

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

1 February 2021

Quarter 3 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 31 December 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 31 December 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 was set to cater for a 6 months closure of key income earning facilities such as car parks, planning and visitor centres. However, 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 31 December 2020. In a normal year this would just represent the original and latest budget, but this year includes the revised budget as well. There have been no further changes since quarter 2. The £52k additional funding from reserves relates to carry forwards from 2019/20 :-

3.2

2020/21 Budget Summary as at 31st December 2020				
	2020/21 Original Budget	2020/21 Revised Budget	2020/21 Latest Budget	2020/21 Change in Budget
	0	0	0	0
Gross Income	10,715	10,116	10,507	391
Gross Expenditure	-10,818	-10,493	-10,936	-443
Net Movement from Reserves	-103	-377	-429	-52

4. Financial Performance Overview

- 4.1 The table below summarises the current position as at 31 December 2020.

	Profile Budget	Year to Date Actual	Year to Date Variance	Full Year Current Budget	Full Year Forecast Outturn	Full Year Variance
	Dec-20	Dec-20	Dec-20	Mar-21	Mar-21	Mar-21
Income						
Earned & External Income	2,528	2,572	44	3,686	3,861	175
NPG Grant Income	3,747	3,747	0	4,381	4,381	0
S106 Compensation & Mitigation	1,727	2,088	361	2,440	1,260	-1,180
Total Income	8,002	8,407	405	10,507	9,502	-1,005
Expenditure						
Core Expenditure	-5,997	-5,420	577	-8,496	-8,593	-97
S106 Compensation & Mitigation	-1,303	-756	547	-2,440	-1,260	1,180
Total Expenditure	-7,300	-6,176	1,124	-10,936	-9,853	1,083
Total Surplus/Deficit	702	2,231	1,529	-429	-351	78

4.2 At the end of quarter 3, there is a substantial underspend of just over £1.5m :-

- £0.9m relates to S106 with £0.36m of income received ahead of profile and £0.55m underspend. Underspends are primarily due to the impacts of covid-19 which has hindered delivery on landscapes and ecology and tourism in particular. Forecasts indicate that the S106 budget will be underspent by £1.18m at the year end, this increase is mainly due to the signage project (£450k) which was budgeted to deliver in quarter 4 but is now expected in 2021/22. It is expected that budgets will be carried forward in line with the conditions of the agreement and will deliver in 2021/22. Further details can be found in section 8.
- A further £0.25m is as a result of other external funding projects, particularly Ryevitalise which is behind the budgeted profile of spend and Arncliffe Wood LEI where the income has been received in the current year but much of this will be carried forward to 2021/22.
- Key points relating to the remaining £0.35m variance is covered in sections 5 and 6 below with additional detail of all variances in **Appendices 1 and 2**.

4.3 A detailed forecast has been carried out and it is expected that the deficit will be £78k lower at the year end. This is mostly driven by higher car parking and planning income less an additional £149k of expenditure that has been added to the budget, leaving a forecast £78k favourable variance at the year end. There continues to be some risk in this forecast with the country being in lockdown once again in quarter 4 which may provide additional risk to forecast income but may also result in challenges to deliver spend.

4.4 It is proposed that a favourable variance at the year-end should help to reduce the overall reserves ask in the 2021/22 budget. This will help to increase reserves to support future initiatives.

5. Income

5.1 Earned income is currently £174k higher than the profile budget at the end of quarter 3. Earned income performance at car parks, visitor centres and planning income are the main reasons for this.

5.2 The key earned income streams are detailed below.

Earned Income	Profile Budget	Year to Date Actual	Year to Date Variance	Full Year Current Budget	Full Year Forecast Outturn	Full Year Variance
	Dec-20	Dec-20	Dec-20	Mar-21	Mar-21	Mar-21
	£k	£k	£k	£k	£k	£k
Car Parking	278	351	73	278	370	92
Visitor Centres	75	96	21	88	100	12
Planning Fees	146	221	75	196	270	74
Other	190	199	9	324	296	-28
Total	689	867	178	886	1036	150

5.3 Car park income has continued to perform well in quarter 3 and is currently £73k over the revised budget. Due to the current lockdown restrictions the forecast outturn for the remainder of this financial year has been estimated at a third of the income normally received in the final quarter but the forecast at quarter 2 assumed little income in quarter 4 to reflect a further lockdown, therefore the forecast anticipates that the additional income will increase to £92k. There is some risk to this as it is too early in the current lockdown period to understand the full implications on car parking.

5.4 Visitor Centre retail facilities are also currently performing above the profiled budget as at December 2020. However, both centres are currently closed and are not expected to open until March 21 at the earliest.

5.5 Despite early concerns that planning income would be impacted negatively by covid-19, the opposite appears to be true as volumes of small applications remain 20% higher than an average year. This income stream is currently £75k over profiled budget and whilst officers expect a slowdown of applications in quarter four compared to the current rate, the current surplus is expected to be maintained to the end of the year.

5.6 Income from the gallery exhibitions and events and from Education bookings are below profile and activity in these areas have now largely stopped due to lockdown. Latest forecasts assume that there will be no further income this year and a deficit of £18k is expected. The remaining £10k other earned income deficit relates to Visitor Centre Café quarter four rents.

5.7 In addition to the income streams included in the table above, whilst in lockdown, the Authority continues to furlough 'income generating' staff where facilities are closed or programmes suspended. We are expecting to claim £25k more than expected at quarter 2 from the Coronavirus Job Retention Scheme with a forecast claim for the year of £130k in total.

6. Expenditure

6.1 Expenditure not related to external funded projects or S106 was £164k underspent at quarter 3. This is across a wide number of budgets and many are still expected to be spent by the year end. In some cases, delays due to covid-19 mean that budgets will be carried forward into 21/22.

- 6.2 The rural recovery fund profile budget expected £74k of the £264k of spend by the end of quarter 3 but to date £20k has been spent. An update on the fund can be found in section 7 of the report and **Appendix 4**.
- 6.3 Connectivity budgets are £40k behind profile at the end of quarter 3 and is expected to underspend by £15k at the year end due to capacity to deliver. In corporate services, there is an underspend of £50k on contracted in services and whilst most of this is expected to be spent by the year end, it is anticipated there will be a £15k underspend on legal costs due to lower demand and a reduction in the cost of insurance.
- 6.4 The additional income forecast has allowed for some additional spend to be factored in within the remainder of the financial year. Officers are proposing to spend :-
- £60k on toilet refurbishments and essential maintenance which were removed from the budget as part of the revised budget to mitigate income losses due to covid-19.
 - £15k of additional costs to support a large planning application.
 - £10k to fund climate change work.
 - £15k to fund IT server and external support requirements.
 - £11k for additional staff resources in Comms and Planning.
 - £23k of additional corporate costs to fund renewable energy certificates and staffing costs.
 - £15k for listed buildings consultancy work in planning.

7. **Rural Recovery Fund**

- 7.1 Progress on the rural recovery fund is reported in **Appendix 4**. It is expected by the year end that £155k of the £264k fund will have been spent. It is proposed that the balance of the fund is carried forward into 2021/22. Projects that are expected to continue to deliver in the next financial year include :-
- Kickstart programme – £24k - this scheme, which will be delivered in collaboration with other national parks, has been approved and will be ready to launch early in the new financial year.
 - Ranger and Digital Detox camps - £30k - are ready to roll out, but with covid-19 it is not possible to hold these camps currently in the National Park. Therefore it is expected that these will be held in 2021/22 once regulations allow.
 - The rural recreation and engagement plan - £30k - has been rolled up into the management plan process, and will therefore be delivered alongside that to ensure that is coherent with future strategy.
 - There is expected to be a £25k underspend in conservation grants in 20/21, with consideration now being given to alternative uses for this money.

8. **S106 – Polyhalite Update**

- 8.1 Expenditure in Q3 is lower than budget by £547k. Outturn is expected to be £1.2m underspent.
- 8.2 The second and third lockdowns have continued to hinder delivery on some of the Landscape and Ecology projects and the profile is currently showing around £300k underspend. There will be some catch up in the final quarter but there will be some funds (around £150k) carried over into the next financial year in line with the conditions of the s106 agreement.
- 8.3 The tourism promotion budgets are still being used sparingly due to the ongoing pandemic situation and the majority of the rest of the underspend is related to delays in delivering tourism promotion activity.

- 8.4 The signage project of £450k which was expected to spend in quarter 4 is not expected to deliver in 2021/22
- 8.5 Of the underspend, it is expected that £15k will be returned. This relates to the archaeology contribution where the conditions of the s106 agreement limit the scope of projects to deliver.
- 8.6 Income in Q3 is higher than budget by £361k – this is mainly due to significantly higher funds than anticipated being drawn down for Core Policy D work over the winter.

9. Reserves

- 9.1 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 up to Q3	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	-36	19
Capital : Property reserve	280	0	280
Projects : Ryevitalise Match Funding	153	0	153
Projects : Asset Income Generation	80	-33	47
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	-121	865
General Unallocated Reserve	198	0	198
Total Reserve Balance	2,578	-121	2,457

- 9.2 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.
- 9.3 The car park machine project is expected to be spent in quarter 4 as is the disability access routes budget. The climate change post has now been recruited and this will fund the post for the 2021 calendar year.

10. Major Project Financial Updates

Land of Iron

- 10.1 The total spend at quarter three is £163,913. The total project value is £3,935,247, plus £387,137 non-cash contributions (volunteering and gifts in kind).

10.2 The remaining budget is £275,619. This is all allocated or committed.

10.3 Activity in quarter 3 includes the completion of Rail Trail Bridges building conservation work, additional access improvements to Rosedale Railway, continued management and improvement work at Warren Moor Mine, signage improvements for Rosedale Railway developed, management and legacy plans in place, development of Saving Stone Kilns project underway.

11. Ryevitalise

11.1 At the Progress Review meeting with NLHF in December 2020, the project team was praised for the progress made despite Covid restrictions, adapting delivery and utilising new opportunities. Undertaking a soft launch of our landscape scale bat monitoring citizen science project with current National Park volunteers is a great example of this, enabling a thorough test the new monitoring system before it is rolled out as a public scheme

11.2 Key deliverables:

- Ryevitalise Conservation Agreements:
 - o Conservation Woodland/Ancient Tree/In-channel Agreements continue to progress, with new agreements in draft.
 - o Tree planting to create wooded riparian zones has been the main activity this winter.
- Volunteering:
 - o 70 volunteers have participated in Ryevitalise in 2020/21; this has included recording 50 nights of bat data, surveying 15 sites for ancient and veteran trees and analysis of over 80 LiDAR squares.
 - o New volunteers are registering interest for 2021 opportunities such as veteran tree surveying which kicks off with online training in partnership with the Woodland Trust.
- New procurement:
 - o Journal Ltd. have been appointed as design and content specialists to work with Ryevitalise and Park Services to deliver the Sutton Bank National Park Centre interior design and engagement work.
- Other activity:
 - o Memories are being collected for *Rye Reflections*.

11.3 Expenditure: The total budget spend to-date is £420,221 (cash); £521,196* (cash and non-cash).

Budget	Cash	Non-cash	Total
	£3,077,800	£320,000	£3,397,800
Current Total Spend	£420,221	£100,975*	£521,196*

*in-kind/non-cash figures are currently being finalised as figures are still being submitted by our partners

11.4 Income:

- Blue Corridors ERDF project; **£200K** of match funding has been secured to reduce the NYMNP match commitment to Ryevitalise. In addition, electrofishing kit and training to be funded in order to undertake juvenile fish monitoring which will be an additional output for Ryevitalise.

- River Rye Wooded Wonders project; a recent bid to the Environment Agency for riparian tree planting has been successful, securing **£40K**. This includes four tree planting sites in the Ryevitalise area and one site in Rosedale (linked to Land of Iron as Rosedale sits within the wider Rye catchment).

12. **Waivers and Virements**

- 12.1 There was one waiver in quarter 3. Details of waivers for the year to date can be found in **Appendix 3**.
- 12.2 There have been no virements over £50k in the first quarter to report to FRASC.

13. **Conclusion**

- 13.1 The impact of increased footfall in the National Park since the first lockdown ended has had a positive impact on car parking income. In addition, small planning application volumes are 20% higher than usual resulting in additional planning income.
- 13.2 This increase in income will help to reduce the budgeted deficit at the year end and has allowed additional monies to be put into amongst other things toilet facilities, climate change work, plus IT infrastructure and planning costs. It is proposed that the remaining favourable variance reduce the increased demand from reserves that arose as a result of covid-19 in the revised budget.
- 13.3 There is still an element of risk in the forecast as the country is in lockdown in quarter 4 which could have adverse impacts on car parking over and above what has been estimated. In addition, lockdown could make delivery of some projects challenging. It is anticipated that there will be budgets carried forward at the year end to enable deliver to continue into quarter 1 of 2021/22. This includes any balance remaining in the rural recovery fund.
- 13.4 S106 will underspend in the current year amid challenges of delivering some aspects of the work due to covid-19. Our key projects however continue to report excellent progress in year.

<h2>14. Recommendations</h2>

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| <ul style="list-style-type: none">14.1 That Members note the report. |
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Appendix 1 2020/21 Income and Expenditure Summary as at 31st December 2020

	Profiled Budget Quarter 3	Actual Quarter 3	Variance Quarter 3	Revised Annual Budget	Forecast Outturn	Full year Variance	Commentary
	£k	£k	£k	£k	£k	£k	
Income							
Natural Environment	754	565	-189	1,250	1,250	0	Timing of income on external funded projects.
Cultural Heritage	370	369	-1	550	550	0	
Recreation Management	375	505	130	546	638	92	Car park income £92k forecast. Remainder of YTD balance is external funded projects,
Promoting Understanding	690	703	13	914	896	-18	Education -£10k, Exhibitions - £8k, VC Cafes - £12k, VC sales £12k. Income worsening in quarter 4.
Rangers and Volunteers	0	5	5	0	2	2	
Development Management	178	253	75	230	304	74	20% Increase in small applications
Forward Planning	0	0	0	15	15	0	
Corporate and Democratic Core	161	172	11	181	206	25	£25k furlough income for Jan & Feb
DEFRA Grant	3,747	3,747	0	4,381	4,381	0	
Total Function Income	6,275	6,319	44	8,067	8,242	175	
S106 Compensation & Mitigation	1,727	2,088	361	2,440	1,260	-1,180	Income in line with expenditure (see below)
Total Income	8,002	8,407	405	10,507	9,502	-1,005	

Expenditure	£k	£k	£k	£k	£k	£k	
Natural Environment	-1,074	-656	418	-1,915	-1,892	23	Timing in external funding spend. £40k underspend in connectivity at end of Q3, forecast underspend of £15k. PAWS underspend £8k forecast.
Cultural Heritage	-691	-679	12	-769	-769	0	
Recreation Management	-716	-667	49	-1,385	-1,445	-60	External funding project driving the YTD variance. £60k of additional spend on toilets in the forecast.
Promoting Understanding	-1,502	-1,445	57	-2,163	-2,157	6	Timing of expenditure on explorer club in the year to date plus spend in education and exhibitions which is expected to reduce but a forecast has been made. Additional comms resources £6k.
Rangers and Volunteers	-471	-447	24	-800	-791	9	Lower spend in volunteers expected. Access routes work ahead of profile at Q3.
Development Management	-445	-434	11	-770	-807	-37	Timing in planning application costs in YTD. Additional costs relating to a large application, listed buildings consultancy, resources and enforcement forecast.
Forward Planning	-97	-87	10	-292	-292	0	Minerals plan and management plan budgets to be carried forward if unspent.
Corporate and Democratic Core	-1,001	-1,005	-4	-402	-440	-38	£10k savings forecast across a number of budgets. Additional costs for £15k IT external support, £10k climate change forecast, £12k staff related costs, £6k energy certificate renewals..
Total Function Expenditure	-5,997	-5,420	577	-8,496	-8,593	-97	
S106 Compensation & Mitigation	-1,303	-756	547	-2,440	-1,260	1,180	Lower spend on tourism and landscape and ecology spend plus delays to the signage project.
Total Expenditure	-7,300	-6,176	1,124	-10,936	-9,853	1,083	
NET SURPLUS/ DEFICIT	702	2,231	1,529	-429	-351	78	

Appendix 2

Appendix 2	Profiled Budget Quarter 3	Actual Quarter 3	Variance Quarter 3	Revised Annual Budget	Forecast Outturn	Full Year Variance
Income Type	£k	£k	£k	£k	£k	£k
Other External Grants (Excluding DEFRA)	1,670	1,587	-83	2,525	2,550	25
Retail Sales	75	96	21	90	102	12
Planning Fee Income (including planning S106)	178	253	75	231	305	74
Car Park Income	278	351	73	278	370	92
Donations	5	11	6	8	8	0
Other Income	115	114	-1	176	148	-28
Match Funding	197	145	-52	345	345	0
Capital Receipts	0	2	2	15	15	0
Investment Income	10	13	3	17	17	0
Section 106 Income	1,727	2,088	361	2,440	1,260	-1,180
DEFRA GRANT	3,747	3,747	0	4,382	4,382	0
Total Income	8,002	8,407	405	10,507	9,502	-1,005
Expenditure Type	£k	£k	£k	£k	£k	£k
Employees (excluding S106 employees)	-2,922	-2,916	6	-3,937	-3,960	-23
Premises	-229	-213	16	-310	-310	0
Transport	-84	-98	-14	-122	-122	0
Supplies and Services	-2,527	-2,007	520	-3,762	-3,836	-74
Third Party Payments	-235	-186	49	-365	-365	0
Section 106 Expenditure	-1,303	-756	547	-2,440	-1,260	1,180
Total Expenditure	-7,300	-6,176	1,124	-10,936	-9,853	1,083
Total	702	2,231	1,529	-429	-351	78

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>
Q3	Forestry Services at the Arncliffe Estate, Northallerton for Clear Operations	£12,500	The contract was put out to tender in December 2020 and was widely advertised within the forestry sector. Only two contractors submitted quotes. Timing is crucial for this project as the majority of work needs to be completed before the bird breeding season. The project is externally funded and the funder expects the work to be completed in winter for ecological reasons.

Appendix 4 : Rural Recovery Fund		Spent to Q3	Budget to Q3	Variance	FY Budget	FY Forecast	Variance	Comments
		£k	£k	£k	£k	£k	£k	
Grants	Conservation	0.3	15	14.7	70	45	-25	Propose to reallocate this underspend within the rural recovery fund.
	Historic buildings	5.5	5	-0.5	25	25	0	
	Village improvement	5	11.2	6.2	28	28	0	
	Grants Total	10.8	31.2	20.4	123	98	-25	
Visitors and Tourism	New Visitors	2	33	31	67	37	-30	Ranger and Digital Detox Camps cannot go ahead in lockdown, plan to delivery in 2021/22
	Rural Recreation and Engagement	0	0	0	30	0	-30	This has been wrapped up with the new management plan process, and will deliver alongside that in 2021/22
	Local Tourism	5	5	0	12	12	0	
	National Park Awareness	2.6	4.1	1.5	8	8	0	
	Information Total	9.6	42.1	32.5	117	57	-60	
Employing Young People	Kickstart scheme	0	0	0	24	0	-24	A lot of work has been done to set this scheme up to begin early in 21/22.
Total Rural Recovery Fund		20.4	73.3	52.9	264	155	-109	