

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

3 February 2020

### Quarter 3 2019/20 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 31st December 2019 and to provide the latest forecast outturn for 2019/20.

#### 2. Background

- 2.1 This report details the position of income and expenditure to 31 December 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.
- 2.3 At quarter 2, a small surplus of £4k was reported in the forecast with a deficit position at the halfway stage expected to turn around by the end of the year.
- 2.4 Budget changes have been reported at quarter 1 in the year, with just minor changes in Q3 as detailed in 3.2 below.
- 2.5 A new DEFRA grant memorandum was signed in September, coming into force immediately. We are still awaiting latest information on pay award and DEFRA grant for next year.

#### 3. Budget Changes

- 3.1 The table below shows the current budget summary at Q3.

<b>2019/20 Budget Summary as at 31 December 2019</b>			
	<b>2019/20 Original Budget</b>	<b>2019/20 Current Budget</b>	<b>2019/20 Change in Budget</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Gross Income</b>	9,225	9,447	<b>+222</b>
<b>Gross Expenditure</b>	-9,225	-9,447	<b>-222</b>
<b>Net Surplus (+) / Deficit (-)</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.2 The budget for both income and expenditure has been reduced by £45k. There is no bottom line impact. This is for the following externally funded areas:-

National Trails	-6	Final Grant notification
LEADER	-24	Project finished early
WEG	-49	Scheme slipped to 2020/21
YERT	15	Finalised grant from CABA
ELMS	19	New grant from DEFRA
<b>Total</b>	<b>-45</b>	

#### 4. Financial Performance Overview

4.1 The table below summarises the current position as at 31<sup>st</sup> December 2019.

	Profile Budget	Year to Date Actual	Year to Date Variance	Full Year Current Budget	Full Year Forecast Outturn	Full Year Variance
	Dec-19	Dec-19	Dec-19	Mar-20	Mar-20	Mar-20
<b>Income</b>						
Earned & External Income	1,955	2,100	145	3,403	3,549	146
NPG Grant Income	3,286	3,286	0	4,382	4,382	0
S106 Compensation & Mitigation	1,662	1,523	-139	1,662	1,523	-139
<b>Total Income</b>	<b>6,903</b>	<b>6,909</b>	<b>6</b>	<b>9,447</b>	<b>9,454</b>	<b>7</b>
<b>Expenditure</b>						
Core Expenditure	-5,298	-5,037	261	-7,785	-7,805	-20
S106 Compensation & Mitigation	-1153	-801	352	-1,662	-1,523	139
<b>Total Expenditure</b>	<b>-6,451</b>	<b>-5,838</b>	<b>613</b>	<b>-9,447</b>	<b>-9,328</b>	<b>119</b>
<b>Net Surplus (+) / Deficit (-)</b>			<b>619</b>			<b>126</b>

4.2 The numbers indicate a £619k surplus in the year to date. This contains timing on S106 and externally funded projects and an underspend on Connectivity at Q3. More details on S106 can be found in section 7.

4.3 Currently it is expected that there will be a surplus of £126k by the year end due to areas where budgets have been purposefully held in order to provide short term support for the 2020/21 budget in light of the unknown settlement and pay award. These are primarily within connectivity, local plan, planning fees and contracted in costs.

4.4 Key areas of income and expenditure variances that are not timing are detailed below with additional detail in appendices 1 and 2.

## 5. Income Forecast

5.1 Income is currently £6k higher than the profile budget at the end of quarter 3 and is forecast to be £7k higher at the end of the year. S106 income is expected to be lower by the year end (see section 7) whilst earned and external funding income is expected to exceed budget.

5.2 Excluding S106, income is expected to be £146k higher than budgeted, the key earned income streams are illustrated 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
	Dec-19	Dec-19	Dec-19	Mar-20	Mar-20	Mar-20
	£k	£k	£k	£k	£k	£k
Car Parking	440	397	-43	511	466	-45
Visitor Centres	169	209	40	207	247	40
Planning Fees	201	311	110	275	399	124
Other	334	332	-2	465	468	3
<b>Total</b>	<b>1,144</b>	<b>1,249</b>	<b>105</b>	<b>1,458</b>	<b>1,580</b>	<b>122</b>

5.4 Car park budgets continue to underperform and whilst the weather is a factor, further work is required to analyse performance across all car parks. The forecast reflects the income position at the end of November, although December has been £2k better than budget. Last year the final three months came in on budget despite lower income in the earlier months, so it is hoped that this year will see the same trend so no further deficit in Q4 has been forecast. This will be kept under review.

5.5 Conversely, the visitor centres retail offering continues to fare very well with a revised offering generating an additional £40k of sales with the Moors Centre performing particularly well. This will generate £15k of additional margin.

5.6 Planning application fees for quarter three are favourable to profiled budget by £110k. This is primarily due to receipt of a large planning application fee which exceeds the three year rolling average on which the budget is based. In addition, £42.6k has been received relating to recovery of costs from an enforcement case. It is worth noting that both the large application and enforcement case income also incur costs which are forecast within expenditure.

5.7 The gallery at The Moors Centre has had some excellent and very successful exhibitions again this year. There is timing in the year to date numbers, with commission still to come in relating to gallery sales, so overall sales net of commission is expected to come in on budget.

5.8 Lower sponsorship and third party income is expected to be offset by higher investment returns and increased income from the Levisham Estate.

## 6. Expenditure Forecast

6.1 Expenditure is below the profile budget by £261k at the end of quarter 3 but is expected to be £20k over budget by the end of the year. Larger non-timing variances are detailed below

- Connectivity spend is under profile by £47k at the end of December. This budget was frozen until the outcome of the Land of Iron project was known. Whilst there is still a little uncertainty as to the outcome of this, it is expected that not all of this budget will be required and therefore £60k of this will be carried forward as a surplus to help mitigate against risk in the 2020/21 budget.
- Local plan has made savings on staffing costs and the inspection taking less time than anticipated. This £15k underspend will also be used to help mitigate any potential risk from DEFRA grant freeze in the short term.
- Contracted in services are below profile as some services have only just billed for the year. It is expected that there will be a £20k in year saving which will also be held to mitigate future risk.
- An enforcement case and a large planning application have both generated additional expenditure to that which was budgeted with an additional £48k and £50k of additional spend respectively. These have associated income.
- Staff costs which are by far the largest cost for the Authority are expected to come in on budget.
- Visitor centre retail continues to out-perform budgets. Consequently there is additional cost but this has generated additional income and margin for the Authority.

## 7. S106 – Polyhalite Update

7.1 Expenditure in Q3 was lower than budget at £801k against £1,152k.

7.2 Some of the variance in expenditure is related to a payment of £110k to Visit England not yet being drawn down, the timing of the revised programme of spend related to the retained Welcome to Yorkshire Contribution and some timing for projects related to the suite of works scheduled under the Landscape & Ecology contribution. All of these activities are programmed to be complete before the end of **April** but there will be some inevitable carry over at the end of the Authority's **March** financial year.

7.3 Each of the s106 contributions must be spent within a time frame specified within the S106 agreement. For the archaeology contributions, this time frame is 3 years from receipt. One of the contributions was made to assimilate archaeological data collected as a result of the development into the archaeological record. The scope of this work is limited and is defined in the S106 agreement.

7.4 The first contribution made for Archaeology was £23,265. To date, expenditure from this contribution since May 2017 is £15,434. It is expected that the remainder of this sum will be spent between now and May 2020 on further archaeological survey work although this is dependent on the weather being suitable before ground nesting bird season starts. If the weather and species constraints mean that this money cannot be spent before May 3<sup>rd</sup>, a figure of around £7,800 will need to be returned to Sirius under the S106 agreement terms.

## 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	Contribution to reserves	Movement in Reserves at Q3	2019/20 Current Position
Emergency Reserve	320		65	385
TELI Grant in Advance and Match Funding	463		0	463
NYMHR 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>0</b>	<b>53</b>	<b>1,521</b>
Capital : Sutton Bank Visitor Centre	338		-218	120
Capital : Vehicle and IT Replacements	52	100	-66	86
Capital : Office Building Works	287		-7	280
Projects : Ryevitalise Match Funding	153		0	153
Projects : Asset Income Generation	100		-13	87
<b>Committee Approved Reserves</b>	<b>930</b>	<b>100</b>	<b>-304</b>	<b>726</b>
General Unallocated Reserve	258		-65	193
<b>Total Reserve Balance</b>	<b>2,656</b>	<b>100</b>	<b>-316</b>	<b>2,440</b>

- 8.2 The vehicle and IT will spend as expected this year with the budgeted contribution ensuring the affordability of the longer term programme of spend.
- 8.3 The TEL, Rye and S106 reserves are made up of income in advance and match funding and will be balanced at the end of the year when the expenditure and income in advance is recalculated.
- 8.4 Planned works funded from reserves continue, with the funding of half the Car Park Sites post and office building works to increase capacity and improve crowded facilities for staff..

## 9. Major Project Financial Updates

### 9.1 Land of Iron

- 9.1.1 The majority of work under the Land of Iron programme is now complete or well underway. Key deliverables in Quarter 3 were the completion of building conservation work at Rosedale Iron Kilns and the installation of the external interpretation features. To the end of Quarter 3 2019/20 £2.8m 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. Almost all of the remaining funding has been committed to upcoming works.
- 9.1.2 It is unlikely that any of the call on reserves for the project overspend risk will be needed for work on the Land of Iron programme. No significant unexpected issues have arisen on site and all changes to individual project budgets have been accommodated within the Land of Iron programme.

## 9.2 Ryevitalise

9.2.1 Ryevitalise runs from 1 June 2019 – 31 August 2023. Total cost £3,397,800 with £320,000 of this made up of in-kind / non cash contributions.

9.2.2 **Key deliverables in Q3:** Conservation capital works are underway at the majority of the Year 1 Conservation Agreement sites and a contract has been awarded to EnviroCentre Ltd. to assess 15 in-channel structures in early spring 2020. The education programme has been finalised and five primary schools have been engaged, with two afterschool activities confirmed for next quarter. Community Groups including natural history and local history societies have been engaged with interest expressed for volunteering and data sharing. 10 new Ryevitalise volunteers have been signed up this quarter and taken part in a practical conservation task. The first Steering Group meeting was held and the Ryevitalise Launch week has been confirmed for 25-29 May 2020.

9.2.3 **Spend:** Just over £45.5K (cash) has been spent from October – December 2019, principally on salary and IT/office costs, as well as our first grant claim for a Conservation Woodland Agreement. The total budget spend to-date is £86K (including non-cash).

9.2.4 **Income:** The 'Blue Corridors' ERDF expression of interest (to try to secure £200K of match funding) has been approved and a full application is being drafted for submission by mid end of March 2020.

9.2.5 In December the Partnership secured an additional £9,413 in partnership with the National Peaks Partnerships and Forest Holidays via Black Friday campaign – bringing the total cash match figure secured since stage 2 submission to £25,195;

Partner	Match contribution (£)
Woodland Trust (due to sign up as official partner)	8,432
Environment Agency	5,620
Howardian Hills AONB	649
Natural England	649
East Yorkshire Rivers Trust	432
Forest Holidays	9,413
<b>Totals</b>	<b>25,195</b>

9.2.6 **Risk:** Due to the sustained wet weather experienced throughout autumn 2019 some Agreement holders have been advised not to commence practical works at this stage to avoid soil compaction or water quality issues.

9.2.7 **Recruitment:** The final year one post to undertake practical field work and coordination of volunteers and apprentices will be advertised in early Q4.

## 9.3 Sutton Bank Project

9.3.1 The funding bid to ERDF for the Sutton Bank project has been successful. This is a 100% funded scheme to the value of £745k which will deliver cycling trails, dark skies hide and additional car parking to facilitate this.

9.3.2 It is expected that the project will commence in March 2020.

9.3.3 Assurances have been sought and obtained from the RPA over the security of the funding in the context of EU withdrawal and a new Parliament. Additional comfort has also been given by written agreement that the final deadline for final claims is in September 2021.

10. **Waivers and Virements**

10.1 There were two further waivers in Quarter 3 which are detailed in **Appendix 3**.

10.2 There have been no virements over £50k in the year to date to report to FRASC.

11. **Conclusion**

11.1 At the end of quarter 3, the forecast indicates that we expect a planned surplus of £126k. This has been mainly generated from four key areas, wildlife connectivity, local plan, planning application fees and lower spend in contracted in services. These underspends are being purposely held in order to help mitigate any potential risk from the uncertainties around DEFRA grant and the pay award in next year's budget.

11.2 Members should note the total staff cost is expected to be just 39% of total spend.

11.3 Good progress on the Ryevitalise and Land of Iron projects in quarter 3 and excellent news on the success of the Sutton Bank project bid. The latter is the 14th successful funding bid out of 15. The External funding paper discusses the reasons behind this with a view to the development of the next Business Plan.

12. **Recommendations**

12.1 That Members approve the report.

Appendix 1 : 2019/20 Income and Expenditure Summary as at 31 December 2019							
	Budget YTD Dec-19 £	Actual YTD Dec-19 £	Variance YTD Dec-19 £	Full Year Budget 2019/20 £	Full Year Forecast 2019/20 £	Outturn Variance 2019/20 £	Commentary (main variances)
<b>Income</b>							
Natural Environment	221	215	-6	701	707	6	Higher income expected from Levisham estate.
Cultural Heritage	612	645	33	1200	1,200	0	
Recreation Management	562	520	-42	724	694	-30	Lower car park income £45k partly offset by income from NYCC UUR project (£14k) which has corresponding expenditure.
Promoting Understanding	299	352	53	366	425	59	Higher retail and gallery income from increased sales (£48.5k), offset by slightly lower income from education due to shortage of finances in schools £3.5k. Three new small externally funded projects with corresponding expenditure (£14.6k).
Rangers and Volunteers	3	11	8	4	9	5	Income for the Cod Beck post £5k - not budgeted.
Development Management	201	311	110	285	409	124	Income from large application £81.5k and recovery of court costs for an enforcement case £42.6k.
Forward Planning	0	0	0	35	35	0	
Corporate and Democratic Core	57	46	-11	88	70	-18	Lower sponsorship and third party working income (£22k) partly offset by higher investment income £5k.
DEFRA Grant	3,286	3,286	0	4,382	4,382	0	
<b>Total Function Income</b>	<b>5,241</b>	<b>5,386</b>	<b>145</b>	<b>7,785</b>	<b>7,931</b>	<b>146</b>	
S106 Compensation & Mitigation	1,662	1,523	-139	1,662	1,523	-139	Income adjusted in line with expenditure
<b>Total Income</b>	<b>6,903</b>	<b>6,909</b>	<b>6</b>	<b>9,447</b>	<b>9,454</b>	<b>7</b>	



<b>Expenditure</b>							
Natural Environment	-375	-386	-11	-1,396	-1,334	62	Wildlife Connectivity underspend £60k to cover 2020/21 budget risk plus small underspends on conservation agreements and traditional boundary scheme.
Cultural Heritage	-1,282	-1,035	247	-1,424	-1,424	0	
Recreation Management	-680	-673	7	-1,233	-1,247	-14	New unbudgeted project in year - NYCC UUR (£14.4k) - offset in income.
Promoting Understanding	-878	-950	-72	-1,400	-1454	-54	Higher sales mean increase in costs of merchandise (£40k) plus external funded projects in year as per income £14.6k.
Rangers and Volunteers	-491	-476	-15	-820	-807	13	Underspend on staffing expected due to vacancies.
Development Management	-401	-425	-24	-714	-812	-98	Increased costs associated with the large application (£50k) and the enforcement case (£48k). Both also have associated income.
Forward Planning	-195	-125	70	-368	-342	26	Local plan staff and inspection underspend (£20k) plus lower spend on tourism surveys (£6k). Underspend to help mitigate 2020/21 budget risk.
Corporate and Democratic Core	-996	-967	29	-430	-385	45	Lower spend with contracted in services being held as surplus to mitigate 2020/21 budget risk £25k. Lower inflation contingency required to date £15k. Additional spend on the National Park Review not required £5k.
<b>Total Function Expenditure</b>	<b>-5,298</b>	<b>-5,037</b>	<b>261</b>	<b>-7,785</b>	<b>-7,805</b>	<b>-20</b>	
S106 Compensation & Mitigation	-1,153	-801	352	-1,662	-1,523	139	Lower spend expected in core policy D and archaeology.
<b>Total Expenditure</b>	<b>-6,451</b>	<b>-5,838</b>	<b>613</b>	<b>-9,447</b>	<b>-9,328</b>	<b>119</b>	
<b>Tfr to (+) / from (-) Reserves</b>			<b>619</b>			<b>126</b>	<b>Planned surplus in view of unknown 2020/21 settlement.</b>

	Profiled Budget Dec 19	Actual at Dec 19	Variance at Dec 19	Full Year Budget 2019/20	Full Year Forecast Outturn 2019/20	Outturn Variance
Expenditure Type	£k	£k	£k	£k	£k	£k
Employees (excluding S106 staff)	(2,740)	(2,837)	(97)	(3,640)	(3,627)	13
Premises	(274)	(286)	(12)	(371)	(371)	0
Transport	(156)	(140)	16	(206)	(206)	0
Supplies and Services	(1,913)	(1,589)	324	(3,223)	(3,301)	(78)
Third Party Payments	(215)	(185)	30	(345)	(300)	45
Section 106 Expenditure	(1,153)	(801)	352	(1,662)	(1,523)	139
<b>Total Expenditure</b>	<b>(6,451)</b>	<b>(5,838)</b>	<b>613</b>	<b>(9,447)</b>	<b>(9,328)</b>	<b>119</b>
Income Type						
Other External Grants (Excluding DEFRA)	806	762	(44)	1,787	1,815	28
Retail Sales	175	221	46	207	255	48
Planning Fee Income (including planning S106 income)	201	311	110	285	409	124
Car Park Income	440	397	(43)	511	466	(45)
Donations	11	21	10	15	15	0
Other Income	225	317	92	276	262	(14)
Match Funding	82	45	(37)	277	277	0
Capital Receipts	0	9	9	15	15	0
Investment Income	15	17	2	30	35	5
Section 106 Income	1,662	1,523	(139)	1,662	1,523	(139)
DEFRA GRANT	3,286	3,286	0	4,382	4,382	0
<b>Total Income</b>	<b>6,903</b>	<b>6,909</b>	<b>6</b>	<b>9,447</b>	<b>9,454</b>	<b>7</b>

Appendix 3 – Waivers 2019/20			
Waiver Period	Description	Final contract price	Reason for Waiver
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.
October	Tillhill Forestry	£63,237	Procurement process carried out in October ,for Tree Planting and labour, but insufficient quotes were received. A retendering exercise was carried out in November which resulted in only two tenders been submitted due to the scale of the works and timescale restrictions. A waiver was granted on the basis that the scheme needed to commence to ensure the work could be completed within the tree planting season (end of November – March)
October	Fen Bog - ditching and fencing	£20,625	Procured through e tendering but only two parties submitted tenders. 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.