

6. 2014-2015 OUTTURN (A.137/22/PN)

Purpose of the Report

1. This report explains the outturn for 2014/2015 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 2015/16 financial year. These approvals are required in order that the Authority's accounts can be signed off by the 30th June deadline.

Key Issues

- There have been a number of small overspends and underspends / additional income which balance out overall; there are no significant overspends; this means that reserve levels have been protected at planned levels, and it is also proposed that the Re-structuring reserve is added to.
- The Cycle Hire deficit of £10,000 was in line with the prediction in the March committee report and represents a significant improvement from the previous year's trading.
- The £33,000 reduction in the North Lees estate budget cost was not achieved, with some transitional one –off costs being incurred in the tenancy transition and the farmhouse refurbishment, as part of the new business plan. The campsite was also not able to achieve its increased income target.
- The National Park Grant for 2014/15 was reduced by 8.51% and with savings of £577,000 required, the approved budget was not structurally balanced, requiring a planned contribution from General Reserve of £63,000. This contribution has been made; the approved budget for 2015/16 was structurally balanced so this is a one-off allocation and not a recurring drain on the Reserve.
- At midyear review stage there were no major concerns, but the potential variances in the North Lees budget, sponsorship target, Warren Lodge rental, shortfall in investment receipts, and recruitment costs for the new Chief Executive were noted. Probable over achievement of income estimates (planning fees & car parks) and a number of one-off contingencies / savings were identified as mitigating these, although no formal virements were made.
- There are concerns that the Re-structuring reserve may not be sufficient to accommodate the costs of transition in the next Spending Review period. Therefore it is recommended that the reserve is supplemented by £200,000, by transferring £100,000 from the General Reserve and allocating £100,000 from the overall outturn underspends / additional income.
- The Authority received two generous bequests totalling £33,000 in the year and these are appropriated to restricted reserves in the name of the donor pending decisions on allocating these funds in line with any conditions contained within the legacies.
- The level of slippage has remained high, and Resource Management Team has reviewed the slippage requests and recommends that £85,000 of slippage is re-directed to support further investment and transitional work. The recommended allocations are covered in paragraph 9 below. Appendix D contains the remaining slippage requests and incorporates these recommended sums as well.
- A number of specific reserve requests are also made in support of budget holders achieving their business plans. These are contained within Appendix D also, and are reported to committee in the separate Specific Reserves report.
- The Authority's reserve position is maintained at the levels shown in Appendix E for three main purposes:-
 - 1) allowing a limited degree of one-off resilience either in coping 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) providing the resources necessary to ensure that the one off costs of transition in the next Spending Review period can be afforded.

The Reserves are an essential cushion as the Authority prepares to meet the challenges in the next Spending Review period.

- Areas to watch in 2015/16 are primarily budgets whose income targets have been stretched, or have risks of achieving them based on historical performance. These are the Cycle Hire service, the North Lees Estate, the Footpaths team, and the extension of pre-application advice charging.

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. 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 consulted on earlier completion of accounts for Local Authorities and is minded to legislate 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) and therefore the timing of this meeting will need to change in the future to (approximately) the first week of May in order to achieve the deadline. The outturn information in this report is based on the budget report agreed in February 2014 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 2014/15 was based on the level of National Park Grant confirmed by Defra on December 20th 2013, which confirmed a £592,669 (8.51%) cut to the agreed level of National Park Grant. As part of coping with the resource reductions in the Comprehensive Spending Review Members had previously approved a total of £270,000 of savings in the 2010/11 year, a further £446,000 of savings to take effect in the 2011/12 year, £386,000 in 2012/13; £357,000 in 2013/14, and £577,000 in 2014/15, totalling £2,036,000.
6. The March 2014 meeting also approved the Chief Finance Officer's report under the Prudential Code for Capital Finance, setting prudent borrowing limits for the 2014/15 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 2015, after repayments to date, is now £657,067. 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	£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.

- The Budget Monitoring Group met during the year and 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 were affected by these continuing low rates of return, as well as a fall in cash holdings from £4.7m to £3m. Despite this the interest earned was £30,065, £13,969 above the previous year's total, a reflection of the new Treasury Management arrangements with North Yorkshire County Council. There was still a shortfall of £19,935 against the budget estimate, as this estimate had assumed the Authority would benefit from slight improvement in interest rates by now. The budget for 2015/16 was approved with a revised downwards adjustment to the interest receipt expectation, to £30,000.

- At the outturn stage it is sometimes possible to make temporary resource allocations, based on actual results, although it is anticipated that these opportunities are likely to diminish. The current year's outturn does however show that there is a small sum (£100,000) available for allocation, after taking account of slippage requests and specific reserve requests. It is recommended that this sum is appropriated to the Restructuring reserve. Any other sums needing to be found for other priorities would need

to be funded from disallowing slippage or specific reserve requests. The table overleaf illustrates how these “outturn” resources have varied in the past few years:-

	2014-15	2013-14	2012-13	2011-12
Midyear Review allocation	0	80,000	117,800	173,000
Surplus available for allocation (after provisions, contingencies and planned budget surpluses)	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	441,000
Slippage approved	518,984	815,229	764,752	806,786

9. Resource Management Team (RMT) discussed the outturn figures and slippage recommendations on the 12th May and supported the increase in the Restructuring Reserve. They also considered that £85,000 of the original slippage requests could be used for a different purpose as follows, and these revised requests have been incorporated into Appendix D:-

Focus	Total
Capacity to accelerate property disposals and new income generation	£44,000
Brand development on the ground	£15,000
Change management capacity	£26,000

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 £730,452 in March 2014. After supporting the 2014/15 budget and allowing for a re-allocation of £100,000 into the Re-structuring reserve, this is reduced to £567,924. This includes a cash contingency of £304,000 in case there are difficulties in approving or underwriting the 2016/17 budget. Without this sum the Reserve would be about £263,924.

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 six are currently relevant.

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: Subject to decisions at this meeting, the level of specific reserves overall has risen by £423,000. 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, as reported in the previous report. If the Minerals & Legal and Restructuring reserves are not included (as they are recent elements) the levels of the remaining Specific Reserves are £536,494 (£428,196 previous year). In the context of the last 8 years in the table in Appendix 1 of the Specific Reserves report, the average level is about £400,000, although the individual amounts in reserves vary according to their usage.

- (c) Capital Reserve: The Capital Receipts reserve in this report started the year at £425,597, and there were no sale receipts during the year. The reserve was used to support previously authorised Environmental works carried out in 2014/15 (Minute 58/11), and the partially completed alterations at Aldern House to allow for re-letting of vacant space (ARP Minute 52/14). A number of disposal receipts are anticipated in 2015/16 and the level of the reserve, after existing commitments have been spent, is anticipated to be in the region of £950,000 at March 2016. This will allow for approximately £800,000 of investment expenditure, subject to a minimum level of £150,000 being retained until there is greater certainty over the Spending Review figures.
- (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 2014/15 level is £603,984 which is approximately 94% of its long term average of £641,000. The levels are expected to reduce as baseline resources diminish and the one-off allocations are spent.
- (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. During this Spending Review this reserve has also been used to ring fence funds approved for re-allocation. The reserve level is expected to drop to a low level in the next three years as these one off sums are spent.

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.
- (b) The £255,000 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 £93,000. The budget is consistent with the operational plan presented to ARP Committee members in Minute 05/15 in January 2015.

- (c) Of the Recreation facilities the car parks' budget contributed £26,000 additional income above budget, reflecting the new car park fee structure; strong continuing performance from concession income also led to an increase above budget of £19,000. The Trails' budget was underspent by £19,000, which is being appropriated to the Trails Reserve to help finance future maintenance costs. North Lees campsite's performance was similar to the previous year, and hence was not able to achieve the higher income target set for 2014/15 by £12,000.
- (d) Estate properties overall achieved an £18,000 surplus, with the Eastern Moors Estate benefiting from a decrease in the contribution to the partnership in the fifth year of the lease, despite the loss of rental income at Warren Lodge. The Minor properties budget also achieved a surplus of £16,000, from reduced expenditure requirements. The Warslow estate balanced its budget. The North Lees estate suffered a loss of £24,000 mainly because of one-off transition costs arising from the refurbishment of North Lees farmhouse (which is now tenanted) and transitional costs in the agricultural tenancy; these costs will not recur in 2015/16. The North Lees budget for 2014/15 was reduced by £35,000 in 2014/15 as part of trying to move the estate towards recovery of its full cost. From 2015/16, as reported in the February budget report, the Trails, Warslow and North Lees Estates incorporate all the relevant assets on the estate (eg car parks, toilets, concessions, etc) and the budgets are managed as a single entity under one manager for each estate.
- (e) The Planning Service fee-based planning applications in £ terms were £33,000 above the previous year, and pre application advice fees achieved £23,000, compared to an estimate of £20,000. Overall the service therefore had a surplus, after vacancy savings, of £54,000, of which £25,000 is appropriated to the Minerals and Legal Reserve.
- (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 and footpath teams, and a small saving in the Access and Rights of Way team. The Volunteers and Footpaths teams achieved their income targets.
- (h) Visitor centre sales were £20,000 higher than the previous year with overall sales in the region of £469,000. Gross profit increased by £10,000 on similar margins. Staff costs increased slightly by £3,000. This performance is after a £135,000 cut in net budget since 2011/12. The net budget target was met.
- (i) The Cycle Hire Service produced a year end result in line with the estimate in the March ARP report, with a £11,000 deficit compared to the forecast of £9,000. This is a significant improvement of £42,000 compared to the previous year, which reported a deficit of £53,000. The deficit is financed from the contingency sum set aside in the Cycle Hire reserve. Progress on the 2015/16 action plan will be reported to the July committee.
- (j) In its fourth full year of operation the Learning Team exceeded its target income of £80,000 by £12,000 with the overall budget of £137,000 balanced at the end of the year.
- (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 a change in the

ICT strategy and the provision of ICT infrastructure, options which are being considered and reported to RMT in June.

- (l) The capital “overspend” shown under Aldern House relates to the approved Aldern House infrastructure project (ARP Minute 52/14), the funding of which is appropriated from the Capital Reserve; the project is on target for completion in 2015/16 within the original budget.
- (m) The Legal Services funds ring-fenced for legal actions which were not required in 2014/15 are carried forward into the Minerals and Legal Reserve. The service also added £15,000 of additional income above budget from its new charging regime for Section 106 agreements, together with recovery of cost awards.
- (n) The Design service achieved an income surplus against target in its third full year of trading, requesting a small surplus into the Specific Reserve.
- (o) The corporate overhead recovery fund is managed by the Director of Corporate Resources 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 2015/16 onwards – hence the remaining sum is requested as slippage to help meet the agreed demands in 2015/16 and 2016/17. 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 Corporate Management budget was overspent because of the costs of the recruitment exercise for the new Chief Executive, and the fact that the sponsorship target (external funds from the National Parks initiative) was not achieved.
- (q) 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.
- (q) Within the Matched Funding appropriations cost centre is the £33,000 bequests figure mentioned above, for allocation into their respective Restricted reserves.

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 2015/16 budget. D (ii) lists the recommended appropriations to or from specific reserves. D (iii) contains the overspends proposed to be carried forward against the 2015/16 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 three forms to meet internal and external requirements:

- Budgets are 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 administration 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 Corporate Resources 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 Corporate Resources costs to front line services are also included, in order to comply with the Local Authority (CIPFA) accounting code of practice.
- The Performance & Business Plan financial information is prepared in accordance with Defra's Grant Memorandum, and is now more closely harmonised with the published annual financial accounts.

Proposals

17. In terms of the Authority's overall financial position, the outturn for the 2014/15 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 are essential transitional funds to allow the Authority to respond to the uncertainties in the next Spending Review period.

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 Director of Corporate Resources 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 2014/15 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 12th May and prior sight of the appendices to this report was presented to the Budget

Monitoring Group on the 22nd May.

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

Full income and expenditure analysis

Appendices

Appendix A - 2014/15 Variance Analysis

Appendix B - 2014/15 Outturn by functional headings

Appendix C - 2014/15 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, 27 May 2015