

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

19 November 2018

### 2018/2019 Finance Update

#### 1. Purpose of the Report

- 1.1 To provide Members with a budget and reserve update for the financial year 2018/19, report the actual income and expenditure as at 30 September 2018 and to provide a forecast outturn for 2018/19.

#### 2. Background

- 2.1 This report details the position of income and expenditure to 30 September 2018 compared with the budget, highlighting any key issues to bring to members' attention, along with a forecast outturn.
- 2.2 At Quarter 1 a number of budget pressures and some compensating savings were identified. At that time the forecast outturn showed an underlying net overspend of £47k along with £76k slippage in the TELI project which is to be spent next financial year. Together these issues resulted in a forecast net budget reduction of £29k for 2018/19. Officers are still working on ensuring that the position does not exceed this and the current bottom line position is still as reflected at Q1.

#### 3. Budget Changes

- 3.1 The table below shows the current budget summary which includes adjustments to increase income by £1,061k and expenditure by £1,032k. This includes the amendments to budget approved at FRASC in September to help mitigate forecast overspends identified at Quarter 1. This quarter there are three new changes in grant funded projects which increase both expenditure and income equally.

<b>2018/19 Budget Summary as at 30th September 2018</b>			
	<b>2018/19 Original Budget £000</b>	<b>2018/19 Latest Budget £000</b>	<b>2018/19 Change in Budget £000</b>
<b>Gross Expenditure</b>	7,826	8,858	1,032
<b>Gross Income</b>	-7,733	-8,794	-1,061
<b>Net Transfer to/from Reserves(-/+)</b>	<b>93</b>	<b>64</b>	<b>-29</b>

3.2 A breakdown of these changes is shown below:

	Increase in Expenditure or Decrease in Income £'000	Decrease in Expenditure or Increase in Income £'000	Total £'000
<b>Expenditure</b>			
Previously reported changes	1,197	-257	
YERT	24		
MMF	33		
TELI Environment Project	35		
<b>Sub Total Expenditure</b>	<b>1,289</b>	<b>-257</b>	<b>1,032</b>
<b>Income</b>			
Previously reported changes	228	-1,197	
YERT		-24	
MMF		-33	
TELI Environment Project		-35	
<b>Sub Total Income</b>	<b>228</b>	<b>-1,289</b>	<b>-1,061</b>
<b>Net In year changes to the 2018/19 Budget</b>			<b>-29</b>

#### 4. Financial Performance

4.1 The table below summarises the current position as at 30 September 2018 and presents the latest forecast for the full year. Further details are set out in **Appendices 1 and 2**. The latest full year forecast position indicates the same position as Q1, a draw down from reserves of £64k. However, this includes slippage of £76k on the TELI project which will be required next year, so the underlying overspend in year is currently £47k.

	Profile Budget 30/09/2018 £000	Actual 30/09/2018 £000	Variance against budget profile 30/09/2018 £000	Full Year Latest Budget £000	Full Year Forecast Outturn £000	Forecast Outturn Variance against full year budget £000
<b>Expenditure</b>						
Core Expenditure	3,470	3,211	-259	7,514	7,489	-25
S106 Compensation & Mitigation	798	666	-132	1,344	1,344	0
<b>Total Expenditure</b>	<b>4,268</b>	<b>3,877</b>	<b>-391</b>	<b>8,858</b>	<b>8,833</b>	<b>-25</b>
<b>Income</b>						
Earned & External Income	-1,674	-1,114	560	-3,142	-3,117	25
NPG Grant Income	-2,154	-2,154	0	-4,308	-4,308	0
S106 Compensation & Mitigation	-951	-1,282	-331	-1,344	-1,344	0
<b>Total Income</b>	<b>-4,779</b>	<b>-4,550</b>	<b>229</b>	<b>-8,794</b>	<b>-8,769</b>	<b>25</b>

<b>Net Surplus/Deficit to be Transferred to Reserve (-/+)</b>	<b>-511</b>	<b>-673</b>	<b>-162</b>	<b>64</b>	<b>64</b>	<b>0</b>
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- 4.2 The main reasons for the year to date variances are spend on TELI and Ryevitalise phase 1 being behind budget at this point in the year. The Ryevitalise Programme is expected to be brought back on track over the remainder of the year, whilst TELI is still expected to be £76k underspent as reported at Quarter 1.
- 4.3 There are a number of other smaller variances at the end of September but these are expected to be broadly within budget for the year. These include spend on access routes, ad-hoc maintenance works on the Old Vicarage, spend on the Local Plan and the Communications Strategy.
- 4.4 The underlying overspend identified at Quarter 1 (net £47k) continues to be closely monitored. At the end of Quarter 2 the full year forecast is broadly in line with Q1 overall although there are some individual variances within this the most significant being car park income.
- 4.5 Income generation plays a key part in the authority's financial sustainability. Performance of the major income streams is around 5% below the profiled budget at the end of Quarter 2. The table below shows the position for the major earned income headings:

<b>Major earned income</b>	<b>Actual income 30/09/2016 £000</b>	<b>Actual income 30/09/2017 £000</b>	<b>Profiled budget 30/09/2018 £000</b>	<b>Actual income 30/09/2018 £000</b>
Car Parks	-319	-340	-354	-332
Visitor Centres	-126	-129	-121	-126
Planning Fees	-140	-123	-126	-110
<b>TOTAL</b>	<b>-585</b>	<b>-592</b>	<b>-601</b>	<b>-568</b>

- 4.6 The car park income is down on the same position last year. The Easter period at the beginning of the year was particularly poor, with very cold weather. The summer had seen a partial recovery of this, but a poor September across a number of car parks as a result of the weather will make it very challenging to pull this back by the end of the year. In addition to this, there have been a number of instances of stolen or damaged ticket machines which have had an impact on income while these have been out of use. Potential solutions to this security problem are currently under discussion as part of the detailed budget setting. In light of these issues, the outturn for car park income this year is expected to fall short of budget by £20k.
- 4.7 Visitor centres are performing well against a challenging target despite indicators pointing to a reduction in visitor numbers this year.
- 4.8 Planning income is down against target currently, but the pipeline shows that this will recover and it is still expected that this will be on budget by the end of the year.
- 4.9 Focussed work to identify underspends and savings, will continue since the budget remains very tight, but if the deficit cannot be mitigated, then this will have to be taken from reserves which will lead to a decrease in the General Unallocated Reserve balance.

4.10 Officers are looking at ways to increase the income generating capacity of our car park assets, and are recommending that the £100k underspend on the building works programme is invested to generate an income stream in the longer term.

## 5. Reserves

5.1 Based on the content of this report, the table below shows the anticipated movement in reserves for 2018/19. It is to be noted that at present the reserves are still expected to be spent as indicated unless there are decisions made otherwise. This is being considered as part of the budget process. Key movements in year are:

- Grosmont car park acquisition now unlikely to go ahead so this money has been returned to the General Unallocated Reserve.
- Office building works are expected to begin this year with an initial forecast spend of £50k in 2018/19. The building works are going to cost less than originally anticipated as the quoted costs of extending Beaconsfield were too high compared to the benefits of extending. In addition, the police have recently vacated the building behind Beaconsfield, resulting in more capacity. Consequently, the money will be spent on updating and improving the existing facilities in Beaconsfield. Overall costs are not expected to be more than £300k and therefore £100k is available for reallocation (see paragraph 5.2 below).
- Other spend is expected in year on the TELI match funding, IT programme and Sutton Bank as indicated below.

5.2 As noted at the evening seminar, it is recommended that the £100k which is no longer to be spent on office building works is spent on a project to maximise the income that can be generated from car parks, helping with financial sustainability into the future.

5.3 The opening balance of £2.139m is expected to reduce to £1.842m by the end of this financial year as follows overleaf:

<b>Reserve Summary 2018/19</b>	<b>2018/19 Opening Position £000</b>	<b>Forecast Movement in Reserves £000</b>	<b>Forecast Closing balance 31 Mar 19 £000</b>
Emergency Reserve	-320	0	-320
TELI Match Funding	-228	25	-203
NYMNR Match Funding	-30	0	-30
Section 106 Reserve	-287	0	-287
<b>Total Restricted and Committed Reserves</b>	<b>-865</b>	<b>25</b>	<b>-840</b>
Capital : Sutton Bank Visitor Centre	-388	110	-278
Capital : Vehicle and IT Replacements	-100	48	-52
Capital : Office Building Works	-400	150	-250
Projects : Grosmont Car Park	-110	110	0
Projects : Ryevitalise Match Funding	-153	0	-153
Car Park Income Generation	0	-100	-100
<b>Committee Approved Reserves</b>	<b>-1151</b>	<b>318</b>	<b>-833</b>
<b>General Unallocated Reserve</b>	<b>-123</b>	<b>-46</b>	<b>-169</b>
<b>Total Reserve Balance</b>	<b>-2,139</b>	<b>297</b>	<b>-1,842</b>

- 5.4 Subject to the revenue budget outturn, the forecast movement in the General Unallocated Reserve is illustrated in the table below:

<b>General Unallocated Reserve</b>	<b>£000</b>	<b>£000</b>
<b>2018/19 Opening position</b>		<b>-123</b>
Original budgeted call on reserves for 2018/19	93	
TELI slippage	-76	
Forecast change to call on reserves at Q1	47	64
Grosmont car park no longer going ahead		-110
<b>2018/19 Forecast Closing Balance</b>		<b>-169</b>

- 5.5 It should be noted that of the £169k balance on the General Unallocated Reserve, £76k relates to an underspend on the TELI project which will be required in 2019/20. The underlying unallocated value is therefore £93k.

## 6. Conclusion

- 6.1 The latest full year forecast position indicates the same position as Q1, a draw down from reserves of £64k. However, this includes slippage of £76k on the TELI project which will be required next year, so the underlying overspend in year is currently £47k.
- 6.2 Officers will continue to work over the next quarter to try to find underspends and savings to help balance the budget in year.
- 6.3 Officers are looking at ways to increase the income generating capacity of our car park assets, and are recommending that the underspend on the building works programme is invested to generate an income stream in the longer term.
- 6.4 The reserves balance is expected to decrease this year to £1,824m with £93k remaining unallocated.

## 7. Recommendations

- 7.1 That Members note the content of the report.
- 7.2 That Members approve the allocation of £100k from the General Unallocated Reserve to a reserve for income generation from our car park assets.

## Appendix 1

2018/19 Breakdown by Service	Profiled Budget at 30/09/2018 £	Actual at 30/09/2018 £	Variance against profile at 30/09/2018 £	Current Full Year Budget £	Forecast Outturn £	Forecast Variance £	Comments
							<b>Note: Unless otherwise stated variances against profiled budgets are due to timing differences – comments will therefore focus on key issues to bring to members attention.</b>
<b>Expenditure</b>							
Natural Environment	432,930	359,946	-72,984	1,041,700	1,021,700	-20,000	Lower conservation salaries required for staff absence cover
Cultural Heritage	575,163	412,115	-163,048	1,621,780	1,621,780	0	
Recreation Management	466,120	440,459	-25,661	1,230,000	1,230,000	0	
Promoting Understanding	647,655	634,688	-12,967	1,642,480	1,642,480	0	
Rangers and Volunteers	319,950	327,886	7,936	827,600	827,600	0	
Development Management	259,650	260,848	1,198	742,140	742,140	0	
Forward Planning	113,240	106,164	-7,076	344,370	339,370	-5,000	Local Plan Lower salary costs in year.
Corporate and Democratic Core	655,690	669,195	13,505	63,660	63,660	0	
<b>Total Function Expenditure</b>	<b>3,470,398</b>	<b>3,211,303</b>	<b>-259,095</b>	<b>7,513,730</b>	<b>7,488,730</b>	<b>-25,000</b>	
<b>S106 Compensation &amp; Mitigation</b>	<b>797,450</b>	<b>665,572</b>	<b>-131,878</b>	<b>1,344,290</b>	<b>1,344,290</b>	<b>0</b>	
<b>Total Expenditure</b>	<b>4,267,848</b>	<b>3,876,875</b>	<b>-390,973</b>	<b>8,858,020</b>	<b>8,833,020</b>	<b>-25,000</b>	
<b>Income</b>							
Natural Environment	-193,220	-110,136	83,084	-289,740	-289,740	0	
Cultural Heritage	-638,610	-190,152	448,458	-1,224,870	-1,219,870	5,000	Lower core costs allocated to S106 projects
Recreation Management	-406,690	-380,646	26,044	-704,480	-684,480	20,000	Quarter 2 Car Park income under profile due to weather and stolen/damaged machines. Some slight mitigation is planned through the remainder of the year but a shortfall is expected.
Promoting Understanding	-282,960	-293,378	-10,418	-563,070	-573,070	-10,000	Increase margin from the Gallery sales
Rangers and Volunteers	-2,250	-11,362	-9,112	-4,480	-4,480	0	
Development Management	-133,400	-110,914	22,486	-260,750	-260,750	0	
Forward Planning	0	-397	-397	-60,360	-50,360	10,000	Lower MHCLG Burdens Grant
Corporate and Democratic Core	-17,000	-17,405	-405	-34,000	-34,000	0	
DEFRA Grant	-2,153,820	-2,153,816	4	-4,307,640	-4,307,640	0	
<b>Total Function Income</b>	<b>-3,827,950</b>	<b>-3,268,205</b>	<b>559,745</b>	<b>-7,449,390</b>	<b>-7,424,390</b>	<b>25,000</b>	
<b>S106 Compensation &amp; Mitigation</b>	<b>-950,610</b>	<b>-1,281,656</b>	<b>-331,046</b>	<b>-1,344,290</b>	<b>-1,344,290</b>	<b>0</b>	
<b>Total Income</b>	<b>-4,778,560</b>	<b>-4,549,861</b>	<b>228,699</b>	<b>-8,793,680</b>	<b>-8,768,680</b>	<b>25,000</b>	
<b>NET Surplus/Deficit (-/+)</b>	<b>-510,712</b>	<b>-672,986</b>	<b>-162,274</b>	<b>64,340</b>	<b>64,340</b>	<b>0</b>	
<b>NET TRANSFER FROM RESERVES</b>				<b>64,340</b>	<b>64,340</b>	<b>0</b>	

## Appendix 2

### 2018/2019 Breakdown by Income & Expenditure Type

	Profile Budget at 30/09/18 £000s	Actual at 30/09/18 £000s	Latest Full year Budget £000s	Forecast Outturn £000s	Forecast Variance £000s
<b>Expenditure Type</b>					
Employees	1,972	1,996	3,959	3,934	-25
Premises	166	178	357	357	0
Transport	96	97	192	192	0
Supplies and Services	1,198	1,032	2,875	2,875	0
Third Party Payments	117	92	310	310	0
Section 106 Expenditure	718	482	1,165	1,165	0
<b>Total Expenditure</b>	<b>4,267</b>	<b>3,877</b>	<b>8,858</b>	<b>8,833</b>	<b>-25</b>
<b>Income Type</b>					
Lottery Funded Grants	-659	-206	-1,242	-1,242	0
Other External Grants (Excluding DEFRA)	-181	-119	-559	-549	10
Retail Sales	-128	-131	-209	-219	-10
Planning Income	-126	-110	-241	-241	0
Car Park Income	-354	-332	-491	-471	20
Donations	0	-6	0	0	0
Other Income	-120	-205	-257	-257	0
External Match Funding	-88	0	-88	-88	0
Capital Receipts	0	0	-15	-15	0
Investment Income	-10	-5	-20	-20	0
Section 106 Income	-958	-1,282	-1,364	-1,359	5
DEFRA Grant	-2,154	-2,154	-4,308	-4,308	0
<b>Total Income</b>	<b>-4,778</b>	<b>-4,550</b>	<b>-8,794</b>	<b>-8,769</b>	<b>25</b>
<b>Net</b>	<b>-511</b>	<b>-673</b>	<b>64</b>	<b>64</b>	<b>0</b>