

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

4 February 2019

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 31 December 2018 and to provide a forecast outturn for 2018/19.

2. Background

- 2.1 This report details the position of income and expenditure to 31 December 2018 compared with the budget, highlighting any key issues to bring to members' attention, along with a forecast outturn.
- 2.2 At Quarter 2 the forecast outturn showed an underlying net overspend of £47k along with £76k slippage in the TELL project which is to be spent next financial year. Together these issues resulted in a forecast net budget reduction of £29k for 2018/19.

3. Budget Changes

- 3.1 The budget position remains as reported last quarter.

2018/19 Budget Summary as at 31st December 2018	
	2018/19 Latest Budget £000
Gross Expenditure	8,863
Gross Income	(8,799)
Net Transfer (to)/from Reserves	64

4. Financial Performance

- 4.1 The table below summarises the current position as at 31 December 2018 and presents the final forecast for 2018/19 before the outturn is reported in May. Further details are set out in Appendices 1 and 2

	Profile Budget	Actual	Variance against budget profile	Full Year Latest Budget	Full Year Forecast Outturn	Forecast Outturn Variance against full year budget
	31/12/2018	31/12/2018	31/12/2018			
	£k	£k	£k	£k	£k	£k
Expenditure						
Core Expenditure	5,436	5,092	(344)	7,519	7,459	(60)
S106 Compensation & Mitigation	1,105	951	(154)	1,344	1100	(244)
Total Expenditure	6,541	6,043	(498)	8,863	8,559	(304)
Income						
Earned & External Income	(2,370)	(1,859)	511	(3,147)	(3,108)	39
NPG Grant Income	(3,231)	(3,231)	0	(4,308)	(4,308)	0
S106 Compensation & Mitigation	(1,201)	(1,576)	(375)	(1,344)	(1,100)	244
Total Income	(6,802)	(6,666)	136	(8,799)	(8,760)	283
Net (Surplus)/Deficit to transfer (to)/from Reserve	(261)	(623)	(362)	64	43	(21)

- 4.2 Primary reasons for year to date variances are timing on S106 compensation and mitigation and other externally funded schemes.
- 4.3 Savings and underspends in forecast expenditure are expected on connectivity which will not deliver the full programme this year, salaries due to natural staff turnover, training and legal costs in planning.
- 4.4 Income generation plays a key part in the authority's financial sustainability. Performance from the three key earned income streams is around 4% below the profiled budget at the end of Quarter 3. The table below shows the position for these major earned income headings:

Key Earned Income Streams (£k)	Actual income Q3 2016	Actual income Q3 2017	Profiled budget Q3 2018	Actual income Q3 2018	Variance Year to Date Q3 2018
Car Parks	(399)	(413)	(428)	(410)	18
Visitor Centres	(179)	(185)	(170)	(177)	(7)
Planning Fees	(180)	(157)	(193)	(171)	22
TOTAL	(758)	(755)	(791)	(758)	33

- 4.5 A £20k budget deficit is forecast on car parking income for the year following a poor Easter and October and thefts and vandalism of ticket machines. Performance has improved over November and December but we are still expecting to fall short of budget by £20k.
- 4.6 Visitor centre income continues to perform well and is exceeding budget at the end of quarter 3. It is forecast to come out on budget, with some caution applied in case of inclement weather in the last quarter of the year.

- 4.7 Planning income now looks like it will fall short of target. It is expected that S106 income from developments will be lower than expected, and this is reflected in a lower budget set in this area in future years. The forecast has been adjusted for this, and it is expected that overall planning income will fall short by £20k.
- 4.8 Interest returns are expected to be (£6k) higher than budget due to an increase in the Bank of England interest rate in year.
- 4.9 The current forecast position assumes a £43k call from reserves compared to a budgeted ask of £93k. Whilst this may appear to be an improvement against budget, £76k of this is as a result of timing on the TEL project, which will still need to be spent next year. Therefore there is an underlying forecast overspend of £26k. This is an improvement from the £47k overspend reported at Q2.

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 in the coming years but this will be subject to value for money assessment and operational needs. Key movements in year are:
- Grosmont car park acquisition is now not expected to go ahead, so this money has been returned to the General Unallocated Reserve.
 - Officers had intended to undertake significant works in the Beaconsfield building this year, but 2 factors have resulted in this decision being reversed. Firstly North Yorkshire Police have not extended their lease of part of the HQ buildings and this has made additional office space available; secondly, the quotes obtained for the extension were high and Officers did not feel that the work represented good value for money. A number of minor building works have been completed instead with more of these due for completion in 2019/20.
 - Other spend is expected in year as indicated below.
- 5.2 The opening balance of (£2.139m) is expected to reduce to (£1.849m) by the end of this financial year as follows overleaf:

Reserve Summary 2018/19	2018/19 Opening Position £000	Forecast Movement in Reserves £000	Forecast Closing balance 31 Mar 19 £000
Emergency Reserve	(320)	0	(320)
TELI Match Funding	(228)	25	(203)
NYMNR Match Funding	(30)	0	(30)
Section 106 Reserve	(287)	34	(253)
Total Restricted and Committed Reserves	(865)	59	(806)
Capital : Sutton Bank Visitor Centre	(388)	110	(278)
Capital : Vehicle and IT Replacements	(100)	48	(52)
Capital : Office Building Works	(400)	130	(270)
Projects : Grosmont Car Park	(110)	110	0
Projects : Ryevitalise Match Funding	(153)	0	(153)
Car Park Income Generation	0	(100)	(100)
TEL underspend in 18/19 required in 19/20	0	(76)	(76)
Committee Approved Reserves	(1151)	222	(929)
General Unallocated Reserve	(123)	9	(114)
Total Reserve Balance	(2,139)	290	(1,849)

5.3 The forecast movement in the General Unallocated Reserve is illustrated in the table below:

General Unallocated Reserve	£000
2018/19 Opening position	(123)
Original budgeted call on reserves for 2018/19	93
Forecast change to call on reserves	26
Grosmont car park no longer going ahead	(110)
2018/19 Forecast Closing Balance	(114)

6. Conclusion

6.1 The latest full year forecast position indicates a draw down from reserves of £43k. However, this includes slippage of (£76k) on the TELI project which will be required next year, so the underlying overspend in year against budget is currently £26k an improvement from that expected at the end of the first quarter.

6.2 Whilst Officers will continue to look for options to mitigate this position where they arise, it is currently anticipated that the reported position will be the outturn at the year end.

6.3 The reserves balance is expected to decrease this year to (£1,883m) with £114k remaining unallocated.

7. Recommendations

7.1 That Members note the content of the report.

Appendix 1

2018/19 Breakdown by Service (£k)	Profiled Budget at 31/12/18	Actual at 31/12/18	Variance against profile	Current Full Year Budget	Forecast Outturn	Forecast Variance	Comments (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.)
Expenditure							
Natural Environment	621	571	(50)	1,036	986	(50)	Lower salaries required for conservation staff than originally anticipated plus natural staff turnover. Connectivity expected to underspend in the current year.
Cultural Heritage	1,054	691	(363)	1,619	1,619	0	
Recreation Management	704	701	(3)	1,226	1,236	10	Ticket machine thefts will require additional funds to fund replacements but this is mitigated by in year savings.
Promoting Understanding	1,020	1,029	9	1,642	1,642	0	
Rangers and Volunteers	488	490	2	815	815	0	
Development Management	411	390	(21)	751	746	(5)	Savings expected on legal fees in year.
Forward Planning	197	195	(2)	344	339	(5)	Local Plan lower salary costs in year.
Corporate and Democratic Core	941	1,025	84	85	75	(10)	Training budget expected to be underspent this year.
Total Function Expenditure	5,436	5,092	(344)	7,519	7,459	(60)	
S106 Compensation & Mitigation	1,105	951	(154)	1,344	1,100	(244)	
Total Expenditure	6,451	6,043	(498)	8,863	8,859	(304)	
Income							
Natural Environment	(268)	(198)	70	(290)	(290)	0	
Cultural Heritage	(920)	(460)	460	(1,225)	(1,220)	5	Lower core costs allocated to S106 projects.
Recreation Management	(548)	(494)	54	(705)	(685)	20	Car park income lower due to weather and stolen / damaged machines. Shortfall is expected despite better than budget performance in November and December.
Promoting Understanding	(395)	(490)	(95)	(563)	(573)	(10)	Increase in margin from gallery sales this year.
Rangers and Volunteers	(3)	(12)	(9)	(5)	(5)	0	
Development Management	(211)	(174)	37	(266)	(246)	20	Lower S106 income not expected to be mitigated by higher planning fee income based on known pipeline for the final quarter.
Forward Planning	0	0	0	(60)	(50)	10	Lower MHCLG Burdens Grant.
Corporate and Democratic Core	(25)	(31)	(6)	(34)	(40)	(6)	Higher interest returns due to rates change
DEFRA Grant	(3,231)	(3,231)	0	(4,308)	(4,308)	0	
Total Function Income	(5,601)	(5,090)	511	(7,455)	(7,416)	39	
S106 Compensation & Mitigation	(1,201)	(1,576)	(375)	(1,344)	(1,100)	244	
Total Income	(6,802)	(6,666)	136	(8,799)	(8,516)	283	
NET (Surplus)/Deficit	(261)	(623)	(362)	64	43	(21)	

2018/2019 Breakdown by Income & Expenditure Type

2018/2019 Breakdown by Income & Expenditure Type					
	Profile Budget at 31/12/18 £000s	Actual at 31/12/18 £000s	Latest Full year Budget £000s	Forecast Outturn £000s	Forecast Variance £000s
Expenditure Type					
Employees	2,978	2,971	3,955	3,930	(25)
Premises	266	277	357	357	0
Transport	144	184	193	193	0
Supplies and Services	1,978	1,812	2,867	2,832	(35)
Third Party Payments	205	178	326	326	0
Section 106 Expenditure	970	621	1,165	921	(244)
Total Expenditure	6,541	6,043	8,863	8,859	(304)
Income Type					
Lottery Funded Grants	(983)	(387)	(1,242)	(1,242)	0
Other External Grants (Excluding DEFRA)	(292)	(266)	(559)	(559)	0
Retail Sales	(178)	(183)	(209)	(209)	0
Planning Income	(193)	(171)	(241)	(221)	20
Car Park Income	(428)	(410)	(491)	(471)	20
Donations	0	(8)	0	0	0
Other Income	(179)	(335)	(261)	(256)	5
External Match Funding	(88)	(75)	(88)	(88)	0
Capital Receipts	0	(11)	(16)	(16)	0
Investment Income	(15)	(11)	(20)	(26)	(6)
Section 106 Income	(1,215)	(1,578)	(1,364)	(1,120)	244
DEFRA GRANT	(3,231)	(3,231)	(4,308)	(4,308)	0
Total Income	(6,802)	(6,666)	(8,799)	(8,516)	283