

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

16 November 2020

Quarter 2 2020/21 Finance Update

1. Purpose of the Report

- 1.1 To provide Members with a budget and reserve update for the financial year 2020/21, report the actual income and expenditure as at 30 September 2020 and to provide the latest forecast outturn for 2020/21.

2. Background

- 2.1 This report details the position of income and expenditure to 30 September 2020 compared with the budget, highlighting any key issues to bring to members' attention, along with a forecast outturn.
- 2.2 The original budget was set at full Authority in March 2020. However, because of the coronavirus pandemic, a revised budget was set which Members approved in July. .
- 2.3 The pandemic put substantial pressure on earned income in particular, and the revised budget has been set to cater for a 6 months closure of key income earning facilities such as car parks, planning and visitor centres. However at the end of quarter two and following the earlier than anticipated reopening of car parks and Visitor Centres, the revised budget was amended. This paper report progress against this budget

3. Budget Changes

- 3.1 The table in 3.2 shows the current budget summary as at 30th September 2020. In a normal year this would just represent the original and current budget, but this year a revised budget was set for changes as a result of the covid-19 pandemic. The changes from the revised to the current budget are detailed below and are offset by income with the exception of the £52k which will be funded from reserves:-

- £256k of income and expenditure relating to new externally funded projects as reported at Q1.
- £4k of income and expenditure for phasing changes in external funding project delivery
- £15k of income and expenditure for a specific pre application fee in planning which will be reimbursed by the client.
- £57k of additional earned income and expenditure as forecast at Q1.
- £52k of expenditure added to be funded from reserves for carry forward budgets from 2019/20 – as per year end report.

3.2

2020/21 Budget Summary as at 30th September 2020				
	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Current Budget	2020/21 Change in Budget
	0	0	0	0
Gross Income	10,715	10,116	10,458	342
Gross Expenditure	-10,818	-10,493	-10,887	-394
Net Movement from Reserves	-103	-377	-429	-52

4. Financial Performance Overview

4.1 The table below summarises the current position as at 30 September 2020.

	Profile Budget	Year to Date Actual	Year to Date Variance	Full Year Current Budget	Full Year Forecast Outturn	Full Year Variance
	Sep-20	Sep-20	Sep-20	Mar-21	Mar-21	Mar-21
Income						
Earned & External Income	1,355	1,543	188	3,626	3,689	63
NPG Grant Income	2,565	2,565	0	4,382	4,382	0
S106 Compensation & Mitigation	1,354	1,495	141	2,440	2,440	0
Total Income	5,274	5,603	329	10,448	10,511	63
Expenditure						
Core Expenditure	-3,855	-3,636	219	-8,437	-8,441	-4
S106 Compensation & Mitigation	-936	-602	334	-2,440	-2,440	0
Total Expenditure	-4,791	-4,238	553	-10,877	-10,881	-4
Total Surplus/Deficit	483	1,365	882	-429	-370	59

4.2 The numbers indicate a £882k surplus in the year to date. This surplus has been caused partially as a result of timing issues on S106 and externally funded projects. More details on S106 this can be found in section 7.

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

5. Income

5.1 Non-S106 income is currently £188k higher than the profile budget at the end of quarter 2. Earned income performance at car parks, visitor centres and planning income are the main reasons for this. S106 income is ahead of expectations as more money than originally anticipated has been received early. Further details on S106 can be found in section 7.

5.2 The key earned income streams are detailed below.

5.3

Earned Income	Profile Budget	Year to Date Actual	Year to Date Variance	Full Year Current Budget	Full Year Forecast Outturn	Full Year Variance
	Sep-20	Sep-20	Sep-20	Mar-21	Mar-21	Mar-21
	£k	£k	£k	£k	£k	£k
Car Parking	200	263	63	275	338	63
Visitor Centres	52	64	12	88	88	0
Planning Fees	100	137	37	196	196	0
Other	67	78	11	224	224	0
Total	419	542	123	783	846	63

5.4 The revised budget assumed that car parking facilities would remain closed until end of September and would see reduced footfall for the remainder of the year, but this was updated at Q1 to reflect the earlier opening. Car parks have continued to see high numbers of visitors in quarter 2, so this is further reflected in the forecast of £338k for the year, an increase of £63k. This maintains a level of caution for the remaining months of the year which is appropriate given the changing nature of local and national lockdowns.

5.5 Visitor centre retail facilities have also reopened earlier than anticipated and are currently performing above the profiled budget as at September 2020. However, caution should be taken for this forecast due to the ever-changing restrictions, which will influence retail sales and footfall for the remainder of the year particularly as the hospitality sector is particularly vulnerable to the different levels of lockdown as we are seeing with the latest developments in November. No increase in the budget is assumed in the forecast at this stage but will continue to be monitored.

5.6 Planning application fees continue to increase and are currently £34k over profiled budget. The revised budget was reduced to 80%, and forecasts remain at this level for now whilst the full economic impacts of the pandemic are uncertain, particularly when the furlough scheme ends. Officers will review this budget in quarter 3.

5.7 The gallery exhibitions and events re opened in August, again earlier than expected and account for most of other income surplus. At present, there are no plans to increase these budgets as many events and the entire guided walks programme have been cancelled.

5.8 Investment interest has not fallen as much as expected as a result of the drop in the base rate. This is due to a tapered effect, on the rate of investment return and as such is expected to reduce through the year.

6. Expenditure

6.1 Expenditure is below the profile budget by £553k at the end of the quarter, split S106 £334k and core budget £219k. This is mainly due timing issues and spend happening later than profiled due to lockdown restrictions. It is expected that spend will catch up and budgets will be fully spent or committed by year end.

6.2 More detail on where the timing on spend is occurring can be found in appendix 1 and 2.

7. S106 – Polyhalite Update

7.1 Expenditure in Q2 lower than budget by £334k.

- 7.2 This is mainly due to the Authority (in agreement with Welcome to Yorkshire) retaining the s106 contribution for Welcome to Yorkshire to deliver tourism activity directly. The original budget showed this as a one off payment of c£220K in to WTY but it is being defrayed across the year alongside our other tourism budgets.
- 7.3 There has been some underspend on projects under the Landscape & Ecology contributions for the quarter but these will be remedied in Q3 now that work with land managers is back up to near normal levels.

8. Reserves

- 8.1 The opening reserves balance for 2020/21 is £2.578m and movements to date are detailed in the table below.

Reserve Summary (£k)	2020/21 Opening Position	Movement in Reserves at Q2	2020/21 Current Position
Emergency Reserve	385	0	385
TELI Match Funding	381	0	381
Section 106 Reserve	628	0	628
Restricted and Committed Reserves	1,394	0	1,394
Capital : Sutton Bank Visitor Centre	50	0	50
Capital : Vehicle Replacements	60	0	60
Capital : IT Replacements	55	0	55
Capital : Office Building Works	280	0	280
Projects : Ryevitalise Match Funding	153	0	153
Projects : Asset Income Generation	80	-11	69
Projects : Climate change post	18	0	18
Projects : Car park machines	115	0	115
Projects : Disability access routes	8	0	8
Allocated to support 20/21	115	0	115
2019/20 carry forwards	52	-52	0
Committee Approved Reserves	986	-63	923
General Unallocated Reserve	198	0	198
Total Reserve Balance	2,578	-63	2,515

- 8.2 The TEL, Rye, and S106 reserves are balanced at the end of the year when the activity for the year and the income in advance is recalculated as is the 2020/21 support reserve when the final financial position is known. Spend is expected against a number of reserves including IT, vehicles, climate change, car park machines and disability routes in the second half of the year.
- 8.3 The 2019/20 carry forward budgets have been released
- 8.4 The use of reserves as approved in the July budget paper are now shown within the committee-approved reserves.

9. Major Project Financial Updates

9.1 Land of Iron

- 9.1.1 Building conservation work at the Rail Trail Bridges is complete, total cost £156k. Plans are developing for a future conservation project at Rosedale Stone Kilns c. £1million
- 9.1.2 An additional cast iron model picnic bench at Iron Kilns and lectern panel at Esk Valley are currently out to tender.
- 9.1.3 Land management work continues to meet profile and targets for completion by end of 31 March 2021. Legacy plans for agreement renewals are in development
- 9.1.4 Final project evaluation is complete and will be presented to Members at December NPA
- 9.1.5 A textile and poster exhibition at the Moors Centre throughout September was a welcome boost from the largely virtual activities throughout 2020.
- 9.1.6 Total spend in Q2 was £276k and a grant of £221k will be received towards this. £426k remains to be spent in 2020/21, all of which is committed or allocated to works. The total project value is £3.9m or £4.3m including volunteer time

10. Ryevitalise

- 10.1. We have received agreement in principle from NLHF to extend Ryevitalise to March 2024 with delivery on the ground to be completed October 2023. (The grant expiry date was previously August 2023 with works on the ground to be completed by May 2023).
- 10.2. NLHF have suggested we do not submit out formal grant expiry extension request until 2022 so that we can see how the next 12 months goes and assess any further delays that may be experienced as a result of Covid-19.

10.2.3 Key deliverables:

- Ryevitalise Conservation Agreements:
 - o To date Ryevitalise has 12 live agreements; seven Conservation Agreements, three Conservation Woodland Agreements (covering 11 sites), and two Ancient Tree Agreements. Total spend to date on agreements £85,329
 - o Five in-channel Agreements have been drafted, three of which are signed, to feed into the Blue Corridor Project
 - o Several Conservation Agreements are in draft, ready to be finalised
- Volunteering:
 - o 67 volunteers have participated in Ryevitalise in 2021/22; 6 x practical conservation volunteers, 12 x riverfly monitoring volunteers, 15 veteran tree surveyors, eight bat monitoring volunteers, two Rye Reflections volunteers and 24 LiDAR Landscape volunteers (more volunteers are signed up but these figures represent how many have participated this year).
 - o This is a great achievement despite Covid-19 restrictions; homebased LiDAR Landscapes volunteering and online veteran tree surveyor training are examples of how well Ryevitalise has adapted to new ways of working
- Procurement:

- BTO appointed to undertake the citizen science bat survey coordination contract, including website hosting, acoustic data processing and validation for *Small and Tall: The Rey's Bats and Ancient Trees*
 - Teesside University Business School appointed to delivery first phase of *Rye Reflections* outreach and engagement
 - Invitation to quote document to appoint interpretation specialist to develop Sutton Bank National Park Centre interior design and engagement work drafted, ready to be advertised shortly
- Other activity:
- Local contractors have undertaken 92 man days to control Himalayan balsam in summer 2020
 - Hawnby access route improvements are well underway
- Education and Engagement
- Hosted online lesson and one site session for Environmental Science students from Scarborough College
 - Delivered three summer events held at Sutton Bank with over 100 participants
- Partnership
- A joint online Project Board and Steering Group meeting was held 3 September
 - The Monitoring and Evaluation Task and Finish Group is reviewing opportunities to reflect Covid-19 implications

10.2.4 Spend: Just over £98.8K (cash) has been spent from July – Sept 2020. The total budget spend to-date is £348,641 (cash); £428,666 (cash and non-cash).

Budget	Cash	Non-cash	Total
	£3,077,800	£320,000	£3,397,800
Current Total Spend	£348,641	£80,025	£428,666

Income: The 'Blue Corridors' ERDF bid has been successful, securing the required £200K of match funding.

Recruitment: 168 applications have been received for the Ryevitalise Graduate Placement; interviews are being held 5-6 Nov 2020. We will shortly be advertising for the Programme Officer post.

11. Waivers and Virements

11.1 There was one waiver in quarter 2. Details of waivers for the year to date can be found in **Appendix 3**.

11.2 There have been no virements over £50k in the first quarter to report to FRASC.

12. Conclusion

12.1 The overall income position continues to improve, although some caution is still needed with covid-19 restrictions now in place nationwide. Car park income is outperforming the budget with visitor numbers increasing with the staycation affect over the summer. This has been forecast, but with caution to the remaining months of the year, and potential lockdown still anticipated in quarter 4. This will be continually reviewed. Planning income is also outperforming expectations, and similarly to car

parking will be reviewed monthly to see whether to increase outturn expectations. At this stage a cautious approach is advised.

- 12.2 Some areas of spend are a little behind profile, but are expected to catch up in quarter 3. Work has continued on the rural recovery fund and it is expected that this will be committed in year.
- 12.3 The overall forecast is of an improved position by £59k. The current proposal is to invest some of this into our toilet facilities and the value of this work is currently being scoped. This was one of the budget areas that we reduced as part of the covid-19 mitigation. However it is also prudent to reduce our reserves contribution for the year, so that it can help to manage future risk in the 21/22 budgets with potential for a further DEFRA grant freeze and covid impacts in 21/22. There is still caution in the forecast, with quarter 4 still reflecting a lockdown position, but the speed of change that we are seeing in November with the introduction of a national lockdown shows how quickly the picture can change.

<p>13. Recommendations</p>

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| <p>13.1 That Members note the report.</p> |
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APPENDIX 1 : 2020/21 Income and Expenditure Summary as at 30th September 2020

	Profiled Budget Quarter 2 £k	Actual Quarter 2 £k	Variance Quarter 2 £k	Revised Annual Budget £k	Forecast Outturn £k	Full year Variance £k	Commentary
Income							
Natural Environment	346	334	-12	1,249	1,249	0	Delay in External Grant Claims
Cultural Heritage	133	129	-4	524	524	0	
Recreation Management	240	350	110	519	582	63	Car Parks income increase of £63k. £40k income reimbursed from NYCC ahead of profile
Promoting Understanding	369	426	57	911	911	0	Increase income from Visitor Centre, Education & Exhibitions due to earlier reopening.
Rangers and Volunteers	0	3	3	0	0	0	
Development Management	118	152	34	226	226	0	Planning Fees ahead of profile to be kept under review in terms of forecast.
Forward Planning	0	0	0	15	15	0	
Corporate and Democratic Core	149	149	0	182	182	0	
DEFRA Grant	2,565	2,565	0	4,382	4,382	0	
Total Function Income	3,920	4,108	188	8,008	8,071	63	
S106 Compensation & Mitigation	1,354	1,495	141	2,440	2,440	0	
Total Income	5,274	5,603	329	10,448	10,511	63	

Expenditure	£k	£k	£k	£k	£k	£k	
Natural Environment	-497	-435	62	-1,937	-1,937	0	Delay in spend on external funded projects Ryevitalise, PAWS & connectivity
Cultural Heritage	-460	-453	7	-746	-746	0	
Recreation Management	-459	-423	36	-1,365	-1,365	0	National Trails spend behind profile
Promoting Understanding	-1,096	-1,048	48	-2,157	-2,161	-4	Visitor Centres, and Exhibitions spend below profile
Rangers and Volunteers	-298	-284	14	-804	-804	0	Village Caretakers Grants behind profile
Development Management	-296	-284	12	-765	-765	0	Planning Applications costs
Forward Planning	-90	-63	27	-292	-292	0	National Park Plan, Local Plan and Tourism Surveys behind profile
Corporate and Democratic Core	-659	-646	13	-371	-371	0	
Total Function Expenditure	-3,855	-3,636	219	-8,437	-8,441	-4	
S106 Compensation & Mitigation	-936	-602	334	-2,440	-2,440	0	
Total Expenditure	-4,791	-4,238	553	-10,877	-10,881	-4	
NET SURPLUS/ DEFICIT	483	1,365	882	-429	-370	59	

Appendix 2

	Budget Quarter 2	Actual Quarter 2	Variance Quarter 2	Revised Budget	Forecast Outturn	Full Year Variance
Income Type	£k	£k	£k	£k	£k	£k
Other External Grants (Excluding DEFRA)	856	923	67	2,474	2,474	0
Retail Sales	52	66	14	90	90	0
Planning Fee Income	100	137	37	196	196	0
Car Park Income	200	263	63	275	338	63
Donations	3	8	5	8	8	0
Other Income	45	62	17	204	204	0
Match Funding	92	76	-16	347	347	0
Capital Receipts	0	0	0	15	15	0
Investment Income	7	7	0	17	17	0
Section 106 Income	1,354	1,495	141	2,440	2,440	0
DEFRA GRANT	2,565	2,565	0	4,382	4,382	0
Total Income	5,274	5,602	328	10,448	10,511	63
Expenditure Type	£k	£k	£k	£k	£k	£k
Employees (excluding S106 employees)	-1,946	-1,932	-67	-3,917	-3,917	0
Premises	-141	-128	37	-306	-306	0
Transport	-47	-44	6	-124	-124	0
Supplies and Services	-1,589	-1,443	281	-3,723	-3,727	-4
Third Party Payments	-132	-89	21	-367	-367	0
Section 106 Expenditure	-936	-602	80	-2,440	-2,440	0
Total Expenditure	-4,791	-4,238	358	-10,877	-10,881	-4

Appendix 3 – Waivers 2020/21			
Waiver Period	Description	Final contract price	Reason for Waiver
Q1	Farm Access and North Bridges – Land of Iron Project	£23,296 (Farm Access) and £37,424 (North)	The time required for seeking 3 quotes (3-4 weeks) and contractor mobilisation (4-5 weeks) mean that the only option for successfully completing additional building conservation works in 2020 is to utilise the existing contractor on site at Twin Arch Bridge. Furthermore, work to Farm Access and North Bridges is in such close proximity to Twin Arch Bridge that it would be almost impossible for a separate contractor to work on these sites at the same time as UKRS are working on Twin Arch Bridge, and to achieve this would require additional payments to UKRS for unanticipated restrictions in their delivery.
Q2	Forestry Services at the Arncliffe Estate, Northallerton for Clear Felling and Extraction of Timber	£75,000	<p>This contract was put out to tender in 2019 and only one contractor returned a submission. The tender was out for the usual period and was widely advertised within the local forestry sector. Authorisation was given by the CEO to carry out pre-commencement meetings with the contractor, after which they withdrew their submission as they were unable to carry out the works in line with the contract.</p> <p>The forestry consultant working on the project was then instructed to ascertain if any forestry contractor was able to carry out the work. From this search only one operator was identified and they were subsequently appointed on approval by the CEO. Given that the start date for the project had already passed, there was no time to set up another tender process and we had already established that there was insufficient interest in the contract.</p>