

## 7. 2016-2017 OUTTURN (A.137/22/PN)

### Purpose of the Report

1. This report explains the outturn for 2016/2017 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 2017/18 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 31<sup>st</sup> May 2018 (1 month earlier than currently) with certified accounts published by 31<sup>st</sup> 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 31<sup>st</sup> May.
- If Members are unable to approve the recommendations in order to achieve the 31<sup>st</sup> May deadline the affected sums will be allocated temporarily to the slippage reserve (or other reserve where appropriate), subject to Members' further decision.
- Subject to a number of possible minor adjustments and final confirmation of the figure, there is the possibility of adding a further small one-off sum to the investment discussions Members and the Leadership Team are leading on, of between £40-£50,000.
- The National Park Grant for 2016/17 was the first year of the new protected Spending Review period, with an increase of 1.72%. In setting the budget the decision was made to continue with £602,000 of baseline saving proposals in 2016-17, resulting in a surplus available for re-allocation over the Spending Review period as reported to Members in the 2016-17 and 2017-18 budget report, in line with the new Corporate Strategy.
- At midyear review stage there were no major concerns reported, but additional costs were identified relating to the delay in bringing North Lees Hall back into use, grant recovery action from Natural England relating to the North Lees Higher Level Stewardship agreement (£25,000), and a disputed intervention fee from the Health & Safety Executive (£45,000). Potential funding for these items was identified from underspends at midyear, but it was agreed to defer any virements until the outturn position was known. These sums have now been found from the overall outturn position.
- 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; in the current circumstances confirmation of the 2016/17 cuts and the protected settlement mean that slightly higher reserve levels will be carried in the medium term until the new allocation decisions are spent.

- A number of specific reserve requests are also made in support of budget-holders achieving their business plans, contained within Appendix D.
- Areas to watch in 2017/18 are primarily budgets whose income targets have been stretched, or have risks of achieving them based on historical performance. These remain 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 31<sup>st</sup> 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 31<sup>st</sup> July rather than 30<sup>th</sup> 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 31<sup>st</sup> May (one month in advance of the current position). The outturn information in this report is based on the budget report agreed in February 2016 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 2016/17 was based on the level of National Park Grant confirmed by Defra on January 21<sup>st</sup> 2016, which confirmed a £107,622 (1.72%) increase to the agreed level of National Park Grant, as part of a protected settlement up to 31<sup>st</sup> March 2020 in line with the new Spending Review period. As part of coping with the resource reductions in the previous Comprehensive Spending Review Members had previously approved a total of £2,378,000 of savings/income in the 2010/11-2015/16 years, and the 2016/17 budget approved a further £602,000 of savings which were already in hand.

6. The March 2016 meeting also approved the Chief Finance Officer's report under the Prudential Code for Capital Finance, setting prudent borrowing limits for the 2016/17 year of £2.0m. 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 31<sup>st</sup> March 2017, after repayments to date, is now £497,306. 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 £776,990; 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	£4,583	2030/31 (15 years)
ARP 18/16	04/03/2016	£330,000	Castleton Visitor Centre re-modelling	£19,791	2037/38 (20 years)
RMT 17/16	09/05/2016	£40,000	2 additional Camping Pods	£2,057	2031/32 (15 years)
RMT 42/16	01/11/2016	£21,000	Replacement vehicle for volunteer service	£2,715	2023/24 (7 years)
RMT 01/17	10/01/2017	£90,000	Tenancy Refurb. - 2 properties	c. £7,110	2031/32 (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, although it was noted that Visitor centre income was below previous years and the outturn would be adverse because of the temporary closure of the Castleton centre during refurbishment.

Base Rates remained the same for the whole year at 0.5%, and investment receipts improved slightly from the previous year mainly because of sustained higher cash holdings; the actual interest rate earned from the Treasury Management of the cash balances reduced from 0.68% at the beginning of the year to 0.53% at the end of the year. Interest earned was £38,186, £2,212 above the previous year's total. This exceeded the original budget estimate by £8,186. The budget for 2017/18 was approved with an increased interest receipt expectation, of £40,000, which should be achievable.

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 likely to be a small sum of up to £50,000 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	2015-16	2014-15	2013-14
Midyear Review allocation	0	45,690	0	80,000
Surplus available for allocation (after provisions, contingencies and planned budget surpluses)	40,000 – 50,000 to be confirmed	176,000	100,000 (plus £85,000 slippage re-directed) = £185,000	30,000 (plus £83,000 slippage re-directed) = £113,000
Slippage approved	799,189	764,467	518,984	815,229

9. Resource Management Meeting (RMM) discussed the outturn figures and slippage recommendations on the 9<sup>th</sup> 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 £622,439 in March 2016. The proposal is that this level is sufficient and the increase arising from the outturn of up to £50,000 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 fallen by £59,000. 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 £1,012,321, and there were sale receipts during the year of Fire Station Field in Bakewell, and 8 woodlands. In addition, a £60,000 grant repayment provision relating to the sale of Warren Lodge was confirmed as not being recoverable and so the provision is released and the funds are allocated to this Reserve. Accordingly the net receipts from these sales is added to the Reserve, increasing the reserve by £218,000, in line with the approved Capital Programme and needed to sustain that expenditure programme. The reserve was also 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), 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 31<sup>st</sup> 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 2016/17 level is £799,189 which is approximately 120% of its long term average of £661,249.
- (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 Countryside & Economy Service budget variances are explained by vacancy savings and the desire to understand how the new national scheme grant awards would be distributed before committing to Authority funds.

- (b) The £228,000 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 £97,000. The budget is consistent with the operational plan presented to ARP Committee members in January 2017.
- (c) The Planning Service fee-based planning applications in £ terms were a significant £90,000 below the previous year, £25,000 below budget estimate, whereas pre application advice fees slightly exceeded the estimate, achieving £47,000, compared to the estimate of £45,000. Overall numbers of chargeable applications were down to 670 from 685 the previous year; major applications over £1,000 were down in value by £92,000 (6 in number). Overall the income deficit was balanced by vacancy savings, with a net surplus of £23,000.
- (d) The Rangers' budget was overspent because the Health & Safety Executive imposed a £45,000 Intervention Fee recovering their costs of examining and testing a vehicle involved in an off-road accident. The Authority disputed the need to incur the costs, and the HSE reduced some elements, but the Authority considered it was not cost effective to challenge the costs further and paid the fee.
- (e) The Warslow estate balanced its budget and achieved full cost recovery, but shows an overspend as a longstanding scheme at Knowle House Farm is part financed from the Capital Fund based on a 2006 Authority resolution, and is part financed from the revenue account recoverable over three years. The North Lees estate met a number of challenges in the year, with a further successful increase in pod camping helping the campsite to a surplus above budget, but the costs of North Lees Hall were not fully offset by income from re-letting yet, and the recovery of grant by Natural England relating to non-compliance in a number of technical areas led to a £25,000 overspend which are considered to be supportable from the overall outturn as exceptional items (as notified at the midyear review stage). The Woodlands budget exceeded its income target by £5,000.
- (f) The Trails' budget underspend of £47,000 relates to phasing of essential infrastructure work and is appropriated to the Specific Reserve to allow this to happen in 2017/18 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 Capital Programme approval for infrastructure work, approved by this committee in September 2016 (Minute 51/16)
- (g) Visitor centre sales were £52,000 below the previous year with overall sales in the region of £427,000. Lower visitor numbers and the temporary closure of the Castleton centre pending refurbishment were the main causes. Some backlog maintenance work also affected the service's ability to achieve its in-year target; the 2016/17 budget had been reduced by a further £30,000 and this was not achievable under the circumstances. The majority of the deficit is covered by drawing on the specific reserve.
- (h) The Cycle Hire Service continued its implementation of the improvement plan, and the year end result shows another very strong performance, with a year end surplus of £42,000 which more than covers the service's full cost. The surplus above full cost recovery (£22,500) is requested to be appropriated to the specific reserve to carry out further service improvements.
- (i) The ICT service implemented its programme to change the basis of its provision to an infrastructure as a service model within budget.

- (j) There were vacancies and savings in non-pay in the amalgamation of the Customer Services and Operational Support Team into the new Customer & Business Support Team
- (k) The transition between the old Policy Management, Community Policy and Recreation Strategy budgets into a new Corporate Strategy team led to vacancy savings during the year and these vacancy savings are requested to be carried forward as part of implementing the new single team. The budget will be consolidated into the one team from 2017/18.
- (l) The Legal Services funds ring-fenced for legal actions which were not required in 2016/17 are carried forward into the Minerals and Legal Reserve. The level of the Reserve allows the Authority to make strong responses in defence of its policies.
- (m) The extra allocations agreed for helping the HR team manage the change process and revise HR policies, together with funds for leadership development, are requested to be carried forward into 2017/18.
- (n) Under Corporate Management, the Authority incurred termination costs for redundancies of £95,467 which were supported from the Re-structuring reserve. Within this budget was the new allocation for “giving” and the re-structure and vacancies have deferred implementation of this allocation so the slippage request is for this to be added to the baseline in 2017/18.
- (o) 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) as a result of these activities. The demands are assessed by the director and commitments have been agreed for 2017/18 onwards – hence the remaining sum is requested as slippage to help meet the agreed demands in 2017/18 and 2018/19. 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. Work in hand on the new Edale offices for the Moors for the Future team (costing £258,992 in 2016/17 – as per Minute 39/15) have been financed from this budget.
- (p) 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 RMM 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, or dealt with corporately without impact on reserves, 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 2017/18 budget. D (ii) lists the recommended appropriations to or from specific reserves. D (iii) contains the overspends proposed to be carried forward against the 2017/18 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.

### **Proposals**

17. In terms of the Authority's overall financial position, the outturn for the 2016/17 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 into the medium term.

### **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 2016/17 financial year.

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

### **Consultees**

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

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

Full income and expenditure analysis

**Appendices**

Appendix A - 2016/17 Variance Analysis

Appendix B - 2016/17 Outturn by functional headings

Appendix C - 2016/17 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, May 2017