

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

28 May 2019

2018/2019 Finance Draft Outturn

1. Purpose of the Report

- 1.1 To provide Members with a draft outturn of budget and reserves for the financial year 2018/19.

2. Background

- 2.1 2018/19 has been a challenging year financially, delivering the largest budget the Authority has set with a model generating increasing levels of non-Defra funding. Inflation has increased above the increase in the core DEFRA grant and challenging income budgets have been set. At Q1, a number of areas of additional spend were identified and steps taken to mitigate this. Since then, the forecast position has improved each quarter, with quarter 3 indicating an expected £45k ask from reserves.

3. Budget Changes

- 3.1 There have been no changes in the budget that we have been working towards since the last FRASC.

4. Financial Performance Overview

- 4.1 The draft outturn position indicates a £26k contribution to reserves. This represents an improved position over the year of £119k against the original estimate, and £90k against the revised budget position.
- 4.2 The surplus contribution to reserves of £26k will be taken to the unallocated reserve.

4.3

2018/19 Outturn	Original Budget	Revised Budget	Actual	Variance to Revised Budget
	£k	£k	£k	£k
Expenditure				
Expenditure	7,679	7,519	7,269	(250)
S106 Compensation & Mitigation	1,344	1,344	1,252	(92)
Total Expenditure	9,023	8,863	8,521	(342)
Income				
Earned & External Income	(3,278)	(3,147)	(2,987)	160
NPG Grant Income	(4,308)	(4,308)	(4,308)	0
S106 Compensation & Mitigation	(1,344)	(1,344)	(1,252)	92
Total Income	(8,930)	(8,799)	(8,547)	252
Net (Surplus)/Deficit to transfer (to)/from Reserve	93	64	(26)	(90)

- 4.4 The improved position over the year has been driven predominantly by :-
 - Genuine efficiency savings in the year, including on Local Plan.
 - Increased focus in Conservation on externally funded projects such as the Rye and Esk rather than core grant spend.
 - In year budget reductions to accommodate increased costs elsewhere
 - Tight control on salary budgets and most other spend.

- 4.5 At Q3 a forecast deficit of £45k was reported. Since then the outturn has improved by £73k. This is mainly driven by :-
 - Local plan savings which were not forecast of £20k.
 - Car park income performance was £17k better than expected due to improved performance in quarter 4.
 - Gallery margins were £15k higher than expected with costs for the year being lower than anticipated.
 - Visitor centre income maintaining performance in quarter 4 resulted in higher income by £7k.
 - £8k higher underspends in conservation than anticipated.

- 4.6 Capital spend in the year was £485.2k all funded from revenue budgets or revenue reserves.

- 4.7 Recharges were lower than expected in the year by £206k due to changes in spend levels in the corporate and democratic core and a change to the recharge basis for two posts not being incorporated in the budget. Recharges do not impact the bottom line.

- 4.8 Further details of income and expenditure variances can be found in **Appendices 1 and 2** of the report.

5. Earned Income Performance

5.1 Earned income is increasingly vital to the financial sustainability of the Authority and therefore an area of key focus. The main income streams are illustrated below.

5.2

Key Earned Income Streams (£k)	Revised Budget	Actual	Variance to budget
Car Parks	(491)	(488)	3
Visitor Centres	(199)	(206)	(7)
Planning Fees	(306)	(273)	33

- 5.3 At quarter 3, it was anticipated that car parking would fall short of the budget by £20k due to a poor Easter performance and vandalism and theft of car park ticket machines, plus a cautious approach being adopted given the vulnerability of this income stream to the weather. The excellent weather in February half term week resulted in very positive income numbers for that month, and then a similar scenario in the last week of March meant that income was just £3k short of budget.

- 5.4 Car parking and visitor centre budgets were set at challenging levels, reflecting increased performance in this area in recent years. Visitor centre income was exceeding budget at Q3, with higher figures from Sutton Bank more than offsetting below budget performance at the Moors Centre. As a result income was £7k higher than budget overall.

5.5 The gallery at the Moors Centres had a very successful year, with margins exceeding budget by £24k through an increase in sales whilst maintaining control of its cost base.

5.6 Early in the year, planning fees were reduced by £50k as there was no visibility of any large applications in year. This proved to be the case, so assumptions of large planning fees are not included in future budgets except insofar as they are reflected in averaged predictions. At Q3 S106 income in relation to planning fees was forecast to be £20k lower than budget because of the low number of opportunities to charge these types of fees and this too has been reflected in future budgets. In addition to that, planning fees remained lower in Q4 and fell £13k short of the target for the year overall.

6. S106 – Polyhalite Update

6.1 Spend in the year was £1.252m against a budget of £1.344m.

6.2 Payments through the Woodsmith Mine s106 agreement are made annually on or around the date of the Commencement of Development- the 4th May. From the date of receiving the contribution, the Authority has up to 3 years to spend the money so the programme of spend will always result in some money being carried forward into the next financial year.

6.3 Specifically for this year, for the Landscape and Ecology contribution some projects that were planned for 2018/19 were not able to be completed in the financial year due to constraints related to permissions, weather, pre project health and safety work and shortage of craftspeople to deliver work on the ground. All of these projects are scheduled to be completed by Autumn 2019.

6.4 For the Core Policy D work, the amount of compensation provided in the agreement exceeds the amount of woodland creation required in the early years of the agreement. Each annual payment must be drawn down in full before the next anniversary of commencement of development which leaves a surplus in the Core Policy D income. As the woodland creation programme expands, this surplus will be reduced.

6.5 There were some Tourism Business payments that were paid in April so although they were not completed within the financial year, they were completed in the 'polyhalite' year.

7. Reserves

7.1 The opening reserves balance of £2.139m has increased to £2.657m by the end of this financial year.

7.2

Reserve Summary 2018/19 (£k)	2018/19 Opening Position	Movement in Reserves	2018/19 Closing balance
Total Restricted and Committed Reserves	(865)	(603)	(1,468)
Committee Approved Reserves	(1,151)	221	(930)
General Unallocated Reserve	(123)	(136)	(259)
Total Reserve Balance	(2,139)	(518)	(2,657)

- 7.3 There has been a rise in the restricted reserves, with funding in advance from S106, TEL and National Trails being ring-fenced to be set against future spend.
- 7.4 The MTFs programme to spend reserves on projects approved by Committee is continuing but at a slower pace than anticipated. Plans are still in place for this to be spent as illustrated in **Appendix 3** (and see paper in private section of this agenda).
- 7.5 The movement in the year on the General Unallocated Reserve is illustrated below:

General Unallocated Reserve	£k
2018/19 Opening position	(123)
Grosmont car park no longer going ahead	(110)
Surplus 2018/19	(26)
2018/19 Forecast Closing Balance	(259)

- 7.6 We continue to manage reserves against future risk, and will increase the Emergency reserves to £285k from 1 April 2019 as agreed in the budget which will reduce the unallocated reserve to £181k. A number of potential future risk areas have been identified, and these are covered in the financial management update paper on this agenda.
- 7.7 A detailed table of the reserves can be found in **Appendix 3**.

8. Conclusion

- 8.1 The final management accounts outturn position (subject to audit) indicates a contribution to reserves of £26k, £119k better than the original estimate.
- 8.2 The reserves balance is expected to increase this year to £2,657m with £259k remaining unallocated in the General Reserve, but there has been a planned reduction in the level of reserves which is not committed or restricted.

9. Recommendations

- 9.1 That Members note the content of the report.

2018/19 Income and Expenditure Summary as at 31st March 2019				
Expenditure	Revised Budget £k	Actual £k	Variance £k	Commentary
Natural Environment	1,027	936	(90)	Underspends on connectivity of £38k due to increased focus on externally funded connectivity projects such as Rye and Esk. Employee costs lower than expected due to vacancies and additional costs for Director post not required for the full year £45k plus lower recharges (see corporate and democratic core).
Cultural Heritage	1,614	1,265	(349)	Reduced costs as a result of delays in the Land of Iron project partially offset by reduced income. Lower recharges (see corporate and democratic core).
Recreation Management	1,226	1,288	62	Higher spend on National Trails and Unclassified Unsurfaced Roads projects due to additional income received in year. Higher car park costs due to replacement of vandalised or stolen meters and increased apprentice vehicle running costs including the increasing cost of diesel is offset by lower employee costs as a result of vacancies in the year and lower recharges (see corporate and democratic core).
Promoting Understanding	1,635	1,633	(3)	Higher £43k costs on Coastal Communities Fund as a result of project timing are offset by additional grant income below. Lower recharges (see corporate and democratic core).
Rangers and Volunteers	812	787	(25)	Lower recharges (see corporate and democratic core).
Development Management	751	721	(30)	An enforcement case has resulted in legal fees exceeding budget by £19k. This is offset by lower costs in processing planning applications due to the mix of application types £11k and lower recharges (see corporate and democratic core).
Forward Planning	344	311	(33)	Local Plan budgets were £20k lower after avoiding the need to update technical work on housing following changes to Government policy plus less casual staff time was needed than forecast as the team were able to reduce the amount of resource used during the consultation period and the final quarter of the year. Lower recharges £13k (see corporate and democratic core).

Corporate and Democratic Core	109	328	218	Internal recharges were £206k lower than budgeted. This is due to the central budget for job revaluations being moved to the budgets where salary changes were made, reductions in budgets at Q1 to help mitigate overspends and an error in the budgeted recharge basis for two posts resulting in more costs being retained in the core. Power and rates costs for the Old Vicarage and Beaconsfield were higher than budget in the year due to a combination of inflation and an increase in space being occupied in the buildings £10k. In addition, more unexpected maintenance was required than would normally be expected with works to the boiler and driveway £10k. Funds set aside for HMRC audit were not required £7k.
Total Function Expenditure	7,519	7,269	(250)	
S106 Compensation & Mitigation	1,344	1,252	(92)	See section 6 of the report.
Total Expenditure	8,863	8,521	(342)	
Income				
Natural Environment	(290)	(291)	(2)	
Cultural Heritage	(1,225)	(905)	320	Lower income due to slippage in the project reflected in lower costs above.
Recreation Management	(704)	(797)	(92)	National Trails and Unclassified Unsurfaced Roads project income offset by increased costs £71k. Car park income was £3k lower than the revised budget. This was excellent performance good results in most months of the year more than offsetting a poor Easter and ticket machine thefts. Education has generated £6k additional income in the year through its activities. Unexpected income from Over Silton in the year of £6k.
Promoting Understanding	(563)	(641)	(78)	Coastal Communities Fund grant was higher than expected but this is offset by costs above £45k. Exhibitions and visitor centre exceeded income by £28k and £7k respectively. The former was achieved while maintaining the cost budgets and was boosted by an increased proportion of exhibitions with work for sale in the year.
Rangers and Volunteers	(4)	(6)	(1)	
Development Management	(266)	(241)	25	Lower S106 income due to reduced opportunities to charge applicants plus lower planning fees as a result of a change in the mix of planning applications than assumed in the budget.
Forward Planning	(60)	(50)	10	Lower Burdens / Brownfield Grants from Ministry of Housing, Communities and Local Government than anticipated.
Corporate and Democratic Core	(34)	(56)	(22)	Higher donations plus higher interest as a result of the increased Bank of England rate in year and higher cash balances due to slower spend in reserves.

DEFRA Grant	(4,308)	(4,308)	0	
Total Function Income	(7,454)	(7,295)	160	
S106 Compensation & Mitigation	(1,344)	(1,252)	92	See section 6 of the report.
Total Income	(8,799)	(8,547)	252	
NET SURPLUS	64	(26)	(90)	
TRANSFER TO RESERVES	64	(26)	(90)	

£k	Revised Budget	Actual	Variance
Expenditure Type			
Employees (excluding S106 employees)	3,776	3,757	(19)
Premises	357	394	37
Transport	193	226	33
Supplies and Services	2,867	2,548	(319)
Third Party Payments	326	344	18
Section 106 Expenditure	1,344	1,252	(92)
Total Expenditure	8,863	8,521	(342)
Income Type			
Lottery Funded Grants	(1,242)	(867)	375
Other External Grants (Excluding DEFRA)	(560)	(546)	14
Retail Sales	(209)	(212)	(3)
Planning Income	(260)	(239)	21
Car Park Income	(491)	(484)	7
Donations	0	(10)	(10)
Other Income	(262)	(334)	(72)
Match Funding	(88)	(242)	(154)
Capital Receipts	(15)	(27)	(12)
Investment Income	(20)	(27)	(7)
Section 106 Income	(1,344)	(1,251)	93
DEFRA GRANT	(4,308)	(4,308)	0
Total Income	(8,799)	(8,547)	252

Appendix 3 – Reserves

Reserve Summary 2018/19 (£k)	2018/19 Opening Position	Movement in Reserves	2018/19 Closing balance	Commentary
Emergency Reserve	(320)	0	(320)	To be increased in 19/20 to £385k in line with business plan as agreed in the budget paper approved at NPA.
TELI Reserve	(228)	(235)	(463)	Income received in advance to be allocated against future spend.
NYMNR Match Funding	(30)	0	(30)	
Section 106 Reserve	(287)	(356)	(643)	Additional income received in year has been transferred to reserves to allocate against future spend.
National Trails Reserve	0	(12)	(12)	Donations received to be spent on future projects.
Total Restricted and Committed Reserves	(865)	(603)	(1,468)	
Capital : Sutton Bank Visitor Centre	(388)	50	(338)	Sutton Bank car park works underway, expected to complete 19/20.
Capital : Vehicle and IT Replacements	(100)	48	(52)	PC refresh programme in 18/19.
Capital : Office Building Works	(400)	113	(287)	Works carried out to Sawmill Lane and Beaconsfield to help increase space and accommodate higher staff numbers. £100k transferred to the Asset Income Generation project as agreed at FRASC.
Projects : Grosmont Car Park	(110)	110	0	No longer going ahead.
Projects : Ryevitalise Match Funding	(153)	0	(153)	Will be required for Ryevitalise phase 2.
Projects : Asset Income Generation	0	(100)	(100)	New post recruited, fund will be used over a period of 3 years.
Committee Approved Reserves	(1,151)	221	(930)	
General Unallocated Reserve	(123)	(136)	(259)	£110k Grosmont purchase no longer going ahead plus budgeted surplus.
Total Reserve Balance	(2,139)	(518)	(2,657)	