income & Expenditure Type | | | |
|--|---------------------------------------|--|-----------------|
| | 2017/18 Current Budget | 2017/18 Actual at 31.3.18 | Variance |
| | £k | £k | £k |
| Expenditure Type | | | |
| Employees | 3,663 | 3,643 | 20 |
| Premises | 353 | 375 | (22) |
| Transport | 197 | 175 | 22 |
| Supplies and Services | 2,626 | 2,280 | 346 |
| Third Party Payments | 376 | 383 | (7) |
| Section 106 Expenditure | 808 | 564 | 244 |
| Total Expenditure | 8,023 | 7,420 | 603 |
| | | | |
| Income Type | | | |
| Grants (Excluding DEFRA) | 1,305 | 1,070 | (235) |
| Retail Sales | 203 | 213 | 10 |
| Planning Income | 270 | 216 | (54) |
| Car Park Income | 456 | 477 | 21 |
| Other Income | 393 | 431 | 38 |
| Donations | 18 | 18 | 0 |
| Investment Income | 20 | 18 | (2) |
| Capital Receipts | 25 | 26 | 1 |
| Section 106 Income | 1,097 | 728 | (369) |
| DEFRA GRANT | 4,235 | 4,235 | 0 |
| Total Income | 8,022 | 7,432 | (590) |

Please note that in the table above unbracketed variances indicate an underspend or additional income and bracketed variances indicate an overspend or income shortfall.