

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

3 September 2018

Ryevitalise Landscape Partnership

1. Purpose of the Report

- 1.1 To update Members on the financial profile and funding breakdown for the Heritage Lottery Fund (HLF) stage two application
- 1.2 To provide financial details and background on the approach for securing Conservation agreements both within the North York Moors National Park and for the wider Ryevitalise delivery area prior to a final decision at the next NPA meeting.

2. Financial Background

- 2.1 A report was presented to members at the 25 September 2017 full Authority meeting on progress made in relation to the Ryevitalise project, advising on application submission dates, next steps and the longer term plans for the project.
- 2.2 Members noted the progress in developing the Stage Two bid submission to the HLF, reaffirmed their support for the Project and directed officers to propose a financial plan to FRASC for meeting the match funding requirement in the 2018/19 – 20/21 budgets.
- 2.3 HLF have ring fenced £1.834m as a match funding contribution, subject to a successful stage two application. This represents a 54% intervention rate by HLF on a total budget of £3.398m after the increased salary costs.
- 2.4 The potential cash contribution by the Authority to the overall project is 21% of the total budget.

Illustrative cash intervention rates for the various elements of the project are summarised in the table below.

| | HLF Contribution | NYMNPA Contribution | Partners |
|--|-------------------------|----------------------------|-----------------|
| Staff Costs | 88% | 12% | 0 |
| Conservation (1st purpose) | 37% | 28% | 35% |
| Engagement (2nd purpose) | 68% | 31% | 1% |

- 2.5 The NYMNPA committed support through the Business Plan, initially with £170,000 from revenue budgets, in the stage one application to HLF.
- 2.6 The project funding programme presented on 25 September 2017 has been reviewed and updated and is detailed as follows.

3. **Current Financial Position**

- 3.1 As the Stage two bid has developed, a number of factors have impacted on the progress of its development and the budget that was originally submitted in stage one.
- 3.2 Critically, staff absence through sickness and an underestimation of the amount of resource required to develop the bid has resulted in slow progress in its development and a lack of oversight of the project. This has resulted in project detail, particularly the financial requirements of the project being overlooked. Resource has been diverted from elsewhere in the conservation team and progress on the development of the project is getting back on track. Detailed attention has been paid to the project finances and the financial position and the impact on the Authority is now clearly understood.
- 3.3 Partner agencies have had budget challenges and have not been able to commit money that they thought they might be able to at stage one. Some of the proposed match funding from charitable trusts has not materialised and other opportunities are being sought to complement the HLF and Authority funding already committed. Some additional costs have also been identified, increasing the overall match funding contribution required by the project. These changes are explained in detail below.
- 3.4 The total project costs are £3,397,801. This is an increase of £556,001 over the total costs indicated in stage one. This increase is accounted for predominantly by increased staff cost for the project from strengthening the delivery team from 3.8fte to 5.6fte for the duration of the project. This is deemed necessary to reduce the call on core resources experienced from TEL/Lol and other income generating work.
- 3.5 Since submission, it has been identified that the original salary costs did not include inflationary rises, pension or national insurance contributions, representing an additional cost of £190,382. Following this, the staff structure has been reviewed and the graduate placement post has been reduced from four to two years. This amendment has limited the increase in staff budget overall to £105,382 to cover the additional inflation, NI and pension costs.
- 3.6 In the stage one submission, it was anticipated that landowners would make a financial contribution of £224,000 towards the project. This is now not the case and HLF has agreed that this target was unrealistic and can be amended to reflect a £100,000 in-kind contribution instead.
- 3.7 In-kind contributions now total £320,000. This is made up of £190,000 of volunteer time identified in the stage one bid and the £100,000 landowner contribution as detailed above. An additional £30,000 of in kind contributions will be secured from partners as part of the ongoing development phase and subsequently through engagement in the delivery phase. This may include professional advice and complementary activities.
- 3.8 Over the four years, a small number of the projects will be funded through the Authority as they meet the criteria for compensatory activity as part of a s106 agreement held by the North York Moors National Park Authority. These projects include woodland restoration, invasive species control and access work.
- 3.9 Cash match funding has been secured from The Howardian Hills AONB, The Environment Agency, Forestry Commission, and The Cleveland Way Project.
- 3.10 £153,000 has been earmarked in the Authority's reserves for the project.
- 3.11 The current status of match funding can be seen in the following income summary table.

Income Summary

| Funding Source | Non HLF | HLF | Description | Status |
|-----------------------|-------------------|-------------------|--|--|
| Environment Agency | £160,000 | | Conservation works | Secured |
| NYMNPA S106 | £319,200 | | PAWS, Access and Invasive Species Control Reduces to £169,200 if WEG money secured | Secured |
| HHAONB | £20,000 | | Conservation Projects and Invasive Species Control | Secured |
| NYMNPA Reserves | £153,000 | | Paradise Initiative / Interpretation | Secured |
| NYMNPA Cleveland Way | £6000 | | Rievaulx Access | Secured |
| Forestry Commission | £20,000 | | PAWS work | Minimum committed pending discussions on 17 th August |
| NYCC | £8000 | | | |
| Heritage Lottery Fund | | £1,834,800 | | If Stage 2 successful |
| In Kind Contributions | £320,000 | | Volunteers, professional assistance | £290,000 secured |
| Total | £1,002,200 | £1,834,800 | | |
| Outstanding | £556,800 | | | |

- 3.12 The secured funding to date does not cover all of the match funding requirement of the project. An additional £556,800 will need to be found to fulfil the financial commitments over the four year delivery of the project. Additional external funding is currently being sought from the Water Environment Grant (though eligibility has to be confirmed) and other possibilities should emerge over the course of the project. In addition the North York Moors National Park Trust has expressed an interest in supporting a discrete part of the project and may apply to various charitable trust funds.
- 3.13 In order to consider the risk to the authority, a best, mid and worst case scenario has been drawn up (see table 2). This reveals that if no other funding is secured, this shortfall equates to £139,200 a year that would need to be found from revenue budgets. In the best case scenario, all of the external funding bids are successful and there will be an additional requirement from the Authority of £14,450 a year.
- 3.14 The funding sources show in table 2 only include current external funding bids and those that are to be submitted in the next few weeks. Over the course of the project, other funding streams may become available that the project is eligible to apply to.

For the sake of prudence, these have not been included at this stage but in time, any additional external funding would reduce additional Authority funding required.

- 3.15 Table 2 only shows the funding required during the four year delivery stage of the project. The 'worst case' scenario includes all funding currently confirmed. Additional funding from 2023 will also be required to sustain long term Conservation agreements to achieve the long term conservation objectives of the project as part of the lasting legacy. This will be addressed in section 4.

Table 2 – Scenarios

| | Worst £ | Mid £ | Best £ |
|---------------------------------------|--------------------|------------------|-------------------|
| Total Non-HLF Funding | 1,563,000 | 1,563,000 | 1,563,000 |
| Less In Kind Contributions | (320,000) | (320,000) | (320,000) |
| Reserves | (153,000) | (153,000) | (153,000) |
| S106 | (319,200) | (169,200) | (169,200) |
| External Funding :- | | | |
| Environment Agency | (160,000) | (160,000) | (160,000) |
| WEG | 0 | (303,410) | (312,000) |
| Yorkshire Water | 0 | 0 | (70,000) |
| Forestry Commission | (20,000) | (20,000) | (22,000) |
| ESME Fairburn | 0 | | (105,000) |
| Ryedale contribution | 0 | | (10,000) |
| NYCC contribution | (8,000) | (8,000) | (8,000) |
| Sirius apprentices | 0 | (25,000) | (50,000) |
| Additional funding still being sought | 0 | | (100,000) |
| AONB | (20,000) | (20,000) | (20,000) |
| Cleveland Way | (6,000) | (6,000) | (6,000) |
| Total to fund from NYMNP | 556,800 | 378,390 | 57,800 |
| Per Annum | 139,200 | 94,5998 | 14,450 |

- 3.16 If the stage two bid was successful and further external funding is not secured, this shortfall would need to be met through the Authority's revenue budgets. The full cost of the project is included in the MTFS with only reasonably secure income set against this. Clearly, in the worst case scenario (our current position), this would have a considerable impact on the MTFS. The indicative MTFS is built on the mid-case scenario and assumes that a further £200k of external funding will be raised over the four years of the project. Work continues to try to source additional external funding, which would reduce the requirement for revenue funding. Although a sum was allocated in the Business Plan budget to cover the costs of delivering this project, Members should appreciate the considerable strain that the worst case scenario would place on the Authority's budget given the current and forecast financial position. This is explored further in the 2018/2019 Finance Update paper on this agenda.

4. Conservation Agreements and Legacy

- 4.1 The scheme is an exciting opportunity for the Landscape Partnership to holistically deliver significant benefits for the natural and historical heritage for the Rye catchment as well as long term engagement for audiences. The scheme offers the opportunity for our Management Plan connectivity objectives to be delivered in an unprecedented way with tangible and long term heritage, conservation and engagement outcomes. It is anticipated that a minimum of 190ha of PAWS restoration, 500ha of moorland / peatland improvements and 200km of riparian corridor improvements will be achieved through the project.
- 4.2 Many of these conservation outcomes will be delivered through Conservation agreements with land owners and managers across the Ryevitalise area.
- 4.3 The HLF require that the Conservation agreements will be in place for a minimum of 10 years beyond the end of the delivery phase of the project. The maximum length of agreement will be 14 years.
- 4.4 Conservation agreements are potentially available to any landowner in the Ryevitalise Project area and cover a wide range of conservation activities. Some activities and habitats are prioritised and landowners and managers who can affect these positively will be targeted. Each of the Conservation agreements is bespoke to the land holding and is developed to deliver excellent conservation outcomes and value for money. Higher payment rates will be offered for those schemes that deliver the highest quality outcomes and for some priority areas and habitats, incentive payments will also be available. The contributions offered will include capital and maintenance payments. A payment framework (an example is shown in **Appendix 1**) is being devised that includes a range of habitat works and the lower and higher contributions available for each type of intervention.
- 4.5 The Authority's land management team are currently negotiating with landowners and managers across the Ryevitalise area to secure Conservation agreements as well as firming up the funding required during the delivery phase, Conservation agreements will also include funding for long term maintenance which will become an obligation on the Authority after the delivery phase ends in 2023
- 4.6 The legacy of the project will require some long term financial and staff resource commitments from 2023 onwards. To date, 7 agreements for delivery in year 1 have been drafted. The total capital and revenue costs for the duration of the HLF Funded project is approximately £124,000. Ongoing maintenance costs will be offered for a further 6 years so this is calculated to be approximately £49,000 in total (excluding staff costs), an additional 40% requirement following the cessation of HLF funding. It is not possible at this stage to know exactly how many agreements will be created for the project. There is a total budget of around £1,000,000 for Conservation agreements so if we assume the 40% long term maintenance costs are constant, an additional £400,000 would be needed to cover those costs. An additional £5000 over the 6 year period would be required to maintain the new access routes plus an additional £12000 for staff costs to monitor the agreements. In total, the additional resource required for the project would be £417,000.00 which equates to £69,500 per year. This is the maximum exposure to the Authority and may reduce during the course of the project. For example, not all of the PAWS schemes will have an associated annual maintenance plan as this will be covered by Forestry Commission contributions and if, for example, a new environmental stewardship scheme became available, some of the Conservation agreements could transfer on to these during the lifetime of the agreement so reducing the demand on our budget.

- 4.7 The management of Conservation agreements within other Authority areas are also currently being negotiated and some of the long term management arrangements may lie with this Authority as the lead partner. The legal and financial implications of this have been considered and while activity which ultimately contributes to the conservation of the National Park is permissible even if outside it, and both RDC and NYCC are partners in the project and supportive of this approach, it would clearly be helpful if the NPA could spread the risk and cost by partners taking responsibility for some of the long term Conservation agreements outside of the park
- 4.8 The deployment of the Authority's land management advisers to assist the Ryevitalise project team in securing the Conservation agreements has had an impact on the achievement of business plan targets this year. Much of the connectivity work programmes for the year has been postponed as the negotiation of conservation agreements which are essential for stage two submission have taken all of the land management team resource since January.

5. **Contribution to National Park Management Plan**

- 5.1 The Ryevitalise Scheme will contribute to a wide range of Management Plan targets. In particular:

- E1 The landscape character of the National Park will be maintained/enhanced
- E5 The archaeological heritage will be conserved or restored
- E8 Knowledge, awareness and understanding of the archaeological heritage will be increased
- E9 The traditional skills base will be developed
- E11 Existing habitats will be conserved, restored and expanded...
- E12 The connectivity and resilience of habitats will be improved...particularly in relation to species rich grasslands, woodlands and river corridors
- E13 The conditions for wildlife within streams, rivers and riparian habitats will be improved
- E36 Better connected and more resilient woodland habitat networks...through restoring PAWS
- E43 Watercourses will be protected and restored for the benefit of wildlife
- U10 The awareness of the National Park amongst the regional population and visitors will be increased
- U11 Under-represented groups will be supported to increase their awareness/access
- U13 Children within and outside the National Park will be engaged during their school career
- B21 Employment and training opportunities will be increased
- B23 Traditional skills will be developed within the workforce
- C2 Opportunities for volunteering will be created
- C3 Communities will be involved in plan-making and delivering services and projects
- C4 Local communities will be supported to maintain and celebrate local heritage etc and record their social, cultural and economic history
- C5 The interpretation of the landscape and cultural heritage will be encouraged

6. **Financial Implications**

- 6.1 The financial issues are set out in the report. However, it is important to consider the project in the context of the MTFs. As highlighted in section 3.16, the full cost of the project is included in the MTFs with only reasonably secure income set against this.

The indicative MTF5 is built on the mid-case scenario and assumes that a further £200k of external funding will be raised over the four years of the project. However the current indicative MTF5 shows an on-going funding shortfall of circa £100k. Work continues to try to source additional external funding, which would reduce the requirement for revenue funding but a shortfall of this magnitude may require funds to be diverted from other priorities. Members should also be mindful of the considerable strain that the worst case scenario would place on the Authority's budget given the current and forecast financial position.

7. **Legal Implications**

- 7.1 The Environment Act 1995, Schedule 8, authorises use of the Authority's resources outside the Authority's administrative area, subject to it being reasonable and proportionate to the benefit that accrues in relation to Authority functions within the administrative area.
- 7.2 The possibility of State Aid issues arising will be managed throughout the project including monitoring of evolving 'Brexit' issues. Should issues arise the Authority should be able to process/manage/record them through existing Agricultural Block Exemption Regulations and De Minimis Scheme arrangements, and through monitoring the nature and value of payments made.

8. **Recommendation**

- 8.1 To proceed with the development and submission of the Ryevitalise stage 2 bid to the Heritage Lottery Fund and commit the required funds of £556,800 for the 4 years delivery phase through the budget setting process.
- 8.2 To support the aspiration to secure a minimum of an additional £200,000 of external funding to support the delivery of the project.
- 8.2 To recommend to the full Authority, the forward commitment of £69,500 per year from 2023/2024 until 2028/2029 for ongoing legacy costs as per point 4.6.

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Example of proposed grant rates for Ryevitalise Conservation Agreements_Woodland Extract

| Habitat / theme | Sub-category | Details | Payment Rate Range | Associated capital works |
|-----------------|----------------------------------|---|---|---|
| <i>Woodland</i> | <i>Wet Woodland</i> | maintain – restore - create | Refer to wet woodland buffer strip payment rate | Refer to wet woodland buffer strip payment rate |
| | <i>Native Broadleaf Woodland</i> | maintain – restore - create | £30 - £100 - £240/ha for exceptional habitat condition and function (annual habitat payment) | <i>Up to 100%</i> of capital costs (Refer to capital costs / labour rate table) Consider BPS compensation depending on grazing requirements |
| | <i>Wood Pasture</i> | maintain – restore - create | £46 - £84 - £250/ha for exceptional habitat condition and function (annual habitat payment) | <i>Up to 100%</i> of capital costs (Refer to capital costs / labour rate table) |
| | <i>Tree Planting</i> | General tree planting; such as within newly created riparian buffer strips, in-fields and in-boundaries | 3 yr. maintenance grant over establishment period - based upon on hourly labour rate. (only a 3 yr. payment for tree establishment period) | <i>Up to 100%</i> of capital costs. (Refer to capital costs / labour rate table) |

Example of proposed payment rate scale for Ryevitalise Conservation Agreements: Native Broadleaf Woodland

Water quality outcomes e.g.

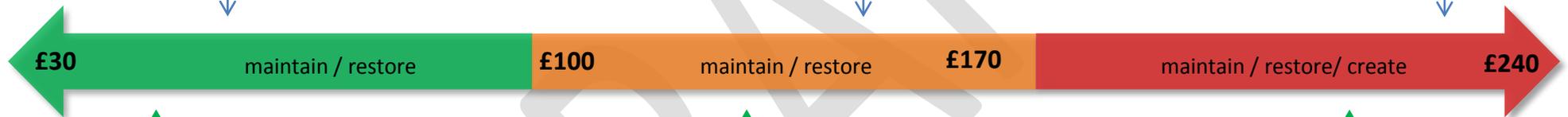
- Location; proximity to watercourse and/or slope influence water quality outcomes to some degree
- Good ground cover and root structure
- Filters surface water and stabilises site to reduce sedimentation issues to some degree
- Some slowing the flow measures to reduce surface runoff rates

Water quality outcomes e.g.

- Good habitat function with water quality outcomes

Water quality outcomes e.g.

- Location; close proximity to watercourse and/or steep slope which greatly influences water quality outcomes
- Very good ground cover and root structure
- Filters surface water and stabilises site/bank to reduce sedimentation issues
- Slowing the flow measures present
- Retains water
- Clear connectivity to the floodplain



Habitat / species / landscape outcomes e.g.

- Good habitat condition
- Reasonable ground floral community
- Beneficial to key species such as bats
- Good habitat connectivity; creating small habitat links / maintain existing links

Habitat / species / landscape outcomes e.g.

- Good habitat with commitment to improve for biodiversity

Habitat / species / landscape outcomes e.g.

- Exceptional habitat condition
- Supports wildlife; food source and roost sites for bats, increase in invertebrates etc.
- Habitat connectivity; creating good quality habitat corridors links
- Resilient habitat, able to adapt to climate change pressures
- Enhances landscape character