

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

27 August 2019

### 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 June 2019 and to provide an initial forecast outturn for 2019/20.

#### 2. Background

- 2.1 This report details the position of income and expenditure to 30 June 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 and is the highest the Authority has ever set with key projects such as Land of Iron continuing and the new Ryevitalise project commencing. In addition, the S106 compensation and mitigation funding is now into its third year. This report includes dedicated information on these three areas of spend to allow members increased financial scrutiny of them. It is intended to continue and expand this practice.
- 2.3 Last year the Authority delivered a small surplus in what are financially challenging and uncertain times.
- 2.4 The fully audited accounts for 2018/19 were signed off on time at the end of July 2019, with an unqualified audit opinion and a positive value for money opinion.

#### 3. Budget Changes

- 3.1 The table below shows the current budget summary which included adjustments to increase both income and expenditure by £267k. These relate to confirmation of the final grant figures for WEG £204k, Arncliffe Wood LEI £60k and Monuments for the Future £3k, which were not finalised when the budget was approved by NPA in March 2019.

3.2

2019/20 Budget Summary as at 30 June 2019				
	2019/20 Original Budget	2019/20 Current Budget	2019/20 Change in Budget	2019/20 Adv/Fav
	£k	£k	£k	£k
<b>Gross Expenditure</b>	9,225	9,492	+267	Adv
<b>Gross Income</b>	9,225	9,492	-267	Fav
<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 June 2019. At this early stage of the year, the expectation is that budgets will come in on forecast.

	Profile Budget	Actual	Variance	Fav / Adv	Full Year Current Budget	Full Year Forecast Outturn	Variance	Fav/Adv
	Jun-19	Jun-19	Jun-19	Jun-19	Mar-20	Mar-20	Mar-20	Mar-20
<b>Expenditure</b>								
Core Expenditure	1,813	1,717	-96	Fav	7,830	7,830	0	
S106 Compensation & Mitigation	209	168	-41	Fav	1,662	1662	0	
<b>Total Expenditure</b>	<b>2,022</b>	<b>1,885</b>	<b>-137</b>	<b>Fav</b>	<b>9,492</b>	<b>9,492</b>	<b>0</b>	
<b>Income</b>								
Earned & External Income	474	300	+174	Adv	3,448	3,448	0	
NPG Grant Income	1,095	1,095	0		4,382	4,382	0	
S106 Compensation & Mitigation	1,109	1,169	-60	Fav	1,662	1,662	0	
<b>Total Income</b>	<b>2,678</b>	<b>2,564</b>	<b>+114</b>	<b>Adv</b>	<b>9,492</b>	<b>9,492</b>	<b>0</b>	
<b>Net Surplus/ Deficit</b>			<b>-23</b>	<b>Sur</b>			<b>0</b>	

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

#### 5. Expenditure

5.1 Expenditure is favourable to the profile budget by £137k at the end of quarter 1, the majority of which is due to timing :-

- Timing from a number of outstanding creditor payments to National Trails partners. These will be settled by the end of Q2.
- Volunteer expenses are behind profile at present, but this is often due to delays in claiming for mileage. This is under review and a view from a forecasting perspective will be taken at the end of Q2.
- Legal invoices from Scarborough Borough Council relating to Q1 have been received in Q2.
- Local plan is behind profile at the current time, but at present the inquiry is still expected to be held in the current year, and therefore the full budget to be expended. At the end of quarter 2 there will be a review of resources required for the remainder of the year.
- A few projects are set to complete in quarter 2 rather than quarter 1 within S106, the details of which can be found in section 6 of the report.

5.2 All expenditure budgets are expected to come in on budget at the current time, which is reflected in the forecast.

## 6. Income

6.1 Income is currently £114k adverse to profile budget at the end of quarter 1, but at the current time it is expected to come in on budget. There are however a number of areas of risk at this early stage of the year which are noted below, and whilst these are not forecast at this early stage of the year, they are under review and a view on the outturn will be taken at the half year after the summer months.

6.2 Of the variance, £237k is due to timing on external funding, including grant relating to 2018/19 on National Trails which is not yet received. This is being chased and is expected to be received in Q2. DEFRA grant is on profile at the end of the quarter, no variance to budget is expected in the year.

6.3 S106 income is £59k favourable to profile budget at the end of quarter 1, but this is timing on drawdown of funding and it is expected to be at budget levels by the end of the year.

6.4 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.

Earned Income	Profiled Budget 30/06/19	Actual income 30/06/19	Variance	Fav / Adv	Full Year Income Budget 2019	Full Year Income Outturn 2019	Variance	Fav/Adv
	£k	£k	£k	£k	£k	£k	£k	£k
Car Parks	163	148	+15	Adv	511	511	0	
Visitor Centres	54	63	-9	Fav	207	207	0	
Planning Fees	66	75	-9	Fav	275	275	0	
Other	30	102	-72	Fav	324	324	0	
<b>Total</b>	<b>313</b>	<b>388</b>	<b>-75</b>	<b>Fav</b>	<b>1317</b>	<b>1317</b>	<b>0</b>	

6.5 Car Park budgets have been set at challenging levels, reflecting increased performance in recent years. Income received at quarter one is £15k adverse to the profiled budget which reflects the wet weather in May and June. Going forward, officers will closely monitor these budgets during quarter two and review the forecast outturn to establish if there will be an income shortfall. The current weather conditions in August already suggest that this may be an area of concern.

6.6 Both Visitor Centres are performing well against challenging targets with quarter one income favourable to the profiled budget by £9k. 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.

6.7 Planning application fees for quarter one are favourable to profiled budget by £10k. Again this budget will be closely monitored as previous years have shown that income can fluctuate and numbers of applications can drop off in later quarters

6.8 The gallery at The Moors Centre continues to perform well with margins favourable against quarter one budget by £12k. A review of future exhibitions shows that expected income generation is likely to be close to budget including associated merchandise. However it is noted that exhibitions vary in the amount of sales they can achieve which is not always predictable so this will be kept under review.

## 7. S106 – Polyhalite Update

7.1 Expenditure in Q1 was lower than budget at £168k against £209k.

7.2 Income of £1,169k was received in Q1, with much of this being income in advance of activities being delivered throughout the year.

7.3 Expenditure is broadly as profiled although there are some timing issues in certain areas. Core Policy D is showing an overspend against profile due to a project planned for 2018/19 which has completed in the new financial year which will be funded by a transfer from the S106 reserve on the balance sheet. A number of projects in Landscape & Ecology, Tourism Business Support and Tourism Impact Review have seen an underspend against profile. These were all scheduled for quarter 1 but are all now expected to complete and be invoiced by the end of Q2.

7.4 The Monitoring budget is currently over target levels at the first quarter. This is due to the new Polyhalite Project Officer role being recruited after the start of the year. This meant more senior time being input than anticipated in quarter 1. However, this is expected to come back into line over the course of the year now that the post holder is in role.

7.5 The delivery of the project continues to progress well and additional staff resource has been brought in specifically to focus on the delivery of Landscape & Ecology projects to ensure they are delivered according to profile.

## 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	2019/20 Current Position
Emergency Reserve	320	+65	385
TELI Match Funding	463	+0	463
NYMNR 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	-202	136
Capital : Vehicle and IT Replacements	52	+0	52
Capital : Office Building Works	287	+0	287
Projects : Ryevitalise Match Funding	153	+0	153
Projects : Asset Income Generation	100	-20	80
<b>Committee Approved Reserves</b>	<b>930</b>	<b>-222</b>	<b>708</b>
General Unallocated Reserve	258	-65	193
<b>Total Reserve Balance</b>	<b>2,656</b>	<b>-234</b>	<b>2,422</b>

- 8.2 £65k has been transferred from the general unallocated reserve in to the Emergency Reserve in line with the Business Plan financial principle of keeping the emergency reserve at 5% of gross expenditure (excluding S106) and agreed in the budget paper approved by NPA in March 2019
- 8.3 An additional 85 car spaces were added to the main car park at Sutton Bank this spring plus a new coach park and bays for storing stone for use by the Ranger Service. Constructed by Simpsons of York and managed by Align Property Partners, the additional spaces were available for use a few days ahead of schedule on 29 May and several thousand pounds under the £200k construction budget for this phase of the works. The annual Hardmoors White Horse event took place on Sunday 9 June when every single space was full and a few more besides! Over the course of a year the additional spaces should help out on those days when the car park was inadequate as well as be available for future increases in visitors. A corresponding increased target for car park income has been set.

## 9. **Major Project Financial Updates**

### 9.1 **Land of Iron**

- 9.1.1 Good progress is being made on the Land of Iron programme, with significant spend on major elements such as building conservation and interpretation. To the end of Quarter 1 2019/20 £2.1m 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.
- 9.1.2 Key deliverables in quarter 1 were the completion of the Moors Centre exhibition and commencement of building conservation work on the Bank Top Kilns and Esk Valley Mine. It has not been necessary to call on reserves to fund any of this work.
- 9.1.3 Officers will give an oral update on the position with the main built conservation contracts.

### 9.2 **Ryevitalise**

- 9.2.1 Work has commenced on the NLHF supported Ryevitalise Project. A Programme Manager (Alex Cripps) has been recruited and started in post in July and a number of other posts have also been recruited with candidates starting in post over the next 4 weeks. Officers are aware that there is a critical need to secure additional funding to support the delivery of the project. A progress update and opportunity for discussion will be provided at the members evening seminar in October.

## 10. **Waivers and Virements**

- 10.1 There were two waivers in the period which officers have actioned. These are detailed in appendix 3.
- 10.2 There have been no virements over £50k in quarter 1 to report to FRASC.

11. **Conclusion**

- 11.1 At the end of quarter 1, the forecast indicates that we expect to come in on budget.
- 11.2 There are a small number of areas of concern which will be addressed when more detail is available at quarter 2 such as low car park income and potential risk of overspend in major projects. Also, income streams for sponsorship and third party work are currently deemed to be a risk and will be reviewed and reported on at Q2.

12. **Recommendations**

- 12.1 That Members approve the content of the report.

2019/20 Breakdown by Service	Profile Budget to Jun 19 £k	Actual to Jun 19 £k	Year to Date Variance £k	Fav / Adv	Full Year Budget £k	Forecast Outturn £k	Forecast Variance £k	Fav / Adv	Comments
Natural Environment	70	74	+4	Adv	1,511	1,511	+0		
Cultural Heritage	300	288	-12	Fav	1,450	1,450	+0		
Recreation Management	212	191	-21	Fav	1,229	1,229	+0		Year to date variance on timing of National Trail income.
Promoting Understanding	479	487	+8	Adv	1,374	1,374	+0		
Rangers and Volunteers	160	146	-14	Fav	825	825	+0		Timing claims on volunteer expenses
Development Management	133	122	-11	Fav	714	714	+0		Legal expenses – late receipt of invoices
Forward Planning	58	32	-26	Fav	367	367	+0		Less Local Plan expenditure on materials and staffing in Q1 than anticipated, but still expected to spend in the year with the inspection still anticipated in this financial year.
Corporate & Dem. Core	400	377	-23	Fav	360	360	+0		Timing in payments for contracted in services.
<b>Total Function Expenditure</b>	<b>1,812</b>	<b>1,717</b>	<b>-95</b>	<b>Fav</b>	<b>7,830</b>	<b>7,830</b>			
<b>S106 Comp. &amp; Mitigation</b>	210	168	-42	Fav	1,662	1,662	+0		Projects set to complete in Q2 that were budgeted in Q1.
<b>Total Expenditure</b>	<b>2,022</b>	<b>1,885</b>	<b>-137</b>	<b>Fav</b>	<b>9,492</b>	<b>9,492</b>	<b>+0</b>		
Natural Environment	93	89	+4	Adv	774	774	+0		
Cultural Heritage	34	43	-9	Fav	1,224	1,224	+0		Donation in quarter 1 was not budgeted for but not expected to change the overall value of the project delivered.
Recreation Management	172	23	+149	Adv	734	734	+0		National Trails Grant not yet received, expected to be resolved in Q2. Car Park Fees are under profile following poor weather in Q1.
Promoting Understanding	94	61	+33	Adv	366	366	+0		EAFRD grant not yet received. Increased income from retail at the Moors Centre in Q1.
Rangers and Volunteers	1	0	+1	Adv	4	4	+0		
Development Management	66	75	+9	Adv	285	285	+0		Higher volumes of applications in Q1 than in the profiled budget but too early to say if this trend will continue.
Forward Planning	0	0	+0		35	35	+0		
Corporate & Dem. Core	14	9	+5	Adv	26	26	+0		
DEFRA Grant	1,095	1,095	+0		4,382	4,382	+0		
<b>Total Function Income</b>	<b>1,569</b>	<b>1,395</b>	<b>+174</b>	<b>Adv</b>	<b>7,830</b>	<b>7,830</b>	<b>+0</b>		
<b>S106 Comp. &amp; Mitigation</b>	1,109	1,169	+60	Adv	1,662	1,662	+0		Income carried forward for Tourism Impact Review
<b>Total Income</b>	<b>2,678</b>	<b>2,564</b>	<b>+114</b>	<b>Adv</b>	<b>9,492</b>	<b>9,492</b>	<b>+0</b>		
<b>NET Surplus/Deficit (-/+)</b>			<b>-23</b>	<b>Sur</b>	<b>0</b>	<b>0</b>	<b>+0</b>		

<b>Appendix 2</b>	<b>Profiled Budget June 19</b>	<b>Actual June 19</b>	<b>Variance</b>	<b>Fav / Adv</b>	<b>Current Budget Full Year</b>	<b>Forecast Outturn Full Year</b>	<b>Variance</b>	<b>Fav / Adv</b>
<b>2019/20 Breakdown by Type</b>								
<b>Expenditure Type</b>	£k	£k	£k		£k	£k	£k	
Employees	947	958	+11	Adv	3,717	3,717	+0	
Premises	89	85	-4	Fav	368	368	+0	
Transport	51	38	-13	Fav	205	205	+0	
Supplies and Services	687	675	-12	Fav	3,479	3,479	+0	
Third Party Payments	85	57	-28	Fav	361	361	+0	
Section 106 Expenditure	162	71	-91	Fav	1,362	1,362	+0	
<b>Total Expenditure</b>	<b>2,021</b>	<b>1,884</b>	<b>-137</b>	<b>Fav</b>	<b>9,492</b>	<b>9,492</b>	<b>+0</b>	
<b>Income Type</b>								
Lottery Funded Grants	19	24	-5	Fav	1,300	1,300	+0	
Other External Grants (Exc DEFRA)	107	-130	+237	Adv	605	605	+0	
Retail Sales	57	72	-15	Fav	207	207	+0	
Planning Income	66	75	-9	Fav	275	275	+0	
Car Park Income	163	148	+15	Adv	511	511	+0	
Donations	4	13	-9	Fav	15	15	+0	
Other Income	57.6	89	-31	Fav	264	264	+0	
Match Funding	0	9	-9	Fav	216	216	+0	
Capital Receipts	0	0	+0		15	15	+0	
Investment Income	0	0	+0		30	30	+0	
Section 106 Income	1,109	1,169	-60	Fav	1,672	1,672	+0	
DEFRA GRANT	1,095	1,095	+0		4,382	4,382	+0	
<b>Total Income</b>	<b>2,678</b>	<b>2,564</b>	<b>+114</b>	<b>Adv</b>	<b>9,492</b>	<b>9,492</b>	<b>+0</b>	
<b>NET Surplus/Deficit (-/+)</b>	<b>-657</b>	<b>-680</b>	<b>-23</b>	<b>Sur</b>	<b>0</b>	<b>0</b>	<b>+0</b>	

**Appendix 3 – Waivers**

<b>Waiver Period</b>	<b>Description</b>	<b>Final contract price</b>	<b>Reason for Waiver</b>
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.