

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

22 June 2020

### 2019/2020 Finance Draft Outturn

<b>1. Purpose of the Report</b>
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| 1.1 | To provide Members with a draft outturn of budget and reserves for the financial year 2019/20. |
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### 2. Background

- 2.1 This report details the draft outturn position at 31 March 2020 compared with the budget, highlighting any key issues to bring to members' attention.
- 2.1 2019/20 has been a year of delivering another substantial budget, with large projects such as Land of Iron continuing and the Ryevitalise project commencing. In addition, the S106 agreement continues to deliver increasing value of mitigation and compensation. The greatest challenge this year has been setting a balanced budget for 2020/21 without knowing what the DEFRA grant or pay award was going to be. Consequently, a number of budgets were frozen in order to deliver a surplus this year to help support 2020/21 should there be a DEFRA grant freeze and a pay award greater than 2%. At Q3, the forecast indicated a welcome £138k underspend at the year end.
- 2.2 From the first month of Q4 there were growing suggestions that the Defra settlement might be poor and that the virus could be a significant problem. In view of these downside risks management put increasingly less emphasis on achieving forecast levels of spend. There was however little indication of the full scale of what was going to happen with the virus until March itself. On 23 of March, the Prime Minister announced the national lockdown procedures. It had been clear for several days beforehand that this was likely and had resulted in the closure of car park and visitor centre facilities. This led to a small loss of income at the end of the year, but this was offset by expenditure budgets some of which were not fully spent as a result of the pandemic.

### 3. Budget Changes

- 3.1 There have been no changes in the 2019/20 budget that we have been working towards since the Q3 FRASC in February.

### 4. Financial Performance Overview

- 4.1 The draft outturn position indicates a £266k contribution to reserves after proposed carry forwards. This represents an improved position over the year of £266k against the full year budget, and £128k against the Q3 forecast.
- 4.2 The surplus contribution to reserves of £266k will be taken to the unallocated reserve and will help to support delivery of the 2020/21 budget which is under substantial additional pressure due to covid-19.

4.3

	Full Year Budget	Full Year Actual Outturn	Full Year Variance
	Mar-20	Mar-20	Mar-20
<b>Income</b>			
Earned & External Income	3,317	3,015	-302
NPG Grant Income	4,382	4,382	0
S106 Compensation & Mitigation	1,662	1,397	-265
<b>Total Income</b>	<b>9,361</b>	<b>8,794</b>	<b>-567</b>
<b>Expenditure</b>			
Core Expenditure	-7,699	-7,079	620
S106 Compensation & Mitigation	-1,662	-1,397	265
Proposed Carry forwards		-52	-52
<b>Total Expenditure</b>	<b>-9,361</b>	<b>-8,528</b>	<b>833</b>
<b>Total Surplus</b>		<b>266</b>	<b>266</b>

4.4 Further details of the key income and expenditure variances making up the £266k surplus position can be found in sections 5 and 6.

4.5 At Q3 a forecast deficit of £138k was reported. Since then the outturn has increased by £128k. Key movements since Q3 are:-

- Lower inspection costs on the local plan delivered £25k more savings than anticipated at Q3.
- Connectivity delivered an additional £18k of savings over and above the £60k which had been frozen.
- PAWS work did not deliver fully with a £17k underspend which was not forecast.
- Planning expenditure was £30k lower due to less additional expenditure being required to process the large planning application that was anticipated at Q3; this was due to a more informed position by the year end.
- Ranger grants were not expected to underspend at Q3 but challenges with administering the new grants and getting planning permission through in time for the year end mean that this underspent in the year. This has contributed £15k to the surplus.
- The volunteer programme was £35k under budget as a result of lower mileage claims than anticipated. We currently budget at the level that we would expect for the mileage covered, but many volunteers do not claim.
- This is offset by additional maintenance costs on the café spaces (£30k) to bring them up to legal standard for the new tenant and recruitment fees (£26k) for the new Chief Executive post. These were not budgeted.

4.6 Recharges were lower than expected in the year by £67k due to changes in spend levels in the corporate and democratic core. Recharges do not impact the bottom line.

4.7 Further details of income and expenditure variances can be found in **Appendices 1 and 2** of the report.

## 5. Earned Income Performance

5.1 Earned income is increasingly vital to the financial sustainability of the Authority and therefore an area of key focus. Additional details of income can be found in appendix 3, but the key streams are indicated below.

5.2

<b>Key Earned Income Streams (£k)</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance to budget</b>
Car Parks	511	455	-56
Visitor Centres	207	238	31
Planning Fees	285	371	86

5.3 At quarter 3, it was anticipated that car parking would fall short of the budget by £45k. Despite the pandemic closing car parks at the end of March, this loss of income was more or less offset by a better Q4 performance. At the year end income was £47k lower than budget.

5.4 Both Visitor Centre budgets have performed well all year and have overachieved despite their closure at the end of March, with the Moors Centre income figures being particularly strong. The centre benefitted from some excellent exhibitions in year, which had a knock on effect onto the retail sales, plus a review of sales in year is reaping benefits.

5.5 The gallery at the Moors Centres had a very successful year, with income exceeding budget by £12.7k but there were additional running costs which offset this.

5.6 Planning fees have performed well, particularly in the early stage of the year. The main driver for the favourable income variance is the large application in year which was not anticipated and provided an additional £78k of income. Without this, planning overall would have been £34k under budget, with volumes of planning applications reducing in the second half of the year in particular.

## 6. Expenditure

6.1 Expenditure is below the profile budget by £626k at the end of the year. Much of this relates to external funding projects with underspends mostly offset by income as follows. :-

Ryevitalise	£270k
Land of Iron	£ 65k
Arncliffe LEI	£ 58k
WEG	£ 44k
MFF	£ 18k
UUR	£ 25k
<b>Total</b>	<b>£480k</b>

6.2 Key variances on non-external funding projects are detailed below:-

- Connectivity spend is under profile by £78k at the end of December. This budget was frozen whilst the Land of Iron risk was prevalent, but has then remained frozen to help mitigate against risk in the 2020/21 budget.
- Local plan has made £40k of savings on staffing costs and the inspection taking less time, therefore incurring less cost than anticipated.
- Contracted in services are below profile by £12k due to increased finance support beginning on 1<sup>st</sup> April 2020 rather than during the year.
- An enforcement case and a large planning application have both generated additional expenditure to that which was budgeted with an additional £48k and £15k of additional spend respectively. These have associated income.
- Staff costs which are by far the largest cost for the Authority came in over budget by £28k (net of associated income) which is equal to 0.7%.
- Visitor centre retail continues to out-perform budgets. Consequently there is additional cost but this has generated additional income and margin for the Authority.
- There were some additional maintenance costs over budget in the year on office buildings, stores and visitor centres due to essential and unforeseen repairs.

## 7. Proposed Carry Forwards

7.1 There are some budgets which are recommended for carry forward to 2020/21 due to work which is already underway and committed but will deliver in 2020/21. Approval of this forms part of the recommendations in section 12.

Expenditure	£k	Comment
Recruitment costs	8.3	Recruitment costs for the Chief Executive post completed in 2020/21 but budgeted in full 19/20
Village Community Grants	3.2	Two community grants which were delayed due to covid-19 at the year end still to be delivered in 20/21. No budget in 20/21 to deliver this.
Local Plan	10	Remaining costs of inspection and minerals plan
PAWS	15	The PAWS work for Arncliffe which will be match for the LEI funding. Already underway but will complete in 20/21.

Planning - large application	15	Costs still to be incurred in 20/21 for large planning application for which income received in 19/20 and budget created in 19/20.
	<b>51.5</b>	

## 8. S106 – Polyhalite Update

- 8.1 Over the year, the total variance for expenditure over income was £109.6k.
- 8.2 Each of the s106 contributions must be spent within a time frame specified within the S106 agreement. For the contributions directly expended by the Authority, this period is 3 years. Contributions are made annually on the anniversary of the Commencement of Development (4<sup>th</sup> May) so at the end of the Authority's financial year, there is still time within the annual period for the s106 contributions to continue to be spent. This timing difference means that there is underspend in many of the budget areas.
- 8.3 Any underspend each year is transferred into reserves / income in advance and is drawn down the following year to spend alongside the next year's contribution. This means that for some budget lines, there will be positive or negative variances depending on the nature of the planned programme of work.
- 8.4 The smaller variations (e.g. Landscape & Ecology, Tourism Business Grant) are largely a result of project timing, with much of this spend balancing out in the early months of the new annual period. Where the larger variations occur, this is because:
- 8.5 **Core Policy D:** the contribution is made to enable woodland creation to be undertaken across the National Park, often in difficult terrain or requiring more costly protection measures. To date, our woodland creation work has been undertaken efficiently and in areas where the work has been relatively straightforward and so targets for woodland creation have been met, without expending the entire budget. Any underspend is carried forward to support more complex plantings in future years with contributions being used in the order of receipt.
- 8.6 **Monitoring:** Monitoring income has been received since 2015, when the Planning Permission was first granted. As the project did not commence until 2017, expenditure was very low in the early days so there were significant underspend amounts for monitoring which were held in reserves. Since the project started, these have been drawn down as required and used alongside the annual Monitoring payments to fulfil the monitoring needs. In year, this can exceed the annual contribution but with the reserves to draw on, the net balance is nil.
- 8.7 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. The first contribution made for Archaeology was £23,265. Total expenditure from this contribution since May 2017 is £18,399 and therefore £4,866 will be returned to Sirius (Anglo American) under the S106 agreement terms.

## 9. Reserves

9.1 The opening reserves balance for 2019/20 is £2.656m and is detailed below:-

Reserve Summary (£k)	2019/20 Opening Position	Contribution to reserves	Contribution from reserves	2019/20 Draft Closing Position
Emergency Reserve	320	65	0	385
TELI Grant in Advance and Match Funding	463		-82	381
NYMHR Match Funding	30		-30	0
Section 106 Reserve	643		-15	628
National Trails Reserve	12		-12	0
<b>Restricted and Committed Reserves</b>	<b>1,468</b>	<b>65</b>	<b>-139</b>	<b>1,394</b>
Capital : Sutton Bank Visitor Centre	338		-288	50
Capital : Vehicle and IT Replacements	52	115	-52	115
Capital : Office Building Works	287		-7	280
Projects : Ryevitalise Match Funding	153		0	153
Projects : Asset Income Generation	100		-20	80
<b>Committee Approved Reserves</b>	<b>930</b>	<b>115</b>	<b>-367</b>	<b>678</b>
General Unallocated Reserve	258	266	-65	459
<b>Total Reserve Balance</b>	<b>2,656</b>	<b>381</b>	<b>-506</b>	<b>2,531</b>

9.2 The vehicle reserve has spent as expected this year with the budgeted contribution ensuring the affordability of the longer term programme of spend. The IT programme will not require a reserves contribution this year, but this helps to bolster future system investment.

9.3 The TEL, Rye and S106 reserves are made up of income in advance from external funders and match funding. These funds are vital for the delivery of these key projects.

9.4 The asset income generation reserve and building reserve continue to spend, with the former on a post to help generate more income from our car parking assets. The office building works to create additional/improved capacity will be reviewed next year following the covid-19 pandemic, but considerable works are expected on our assets in the future.

9.5 The Sutton Bank reserve is expected to be fully expended in early 2020/21 as the developments to the café spaces are completed.

## 10. Major Project Financial Updates

### 10.1 Land of Iron

- 10.1.1 Work continues to be delivered on the Land of Iron Project with work on engagement and interpretation activities such as the guided walks leaflets and cast iron site models being finalised. A poster competition has been launched and celebration events planned for the autumn.
- 10.1.2 Preparatory work for further conservation and stability works on the Rail Trail South Bridge and Rosedale East Stone kilns crack are being undertaken. Land management agreements, works on Fen Bog, and the monitoring framework are on target. We welcomed new team member Anna Waite in the new Land of Iron Ranger role following the departure of Dawn Rothwell and Maria Calderón in January.
- 10.1.3 Volunteer training and conservation activities continued improving and maintaining the North York Moors National Park. Final quarter activities included tree planting, fence improvement lime mortar and photogrammetry workshops.
- 10.1.4 To the end of Quarter 4 2019/20 £3m 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. All of the remaining funding has been committed to upcoming works.

### 10.2 Ryevitalise

- 10.2.1 Ryevitalise currently runs from 1 June 2019 – 31 August 2023. In light of Covid-19 we are working closely with NLHF who have advised us to review our grant expiry date. We are scoping out the possibility of extending the delivery phase to ensure delivery on the ground throughout summer 2023, as well as incorporating enough time to fully evaluate the scheme.
- 10.2.2 **Key deliverables in Q4:** Conservation and Woodland Conservation Agreements are underway and a Plantation on Ancient Woodland Sites (PAWS) best practice day was held in partnership with the NYMNP and Woodland Trust. Three volunteer were undertaken this quarter to plant 800 trees along with River Seph in Bilsdale, helping to create a wide riparian woodland buffer strip. A community drop in event was held on 8 February 2020 which was a great success, with a team of 20 planting over 300 trees. The remaining trees were planted by Ryevitalise volunteers and the National Park's Young Explorers. Oracle Heritage Services have been appointed to develop the Lidar Landscape Project as part of our Rediscovering the Rye project. 32 volunteers have signed up to this exciting home based volunteering project. Prior to lockdown five primary schools were engaged with 12 activities delivered at three schools. Consultants EnviroCentre Ltd. assessed 17 in-channel structures in relation to project WQE02 A More Natural River. Detailed delivery costs have come in significantly higher than first estimated, therefore at this stage five in-channel structures are likely to be taken forward as opposed to 15.
- 10.2.3 **Covid-19:** Steering Group and Project Board meetings, school activities and events, including the Ryevitalise Launch week, have had to be postponed / cancelled. All on-site volunteering has been put on hold except the Lidar Landscapes Project described above.
- 10.2.4 **Spend:** Just over £82.5K (cash) has been spent from January – March 2020, principally on; salary costs, in-channel obstacle assessment / design work and educational and event equipment. The total budget spend to-date is £151,879 (cash); £203,154 (cash and non-cash).

Budget	Cash	Non-cash	Total
	£3,077,800	£320,000	£3,397,800
<b>Current Total Spend</b>	£151,879	£51,275	£203,154

10.2.5 **Income:** The 'Blue Corridors' ERDF first round expression of interest (to try to secure £200K of match funding) was approved and a full application was submitted on 31 March. The decision process has since been delayed in light of Covid-19. A bursary of £10K has been secured following a successful application to Clif Bar; funding will support the Ryevitalise bat monitoring Citizen Science project. Match-funding secured since the Stage 2 bid was submitted is as follows;

Funding Source	Match contribution (£)
National Park (underspend from 2018/19)	1,513
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
Clif Bar	10,000
<b>Total</b>	<b>36,708</b>

10.2.6 **Risk:** Delays due to Covid-19 are being reviewed and new approaches to delivering the scheme are being explored. Delays in the ERDF application decision casts uncertainty over this priority to secure required match-funding.

10.2.7 **Recruitment:** Sam Lewsey has joined the Ryevitalise team as Field Officer and she has done a fantastic job at starting her new role under quite unusual circumstances.

### 10.3 Sutton Bank Project

10.3.1 The funding bid to ERDF for the Sutton Bank project has been successful. This scheme is almost 100% funded with £8k of match funding to a project of total cost £710k. The £702k of external funding is approved to deliver cycling trails, dark skies building / bird hide and additional car parking to facilitate this.

10.3.2 Contractor work started on the cycle paths in early May and good progress has been made. A separate contractor started on the other works in early June. The start date was delayed over 2 months due to Covid restrictions and therefore the grant claims and completion date are similarly delayed. A formal variation to the project to take account of this delay is being agreed with the funding agency with early November proposed as a prudent completion and final claim date, though it is hoped all works will be finished well in advance of this.

## 11. Waivers and Virements

11.1 There were no further waivers in Quarter 4. Waivers approved in the year are detailed in **Appendix 3**.

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



## 12. **Conclusion**

- 12.1 At the end of the year, the draft outturn shows a surplus of £266k. £138k of this was planned in quarter 3 to help mitigate the impact of the DEFRA grant freeze and risk of increased pay award. The additional surplus is due to underspends in a number of budgets and improved income performance as detailed in the report.
- 12.2 Major projects are showing good progress despite some underspends due to delays in aspects of the projects. This year was boosted by the excellent news on the success of the Sutton Bank project bid which is set to deliver in 2020/21. The latter is the 14th successful funding bid out of 15.
- 12.3 2020/21 was already expected to be a challenging year and the pandemic has made this even more so. This surplus is very welcome, and will help to deliver and support the 2020/21 budget whilst maintaining a reserve level which can manage future risk.

## 13. **Recommendations**

- 13.1 That Members note the content of the report.
- 13.2 That Members approve the budgets for carry forward as laid out in 7.1
- 13.3 That Members approve the surplus to be transferred to reserves and used to support delivery of the 2020/21 revised budget which is under additional pressure from covid-19, DEFRA grant freeze and increased pay award.

### Appendix 1 : 2019/20 Income and Expenditure Summary as at 31st March 2020

Income	Budget £k	Actual £k	Variance £k	Key Variance Commentary (excluding timing on external projects)
Natural Environment	651	310	-341	Levisham rents £10k higher this year due to changes in tenancy.
Cultural Heritage	1,131	1,054	-77	Volume of archaeology search fees was higher than expected £8k
Recreation Management	724	733	9	Car park fees £47k lower, Targeted outreach income £13k higher.
Promoting Understanding	399	415	16	Visitor centre and gallery income £40k higher than budget with particular strong performance at the Moors Centre. Education fees £14k lower due to lower uptake form schools.
Rangers and Volunteers	4	17	13	
Development Management	285	381	96	Large planning application and legal enforcement case won.
Forward Planning	35	34	-2	
Corporate and Democratic Core	88	71	-16	Third party income and sponsorship under budget
DEFRA Grant	4,382	4,382	0	
<b>Total Function Income</b>	<b>7,699</b>	<b>7,397</b>	<b>-302</b>	
S106 Compensation & Mitigation	1,662	1,397	-265	See section 8.
<b>Total Income</b>	<b>9,361</b>	<b>8,794</b>	<b>-567</b>	
Expenditure	£k	£k	£k	
Natural Environment	-1,300	-838	462	Connectivity spend frozen, £78k below budget. PAWS spend £17k below budget.
Cultural Heritage	-1,353	-1,278	75	
Recreation Management	-1,239	-1,258	-19	Overspend on target outreach in line with income.
Promoting Understanding	-1,465	-1,513	-48	Additional spend in line with income on retail and gallery.
Rangers and Volunteers	-816	-812	4	
Development Management	-714	-775	-61	Increased cost of legal case and planning application – see income.
Forward Planning	-362	-305	57	Underspend on the local plan due to shorter inspection. Lower spend on grants.
Corporate and Democratic Core	-449	-352	103	Contracted in services under budget due to finance support commencing 1 <sup>st</sup> April. Lower volunteer costs.
<b>Total Function Expenditure</b>	<b>-7,699</b>	<b>-7,131</b>	<b>568</b>	
S106 Compensation & Mitigation	-1,662	-1,397	265	See section 8.
<b>Total Expenditure</b>	<b>-9,361</b>	<b>-8,528</b>	<b>833</b>	
<b>Surplus</b>			<b>266</b>	

<b>Appendix 2 : Outturn by Subjective</b>	<b>Budget 2019/20</b>	<b>Outturn 2019/20</b>	<b>Variance</b>
<b>Income Type</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Other External Grants (Excluding DEFRA)	1,820	1,434	(386)
Retail Sales	207	242	35
Planning Fees	285	380	95
Car Park Fees	511	455	(56)
Donations	15	20	5
Other Income	277	317	40
Match Funding	157	103	(54)
Capital Receipts	15	29	14
Investment Income	30	35	5
Section 106 Income	1,662	1,397	(265)
DEFRA GRANT	4,382	4,382	0
<b>Total Income</b>	<b>9,361</b>	<b>8,794</b>	<b>(567)</b>
<b>Expenditure Type</b>			
Employees (excluding S106 employees)	(3,742)	(3,788)	(46)
Premises	(399)	(408)	(9)
Transport	(207)	(197)	10
Supplies and Services	(3,031)	(2,383)	648
Third Party Payments	(320)	(355)	(35)
Section 106 Expenditure	(1,662)	(1,397)	265
<b>Total Expenditure</b>	<b>(9,361)</b>	<b>(8,528)</b>	<b>833</b>
<b>Surplus</b>	<b>0</b>	<b>266</b>	<b>266</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