

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

6 February 2017

2016/2017 Finance Update

1. Purpose of the Report

- 1.1 To provide Members with a revised budget, reserve update and anticipated outturn for the financial year 2016/17.

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 31st December 2016 compared with the budget. A forecast outturn has also been included.

3. Performance

- 3.1 Total income received to 31 December 2016, excluding NPG was £1,563k against a profiled budget figure of £1,456k, £107k more than planned. Total expenditure was £3,336k against a profiled budget of £3,815k, an under spend against budget of £479k. However, there are some significant items of expenditure in relation to purchase of assets and grants to third parties which will be paid before the end of the financial year. In addition, much of the underspend to date relates to slippage on the This Exploited Land expenditure which will have a corresponding impact on income at the end of the financial year,
- 3.2 Income is higher than profile and expenditure is below profile. The main variances are detailed in **Section 5** together with an income and expenditure summary shown in **Appendix 1** and a breakdown by income type in **Appendix 2**
- 3.3 With the exception of planning, most areas of *earned* income appear to be exceeding expectations. Car parking income is 10% higher, and the Visitor Centres income is 2% higher than this time last year.
- 3.4 In terms of expenditure, the position to the end of September was discussed at the meeting of this committee on 21st November. At the meeting Officers provided Members with a clear view that in spite of strong income performance in the first half of the year and relatively low expenditure against profile at that stage there would not be an underspend in excess of that planned within the approved budget reported to that meeting. The approved budget had assumed that approximately £132k would be transferred into reserves as at the 31 March 2017. The current estimated outturn position anticipates that approximately £175k relating to core resources will be transferred into reserves. This is partially due to strong performance on income but also due to the potential for natural slippage on a number of projects. Members should be aware that a transfer of this value compares favourably with the original budget that Members set in March which had assumed an underlying transfer into general

reserves of £234k. At the time this was offset by the assumption that the earmarked reserve for TEL would be drawn down in this financial year, but this is not needed due to the changes in the profile of grant receipts and the position on match funding.

3.5 Members should note that £102k income has been received in the accounts for S106 York Potash, and any unspent balance of this amount would be transferred in to the S106 earmarked reserve at the end of the financial year. This would be added to the existing potash reserve balance of £148k, but at this stage is not included in the figures.

3.6 Members should also note that the financial reporting requirements in relation to external grant funded projects means that although there may be variances in the expenditure and income at the year-end these will not impact on the 'net position' of the Authority.

3.7 Budget Summary

2016/17 Budget Summary as at 31st December 2016			
2016/2017 Income and Expenditure	2016/17 Original Budget	2016/17 Current Budget	2016/17 Change in Budget
	£000	£000	£000
Gross Expenditure	6,404	6,457	53
Gross Income	6,388	6,589	201
Net Movement to/from Reserves	-16	132	148

Members will recall that the increased movement to reserves shown in this table reflected the changed timing of the NPA's cash contribution to the TEL project.

3.8 In Year Changes to the 2016/17 Budget

In year changes to the 2016/17 Budget	
	£'000
Expenditure	
Previously Reported Changes	72
Health & Access New (reduction in expenditure)	-10
MMS – New (reduction in expenditure)	-5
Conservation Pay – New (reduction in expenditure)	-4
Sub Total Expenditure	53
Income	
Previously Reported Changes	201
Sub Total Income	201
In year changes to the 2016/17 Budget	148

3.9 Members will note that there have not been significant changes made to the budget at this stage in the financial year, which is different from the approach taken in previous years where adjustments were still being actioned at very late stages. The focus has shifted to reporting on variances rather than continually updating the budgets to match

the current expenditure. Officers consider that this is a more transparent and effective approach to budget management.

In fact the most significant change to the current year budget was effected in September following discussions at a Directors Away day in June which allocated additional project expenditure, the changes to the profile of the TEL budget which means that the NYM match funding will be drawn down in later years, and small amount of carry forward approved by Members in June; the net impact of all of these changes moved the estimated movement in reserves from the £16k transfer out of reserves to the £132k transfer in to reserves as reported (the additional resources reduced this figure by approximately £100k from the £234k in paragraph 3.4 above).

4. Reserves

4.1 The table below shows the movement in reserves for 2016/17.

Reserve Summary 2016/17	2016/17 Opening Position	2016/17 Planned Movement	2016/17 Planned Closing Position	2016/17 Actual Movement in Reserves	2016/17 Estimated Closing Position
	NPA March 17	NPA March 17	NPA March 17	As at 31/12/2016	As at 31/12/2016
	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves					
Contingency Reserve	320	0	320	0	320
TEL Match Funding	250	250	0	-22	228
Earmarked Section 106 Reserve (Developer Contribution for compliance with s106 and planning conditions)	148	0	148	0	148
Earmarked Section 106 Reserve (Developer Contribution for environmental mitigation on the coast)	25	0	25	-25	0
Earmarked Revenue Reserve	20	0	20	-1	19
Earmarked Capital Reserve	250	0	250	0	250
Non Earmarked Reserves			0		0
General Reserve	899	234	1,133	180	1,079
Closing Reserve Balance	1,912	-16	1,896	132	2,044
Estimated Year End Position (net)				43	
Anticipated Closing Reserve Balance	1,912			175	2087

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

5.1 Natural Environment

A very significant proportion of the non-staff expenditure in this area is profiled for the end of the financial year which presents a risk of underspend. Officers are monitoring this situation very closely as much of the work is now extremely dependent upon external risk factors such as contractor availability, 'sign off' of agreements by land owners and the weather. As a result an estimate of the 'drop out' factor has been accounted into the estimated outturn.

Expenditure to the end of December is £87k lower than the profiled budget and income is £13k lower than the profiled income.

The expenditure variance relates mainly to PAWS, Traditional Boundary Schemes and Connectivity being behind profile, however agreements have been signed and budget committed.

The income variance is due to a delay receiving rent income at Levisham Estate where a rent review is ongoing. Progress has been made which should result in the payment of the outstanding rents shortly

5.2 Cultural Heritage

Expenditure to the end of December is £138k lower than the profiled budget and income is £51k higher than the profiled income.

The expenditure variance is mainly due to TEL. Commitments have been made from the Scheme in 2016/17 but the budget manager is predicting to underspend by £100k as some of the projects have slipped and will now take place in 2017/2018. This underspend will be offset by a reduction in grant income.

The additional income is due to early receipt of TEL match funding from the David Ross Foundation and the Woodland Trust, which may need to be carried forward as part of the 'shared fund' of match funding contributions for the project.

5.3 Recreation Management

Expenditure to the end of December is £37k lower than the profiled budget and income is £72k higher than the profiled income.

The expenditure variance is mainly due to a smaller number of apprentices being recruited and retained, and the Toilets maintenance budget which is predicted to underspend by £10k.

The income variance relates to £47k additional car parking income which continues to exceed expectations, £58k early receipt of grant income for the National Trails and an £20k under achievement of income for apprentices due to reduction in funding from Prior Purselove College.

5.4 Promoting Understanding

Expenditure to the end of December is £39k higher than the profiled budget and income is £110k higher than the profiled income.

The variance in expenditure is mainly due to the roof repairs at the Moors Centre which has been completed.

The income variance is due to additional sales income at the Visitor Centres £22k, and exhibitions fees at the Moor Centre £12k which continues to be excellent.

Coastal Communities Fund income is also over profile by £72k, due to the grant income been received earlier than anticipated.

5.5 Rangers and Volunteers

Expenditure to the end of December is £41k lower than the profiled budget and income is £8k lower than the profiled income

The variance in expenditure relates to the replacement of vehicles £35k which was profiled to take place in September. These have been ordered and will be delivered in the next few weeks

The Volunteer Rangers and Volunteer Services are also slightly below profile by £6k.

The income variance of £8k is related to the replacement of vehicles as no capital receipts have been received

5.6. Development Management

Expenditure to the end of December is £90k lower than the profiled budget and income is £40k lower than the profiled income

The expenditure variance of £20k is due to lower costs on planning legal fees as there has been a conscious effort to reduce the planning work load on the legal adviser. There has also been a delay in receipt of invoices for legal fees from Scarborough Borough Council which will be paid later in the year.

The remaining expenditure variance of £70k, is due York Potash which is behind profile, however following recent announcements, it seems likely that spend on Potash will now increase. However, Members will recall for legal and accounting purposes any monies unspent at the end of the financial year must be ring fenced for the specific purposes within the s106 agreement.

This income variance relates to planning application fees, this budget was increased by £25k in 2016/2017, based on an assessment of the likelihood of an increase in planning fees by Central Government and overambitious national economic forecasts. This has not happened and as previously reported, it is now expected that this budget will under achieve income by £50k

5.7 Corporate Services

Expenditure to the end of December is £114k lower than the profiled budget and income is £80k lower than the profiled income.

The largest area of expenditure variance is £70k and relates to the purchase of replacement pool vehicles. This was due to take place in September but delivery is now expected in February.

Committee expenses are below profile and are expected to underspend by £15k. There are also smaller variances in: insurance, external audit fees, and legal fees.

The income variance is due to a reduction of lettings income at the Vicarage £12k, interest earned £7k, capital receipts for replacement of pooled vehicles £12k, staff recharges £18k and invest to save £31k.

6. Anticipated Outturn

Members will recall that the final net expenditure outturn for 2016/2017 is anticipated to come in on target and not underspend against budget, as in previous years. Members will recall that Officers highlighted a number of additional projects or areas where expenditure could be brought forward to offset any slippage of planned projects and additional income achieved. The majority of the projects reported at the September Committee are on target and a number of other IT related projects within the ICT Strategy are also being taken forward. One of the areas which is not included in the estimated outturn at this stage as Officers are still working on reaching an agreement prior to the year end relates to the decision by Members to support Northern Power

Grid in relation to the resiting of the pole at Blue Bank, if this is finalised it will increase expenditure in year by £50k and consequently reduce the transfer to reserves. The overall impact of the decisions taken is that expenditure will have increased from the £5.86m outturn in 15/16 in line with increasing resources; and if externally funded and ring fenced money is excluded the estimated outturn on core budgets are very close to budget.

6.1 Natural Environment

Budget holders have assessed the likely out turn of these budgets and anticipate an underspend of £24k. The conservation department have overcommitted the grants budget to a more significant extent than in previous years to allow for a natural element of delays and 'drop off' rate. Therefore, any agreements which are not complete at the end of March will be accounted for in the 2017/18 accounts. Much of the expenditure is due to be paid in the last two months and as at the 26 January £20k of the £250k commitments on Conservation Grants had actually been drawn down.

This also assumes that contracts on a proposed joint LIDAR project with Durham University will be finalised and the flights will take place before the end of March. In the eventuality that this does not take place this could increase to £54k underspend. Officers will update Members at the meeting.

6.2 Cultural Heritage

This budget is expected to underspend by £141k due to project slippage on TEL (100k) and MMS (16k) grant funded budgets which are now expected to take place in 2017/2018.

These underspends will not affect the overall net position of the Authorities' outturn as any reduction in expenditure will be offset by an equal reduction in grant income

The historic buildings budget is also predicting an under spend of £25k.

6.3 Recreation Management

This budget is predicting to overspend by £18k on bridleways and car park machines.

Grant income received for apprentices is anticipated to be under budget by £18k.

6.4 Promoting Understanding

This area is forecasting an over spend of £60k due to extra spend on the Moor Centre roof repairs, Moors Centre trails, Sutton Bank Car Park improvements, Sutton Bank Cycling and Exhibitions

6.5 Rangers and Volunteers

This area is projecting an over spend of £36k following the purchase of a mini digger and mini bus for volunteers

6.6 Development Management

The income budgets for this area are expected to underachieve by £50k which is partly due to the nil increase of planning application fees.

6.7 Forward Planning

An underspend of £46k is anticipated on the Local Plan due to lower than anticipated consultancy costs on the landscape character assessment. This only comprised a brief update on the 2011 version rather than a full review which had initially been thought necessary.

6.8 Corporate and Democratic Core

An underspend of £17k is expected for committee costs, and other savings are offset by a reduction in income of the Vicarage rental income of £15k.

6.9 Summary

The supplementary spend shown above is offset by additional income from Car Park Fees (£50k) Visitor Centre Sales (£15k), Exhibition Sales (£10k) ,£11k received for the local plan and 12k for archaeology.

The overall projected outturn (excluding the impact of variations to grant funded projects and the s106 monies) is an over spend of approximately £100k against budget balanced by over achievement of income of a similar amount. This would mean that the final outturn would be close to the existing budget. This outturn would represent an increase in spend of roughly 8% or £0.5m over the 15/16 figure.

7. Financial, Legal and Staffing Implications

7.1 The implications are described in the report.

8. Recommendation

8.1 That Members note the content of this report.

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Appendix 1

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.

2016/2017 Income and Expenditure	2016/17 Current Budget	2016/17 Profile At	2016/17 Actual at	% against Profile	Anticipated Outturn
		31/12/16	31/12/16	31/12/2016	31/03/2016
Expenditure	£	£	£		£
Natural Environment	865,410	421,700	334,277	79%	811,410
Cultural Heritage	807,030	439,750	302,061	69%	666,030
Recreation Management	1,137,770	641,930	604,599	94%	1,155,770
Promoting Understanding	1,337,870	870,670	909,712	104%	1,397,870
Rangers and Volunteers	757,540	464,970	424,249	91%	793,540
Development Management	801,630	462,220	371,281	80%	801,630
Forward Planning	313,760	141,390	131,722	93%	267,760
Corporate and Democratic Core	436,710	371,995	257,668	69%	419,710
Total Expenditure	6,457,720	3,814,625	3,335,569		6,313,720
Income	£	£	£		£
Natural Environment	147,050	91,520	78,918	86%	159,050
Cultural Heritage	572,320	114,990	166,209	145%	456,320
Recreation Management	633,360	398,470	470,356	118%	665,360
Promoting Understanding	473,950	376,280	486,918	129%	498,950
Rangers and Volunteers	25,600	22,670	14,983	66%	25,600
Development Management	384,750	333,350	295,382	89%	334,750
Forward Planning	15,360	0	11,466	0%	26,360
Corporate and Democratic Core	173,780	118,390	38,503	33%	158,780
DEFRA Grant	4,163,190	3,122,390	3,122,391	100%	4,163,190
Total Income	6,589,360	4,578,060	4,685,126		6,488,360
NET SURPLUS	131,640	763,435	1,349,557		174,640
NET TRANSFER TO RESERVES	131,640				174,640

Appendix 2

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

2016/2017 Breakdown by Income Type				
	2016/17 Current Budget	2016/17 Profile Budget	2016/17 Actual to 30/09/16	2016/17 Anticipated Outturn
	£000	£000	£000	£000
Income Type				
Grants (Excluding DEFRA)	986	342	398	852
Retail Sales	198	173	185	223
Planning Income	274	225	188	224
Car Park Income	396	345	397	446
Other Income and Donations	405	226	256	416
Investment Income	20	15	9	20
Capital Receipts	35	20	0	35
Section 106 Income	110	108	108	110
DEFRA GRANT	4,163	3,122	3,122	4,163
Total	6,590	4,578	4,685	6,489