

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

6 June 2016

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 2016
- 1.2 To obtain approval for the strictly limited carry forward of budget to fund specific projects not completed as at 31 March 2016.

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 2015/16 budget; there are no virements which required approval in this quarter.
- 2.3 The figures in this report will be used in the 2015/16 Statement of Final Accounts which will be subject to audit by KPMG LLP (UK) as the Audit Commission appointed auditors. The figures will remain in draft form and may be subject to change until the final figures are agreed by 30 September 2016.

3. Performance

- 3.1 Members are aware of the potential risks which the Authority faced during the 2015/16 financial year, especially the risk of further significant budget cuts, together with awareness that future resources would be needed to enable the Authority to deliver on big projects in the longer term. Therefore, a cautious approach to spending was taken during 2015/16. It was anticipated and indeed planned that there would be a significant transfer into reserves at the end of the year. This transfer has amounted to £463K, most of which had been reported to Members previously.
- 3.2 Total income to year end, including NPG was £6.3M against a budget figure of £6.2M, £142K more than planned. Total expenditure was £5.9M against a proposed budget of £6.1M, an underspend against budget of £283K.
- 3.3 Putting these figures together, and taking into account the £38K transfer to reserves previously adjusted in the budget, gives a net year-end excess of income and expenditure of £463K (please note these figures reflect the in-year transfer to Section 106 Reserve of £148K)

This is £182K more than previously reported to FRASC and at National Park Authority.

- 3.4 The figures are summarised in the table below but are still subject to audit. A more detailed breakdown of income and expenditure in **Appendix 1&2**.
- 3.5 An account of the variances making up the additional £182K is set out in **Appendix 3**. Some of the variances stem from slippage. Accordingly, Members are requested to approve this slippage in 3.6.

2015/16 Income and Expenditure Summary as at 31st March 2016

2015/2016 Income and Expenditure	2015/16 Current Budget	2015/16 Outturn as at 31/3/2016	2015/16 Year End Variance to budget
	£	£	£
Gross Expenditure	6,144,550	5,861,460	283,090
Gross Income	6,182,800	6,324,631	141,831
Transfer to reserves	38,250	463,171	424,921
Previously Reported Variance			242,800
Additional Year End Variance			182,121

- 3.6 Members are requested to approve that the following sums be carried forward into 16/17 as earmarked revenue reserves
- **Public Health Project – £10K**
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 16/17.
 - **Sutton Bank Play Area – £10K**
Work on the play area at Sutton Bank was not completed before 31st March 2016 due to poor weather conditions.
 - **Section 106 Reserve – £25K**
Developer contribution for environmental mitigation on the coast.

4. Reserves

- 4.1 The expected level of reserves (subject to completion of the audit) at the end of the financial year is £1,912K, this compares to a projected balance of £1,630K as reported to Finance, Risk, Audit and Standards Committee. This compares to the opening balance of £1,301K.
- 4.2 The table below shows the movement in reserves for 2015/16 and 2016/17.

Reserve Summary 2015/16 and 2016/17	2015/16 Opening Position	Movement in Reserves 15/16	2015/16 Outturn Position	Planned Use of Reserves 16/17	2016/17 Outturn Position
	£'000	£'000	£'000	£'000	£'000
Opening Reserve Balance	1,301	463	1,449	443	1,912
Earmarked Reserves					
Contingency Reserve	320	0	320	0	320
TEL Match Funding	232	18	250	250	0
Earmarked Section 106 Reserve (Developer Contribution for compliance with s106 and planning conditions)	148	0	148	148	0
Earmarked Section 106 Reserve (Developer Contribution for environmental mitigation on the coast)	0	25	25	25	0
Earmarked Revenue Reserve	79	59	20	20	0
Earmarked Capital Reserve	250	0	250	0	250
Mineral Planning Reserve	70	70	0	0	0
Non Earmarked Reserves					
General Reserve	350	549	899	0	899
Closing Reserve Balance	1,449	463	1,912	443	1,469

- 4.3 Members will note that at this stage all of the This Exploited Land (TEL) Reserve Allocation is budgeted to be used in the 2016/2017 financial year . However, it is more likely that this will be drawn down over a number of financial years. The assumption made at the time the budget was approved in March 2016 was on the basis that the Heritage Lottery Fund required evidence that the project could be effectively 'cashflowed' . At that time the Authority was awaiting confirmation of the nature and timing of other significant match. The budget for 2016/2017 will be adjusted within the year to account for changes to this assumption, in particular the confirmation of funding from the David Ross Foundation.
- 4.4 In terms of the Earmarked s106 reserves, any unspent or new contributions not spent at the end of 2016/2017 will either be transferred back into reserves or repaid to the developer depending upon the terms of the agreement.
- 4.5 The Earmarked Revenue reserve relates to the items request in paragraph 3.6 above.
- 4.6 It is expected that Members will discuss the allocation and utilisation of the General Reserve as part of the Business Planning process (see section on reserves below).
- 4.7 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. 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 to reflect the increased risk of legal challenge to the Authority.

- 4.8 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. There needs to be a balance between having too many specific reserves and the need to have a pool of resources which are not earmarked (i.e. a General Reserve) which can be used flexibly to react to opportunities and challenges.
- 4.9 The table at paragraph 4.2 above details the current position on reserves which have increased significantly over the last financial year by £463k. However, this increase has to some extent been expected and subject to the additional variance as highlighted in 3.1 has been reported to Members. Members will note that £443k of the current reserves are required to support the 16/17 budget.
- 4.10 Details of the breakdown of this £443K are provided in paragraph 4.1 above. Although on the face of this appears to be a significant amount, it is important to note that these are 'one-off' expenditure items and it is not being used to 'balance' the ongoing revenue expenditure of the budget and does not therefore, represent a long term issue which needs to be addressed.
- 4.11 Members will note that the matched funding reserve is set at £250k this was specifically for the This Exploited Land Project, however, as the Authority moves towards generating more income from large scale externally funded projects it will be necessary to have a pot of match funding available to the Authority. Additionally, as the earned income increases the risk of not achieving the targets also needs to be mitigated by a pool of money to offset this.
- 4.12 As Members and Officers undertake a full review of the Business Plan it is particularly useful to have a pool of resources to support one off expenditure which will assist in achieving the Authority's new objectives during the Business Plan period. It is for this reason that Officers recommend that at this stage the in year surplus remains in the General Reserve to be allocated if necessary to projects developed during the Business Plan Review rather than to take decisions at this stage.
- 4.13 Notwithstanding, paragraph 4.12 there have been a number of requests for additional budget in 2016/17, mainly in areas where income targets have been exceeded, to fund additional projects but which could not be accrued for in the 2015/16 accounts. In order to recognise and encourage income generation success it is proposed that additional budget is allocated up to a maximum of £50k. This will be from the reserves as virements under the Officers delegated powers as none of the requests exceed £40k. These will be included in the adjusted budget presented to Finance, Risk, Audit and Standards Committee in September 2015.

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.

2015/16 Income and Expenditure Summary as at 31st March 2016

2015/2016 Income and Expenditure	2015/16 Current Budget	2015/16 Outturn as at 31/03/16	2015/16 Year End Variance
Expenditure	£	£	£
Natural Environment	895,650	807,421	88,229
Cultural Heritage	455,210	421,686	33,524
Recreation Management	1,061,260	1,110,927	49,667
Promoting Understanding	1,380,820	1,373,940	6,880
Rangers and Volunteers	776,840	742,565	34,275
Development Management	853,580	855,726	2,146
Forward Planning	235,420	224,486	10,934
Corporate and Democratic Core	470,770	324,708	146,062
Total Expenditure	6,129,550	5,861,459	268,091
Income	£	£	£
Natural Environment	208,650	182,754	25,896
Cultural Heritage	217,200	218,523	1,323
Recreation Management	598,380	717,329	118,949
Promoting Understanding	567,460	622,630	55,170
Rangers and Volunteers	39,440	34,094	5,346
Development Management	392,750	389,622	3,128
Forward Planning	15,130	24,026	8,896
Corporate and Democratic Core	36,000	42,862	6,862
DEFRA Grant	4,092,790	4,092,790	0
Total Income	6,167,800	6,324,630	156,830
NET SURPLUS	38,250	463,171	424,921
TRANSFER TO RESERVES	38,250	463,171	424,921

Please note that in the table above green font indicates an underspend or additional income and red font indicates an overspend or income shortfall.

Appendix 2

2015/2016 Breakdown by Expenditure Type			
	2015/16 Current Budget	2015/16 Outturn as at 31/3/2016	2015/16 Year End Variance
	£	£	£
Expenditure Type			
Employees	2,994,020	3,018,475	24,455
Premises	346,700	348,652	1,952
Transport	188,630	154,032	34,598
Supplies and Services	2,270,330	2,122,481	147,849
Third Party Payments	329,870	217,818	112,052
Total	6,129,550	5,861,458	268,092
2016/2017 Breakdown by Income Type			
	£	£	£
Income Type			
Grants (Excluding DEFRA)	745,300	784,322	39,022
Retail Sales	193,400	211,565	18,165
Planning Income	251,750	247,235	4,515
Car Park Income	406,120	436,608	30,488
Other Income	457,440	525,875	68,435
Donations	3,000	9,635	6,635
Investment Income	18,000	16,599	1,401
DEFRA GRANT	4,092,790	4,092,790	0
Total	6,167,800	6,324,629	156,829
NET SURPLUS	38,250	463,171	424,921
TRANSFER TO RESERVES	38,250	463,171	424,921

Please note that in the table above green font indicates an underspend or additional income and red font indicates an overspend or income shortfall.

Analysis of the variance between the 2015/16 Budget and Outturn		
Area of Expenditure Variance	£'000	Details of Expenditure
PAWS Expenditure	28	As previously reported there has been a delay in harvesting the timber and this has resulted in an underspend of £28K and a further variance in income collection of £8K from the sale of the timber.
Access capital work	12	Access capital work not completed in the expected timescales and this resulted in a variance to the budget of £12K.
Toilets General	11	This budget area will require a review in 2016/17 as it appears it was not reduced to reflect changes in arrangements at Scaling Dam and this has resulted in a variance to budget in 2015/16.
Tour de Yorkshire	8	At the February FRASC it was highlighted that the Tour de Yorkshire would require additional budget in 2015/2016 and 2016/2017 for promoting the events and supporting communities. The additional cost in 2015/16 was £8K.
Car Parks - Expenditure	31	The additional expenditure on Car Parks is due to vandalism and unexpected maintenance of the car park machines. Consideration is to be given to replace and upgrade the machines in 2016/17.
Earmarked Section 106 Funding	15	Earmarked Section 106 Reserve (Developer Contribution for monitoring compliance with planning conditions) moved to Reserves
Minor variances	5	Minor Variances to the 2015/16 expenditure budget
Expenditure Variance	22	
Area of Income Variance	£'000	Details of Income
TEL Grant Income	25	Additional TEL Grant income received from the Heritage Fund relating to a previous years claim which had not been built into the budget for 2015/2016
Natural England Grant	5	English Coast Path Grant from Natural England, income received in late March and not reflected in the 2015/16 Budget.
Public Health Project Grant	10	Redcar and Cleveland Borough Council provided grant 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 16/17.

PAWS Income	8	As previously reported, there has been a delay in harvesting the timber and this has resulted in an underspend of £28K and a further variance in income collection of £8K from the sale of the timber. Income of £30K will be built into the 2016/17 Budget.
Car Parking Fees	31	Income exceeded expectations and budget due to the financial year having two Easters and additional income from Scarborough Borough Council for car park attendants work which is not reflected in the budget.
Car Park Attendants Income	7	
Apprentices	11	Apprentices income from Askham Bryan College not reflected in the 2015/2016 Budget
Visitor Centres	39	There has been significant work to increase income at the Visitor Centres and this has really paid off with income exceeding budget. However, it is recognised that work must be undertaken to ensure that this income is reflected in the updates to FRASC in 2016/2017.
Exhibitions Additional income	27	
Section 106 Income	25	Earmarked Section 106 Reserve for developer contribution for environmental mitigation on the coast which has not previously been reported.
Earmarked Section 106 Funding	15	Earmarked Section 106 Reserve (Developer Contribution for monitoring compliance with planning conditions) moved to Reserves
Minor variances	3	Minor Variances to the 2015/16 income budget
Income Variance	160	
Net Variance	182	