

7. **2015-2016 OUTTURN (A.137/22/PN)**

Purpose of the Report

1. This report explains the outturn for 2015/2016 and seeks approval of the necessary appropriations to or from reserves, together with approval of unspent funds and overspends to be carried forward into the 2016/17 financial year.

Key Issues

- Statutory amendments will require the 2017/18 financial year accounts to be signed off by the Chief Finance Officer by the 31st May 2018 (1 month earlier than currently) with certified accounts published by 31st July 2018 (2 months earlier than currently). The former represents a pressure on the internal Finance team, the latter a pressure on the external auditors. The 2015/16 and 2016/17 financial years are being used as trials to attempt to meet the first deadline earlier than necessary, therefore these approvals are required in order that the Authority's accounts can be signed off by the 31st May.
- If Members are unable to approve the recommendations in order to achieve the 31st May deadline the affected sums will be allocated temporarily to the slippage reserve (or other reserve where appropriate), subject to Member's further decision.
- The majority of services, particularly those with income, have achieved or exceeded their budget expectations; this means that unallocated reserve levels have been protected and specific reserves have been able to be increased.
- The Cycle Hire service achieved a surplus of £38,000 above its required budget.
- Subject to a number of provisions and contingencies, and final confirmation, there is the possibility of adding a further sum to the investment discussions Members and the Leadership Team are leading on, of between £100-£200,000.
- The National Park Grant for 2015/16 was reduced by 1.74% and with savings of £342,000 required, the approved budget was structurally balanced, with a small surplus to General Reserve of £5,000.
- At midyear review stage there were no major concerns, but costs relating to the handover of North Lees Hall, recruitment of a Director post and a transitional secondment post were recognised and funds were vired for those purposes, agreed by the Chair and Vice Chair of this committee. The funding for these items came from underspends and vacancy savings.
- The recommended slippage requests are shown in Appendix D.
- The Authority's reserve position is maintained at the levels shown in Appendix E for four main purposes:-
 - 1) allowing a degree of one-off resilience to cope with existing challenges and liabilities, to safeguard National Park policies without immediately requiring resources to be found from diminished revenue budgets.

2) helping to underwrite the consequences of adverse variances against budget in times of greater uncertainties in income trading or central funding allocations

3) acting as a mechanism for budget managers of key authority properties to meet their financial objectives over a period longer than 1 year, allowing for surpluses to be retained and deficits to be supported on an annual basis, within the context of meeting the financial objective on an averaged basis.

4) The Reserves are an essential cushion to meet the challenges of balancing budgets during adverse Spending Review periods.

- A number of specific reserve requests are also made in support of budgetholders achieving their business plans, contained within Appendix D.
- Areas to watch in 2016/17 are primarily budgets whose income targets have been stretched, or have risks of achieving them based on historical performance. These are our Visitor Centres, the North Lees Estate, the Footpaths team, and planning application fee estimates.

Recommendation

2. **1. That the outturn be noted, and the slippage requests and specific reserve appropriations shown in Appendix D be approved.**

How does this contribute to our policies and legal obligations?

3. The Accounts and Audit Regulations 2011 require the Chief Finance Officer to sign the annual accounts by the 30 June, although from the 2015/16 year the intention is to sign the accounts by 31st May. This report has been written therefore to allow the Audit, Resources & Performance Committee to agree recommendations on the movement of funds to and from reserves, which will need to be incorporated into the annual accounts. The government has changed the legislation so that the accounts should be audited and signed off by 31st July rather than 30th September, from the 2017/18 year. The consequence of this is that the Chief Finance Officer will need to prepare and certify the accounts by 31st May (one month in advance of the current position). The outturn information in this report is based on the budget report agreed in February 2015 and is structured accordingly, to facilitate cost control and accountability for resources within the broad functional headings agreed for all National Parks. The service / divisional responsibilities within Appendix A and C reflect the line management structure at the time the budget is agreed, although some sub-headings are retained to maintain understanding of the costs of some discrete activities, which helps interpretation.
4. There were periodic budget monitoring meetings of the Management Team with the Head of Finance together with the four appointed Budget Monitoring Members at key stages of the year. Variances from the agreed budget and forecasts are discussed during this meeting, together with updates on the anticipated level of reserves and movements in the budget arising from in-year committee resolutions.

Background

5. The approved budget for 2015/16 was based on the level of National Park Grant confirmed by Defra on December 20th 2013, which confirmed a £110,745 (1.74%) cut to the agreed level of National Park Grant. As part of coping with the resource reductions in the Comprehensive Spending Review Members have previously approved a total of £2,036,000 of savings/income in the 2010/11-2014/15 years, and £342,000 in 2015/16,

totalling £2,378,000.

6. The March 2015 meeting also approved the Chief Finance Officer's report under the Prudential Code for Capital Finance, setting prudent borrowing limits for the 2015/16 year of £1.8m. In August 2006, in accordance with Services Committee Minute 41/05, the Authority borrowed £697,000 to finance the Aldern House Project, and in December 2009 £500,000 for the replacement of vehicles (Minute 22/08 in March 2008): total debt of £1,197,000. No further external borrowing has taken place to date, and the total outstanding external debt at 31st March 2016, after repayments to date, is now £559,170. Repayments are made half yearly and are a fixed amount, with a proportion covering the interest payable, and the remainder, in increasing proportion over the repayment period, repaying the original capital sum. A number of further borrowing approvals have been agreed since then totalling £295,990; these have been financed internally from internal cash balances. They are:-

Committee / RMT Minute	Date	Approval	Reason	Annual charge to budget	Ending
ARP 41/12	20/07/2012	£108,812	Aldern House Biomass boiler	£8,000	2032/33 (20 years)
N/A Head of Service	16/05/2012	£9,192	Replacement vehicle Learning Team (now adopted as a general pool car following staff move to Aldern House)	£1,311	2019/20 (7 years)
RMT 70/12	31/07/2012	£19,480	Litter Service vehicle replacement (from lease to owned)	£2,770	2019/20 (7 years)
RMT 63/12	31/07/2012	£98,506	Borrowing for landlord elements of Big Fernyford Farm refurbishment	£5,758	2037/38 (25 years)
ARP 11/15	23/01/2015	£60,000	Showers and camping facility improvements at North Lees campsite	c.£4,500	2030/31 (15 years)

The annual charge to the budget is based on the same principle as external debt, in that the service is charged annually a fixed amount, with a proportion covering interest (based on the prevailing fixed rate from the Public Works Loan Board at the time the sum is advanced) and the remainder repaying the original capital sum, over a term reflecting the nature of the underlying asset and its life. At some point external debt might need to be raised to cover any outstanding amounts but currently it is more cost effective to use internal funds.

7. The Budget Monitoring Group met during the year and as usual paid close attention to trading income, that being the least controllable element within baseline budgets; there were no significant areas of concern which would merit reporting to Committee during the year.

Base Rates remained the same for the whole year at 0.5%, and investment receipts improved slightly mainly because of a £2m increase in cash holdings from advance payment of grants. Interest earned was £35,974, £5,900 above the previous year's total. This exceeded the budget estimate by £5,974. The budget for 2016/17 was approved with a static interest receipt expectation, of £30,000.

8. At the outturn stage it is sometimes possible to make temporary resource allocations, based on actual results. The current year's outturn shows that there is a small sum of up to £200,000 available for allocation, after taking account of slippage requests and

specific reserve requests, subject to confirming that a number of contingencies and provisions are not required. It is recommended that this sum is appropriated to the Matched Funding Reserve and added to the discussions currently underway on investments. The table overleaf illustrates how these “outturn” resources have varied in the past few years:-

	2015-16	2014-15	2013-14	2012-13
Midyear Review allocation	45,690	0	80,000	117,800
Surplus available for allocation (after provisions, contingencies and planned budget surpluses)	118,000 – 200,000 to be confirmed	100,000 (plus £85,000 slippage re-directed) = £185,000	30,000 (plus £83,000 slippage re-directed) = £113,000	149,016 (plus £37,000 already set aside) = £186,000
Slippage approved	764,467	518,984	815,229	764,752

9. Resource Management Team (RMT) discussed the outturn figures and slippage recommendations on the 9th May.

10. The main points in the appendices are summarised as follows:

Reserve Levels (Appendix E)

(a) General Reserve: The General Reserve exists to accommodate unforeseen circumstances and was £658,211 in March 2015. The proposal is that this level is sufficient and the increase arising from the outturn of up to £200,000 can be appropriated to the Matched Funding reserve pending decisions on its allocation alongside the other investment discussions.

The level of the General Reserve needs to take account of about 8 principal variable factors – contingent liabilities; the quality of budgetary control; loss of key staff, policy or delivery changes; the extent of demand-led services; unidentified future budget savings; significant capital projects; and the availability of other reserves. Generally the Authority only has one or two of the above factors to consider in any one year; however up to four are currently pertinent.

A general fund at the £300,000 level is considered to be adequate, given that there are specific reserves and contingencies also available. The external auditors consider the adequacy of the Authority’s reserve levels as part of their overall audit opinion and it is an important component of their financial viability assessment.

(b) Specific Reserves: The level of specific reserves overall has risen by £110,000. The reserves are being operated in accordance with agreed policies, allowing services to draw from and add to their reserves in line with their longer term programmes.

- (c) Capital Reserve: The Capital Receipts reserve in this report started the year at £335,307, and there were sale receipts during the year of Warren Lodge, Losehill Hall bungalow, and the first phase of woodland sales. Accordingly the net receipts from these sales is added to the Reserve, increasing the reserve by £659,000 to £993,869, in line with the recently approved Capital Programme and needed to sustain that expenditure programme. The reserve was used to support previously authorised Environmental works carried out in 2014/15 (Minute 58/11), the partially completed alterations at Aldern House to allow for re-letting of vacant space (ARP Minute 52/14), A Minor works allocation to North Lees farm building (Minute 58/11) and alterations at Knowle House Farm (Minute 07/06).
- (d) Slippage Reserve: This Reserve operates differently from the other reserves in the sense that the funds do not remain within the reserve if they are required in the following year: basically the amount of slippage approved in Appendix D is temporarily held on the balance sheet on 31st March and is then immediately allocated into the budgets upon committee approving the slippage amount. The National Park Grant Memorandum which the Department of Environment, Food and Rural Affairs (Defra) uses to govern National Park finances states that “The Department will consider the level of end-year cash balances in assessing grant for subsequent years. In doing so it will take account of a NPA’s need to maintain appropriate working balances and contingency provision and of factors which may necessitate the deferral of expenditure around the year end in order to safeguard value for money.” It is this final purpose for which slippage is recognised as an essential tool for managing National Park finances over financial years. The level of slippage fluctuates year on year and the 2015/16 level is £764,467 which is approximately 117% of its long term average of £651,000.
- (e) Matched Funding Reserve:
This reserve was created to protect funds committed to partnership projects. The Authority’s annual contributions to these projects tend to be allocated on a straight line basis across the years of the project to facilitate budget planning, and the actual expenditure pattern is often very different between years: this, together with the accounting requirement to allocate partner income to expenditure proportionately to the contributions originally determined in the application means that unspent Authority funds committed to the projects in contracts with funding bodies need to be ring-fenced and carried forward to match expenditure, when required in future years, in order to fulfil the commitment. This reserve has also been used to ring fence funds approved for re-allocation. The reserve level is likely to be sustained at quite high levels in the next four years as new commitments are made up to 2019/20.

Revenue Account & Services

11. Appendix A, Column F, shows the final budget surplus or deficit arising from each service, after appropriations to and from reserves and slippage requests have been taken into account, and is useful to refer to along with the comments below, which only pick out the larger variances.
- (a) The Policy budget variances are explained by the slippage requests to allow ring-fenced resources to be carried forward.

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- (b) The £334,000 core costs of the Moors for the Future team were recovered, based on partnership contributions to core costs and recovery of costs from projects towards supporting the core team. The Authority's contribution was £94,000. The budget is consistent with the operational plan presented to ARP Committee members in January 2016.
 - (c) Of the Recreation facilities the non-estate car parks' budget showed a deficit of £21,000 below budget, possibly reflecting some inaccuracies in precisely allocating out the old car park budget between car parks aligned to Estates and Trails, and the remainder, this will be looked into in 2016/17. Similarly, non-estate toilets were overspent, although the majority of this was related to the planned introduction of charging and refurbishment of Dovedale toilets, supported from specific reserve. The Trails' budget underspend of £100,000 relates to phasing of essential infrastructure work and is appropriated to the Specific Reserve to allow this to happen in 2016/17 and the level of the Trails reserve is much better than in previous years when Members have expressed concerns about its low level. These funds will be supplemented by the recent Capital Programme approval for infrastructure work, which will come to a future committee.
 - (d) The Warslow estate balanced its budget and achieved full cost recovery, with a longstanding scheme at Knowle House Farm being supported from the Capital Fund based on a 2006 Authority resolution. The North Lees estate met a number of challenges in the year, with successful introduction of pod camping helping the estate through to a £35,000 surplus which is requested to be allocated to the estate specific reserve.
 - (e) The Planning Service fee-based planning applications in £ terms were £24,000 above the previous year, and a significant £69,000 above budget estimate, despite pre application advice fees falling short of the estimate, achieving £35,000, compared to the estimate of £45,000. Overall numbers of chargeable applications were down to 685 from 715 the previous year, with a similar level of major applications, but the major applications were £36,000 higher in value. Overall the service therefore had a surplus, after vacancy savings, of £24,000.
 - (f) The Planning Policy budget is set at a level which allows for a long term average expenditure on statutory plan processes. The underspend is not required to be carried forward.
 - (g) The Field Service remained within budget across the budget heads and benefitted from reductions in expenditure on Volunteer Rangers, vacancy savings in the Area teams. The Volunteers and Footpaths teams achieved their income targets, which for the latter is a significant achievement as budget monitoring during the year revealed that the team was finding the target income challenging.
 - (h) Visitor centre sales were £20,000 higher than the previous year with overall sales in the region of £432,000. Gross profit increased by £43,000 with an increase in gross margin of 8%. The net budget target was exceeded.
 - (i) The Cycle Hire Service was the subject of an improvement plan brought to Members recently, and the year end result shows a very strong performance, with a yearend surplus of £38,000 which more than covers the service's full cost, and the surplus is requested to be appropriated to the specific reserve to carry out further service improvements. There was a combination of increased income from the previous year of £18,000, and a substantial re-alignment of staffing costs to business volume, saving staffing costs of £40,000 compared to the previous year.

- (j) In its fifth full year of operation the Learning Team fell slightly short of its target income of £92,000 by £13,000 with the overall budget slightly overspent at the end of the year by £8,000, although some of that expenditure related to corporate work on safeguarding found from within the budget; therefore it is not appropriate to carry forward the overspend.
- (k) The ICT budget was underspent at the end of the year with a view to carrying funds forward into the ICT specific reserve in order to help finance the change in the ICT strategy and the provision of ICT infrastructure, as approved by committee.
- (l) The Legal Services funds ring-fenced for legal actions which were not required in 2015/16 are carried forward into the Minerals and Legal Reserve.
- (m) The Design service achieved an income surplus against target in its fourth full year of trading, requesting a small surplus into the Specific Reserve.
- (n) The corporate overhead recovery fund is managed by the Director of Corporate Strategy and Development and collects the agreed recharges levied against all externally funded projects who have staff in post, which support the extra demands placed on Corporate Support Services (finance, legal, IT, HR, property, communications) as a result of these activities. The demands are assessed by the director and commitments have been agreed for 2016/17 onwards – hence the remaining sum is requested as slippage to help meet the agreed demands in 2016/17 and 2017/18. It is in the nature of this fund that the charges to projects occur in advance of the supporting allocations so there is usually a timing difference between the income being received in the fund, and the subsequent expenditure.
- (o) The Projects in Appendix A are separately shown away from the “core” budgets as they all rely on either Partnership or external grant funding and are ring-fenced for those purposes. The expenditure on these projects can be substantial and the Authority’s cash contribution – often small in relation to the grant funding - is shown in the budget, or may be represented by in-kind contributions. If a project is entirely externally funded / has in-kind contributions, then the budget will show as zero – and also the outturn position (i.e. net expenditure) will be zero, illustrating that the gross expenditure has been fully balanced by the external income. Although this is the most appropriate presentation in respect of the overall impact on the budget, it does not of course show the actual expenditure of each project. Projects with expenditure over £150,000 have all been approved by ARP (or its predecessor) Committee; the smaller projects over £50,000 are approved by Resource Management Team in line with Standing Orders. If Members wish to see more analysis the Head of Finance will provide detailed breakdowns on request. The comments section of Appendix A highlights the principal funder and the total expenditure of the larger projects.

12. The current policy on under and overspends at year end is longstanding and was confirmed by Resources Committee on 19 July 2002 and is as follows:
- overspends are carried forward and found from service budgets the following year unless there are extenuating circumstances
 - For underspends or surpluses remaining at year end, budget holders may bid for slippage (where commitments have already been made) or where specific reserves exist, for the balance to be appropriated to these reserves.

- All other underspends or surpluses are allocated to general reserve.

13. The RMT has reviewed the circumstances surrounding any overspends, and is content that where these have occurred, they are capable of being contained within overall service or divisional responsibilities and no recommendations are put forward for these overspends to be carried forward and retrieved from next year's service budgets.

14. The following appendices are provided to give a full analysis of the outturn:

Appendix A

A variance analysis which highlights the individual service under or overspends, together with the impact of the proposed slippage and reserve requests on the overall figures – based on over and underspends from Appendix C. Column F shows the final balance of surpluses and deficits, with the total surplus or deficit at the bottom being the impact on the general fund. It should be noted that an "underspend" may arise from additional income earned above budget.

Appendix B

The outturn in the form in which the committee approves the annual budget, by functional heading. The functional headings are as required in the National Park's Service Expenditure Analysis, under the Grant Memorandum and Best Value Code of Accounting Practice.

Appendix C

The outturn in the form in which budget responsibility is allocated and monitored during the year. This Annex is used as the basis for RMT decisions on over and underspends, as it reflects directorate and service head budget responsibilities. A full analysis of income and expenditure by service/function and by type of income and expenditure is available on request to the Head of Finance.

Appendix D

D (i) lists the recommended slippage requests put forward by service heads and Directors for carry forward of unspent funds into the 2016/17 budget. D (ii) lists the recommended appropriations to or from specific reserves. D (iii) contains the overspends proposed to be carried forward against the 2016/17 service or project budget, if any.

Appendix E

Shows the level of the Authority's cash reserves, after all the above adjustments.

15. There may be some late adjustments arising from final provisions and system reconciliations, Any final changes in the figures between this report and the final position will be reported to Members in the accounts report.

16. The financial information presented to Members appears in two forms to meet internal and external requirements:

- The February Budget is agreed by Members in functional heading format (Appendix B) and these allocations are then structured into budgetary responsibilities reflecting the existing divisional structure (Appendix C). An administration overhead model is agreed as the basis for recharging Support service costs and for understanding the behaviour of overhead costs but is not shown as part of the budget allocation and monitoring process as the costs are controlled by Support Service Heads in their discrete budgets. These management accounts are the basis for decision making and reporting to Members, as in this report.
- The annual financial accounts are prepared in functional heading format, showing less service detail, within broader headings. The revenue account differs by excluding all capital expenditure, replacing this with a depreciation charge representing the amount of capital consumed in the period. Recharges of Support Services costs to front line services are also included, in order to comply with the Local Authority (CIPFA) accounting code of practice.

Proposals

17. In terms of the Authority's overall financial position, the outturn for the 2015/16 is as presented, and the actions recommended in Appendix D are regarded as an appropriate way of managing the Authority's resources across financial years.
18. Reserve levels have been maintained at the levels required to meet statutory requirements, to provide a prudent level of provision for substantial asset liabilities, and to help support our planning policies in the legal process; they represent limited and temporary one-off sources of funds which allow the Authority to maintain stability of National Park outcomes.

Are there any corporate considerations Member should be concerned about?

19. **Financial:** The issues have been covered in the report.
20. **Risk Management:**

The Chief Finance Officer has a statutory responsibility under Sections 25 – 28 of the Local Government Act 2003 to report to Members, the Monitoring Officer and external auditors on the robustness of the budget setting and monitoring process, and has an express duty to monitor the budget and underlying assumptions throughout the year, and to take action when significant overspends or shortfalls in income occur. The Annual Governance Statement prepared by the Monitoring Officer is reported to and approved by Members. Management Team consider financial risks in the Risk Register during the year.

The External Auditor assesses the financial position of the Authority as part of its annual Value for Money conclusion.

This outturn report and the recommendations arising from it are considered to be evidence of the effectiveness of these processes as they relate to the 2015/16 financial year.

21. **Sustainability:** There are no issues relevant to this report.

Consultees

22. The outturn was discussed and agreed by Resource Management Team (RMT) on the 9th May.

23. **Background Papers** (not previously published)

Full income and expenditure analysis

Appendices

Appendix A - 2015/16 Variance Analysis

Appendix B - 2015/16 Outturn by functional headings

Appendix C - 2015/16 Outturn by services within divisional headings

Appendix D - Slippage and reserve requests

Appendix E - Reserve Levels

Report Author, Job Title and Publication Date

Philip Naylor, Head of Finance/Chief Finance Officer, 12 May 2016