

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

04 September 2017

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 31 July 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 July 2017 compared with the budget. As this is the first update for 2017/18 year, a forecast outturn has not been included.
- 2.3 A number of budget adjustments which relate to the MTFS Business Plan and were reported to this committee in June, have now been incorporated in to the revised budget estimate. Adjustments to income and expenditure for re-profiling of grant budgets and new grant funded projects have also been included. There are no new virements which require approval in this quarter.

3. Performance

- 3.1 Total income received to 31st July 2017, excluding NPG was £1,381k against a profiled budget figure of £1,336k, £45k more than planned. Total expenditure was £1,851k against a profiled budget of £2,399k, an under spend against the profiled budget of £594k.
- 3.2 Members should note that the above figures include income received of £727k and expenditure of £58k relating to Sirius Minerals and the Woodsmith Mine development, as this has been allocated over the relevant function headings. A report on the planned work and spend profile will be submitted to the National Park Authority meeting later in September.
- 3.3 Details of the main variances are show in **section 5** together with an Income and Expenditure summary shown in **Appendix 1** and a breakdown by income 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 7% higher than this time last year. Whilst it is still early in the year, it is encouraging to see signs of out-performance on income. Officers will keep this under close review as we move through quarter 2 so that we can bring forward proposals for potential additional work in the autumn should this trend continue.

- 3.5 In-year adjustments have reduced the amount of general reserves required to fund the Authority's budget from £219k to £59k, a decrease of £160k from the original budget approved by NPA in March 2017:

2017/18 Budget Summary as at 31st July 2017			
2017/2018 Income and Expenditure	2017/18	2017/18	2017/18
	Original Budget	Current Budget	Change in Budget
	£000	£000	£000
Gross Expenditure	8,331	7,993	338
Gross Income	8,112	7,934	178
Net Movement to/from Reserves	219	59	160

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	Net Total
	£000	£000	£000
Expenditure			
CCF Project	135		
Re-profile of TELI budgets		580	
Sirius minerals S106 budget adjustment	35		
MTFS Impact Changes (reported to FRASC June 17)	216	144	
Sub-Total Expenditure	386	724	338
Income			
CCF Grant		135	
Re-profile of TELI budgets	445		
Sirius minerals S106 budget adjustment		35	
MTFS Impact Changes (reported to FRASC June 17) see Appendix 4	50	147	
Sub-Total Income	495	317	178
Net Total of In year changes to the 2017/18 Budget			160

3.7 This quarter the majority of movement is due to the re-profiling of the TELI budget – the project manager anticipates that there will be slippage of some schemes into future years. In addition Sirius Minerals budgets have been adjusted to reflect RPI inflation increase for s106 income. Further details of all the budget adjustments are included in **Appendix 3**.

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. The estimated closing balance is currently £2,355k.

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 Estimated Closing Position
	NPA March 17	NPA March 18	NPA March 18	As at 31/7/2017	As at 31/7/2017
Earmarked Reserves	£'000	£'000	£'000	£'000	£'000
Emergency Reserve	320		320	0	320
Inflation Contingency & TELI Match Funding	228	20	248		248
Earmarked Section 106 Reserve (Sirius Minerals)	384		384	0	384
Earmarked Revenue Reserve	19	-19	0	0	0
Earmarked Capital Reserve	250	610	860	0	860
Non Earmarked Reserves					
Reserves held to support specified future spending	994	-611	383	160	543
Closing Reserve Balance	2,195	0	2,195	160	2,355

4.2 Members should note that that the table above includes a sum of £384k for s106 reserve which shows no change within the year. In reality, there will be some movement within this reserve and this will be monitored throughout the year. 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

A 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. In order to reduce this, officers have changed the timescale for opening the grant application window which has meant that a high number of agreements have already been approved and commitments made against the budgets. An earlier deadline has also transpired for the landowners to complete the work (December instead of March). Officer will continue to monitor the situation closely as much of the work is dependent upon external risk factors such as contractor availability and the weather. An update on this budget will be provided to members in November 2017.

Expenditure to the end of July is £5k higher than the profiled budget and income is £134k higher than the profiled income.

The expenditure variance relates mainly to Conservation Agreements being slightly ahead of profile and the income variance is due to s106 income from Sirius Minerals for landscape and ecology, being received earlier than anticipated. This has now been allocated and the budget profiled for the current financial year.

5.2 Cultural Heritage

Expenditure to the end of July is £30k higher than the profiled budget and income is £63k lower than profiled income.

The expenditure variance is mainly due to spend on the LIDAR project and employee costs. The income variance is due to a delay in the payment of the TELI grant, which will be received in September.

5.3 Recreation Management

Expenditure to the end of July is £188k lower than the profiled budget and income is £23k higher than profiled income.

The largest area of expenditure variance is £84k and is in relation to upgrading the car park at Sutton Bank Visitor Centre. It was original expected that this work would be completed by July 2017. Unfortunately this project has been delayed because after the tender exercise a contractor could not be secured to carry out the work and only £16k out of the £100k budget has been spent to date. The budget manger is currently investigating an alternative route and anticipates the budget will be spent by February 2018. Further updates will be provided to Members later in the year.

Another major variance (£41k) relates to s106 Sirius Minerals expenditure for Scarborough Employment Opportunities. This scheme has now been completed and payment is expected to take place by the end of August.

There are also variances in National Trails (£34k) which relates to outstanding creditors from 2016/17. Payment was delayed due to the late receipt of grant income from National England. As this income has now been received, payments will be made in August.

The remaining variances relate to toilets and transport which are slightly behind profile.

The income variance relates to £16k additional car parking income which continues to exceed expectations, and National Trails grant income £7k.

5.4 Promoting Understanding

Expenditure to the end of July is £399k lower than the profiled budget and income is £30k lower than profiled income.

The variance in expenditure is mainly due to the significant s106 Sirius Minerals contributions for Tourism projects, which have not yet been delivered due to securing the necessary agreements with the third party recipients taking longer than anticipated.

The income variance is due to additional sales income at the Visitor Centres £12k, and exhibitions fees at the Moor Centre £15k which continues to be excellent.

Income from Sirius Minerals is £51k under profile for the Tourism Impact Review however this income is due to be received by the end of August as an agreement has recently been attained with a third party.

Coastal Communities Fund income is under profile by £20k due to the late receipts of quarter one grant income from DCLG.

5.5 Rangers and Volunteers

Expenditure to the end of July is £22k lower than the profiled budget

The variance in expenditure relates to the Volunteer Services and Estate Service which are below profile. These areas of expenditure will be reviewed before the next meeting.

5.6. Development Management

Expenditure to the end of July is £6k higher than the profiled budget and income is £23k lower than profiled income.

The expenditure variance is due to slightly higher than profiled costs relating to the monitoring of the Sirius s106 construction.

The income variance relates to planning application fees, this budget was increased by £10k in 2017/2018, based on an assessment of the likelihood of an increase in planning fees by central Government, which was subject to a consultation exercise earlier in the year. All Local Planning Authorities expressed their wish to take advantage of the proposal to increase fees by 20% which was subject to the additional funds being spent entirely on planning services. The implementation of this proposal was delayed by the General Election however; current indications are that this will be rolled out in the autumn. This would increase the Authority's planning fee income by approximately £40k per annum over a full year.

5.7 Forward Planning

Expenditure to the end of July is £20k lower than the profiled budget. This relates to the Local Plan budget which is under profile. The budget manager is currently reviewing this budget, but there is a possibility that this budget will underspend due to changes in evidence and research requirements. A further update will be provided to members in November.

5.8 Corporate Services

Expenditure to the end of July is £40k higher than the profiled budget and income is £6k higher than profiled income.

The expenditure variance is due to the salary budgets (£12k). The budget profile is based on the Authority's net cost after the recharge to NYCC for the finance collaboration agreement and the actual costs to date shows the gross cost before the recharge to NYCC. This will be adjusted before the next meeting to align both budget and actual spend. The remaining variance of £16k relates to a higher than profile spend on maintenance and rates at the Old Vicarage and Beaconsfield.

The income variance links to higher than profiled donations and room hire at the Old Vicarage.

6. Financial, Legal and Staffing Implications

6.1 The implications are described in the report.

7. Conclusion

7.1 At this early stage in the year income is showing encouraging signs of out-performance and officers are mitigating the risk of underspend where possible for example by bringing forward deadlines for grant applications. Officers will keep budgets under close review as we move through quarter 2 so that we can bring forward proposals for potential additional work in the autumn should the need arise.

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.

2017/18 Income and Expenditure Summary as at 31st July 2017				
2017/2018 Income and Expenditure	2017/18 Current Budget	2017/18 Profile as at 31/07/17	2017/18 Actual as at 31/07/17	% against Profile 31/07/17
Expenditure	£	£	£	
Natural Environment	1,270,000	156,620	161,969	103%
Cultural Heritage	1,080,560	186,740	216,929	116%
Recreation Management	1,223,480	393,550	205,154	52%
Promoting Understanding	1,987,680	757,375	358,097	47%
Rangers and Volunteers	856,080	211,910	189,573	89%
Development Management	798,780	205,670	212,243	103%
Forward Planning	390,810	70,230	50,027	71%
Corporate and Democratic Core	385,620	416,560	457,181	110%
Total Expenditure	7,993,010	2,398,655	1,851,174	
Income	£	£	£	
Natural Environment	601,170	92,800	226,973	245%
Cultural Heritage	766,790	148,130	84,659	57%
Recreation Management	680,240	246,690	269,892	109%
Promoting Understanding	1,059,710	696,240	666,318	96%
Rangers and Volunteers	4,480	1,480	0	0%
Development Management	403,150	118,130	95,225	81%
Forward Planning	60,360	0	0	0%
Corporate and Democratic Core	123,000	32,250	38,279	119%
DEFRA Grant	4,234,800	2,117,400	2,117,398	100%
Total Income	7,933,700	3,453,120	3,498,744	
NET SURPLUS	-59,310	1,054,465	1,647,570	
NET TRANSFER TO RESERVES	-59,310			

Appendix 2

2017/2018 Breakdown by Income Type			
	2017/18 Current Budget	2017/18 Profile Budget to 31/07/17	2017/18 Actual to 31/07/17
	£000	£000	£000
Income Type			
Grants (Excluding DEFRA)	1,248	201	92
Retail Sales	203	72	81
Planning Income	270	111	90
Car Park Income	456	197	213
Other Income	48	6	7
Donations	325	70	151
Investment Income	25	10	11
Capital Receipts	20	5	4
Section 106 Income	1,104	664	733
DEFRA GRANT	4,235	2,117	2,117
Total	7,934	3,453	3,499

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.

In year changes to the 2017/18 Budget			
	Increase in Expenditure or Decrease in Income	Decrease in Expenditure or Increase in Income	Total
	Red	Green	
	£'000	£'000	£'000
Expenditure			
CCF Grant	135		
Re profile of TELI budgets		580	
Sirius minerals S106 budget adjustment	35		
MTFS Impact Changes (reported to FRASC June 17)			
Replacement Volunteer minibuses	45		
Additional Archaeology expenditure	10		
Feasibility Study for the Old Vicarage	16		
Replacement Fire Doors	30		
Legal Advice for planning enforcement case	15		
Over Silton LEI (Grant Funded - see below)	32		
Match Funding for CCF project	8		
IT costs to upgrade/replace the finance system	20		
Additional Advertising expenditure for Development Management	10		
Additional staff costs	20		
Contribution to DBID process	10		
Reduction on core budget conservation grant expenditure due to S106 commitments		50	
Reduction to Building Conservation budgets		44	
Staff time recharge for time spent on S106 projects		50	
Sub Total Expenditure	386	724	338
Income			
CCF Grant		135	
Re profile of TELI budgets	445		
Sirius minerals S106 budget adjustment		35	

MTFS Impact Changes(reported to FRASC June 17)			
Planning Fees income increase		10	
DCLG income for maintenance of registers for "Brownfield and Self Build Housing "		45	
Reduction in Apprentice Scheme income	30		
Capital Receipt's income for the sale of vehicles (delayed from 2016/17)		10	
Reduction in lettings income for office space at the Old Vicarage	20		
Increased income from Car Park Charges		20	
Over Silton LEI (Grant Funded - see above)		32	
Income from the sale of timber at Trennet Bank		30	
Sub Total Income	495	317	178
In year changes to the 2017/18 Budget			160