

North York Moors National Park Authority

6 June 2017

Update on the Medium Term Financial Strategy in the Business Plan 2017-2020

1. Purpose of the Report

- 1.1 To provide Members with an update on the financial assumptions included in the Medium Term Financial Strategy 2017-2020 and in-year budget changes for 2017/18.

2. Introduction

- 2.1 The Authority adopted a Business Plan for the period 2107-2020 which included a Medium Term Financial Strategy with a high level allocation of resources to achieve corporate objectives, and the intended direction of travel in relation to income generation and external grant funding.
- 2.2 For the first time the MTFS recognised the significant resource represented by Volunteers.
- 2.3 There were a number of areas where it was not possible to include significant detail; for example the mitigation funding from Sirius Minerals was at that point included but subject to the development of a specific action plan. In addition to this since this point in time there have been further developments in relation to Development Management Income, work on establishing the trust and the draft outturn position from 16/17 is now known.
- 2.4 The purpose of this report is to update Members on significant changes to date and to note the impact on the financial projections, to note virements made to date under delegated powers and to approve one virement above the delegated threshold.

3. Revised MTFS Position

- 3.1 The table in the **Appendix** brings all of this work together into a concise yet comprehensive overview of the Authority's anticipated income and expenditure for 2017 – 2020.

4. Sirius Minerals s106 Update

- 4.1 Over the past few weeks, work has been on going to ensure that all of the requirements of the S106 agreement with York Potash Ltd are in place to enable Commencement of Construction to be granted. These requirements include:
- The provision of an Escrow account to safeguard the Principal s106 contributions payable during the construction and post construction periods (initially assumed to be 10 years). The payment protection covers contributions to the North York Moors National Park Authority and North Yorkshire County Council with a value of c £24 million.

- The provision of an annual bond to safeguard the North York Moors National Park Authority against any potential reinstatement costs for the Woodsmith Mine site should the development become unviable or when it reaches the end of its operational life. This year's reinstatement bond is valued at c£8 million.
- The creation of a Memorandum of Understanding between York Potash Ltd and North York Moors National Park Authority to clarify the detail of the s106.
- The appointment of Savills as the independent surveyor to quantify the level of bond required for any future reinstatement.

4.2 These documents were all finalised on 4th May triggering Commencement of Development and the release of the first tranche of s106 funding. An invoice for £604,890.00 has been submitted to Sirius and will be paid within 28 days. Work is now commencing on a plan to detail how this and the additional funding due this year (£624,019.00) will be spent. A draft of this report will be completed by September 2017 with a full report to committee in December. As part of the monitoring arrangements, quarterly reports will be made to ensure that the Authority can evidence to the developer that the expenditure has been defrayed in accordance with the s106 agreement.

5. Trust Update

5.1 At the 22 June 2015 Authority meeting Members approved the process of setting up the Trust (registered as a charity 25 November 2016) which included;

- legal fees in respect of setting up the Trust (capped at £4,500)
- provision of an initial income of £5000 which was needed to register the Trust with the Charity Commission (approved by Members on 23 March 2015).
- The commitment of staff time of the CEO and others as delegated and appropriate to establish the Trust and develop a programme of work.

5.2 The independent Trust is now at a significant point in its development, having established a corporate identity, a project plan and publicity material aimed at attracting legacies. Additional resources are now needed to implement the project plan, a website and other IT resource communications etc over the coming year if the Trust is to become a significant entity that will deliver ongoing benefit to the North York Moors.

5.3 In order to assist the Trust in taking its work forward, and in particular to start the process of it attracting legacies, both general and specialist resources are needed which are beyond the capacity of existing staff to deliver. Therefore, Officers intend, in line with previous Members' decisions, that up to £25,000 be donated by the Authority to the Trust in the form of staff support with potential small cash sums. Any extra spending required to achieve this can be allocated from the budget of £45,000 allocated for external funding and the trust in the 2017/18 business plan.

6. Summary Impact of changes on the MTFs at the Appendix

6.1 Directors have discussed a number of changes to the Authority's core budgets as a result of a number of significant changes that have come to light since the MTFs was approved.

Income Adjustments

6.2 In March the Department of Communities and Local Government (CLG) wrote to Chief Financial Officers proposing that planning fees may be increased by 20% with effect from July 2017. This Authority following consultation with Members opted to implement the increase.

Following the announcement that a General Election in June it appears unlikely that

the required legislation will be in place in time for July implementation. As a result the budget assumes that the planning fee increase will come into effect from December and the current year estimate has been reduced to £10k from the original £23k reported to Members. It is not expected that there will be any further increase over the Business Plan period.

In April CLG confirmed funding for a four year period for maintenance of registers of land available for development as 'Brownfield' and 'Self Build Housing'. The budget in the appendix has been adjusted to take this into account.

- 6.3 Car Park Income has continued to perform strongly as the profile of the National Park and the events taking place has continued to thrive. The MTFS included an assumption that the income from 17/18 would be increased by £40k and that this could be achieved without the need to increase car parking fees. Following, consideration of the performance over the past few years it has been agreed to increase this by a further £20k without any impact on the charging regime.
- 6.4 There is also an assumption relating to the generation of cash sponsorship arranged by National Parks Partnerships Ltd, which in 2017/18 equates to £20k. At this point in the year the cash which is secured is minimal, although there is no proposed adjustment to the figures to be made. Officers will continue to monitor and update as appropriate and will be prepared to give a verbal update if requested.
- 6.5 In the last few months we have had notification that the funding for our Northern Apprenticeship Scheme from Prior Pursglove College will not be continued and in addition the Forestry Commission will only contribute funding for 17/18 and then this will be discontinued. The assumptions have been adjusted to remove the funding. The Authority will seek to find alternative funding for the Northern Apprentice team as it meets one of the Strategic Priorities.
- 6.6 The MTFS assumes that income from charging for staff costs (excluding Enforcement) would be approximately £15k in 2017/18. This has been amended to £65k given the inevitable calls on core staff time from the Sirius project and other initiatives. This will be monitored throughout the financial year.
- 6.7 The 2016/17 budget included assumptions relating to income from the sale of vehicles and for the removal of timber. These were not received in the year but are now expected in the 2017/18 financial year and as a result the budget has been adjusted by £10k and £20k respectively.
- 6.8 Given the growth of the organisation the income from lettings from the corporate property has been reduced by £20k per annum as the space is required for operational purposes, and the loss of income is more than offset by the benefits of the additional projects that the Authority is currently working on.

Expenditure Adjustments

- 6.9 In view of increased income, expected underspend due to staff vacancies, and to effectively utilise cash resources, Directors discussed additional projects which could be undertaken in 2017/18. These include the following approved by the Chief Executive in accordance with financial delegation:
- £10k additional budget for Archaeology expenditure
 - £16k for property feasibility work on the Old Vicarage. A verbal update is included on the agenda of this committee.
 - £30k for replacing fire doors as recommended in the conditions and fire safety surveys
 - £15k for legal advice relating to a longstanding planning enforcement case
 - £8k for two years for match funding for the EARDF project

- £10k per annum for Development Management costs due to increasing advertising
- £20k for IT to upgrade/ replace the finance system
- Up to £40k for additional staff time or regradings in communications, conservation delivery and cultural heritage. Some of these posts are partially funded by other resources, but are also required to assist with other capacity related issues. Directors will be undertaking a strategic overview of the organisation with a focus on capacity to deliver to prevent further decisions relating to staffing being taken in isolation.

6.10 Members have already agreed a £10k contribution to the DBID process and the 17/18 budget has been amended accordingly.

6.11 The Authority replaced a number of vehicles in 2016/17 however, the two minibuses used by the Volunteer Service were old when bought second hand and are in need of replacement. The cost of two new minibuses is £45k utilising a national procurement framework, which means that the new vehicles will be supplied at a 40% discount and this will enable the Authority to better deliver the Volunteer Strategy. This is above the delegated virement level and Members are asked to approve this expenditure.

6.12 These adjustments will be incorporated in the revised budget estimate to be reported to this committee in September along with other adjustments to expenditure and income relating to the profiling of grants and new grant funded projects the profiles of which have not yet been finalised.

7. **Other Information**

7.1 The Authority has received confirmation that the Audit Fee for 2017/18 will be £12,016 in line with the agreed budget. A copy of the letter is available on request.

8. **Financial and Staffing Implications**

8.1 A separate plan for work associated with the Sirius Polyhalite Project will be developed.

9. **Contribution to the National Park Management Plan**

9.1 The Business Plan sets out what the Authority will do over the next four years to contribute towards the ambitions in the National Park Management Plan.

10. **Legal Implications**

10.1 None arising directly from this report.

11. **Recommendation**

11.1 Members approve expenditure of up to £45k on two volunteer minibuses.

11.2 Members note the donation in staff time and cash of up to £25,000 from the Authority to the North York Moors National Park Trust as outlined in this paper and agreed within the Business Plan.

Contact Officers:
 Andy Wilson
 Chief Executive (National Park Officer)
 Irene Brannon
 Director of Corporate Services

Income and Expenditure	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	Revised					
Income						
Natural Environment	147,050	667,507	521,523	733,348	717,363	537,450
Cultural Heritage	572,320	541,391	377,210	286,149	298,497	13,256
Recreation Management	633,360	608,380	623,380	643,380	643,380	643,380
Promoting Understanding	473,950	606,511	543,048	435,103	465,245	437,840
Rangers and Volunteers	25,600	4,480	4,480	4,480	4,480	4,480
Development Management	384,750	299,750	328,750	344,750	328,750	328,750
Forward Planning	15,360	92,360	60,360	45,360	15,360	15,360
Corporate and Democratic Core	173,780	113,000	125,000	145,000	145,000	195,000
DEFRA Grant	4,163,190	4,234,796	4,307,634	4,381,726	4,456,427	4,531,726
Total Income	6,589,360	7,168,176	6,891,384	7,019,296	7,074,503	6,707,242
Expenditure						
Natural Environment	869,410	1,399,037	1,302,122	1,492,845	1,484,794	1,356,779
Cultural Heritage	822,030	849,767	688,494	440,346	456,707	249,428
Recreation Management	1,147,770	1,150,124	1,081,170	1,103,842	1,111,876	1,061,876
Promoting Understanding	1,337,870	1,615,613	1,509,507	1,369,043	1,419,259	1,303,633
Rangers and Volunteers	757,540	856,087	811,973	822,372	830,841	830,841
Development Management	791,630	700,478	714,821	721,552	730,995	730,995
Forward Planning	313,760	432,810	461,507	343,587	451,950	336,950
Corporate and Democratic Core	436,710	377,517	334,550	335,600	335,600	305,600
Total Expenditure	6,476,720	7,388,426	6,904,144	6,629,187	6,822,022	6,176,103
Economic and Other Risks Contingency			75,000	150,000	225,000	375,000
Estimated Overpend 16/17	98,000					
Rye Project Expenditure						
Rye Project Income						
York Potash s106		1,038,500	1,292,000	1,945,500	1,799,000	2,052,500
York Potash s106		1,038,500	1,292,000	1,945,500	1,799,000	2,052,500
Other External Funding Expenditure			262,675	470,230	455,724	877,284
Other External Funding Income			262,675	470,230	455,724	877,284
Match Funding TEL - Income						
Net Cash Budget	14,640	- 220,250	- 87,760	240,109	27,480	156,139
Volunteers	975,000	1,106,250	1,200,000	1,331,250	1,500,000	1,500,000
Total Resource Deployed	7,549,720	9,426,176	9,733,819	10,526,167	10,801,746	10,980,887