

# North York Moors National Park Authority

22 June 2020

## Revised Budget Estimate 2020/21

### 1. Purpose of the Report

- 1.1 To provide Members with a proposal for the revised budget for 2020/21 for onward submission to full authority in July. This will supersede the earlier budget approved by Members in March.

### 2. Background

- 2.1 Over the period November 2019 to March 2020, Members were involved in the process to approve a budget for the 2020/21 financial year. This was approved formally at full Authority on the 23<sup>rd</sup> March 2020 to allow essential expenditure requirements to be met.
- 2.2 It was recognised at this point that as a result of the global pandemic, a new budget would be required early in the financial year. This new budget proposal mitigates the detrimental impact on income as a result of covid-19 as well as incorporating a rural recovery fund to help finance new strategies in dealing with the local consequences of the pandemic.
- 2.3 As a result, with the car park and visitor centre facilities already closed at the end of March, all non-essential spend was held from 1 April, whilst the financial impacts of the coronavirus pandemic could be understood.
- 2.4 Officers, with Members, have taken the time to understand the key financial implications of the virus, including discussions with DEFRA and external funding providers as well as a line by line review of the approved budget.
- 2.5 As a result a new budget proposal has been drawn up which is presented in this report.

### 3. Highlights of the Previously Approved Budget

#### 3.1

Current Approved Budget	2020/21 £k	2021/22 £k	2022/23 £k
Income	10,715	9,313	9,155
Expenditure	-10,818	-9,478	-9,321
<b>Deficit</b>	<b>-103</b>	<b>-165</b>	<b>-166</b>
<b>Contribution from Reserves :-</b>			
19/20 surplus allocated to support 20/21 budget	75	0	0
Unallocated reserve	28		
<b>Balance</b>	<b>0</b>	<b>-165</b>	<b>-166</b>

- 3.2 As can be seen from the table above, the budget approved previously had a reported deficit of £103k in 2020/21, £75k of which was due to the late notification of the DEFRA freeze in grant. The deficit was to be funded from a planned surplus in 2019/20.

- 3.3 In addition, the annual pay award was assumed at 2% and if the final pay award was to be higher in 2020/21 this would also be funded from surplus generated in 2019/20.
- 3.4 The remaining £28k deficit was to be funded from the unallocated reserve balance, leaving this at £165k.
- 3.5 Whilst some grants had been reduced to help balance the budget, there were still plans to deliver a high level of grant spend across all income streams, including core grants of £200k.

#### 4. **Financial Impacts of Coronavirus**

- 4.1 On the 23 March, the Prime Minister announced that the UK was to go into a period of lockdown, with restrictions on movement. As a result, the decision was taken to close all car parking and visitor facilities and discourage visitors to the National Park. The lockdown had immediate impacts on multiple key income streams including most significantly:-
- Car park income
  - Retail sales
  - Education programmes
  - Events including the gallery
- 4.2 In addition, further income streams were considered to be at risk as a result of the ongoing economic implications of the pandemic, including :-
- Planning income
  - Investment interest
  - Ability to pursue sponsorship income
- 4.3 Amidst much uncertainty, the maximum income risk was estimated to be valued at approximately £1.4m if the UK was in lockdown for a full year. This was reported to DEFRA as part of early work to assess the potential impacts on NPAs.
- 4.4 The £1.4m figure was inevitably based on several assumptions, including that there would be a reduction of 90% in planning income (suggested by DEFRA as there was an early assumption that site visits and external expertise would not be available during a lockdown period) and that all facilities would be closed and income streams from third parties would be at risk.
- 4.5 Since these early assumptions at the end of March, we have been able to assess the impacts on April and May income to understand better the likely position, but the new budget is still being set in considerable uncertainty, with the following factors still remaining unclear :-
- Length and timing of remaining lockdown restrictions;
  - The possibility of a second wave of covid-19, resulting in future closures;
  - Pay award – still under review with a 2.75% offer rejected by the Trade Unions;
  - Impacts on planning application numbers due to wider medium term economic impacts.
  - Staffing impacts
- 4.6 With this in mind, whilst a new budget will still be subject to variation, it is still deemed the right approach to set a new base budget based on a number of assumptions as it will have more relevance than the previously approved version. It is not unlikely that the budget will be revisited in the early autumn.

## 5. New Budget Proposals

5.1 The table below summarises the budget proposal, more detailed analysis can be found in **appendices 1 to 4**.

<b>Final Budget</b>	<b>2020/21 £k</b>	<b>2021/22 £k</b>	<b>2022/23 £k</b>
Income	10,050	9,313	9,155
Expenditure	-10,427	-9,478	-9,321
<b>Deficit</b>	<b>-377</b>	<b>-205</b>	<b>-206</b>
<b>Contribution from Reserves :-</b>			
19/20 surplus allocated to support 20/21 budget	266	0	0
Emergency reserve	111		
<b>Balance</b>	<b>0</b>	<b>-205</b>	<b>-206</b>

5.2 The proposed budget for 2020/21 has a total income loss of £869k compared to the previous budget and is based on loss of 6 months of the following income streams unless otherwise stated. Full details can be found in **appendix 2**.

- car park income
- visitor centre retail margin
- gallery and events
- education programme
- loss of 50% of planning income reflecting the longer term economic impact risk
- loss of income from 3<sup>rd</sup> parties based on individual risk assessment
- donations and sponsorship
- investment interest in line with the reduction in the BoE base rate

5.3 This loss of income has been partially offset by accessing some of the central Government support schemes. Following discussions with DEFRA, we have claimed for furloughed staff whose salaries directly relate to an earned income stream. These are made up predominantly of staff involved with car parks, visitor centres, events, the gallery and education. Should these activities be closed for the 6 months as per the budget assumption, we would expect to continue to claim for these staff on the Coronavirus Job Retention Scheme until its current end date at 31 October. This is conservatively estimated at around £110k. In addition, the Authority has received grants from the coronavirus business grant scheme totalling £70k.

5.4 The 6 months assumption applied to many of these is a risk averse position which assumes a longer lockdown period. Already in late May/early June we are seeing changes to the Government rules on lockdown, but from a risk perspective, we have to ensure that we can cater for a longer period or a second period of restrictions in the future in this financial year. This is to ensure we can maintain affordability of staff costs and a level of materials budgets that ensure that people have work to do. We will use reserves to help deliver this year as part of the mitigation of the income loss, but need to ensure we don't use a level of reserves that might put the balance sheet into a position where it might struggle to support future risk.

5.5 Planning income has now been assumed at 50%. This is to cater for a potential downturn in applications due to the economic impacts of the crisis, however as at the end of May we are not seeing any reduction in the number planning applications or income.

5.6 Income from third parties has been assessed individually based on what the level of risk we perceive in the first couple of months of the year.

5.7 With the assumption that facilities are closed during lockdown, there will naturally be some overhead costs totalling £340k that will not be incurred either and these have also been reduced in the new budget at appropriate levels to reflect the reduced activity in these areas. A full list of these movements can be found in **appendix 3**. Key expenditure streams are:-

- Cost of dealing with planning applications.
- Retail
- Volunteer costs
- Committee costs
- Power, maintenance and car usage
- General office supplies, printing and postage
- Education, events and gallery costs

5.8 In this new budget, it is recognised that covid has changed some of the priorities of the NPA in 2020/21, and that a fund for rural recovery is required. This fund has been set at £200k and is not specifically earmarked currently, but will be used to aid the recovery of the area in the wake of the pandemic. The grants in the original budget will be repurposed for one year to enable delivery of the vast majority of this as follows:-

Grant	£
Archaeology	25,000
Historic Buildings Grant	49,000
Tourism grant	32,700
Community grant	32,700
Traditional Boundary Scheme	45,000
PAWS	14,000
<b>Total</b>	<b>198,400</b>

5.9 A further £263k of activity reduction has been identified to help balance 2020/21 for one year only including:-

- Connectivity and other areas of conservation
- Not recruiting to new non-essential vacancies
- Training
- Maintenance
- Access routes
- Toilet refurbishment
- Tourism surveys

5.10 A full list of all of these decisions to reduce expenditure are detailed in **Appendix 4**.

5.11 The following table illustrates the additional budget requirements (excluding the rural recovery fund which is covered in 5.8). The first four of these were agreed at Q3 to be funded by the 2019/20 surplus. The outturn is currently indicating a surplus of £266k which it is proposed should be used to support the 20/21 budget as follows:-

	20/21
DEFRA grant freeze	-75
Pay award	-40
Climate change post	-18
Disability access routes	-8
Car park machine replacement	-115
<b>Total Additional Costs</b>	<b>-266</b>
To be funded from :- 2019/20 surplus	266

## 6. Reserves

6.1 The level of reserves is periodically checked for adequacy and continually monitored by the Authority's s151 Officer. The principles which underpin the Authority's use of reserves are:

- Maintain an unallocated emergency reserve (£385k) to deal with the costs associated with dealing with exceptional and unexpected events;
- Restricted and Committed Reserves are those that the Authority is contractually or legally obliged to fulfil;
- Committee Approved Reserves are for projects that have been approved by Members to be spent on a specific project or investment. If these have not already been committed, it is within the remit of Members to reconsider these options, although careful consideration needs to be given to the impacts, if monies are not spent as previously approved;
- The general unallocated reserve is for future commitments not yet identified or approved.

6.2 The budget assumes that the unallocated reserve funds the majority of the points laid out in 5.11, with the remaining balance of £111k to balance the budget being financed from the emergency reserve. The emergency reserve will need to be topped back up in 2021/22 to ensure that we can continue to protect against future risk.

6.3 The smoothing reserve for capital requirements in IT, vehicles and assets is set aside each year at £150k per annum to fund this programme of essential replacements and is maintained as per original budget.

6.4 A reserve has been created for the pension revaluation to help smooth any potential adverse impacts on budgets at the next valuation should this return to the primary rate. The strategy behind this will be reviewed annually as part of the MTFs, taking into consideration in particular the impact of covid-19 on the pension investment, and the increased risks of an adverse position at the next triennial valuation.

6.5 Detailed reserves table can be found at Appendix 5.

## 7. Grant Funded Projects

7.1 Coronavirus has had a substantial impact on delivery of externally funded projects, but as these are either fully funded from grant, or a lower level of match is being used to leverage substantial benefit to the park, the budget assumes that these projects continue as per the original budget.

7.2 There have been ongoing constructive discussions with external funding partners, and whilst they are not willing to provide more financial input, they are understanding of changes to timescales and outcomes. Where coronavirus has had a direct impact on

ability to deliver, the projects are being reassessed into new timescales and outcomes. This could result in some changes to the projects as they progress.

7.3 At the current time however, all current confirmed grants are still expected to continue to be paid.

7.4 There is £200k of additional external funding assumed in the MTF5 to help deliver the Ryevitalise project, £100k in each of years 2 and 3. The blue corridors bid which has been submitted for this has now been deferred due to capacity issues at MHCLG as they respond to the impacts of Covid-19. This adds additional risk.

## 8. **Cashless Car Park Ticket Machines Proposal**

8.1 At 23 March NPA Members asked Officers to develop and present to the May FRASC costed proposals for the replacement of the current machines with card only machines. However, due to the extreme workloads created by the Covid situation, especially the rapid changes to the position on the ground, it has not been possible to confirm earlier estimates. Officers will give a verbal update at the meeting. A summary of the current state of knowledge is as below.

8.2 The Authority has 18 car park ticket machines most of which are around 10 years old and coming to the end of their manufactured life span. They suffer high levels of downtime and increasingly costly maintenance bills. In some locations the machines are a regular target for vandalism and theft and because of this there are less machines operating than ideal. None of the machines are insurable because of their remote, rural locations. It seems advisable in the circumstances to try to replace all the machines at once with cashless ones if this can be financed, rather than to continue with piecemeal replacements. This would obviously have potential benefits in terms of reducing the risk/management of virus transmission if it can be done.

8.3 Current expectations are that the change in terms of the annual revenue costs of the machines would be approximately cost neutral, although all cost assumptions are being revisited currently including the staff time component. The capital cost of the machines is expected to be a maximum of £120k but this is also under review with suppliers (it may be that there is a sudden spike in demand).

8.4 It is suggested that due to the urgency of the situation the full costs and business case be brought to NPA in July if possible, with the August/September FRASC charged with final approval if considered necessary. This budget currently assumes that the cost of replacement of £120k will be funded from the unallocated reserve as per point 6.11, following the surplus in 2019/20.

## 9. **Recommendation**

9.1 That Members approve this revised budget for 2020/21.

9.2 That Members approve use of £111k of the emergency reserve to help balance the 2020/21 budget.

9.3 That Members approve, in principle but subject to full costing an analysis, the use of funds from the unallocated reserve to fund replacement of the car park machines as per section 8.

Contact Officers:  
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Chief Financial Officer

## Appendix 1 – Summary by Department

-	-	<u>20/21 Orig Budget</u>	<b>New Proposed Budget</b>	<b>Movement</b>
<b>Conservation</b>	Income	-1,563,491	-1,558,493	-4,998
	Expenditure	2,308,061	2,151,091	156,970
<b>Planning</b>	Income	-320,110	-159,985	-160,125
	Expenditure	725,860	647,641	78,219
<b>Corporate</b>	Income	-345,800	-703,652	357,852
	Expenditure	1,635,250	1,734,609	-99,359
<b>Park Services - Information</b>	Income	-1,086,140	-904,063	-182,077
	Expenditure	1,986,820	1,841,472	145,348
<b>Park Services - Rangers</b>	Income	0	0	0
	Expenditure	583,180	507,837	75,343
<b>Park Services - Recr Mgt</b>	Income	-842,980	-419,524	-423,456
	Expenditure	1,086,380	1,112,498	-26,118
<b>Park Services - Corp Mgt</b>	Income	0	0	0
	Expenditure	214,700	132,300	82,400
<b>Polyhalite</b>	Income	-2,300,000	-2,300,000	0
	Expenditure	2,300,000	2,300,000	0
<b>Total</b>	<b>Income</b>	<b>-6,458,521</b>	<b>-6,045,718</b>	<b>-412,803</b>
	<b>Expenditure</b>	<b>10,840,251</b>	<b>10,427,448</b>	<b>412,803</b>

<b>DEFRA Grant</b>		<b>-4,381,730</b>	<b>-4,381,730</b>
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<b>Total</b>		<b>0</b>	<b>0</b>
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**Appendix 2 – Movement in Income**

Income Source	Original Budget	Revised Budget	Movement
	£k	£k	£k
Car parking	-606	-186	-420
Planning fees	-220	-110	-110
Sutton Bank VC	-134	-58	-76
Moors Centre VC	-118	-48	-70
Staff time charges	-45	0	-45
Pre-application fees	-46	-15	-31
Events	-45	-19	-26
Education bookings	-35	-14	-21
Interest	-25	-7	-18
S106 income (planning)	-30	-15	-15
Sponsorship	-18	-9	-9
Donations	-15	-8	-7
Central stock	-8	-2	-6
Levisham rents	-32	-27	-5
Land searches	-9	-4	-5
Targeted outreach	-7	-4	-3
Adverts- out and about	-4	-2	-2
<b>Total reduction</b>			<b>-869</b>
Government funding	0	-180	180
<b>Net Reduction</b>			<b>-689</b>



### Appendix 3 – Movement in Expenditure Not Incurred in Lockdown

Expenditure Not Incurred in Lockdown	Original Budget	Revised Budget	Movement
	£k	£k	£k
Volunteer costs	101	40	61
Moors Centre retail	87	37	50
Planning costs	83	42	41
Sutton Bank retail	63	26	37
Car park costs	75	47	28
Information	29	7	22
Committee costs	75	55	20
Events/Exhibitions	22	9	13
Postage and printing	23	10	13
Targeted outreach	25	13	12
Power	38	28	10
Pool cars	12	6	6
Gen office supplies	11	6	5
Education	8	3	5
Diesel costs	50	45	5
Community transport	10	5	5
Central stock	5	2	3
Open access CC	6	4	2
CLA Forum	1	0	1
DAG	1	0	1
<b>Total Reduction</b>			<b>340</b>

#### Appendix 4 – Movement in Expenditure Activity Changes

Reduction in Activities (excl grants)	Original Budget	Revised Budget	Movement
	£k	£k	£k
Connectivity	100	50	50.0
Staff vacancy saving	0	-30	30.0
Toilets	41	13	28.0
Training	50	25	25.0
Access routes	148	127	21.0
Tourism surveys	88	71	17.0
Biodiversity Action Plan	13	0	13.0
Moors Centre maintenance	37	27	10.0
Levisham costs	19	10	9.0
Residents newspaper	15	7.5	7.5
Tourism publicity	21	15	6.0
Estate servs clothing	10	4	6.0
Sutton Bank maintenance	21	16	5.0
Admin team changes	5	0	5.0
Moorland conservation	10	5	5.0
Young People costs	10	6	4.0
Litter collection	7	3	4.0
Archive services	3	0	3.0
Sawmill maintenance	7	4	3.0
Travel - public trans	5	3	2.0
Books and publications	4	2	2.0
Tools	5	3	2.0
Mosaic	1	0	1.0
Advertising	1	0	1.0
Charter mark	1	0	1.0
Tourism research	6	5	1.0
Visitor Information Points	5	4	1.0
Subsistence	1	0	1.0
<b>Total Reduction</b>			<b>263.5</b>

## APPENDIX 5 – Reserves Summary

Reserve Summary (£k)	2019/20 Opening Position	Contribution from reserves	Transfer Between Reserves	Contribution to reserves	19/20 Closing position	Contribution from reserves	Contribution to reserves	20/21 Closing Position	Contribution from reserves	Contribution to reserves	21/22 Closing Position	Contribution from reserves	Contribution to reserves	22/23 Closing Position
Emergency Reserve	320		65		385	-111		274		111	385			385
TELI Match Funding	463	-82			381	-341		40	-40		0			0
NYMNR Match Funding	30	-30			0			0			0			0
Section 106 Reserve	643	-15			628			628			628			628
National Trails Reserve	12	-12			0			0			0			0
<b>Restricted and Committed Reserves</b>	<b>1,468</b>	<b>-139</b>	<b>65</b>	<b>0</b>	<b>1,394</b>	<b>-452</b>	<b>0</b>	<b>942</b>	<b>-40</b>	<b>111</b>	<b>1,013</b>	<b>0</b>	<b>0</b>	<b>1,013</b>
Capital : Sutton Bank Visitor Centre	338	-288			50	-50		0			0			0
Capital : Vehicle Replacements	52	-52		60	60	-63	75	72	-51	75	96	-102	75	69
Capital : IT Replacements	0	0		55	55	-54	75	76	-90	75	61	-96.5	75	39.5
Capital : Asset Major Programmes	287	-7			280	-55		225	-200		25	-25		0
Projects : Ryevitalise Match Funding	153	0			153	-112		41			41	-41		0
Projects : Asset Income Generation	100	-20			80	-55		25	-25		0			0
Pension reserve (triennial valuation)	0			0	0		10	10		20	30		40	70
<b>Committee Approved Reserves</b>	<b>930</b>	<b>-367</b>	<b>0</b>	<b>115</b>	<b>678</b>	<b>-389</b>	<b>160</b>	<b>449</b>	<b>-366</b>	<b>170</b>	<b>253</b>	<b>-265</b>	<b>190</b>	<b>179</b>
General Unallocated Reserve	258		-65	266	459	-266		193		-111	82			82
<b>Total Reserve Balance</b>	<b>2,656</b>	<b>-506</b>	<b>0</b>	<b>381</b>	<b>2,531</b>	<b>-1,107</b>	<b>160</b>	<b>1,584</b>	<b>-406</b>	<b>170</b>	<b>1,348</b>	<b>-265</b>	<b>190</b>	<b>1,274</b>