

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

18 November 2019

### Quarter 2 2019/2020 Finance Update

#### 1. Purpose of the Report

- 1.1 To provide Members with a budget and reserve update for the financial year 2019/20, report the actual income and expenditure as at 30th September 2019 and to provide the latest forecast outturn for 2019/20.

#### 2. Background

- 2.1 This report details the position of income and expenditure to 30 September 2019 compared with the budget, highlighting any key issues to bring to members' attention, along with a forecast outturn.
- 2.2 The budget was set at full Authority in March 2019.
- 2.3 At quarter 1, a small surplus of £23k was reported in the year to date but the outturn was expected to match to budget by the end of the year.
- 2.4 Also at quarter 1, the budget was amended to reflect the externally funded projects on the Esk, Arncliffe Wood and Monuments for the Future which were successful after the budget was set, but are increases to income and expenditure with no bottom line impact.

#### 3. Budget Changes

- 3.1 The table below shows the current budget summary at Q2 with no further adjustments to report following those made at Q1.

<b>2019/20 Budget Summary as at 30 September 2019</b>			
	<b>2019/20 Original Budget</b>	<b>2019/20 Current Budget</b>	<b>2019/20 Change in Budget</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Gross Income</b>	9,225	9,492	<b>+267</b>
<b>Gross Expenditure</b>	-9,225	-9,492	<b>-267</b>
<b>Net Movement from Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 4. Financial Performance Overview

- 4.1 The table below summarises the current position as at 30 September 2019.

	Profile Budget	Year to Date Actual	Year to Date Variance	Full Year Current Budget	Full Year Forecast Outturn	Full Year Variance
	Sept 19	Sept 19	Sept 19	March 20	March 20	March 20
<b>Income</b>						
Earned & External Income	1,117	1,111	-6	3,448	3,516	68
NPG Grant Income	2,191	2,191	0	4,382	4,382	0
S106 Compensation & Mitigation	1,109	1,281	172	1,662	1,519	-143
<b>Total Income</b>	<b>4,417</b>	<b>4,583</b>	<b>166</b>	<b>9,492</b>	<b>9,417</b>	<b>-75</b>
<b>Expenditure</b>						
Core Expenditure	-3,602	-3,617	-15	-7,830	-7,894	-64
S106 Compensation & Mitigation	-615	-439	176	-1,662	-1,519	143
<b>Total Expenditure</b>	<b>-4,217</b>	<b>-4,056</b>	<b>161</b>	<b>-9,492</b>	<b>-9,413</b>	<b>79</b>
<b>Net Surplus (+) / Deficit (-)</b>			<b>327</b>			<b>4</b>

4.2 At the half year, the numbers indicate a £327k surplus. Excluding S106, there is a £21k deficit. It is expected that this deficit will be a small surplus by the year end.

4.3 Key areas of income and expenditure variances are detailed below with additional detail in appendices 1 and 2.

## 5. Expenditure

5.1 Expenditure is below the profile budget by £161k at the end of quarter 2, the majority of which is due to S106 and timing :-

- Timing of projects on S106 have resulted in a £176k underspend at the half year. This is expected to be £143k underspent by the year end. Further detail on this can be found in section 7 of the report.
- Volunteer expenses are £29k behind profile at present, but this is due to delays in claiming for mileage.
- Local plan is behind profile at the current time, principally on staffing costs, but at present the inquiry is still expected to be held in the current year, and therefore the full budget to be expended, although some of the final costs may be invoiced in 2020/21.
- Costs from an enforcement case were £44k higher than budget at the end of September, and are therefore showing as a variance. The recovery of costs following the court decision has been received in October, with the expected overall impact in 2019/20 being a cost of £5k.
- Increased costs in retail stock at the visitors centres is as a result of higher than expected sales, and is therefore offset by higher income.

5.2 The majority of expenditure budgets are expected to come in on budget at the current time with four significant exceptions.. These are S106 spend, planning -(where an additional £50k of costs are expected as a result of a major application) and visitor centres where the positive performance in retail has resulted in an additional forecast of £14k costs.. Both the planning and retail variances have income forecasts in section 6 which more than offset the cost. The fourth area is with respect to the Connectivity budget which has been covering risk from the major built conservation work under Land of Iron and is discussed in the Budget paper.

## 6. Income

6.1 Income is currently £166k higher than the profile budget at the end of quarter 2 but is forecast to be £75k lower at the end of the year.

6.2 Of the year to date variance, £172k is due to income received in advance on S106 but the end of the year is expected to be £143k lower than budget. An update on S106 can be found in section 7 of the report. There is also timing in income received on externally funded projects but this is not expected to have an impact on the outturn.

6.3 Earned income is increasingly vital to the financial sustainability of the Authority and therefore an area of key focus. The main income streams are illustrated below.

6.4

Earned Income	Year to Date Budget Sept 19 £k	Year to Date Actual Sept 19 £k	Variance £k	Full Year Budget 2019/20 £k	Full Year Outturn 2019/20 £k	Variance £k
Car Parks	356	330	-26	511	481	-30
Visitor Centres	119	153	34	207	227	20
Planning Fees	133	141	8	275	353	78
Other	213	224	11	324	324	0
<b>Total</b>	<b>821</b>	<b>848</b>	<b>27</b>	<b>1317</b>	<b>1385</b>	<b>68</b>

6.5 Car park budgets have been set at challenging levels and the poor weather in the first half of the year has resulted in a shortfall. It is considered prudent to forecast a £30k shortfall at this stage.

6.6 Conversely, the visitor centres retail offering continues to fare very well at margin £17k higher than budgeted at this stage of the year. The Moors Centre sales have been excellent which is likely attributable to merchandise related to exhibitions in the gallery and a revamp of the retail offer. There is, therefore, a prudent forecast of £20k additional income,

6.7 Planning application fees for quarter two are favourable to profiled budget by £8k. Numbers can fluctuate based on external factors, and there are risks which mean that this upside on general planning applications will not be forecast at the current time.

6.8 The gallery at The Moors Centre continues to perform well with very successful exhibitions bringing visitors into the centre and positively impacting on retail sales. There is timing in the year to date numbers, with commission still to come in relating to gallery sales. Expected income generation over the full year is likely to be close to budget.

## 7. S106 – Polyhalite Update

- 7.1 Expenditure in Q2 was lower than budget at £439k against £615k.
- 7.2 The main variance in expenditure is related to a payment due to be made to Welcome to Yorkshire of £220k being retained by the Authority due to ongoing financial instability within Welcome to Yorkshire. The programme of work due under this contribution will be organised by the Authority and delivered by contractors for 2019/20.
- 7.3 A further variance of £155k is due to a payment to the Police being made earlier than profiled. Finally, under Landscape & Ecology, there are some issues with timing of projects which mean that the profile of spend is under what was forecast but this has been reprofiled for the second half of the year.
- 7.4 Under Core Policy D, expenditure of £320k will be made this winter against a contribution of c£445k. This will lead to approximately £125k being transferred to reserves. The 2019/20 target planting of 50ha will be achieved this winter and this underspend is a result of a drive to achieve value for money and the relative simple nature of the agreements secured for this financial year. Any money underspent can be carried forward for up to 3 years and can be used to support the costs of more difficult planting schemes so this carry-forward is seen as a positive outcome.
- 7.5 A geology PhD student has been recruited in partnership with Leeds University and this has committed expenditure under the Geology contribution for the next 3 years.

## 8. Reserves

- 8.1 The opening reserves balance for 2019/20 is £2.656m and is detailed in the table below.

Reserve Summary (£k)	2019/20 Opening Position	Movement in Reserves at Q2	2019/20 Current Position
Emergency Reserve	320	65	385
TELI Match Funding	463	0	463
NYMHR Match Funding	30	0	30
Section 106 Reserve	643	0	643
National Trails Reserve	12	-12	0
<b>Restricted and Committed Reserves</b>	<b>1,468</b>	<b>53</b>	<b>1,521</b>
Capital : Sutton Bank Visitor Centre	338	-203	135
Capital : Vehicle and IT Replacements	52	-12	40
Capital : Office Building Works	287	0	287
Projects : Ryevitalise Match Funding	153	0	153
Projects : Asset Income Generation	100	-8	92
<b>Committee Approved Reserves</b>	<b>930</b>	<b>-223</b>	<b>707</b>
General Unallocated Reserve	258	-65	193
<b>Total Reserve Balance</b>	<b>2,656</b>	<b>-235</b>	<b>2,421</b>

- 8.2 Final costs are still expected on Sutton Bank car park works but a balance of £82k is anticipated in this reserve for the further works agreed by Members. The result of the bid for the package of works at Sutton Bank is still awaited.
- 8.3 The vehicle reserve is expected to be mostly spent this year, with vehicle purchases of approximately £50k anticipated.
- 8.4 The TEL, Rye and S106 reserves will be balanced at the end of the year when the activity for the year and the income in advance is recalculated.
- 8.5 Planned works funded from reserves continue, with the funding of half the Car Park Sites post and office building works to increase capacity and improve facilities at Beaconsfield.

## 9. Major Project Financial Updates

### 9.1 Land of Iron

- 9.1.1 Good progress continues to be made under the Land of Iron programme, with land management agreements coming to a close, building conservation work largely complete and interpretation work due for completion by the end of the calendar year. To the end of Quarter 2 2019/20 £2.5m has been spent since the programme started in April 2016. The full project value including non-cash contributions stands at £4.2m including the National Lottery Heritage Fund grant of £2.8m. Most of the remaining funding has been committed to upcoming works.
- 9.1.2 Key deliverables in quarter 2 were the completion of building conservation work at Bank Top Kilns, Esk Valley Mine and Warren Moor Mine. Rosedale Iron Kilns are due for completion by the end of November 2019. Considerable effort has been put into ensuring that the cost of these works is contained. So far it has not been necessary to call on reserves to fund any of this work. Given that no significant and unmanageable problems have emerged from unexpected issues on site, officers believe this should remain the case but will update Members at the meeting. The scope of the works has of course had to be considerably reduced.

### 9.2 Ryevitalise

- 9.2.1 **Ryevitalise** runs from 1 June 2019 – 31 August 2023. Total cost £3,397,800 with £320,000 of this made up of in-kind / non cash contributions.
- 9.2.2 **Recruitment:** following the appointment of the Programme Manger (Alexandra Cripps) in July 2019 between late August and October 2019 the Ryevitalise Programme Office (Paul Thompson), Education and Engagement Officer (Amy Carrick), Catchment Restoration Officer (James Caldwell) and Administration Assistant (Ann Pease) have started in post. All posts are full time with the exception of Administration Assistant who works four days per week. One final Year 1 post left to recruit will focus on delivering practical field work and coordination of volunteers and apprentices.
- 9.2.3 **Key deliverables in Q2:** seven Conservation Agreements, three Conservation Woodland Agreements (focusing on PAWS) and one Veteran Tree Agreement are underway. Education activities have been drafted and the events programme for 2020, including the Ryevitalise launch event, is taking shape. Community groups are being contacted and volunteer recruitment is underway, with over 20 volunteers already trained up as Riverfly monitoring volunteers. Project leads from across the partnership are working closely with the new Ryevitalise delivery team.

- 9.2.4 **Spend:** Just over £23.5K has been spent from June – Sept 2019, principally on recruitment and salary costs.
- 9.2.5 **Income:** To secure the required £200K of match funding for Ryevitalise an ERDF expression of interest was submitted at the end of September. This 'Blue Corridors' bid focuses on the Rye and Esk catchments; specific Rye deliverables include addressing in-channel obstacles, controlling invasive non-native species and improving access opportunities. The outcome of the expression of interest will be known Nov/Dec 2019.
- 9.2.6 Since the Stage 2 bid was submitted an additional £15,782.00 of match has been secured;

Partner	Match contribution (£)
Woodland Trust (due to sign up as official partner)	8,432
Environment Agency	5,620
Howardian Hills AONB	649
Natural England	649
East Yorkshire Rivers Trust	432
<b>Totals</b>	<b>15,782</b>

- 9.2.7 **Risk:** Due to the later start date of the scheme than anticipated at the Stage 2 submission the delivery programme has been re-profiled. With recruitment as the main focus to date seasonal projects, such as the Citizen Science bat monitoring project, have been pushed back to summer 2020. The re-profiling of delivery and spend in light of the recruitment focus was agreed at a positive progress meeting with NLHF in September.

## 10. Waivers and Virements

- 10.1 There were no further waivers in Quarter 2 beyond those actioned by Officers in quarter 1 which are detailed in **Appendix 3**.
- 10.2 There have been no virements over £50k in quarter 2 to report to FRASC.

## 11. Conclusion

- 11.1 At the end of quarter 2, the forecast indicates that we expect to come in slightly favourable to budget.
- 11.2 Forecasts have been made for lower car parking income, but this is offset by better than budget performance on investment income and planning fees.

## 12. Recommendations

- 12.1 That Members approve the report.

**2019/20 Income and Expenditure Summary as at 30th September 2019**

	<b>Budget YTD</b>	<b>Actual YTD</b>	<b>Variance YTD</b>	<b>Full Year Budget</b>	<b>Full Year Forecast</b>	<b>Outturn Variance</b>	<b>Appendix 1</b>
	<b>Sept 19</b>	<b>Sept 19</b>	<b>Sept 19</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2019/20</b>	<b>Commentary</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
<b>Income</b>							
Natural Environment	126	124	-2	774	774	0	
Cultural Heritage	231	253	22	1,224	1,224	0	Timing in the TEL project
Recreation Management	378	354	-24	734	704	-30	Car park income lower due to poor weather.
Promoting Understanding	211	200	-11	349	369	20	Excellent retail performance forecasted. Offset by timing in the year to date on the ERFD project.
Rangers and Volunteers	2	11	9	4	4	0	
Development Management	133	141	8	302	380	78	Large planning application fee forecast.
Forward Planning	0	0	0	35	35	0	
Corporate and Democratic Core	36	28	-8	27	27	0	
DEFRA Grant	2,191	2,191	0	4,382	4,382	0	
<b>Total Function Income</b>	<b>3,308</b>	<b>3,302</b>	<b>-6</b>	<b>7,830</b>	<b>7,898</b>	<b>68</b>	
S106 Compensation & Mitigation	1,109	1,281	172	1,662	1,519	-143	Income adjusted in line with expenditure
<b>Total Income</b>	<b>4,417</b>	<b>4,583</b>	<b>166</b>	<b>9,492</b>	<b>9,417</b>	<b>-75</b>	
<b>Expenditure</b>							
Natural Environment	-221	-221	0	-1,483	-1,483	0	
Cultural Heritage	-742	-717	25	-1,449	-1,449	0	Timing in grants and monuments for the future projects.
Recreation Management	-442	-459	-17	-1,216	-1,216	0	
Promoting Understanding	-778	-825	-47	-1,395	-1,409	-14	Increase in retail sales has corresponding increase in costs
Rangers and Volunteers	-333	-337	-4	-822	-822	0	
Development Management	-267	-292	-25	-714	-764	-50	Large planning application expected, associated cost forecast. Legal costs from enforcement case, refunded expected in Q3.
Forward Planning	-130	-76	54	-367	-367	0	Spend on local plan behind schedule but still expected in the year.
Corporate and Democratic Core	-689	-691	-2	-385	-385	0	
<b>Total Function Expenditure</b>	<b>-3,602</b>	<b>-3,617</b>	<b>-15</b>	<b>-7,830</b>	<b>-7,894</b>	<b>-64</b>	
S106 Compensation & Mitigation	-615	-439	176	-1,662	-1,519	143	Lower spend expected in core policy D and archaeology
<b>Total Expenditure</b>	<b>-4,216</b>	<b>-4,056</b>	<b>160</b>	<b>-9,492</b>	<b>-9,413</b>	<b>79</b>	
<b>Tfr to (+) / from (-) Reserves</b>			<b>326</b>			<b>4</b>	

	Budget YTD at Sept 19	Actual YTD at Sept 19	Variance YTD at Sept 19	Full Year Budget	Full Year Forecast Outturn	Full Year Variance
<b>Income Type</b>						
Lottery Funded Grants	202	220	18	1,300	1,300	0
Other External Grants (Excluding DEFRA)	140	55	(85)	604	604	0
Retail Sales	125	165	40	207	227	20
Planning Income	133	141	8	275	353	78
Planning Development S106 Income	0	0	0	10	10	0
Car Park Income	356	328	(28)	511	481	(30)
Donations	7	17	10	15	15	0
Other Income	2	13	11	264	264	0
Match Funding	144	156	12	217	217	0
Capital Receipts	0	9	9	15	15	0
Investment Income	8	8	0	30	30	0
Section 106 Income	1,109	1,280	171	1,662	1,519	(143)
DEFRA GRANT	2,191	2,191	0	4,382	4,382	0
<b>Total Income</b>	<b>4,417</b>	<b>4,583</b>	<b>166</b>	<b>9,492</b>	<b>9,417</b>	<b>(75)</b>
<b>Expenditure Type</b>	£k	£k	£k	£k	£k	£k
Employees (excluding S106 employees)	(1,832)	(1,888)	(56)	(3,607)	(3,607)	0
Premises	(174)	(196)	(22)	(368)	(368)	0
Transport	(103)	(87)	16	(206)	(206)	0
Supplies and Services	(1,337)	(1,309)	28	(3,287)	(3,351)	(64)
Third Party Payments	(155)	(137)	18	(361)	(361)	0
Section 106 Expenditure	(615)	(439)	176	(1,662)	(1,519)	143
<b>Total Expenditure</b>	<b>(4,216)</b>	<b>(4,056)</b>	<b>160</b>	<b>(9,491)</b>	<b>(9,412)</b>	<b>79</b>
<b>Transfer to (+) / from (-) Reserves</b>			<b>326</b>			<b>4</b>



Appendix 3 – Waivers 2019/20			
Waiver Period	Description	Final contract price	Reason for Waiver
April	Car park at Sutton Bank	£200,000	In December 2018 an e-tender exercise was carried out for 'Extension and Remodelling of Car Parking, Dark Sky Pavilion & Upgrade to External Cycle Provisions at the National Park Centre, Sutton Bank'. Despite 11 expressions in interest, 6 withdrew citing a lack of capacity to deliver the work on time and others were not able to provide all the services required and only one company submitted a tender. This evaluated well, and the Authority was able to gain confidence that their work was of a high standard. It was not felt that re-tendering would bring a different result and the works needed to get underway in order for the car park works to be completed in time for the busy period and outside of the ecological window.
June	Rosedale Railway - Land of Iron	£149,203	Procured through e-tendering and a lot of initial interest. Three parties put in a tender but one was ineligible resulting in just two parties being considered. A waiver was granted on the basis that the work needed to commence as any delays might result in the work not being able to finish within the ecological window, which would have resulted in additional cost.