8. 2017-2018 OUTTURN (A.137/22/PN)

Purpose of the Report

1. This report explains the outturn for 2017/2018 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 2018/19 financial year.

Key Issues

- The 2017/18 financial year accounts need to be signed by the Chief Finance Officer by the 31st May 2018 with audited accounts published by 31st July 2018.

- In order to meet the deadline for the accounts it is suggested that if Members feel unable to approve all the recommendations it is proposed that the sums affected should 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, the general reserve is protected and shows a minor increase.

- The National Park Grant for 2017/18 benefitted from the second year of the "protected" Spending Review period, with an increase of 1.72% from the previous year. The approved budget for 2017/18 included £498,500 of one-off investment allocations.

- At midyear review stage there were no major concerns reported, but it was noted that the closure of Castleton Visitor Centre in the first quarter would not be likely to be fully recovered by the end of the year and an overspend (from not trading in that period) of approximately £50,000 was forecast. A number of small virements using vacancy savings were also agreed to support the new staff structure. The visitor centre deficit can be found from the overall outturn position.

- The recommended slippage requests and specific reserve requests, in support of budget-holders achieving their business plans, are contained within Appendix C.

- The Authority's reserve position is maintained at the levels shown in Appendix D 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 as we move into the next Spending Review period.

  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 facilitated the reallocation of

resources to priorities in the current Corporate Strategy, meaning that slightly higher reserve levels will be carried in the medium term until the new allocation decisions are fully spent.

Recommendation

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

How does this contribute to our policies and legal obligations?

3. The Accounts and Audit Regulations 2015 require the Chief Finance Officer to sign the annual accounts by the 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 accounts are required to be audited and signed off by 31st July. The consequence of this is that the Chief Finance Officer will need to prepare and certify the accounts by 31st May. The outturn information in this report is based on the budget report agreed in March 2017.

4. There were periodic budget monitoring meetings of the Senior Leadership 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 2017/18 was based on the level of National Park Grant confirmed by Defra on January 21st 2016, which confirmed a £109,474 (1.72%) increase to the agreed level of National Park Grant, as part of a protected settlement up to 31st March 2020 in line with the current 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 2017 meeting also approved the Chief Finance Officer's report under the Prudential Code for Capital Finance, setting prudent borrowing limits for the 2017/18 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 31st March 2018, after repayments to date, is now £472,706. 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 £997,045; 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	£9,247	Replacement vehicle Learning Team (now adopted as a general pool car following staff	£1,311	2019/20 (7 years)

			move to Aldern House)		
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. £5,000	2031/32 (15 years)
RMM 32/17	01/08/2017	145,000	Tenancy Refurb – 1 property	c. £7,125	2041/42 (25 years)
RMM 38/17	04/10/2017	75,000	Pool car replacements	C £6,100	2023/24 (7 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 Visitor Centre during refurbishment.

Base Rates were increased from 0.25% to 0.5% in November 2017, and investment receipts have improved slightly from the previous year as a result; the actual interest rate earned from the Treasury Management of the cash balances reduced from 0.52% at the beginning of the year to 0.42% midyear, improving towards the end of the year to 0.6%. Interest earned was £41,227. The budget for 2018/19 was approved with an increased interest receipt expectation, of £50,000.

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 are not likely to be any extra funds available for allocation, after taking account of slippage requests and specific reserve requests, subject to confirming final accounting provisions. The table illustrates how these "outturn" resources have varied in the past few years:-

	2017-18	**2016-17**	**2015-16**	**2014-15**
Midyear Review allocation	95,000	0	45,690	0
Surplus for reallocation	0	34,000	0	185,000
Slippage approved	1,147,550	799,189	764,467	518,984

9. Resource Management Meeting (RMM) discussed the outturn figures and slippage recommendations on the 8th May.

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

Reserve Levels (Appendix D)

(a) General Reserve: The General Reserve exists to accommodate unforeseen circumstances and was £647,851 in March 2017. The proposal is that a level of £650,000 is sufficient and any increase above this figure if confirmed in July will be available for allocation alongside other investment discussions (although this year that may be a very small amount).

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.

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 increased by £297,000. 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, especially in relation to tackling backlog maintenance of properties occupied.

(c) Capital Reserve: The Capital Receipts reserve started the year at £1,188,163, and there were sale receipts during the year of 8 further woodlands and the disposal of 3 vehicles. The net receipts from these sales are added to the Reserve, increasing the reserve by £136,474, 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 and the Board Room floor (Minute 58/11), plus the partially completed alterations at Aldern House (ARP Minute 52/14), expenditure totalling £31,695

(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 C 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 2017/18 level is £1,147,550 which is approximately 160% of its long term average of £693,669.

(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 £318,000 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 £96,000. The budget is consistent with the operational plan presented to ARP Committee members in January 2018.

(c) The Planning Service fee-based planning applications in £ terms were £45,000 above the previous year, £23,000 above budget estimate, whereas pre application advice fees nearly met the estimate, achieving £46,000, compared to the estimate of £50,000. Overall numbers of chargeable applications were up to 690 from 670 the previous year; larger applications also making up the higher fee level. Overall the service budget was helped by much higher vacancy savings than usual, with a net surplus of £90,000. A S.106 payment of £55,000 was also received, which is not included in the above figures.

(d) The Warslow estate balanced its budget and achieved full cost recovery.

(e) The North Lees estate exceeded its 93% full cost recovery target and managed full cost recovery (actually 111%). This was due to a number of positive factors, including net income from the campsite above budget of £19,000, reduced input costs for rented properties, and higher income from Surprise View car park.

(f) The non-Estate car park budget suffered from a combination of lower car park receipts, a change in card payment machine operator, the cost of machine replacements and the advertising of statutory notices for the public consultation on car park proposals. There was less expenditure on maintenance of non-Estate toilets in 2017/18 helping to offset the car parks' deficit.

(g) The Trails' budget underspend of £144,000 arises from extra income above budget (£15,000) and deferred ground maintenance expenditure relating to phasing of essential infrastructure work and is appropriated to the Specific Reserve. 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)

(h) Visitor centre sales were £13,000 above the previous year with overall sales in the region of £441,000. Lower visitor numbers and the temporary closure of the Castleton Visitor Centre pending refurbishment were the main causes of the budget overspend. The interpretation improvements require draw down of the remaining reserve.

(i) 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 £22,000 which more than covers the service's full cost. The surplus is requested to be appropriated to the specific reserve to carry out further service improvements.

(j) The ICT service implemented its programme to change the basis of its provision to an infrastructure as a service model within budget and is achieving the objectives of the project.

(k) There were vacancy savings in the Customer & Business Support Team

(l) The new Corporate Strategy team slippage requests are for ring-fenced funds towards the climate change vulnerability assessment.

(m) The Legal Services funds ring-fenced for legal actions which were not required in 2017/18 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.

(n) The corporate training programmes for 2017/18 were delayed and are requested to be carried forward into 2018/19.

(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 2018/19 onwards – hence the remaining sum is requested as slippage to help meet the agreed demands in 2018/19 and 2019/20. 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.

(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, its 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 the original 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 B. 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 budget responsibility is allocated and monitored during the year. This Annex is used as the basis for RMM 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 C
C (i) lists the recommended slippage requests put forward by service heads and Directors for carry forward of unspent funds into the 2018/19 budget. C (ii) lists the recommended appropriations to or from specific reserves. C (iii) contains the overspends proposed to be carried forward against the 2018/19 service or project budget, if any.

Appendix D
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.

Proposals

16. In terms of the Authority's overall financial position, the outturn for the 2017/18 is as presented, and the actions recommended in Appendix C are regarded as an appropriate way of managing the Authority's resources across financial years.

17. 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 give strong support to 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?

18. **Financial:** The issues have been covered in the report.

19. **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 2017/18 financial year.

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

Consultees

21. The outturn was discussed and agreed by the Resource Management Meeting (RMM) on the 8th May.

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

Full income and expenditure analysis

Appendices

Appendix A - 2017/18 Variance Analysis

Appendix B - 2017/18 Outturn by services within divisional headings

Appendix C - Slippage and reserve requests

Appendix D - Reserve Levels

Report Author, Job Title and Publication Date

Philip Naylor, Head of Finance / Chief Finance Officer, May 2018