

Contents

- North York Moors National Park Authority..... 2
- 22 March 2021..... 2
- Item 7, Final Budget Report 2021/22 2
- 1. Purpose of the report..... 2
- 2. Introduction and Background 2
- 3. 2020/21 Budget..... 2
- 4. Key income assumptions 3
- 5. Key expenditure assumptions 4
- 6. Reserves 5
- 7. Conclusion..... 6
- 8. Financial and staffing implications 6
- 9. Contribution to National Park Management Plan 6
- 10. Legal and sustainability implications 6
- 11. Recommendation..... 7
- Appendix 1 Budget by function 8
- Appendix 3 Reserve Summary 10
- Appendix 4 - Grants by Income Source..... 11

North York Moors National Park Authority

22 March 2021

Item 7, Final Budget Report 2021/22

1. Purpose of the report

1.1 This report is intended to provide Members with the proposed final 2021/22 budget and an update on any changes made to the proposed budget since it was presented to full National Park Authority in December.

2. Introduction and Background

2.1 The medium term financial strategy (MTFS) was approved prior to Christmas. In addition, the draft budget in the same paper was also noted with the final budget to be approved in March 21.

2.2 Over the next 12 months a new management plan will be produced and an associated business plan will provide the strategic direction for the Authority for the 5 years from 2022/23. This will be underpinned by a detailed and balanced medium term financial strategy. Therefore this final budget paper shows a balanced budget proposition for 2021/22, with future deficits from 2022/23 being addressed as part of the next business plan process.

3. 2020/21 Budget

3.1 The table below summarises the proposed final budget for 2021/22 and indicative budgets for the following two years as reported in the MTFS. Further detail on 2021/22 compared to 2020/21 can be found in appendix 1 at DEFRA heading level and appendix 2 at subjective level.

Final Budget	2020/2 1 Original	2020/2 1 Revised	2021/2 2 Final Budget	2022/2 3 MTFS	2023/24 MTFS
	£k	£k	£k	£k	£k
Income	10,715	10,508	9,326	9,179	8,567
Expenditure	-10,818	10,936	-9,349	-9,611	-9,086
Deficit	-103	-429	-23	-432	-518
Contribution from Reserves :-					
Unallocated reserve	103	429	23		
Balance	0	0	0	-432	-518

3.2 Overall expenditure is expected to reduce by £1.469m compared to the original 2020/21 budget. This is principally due to the movement in externally funded projects including Land of Iron, WEG and Sutton Bank. Details of key movements can be found in appendix 2.

- 3.3 There have been limited changes to the budget since the draft that came to Full Authority in December, the only changes being the S106 figures being available and now included at £2.288m income and expenditure and the application of recharges to the figures. Neither of these has an impact on the bottom line.
- 3.4 As a result of covid-19 and the lockdown in quarter 4 20/21, it is anticipated that some expenditure will be carried forward into 2021/22. This is not included in these figures, and the carry forwards will be included in the outturn paper at May FRASC.
- 3.5 A property review will be carried out in 2021/22, beyond the use of the property reserve no further income or costs are included in the proposed budget.

4. Key income assumptions

- 4.1 DEFRA grant: a 4 year settlement which included an annual inflationary increase of 1.7% ended in 2019/20. Last year, a one year freeze in the grant was announced, we are still awaiting confirmation of the 21/22 grant. The budget assumes a further freeze in grant for 2021/22 which still seems the most likely outcome. It is also expected that there will be implications for the Authority from the Agricultural Transition Plan which is due to commence in 2021, but as there are currently few details on this, it has not been included in the budget. Once more details are available, the implications of this will be assessed and reported through in year reporting.
- 4.2 Car parking income has a challenging target of £651k set which includes the tariff increase implemented in 2020/21. This is an increase of £65k from the 2020/21 original budget which is to cater for the additional parking at Sutton Bank and other initiatives to increase income from our car parks. Following reopening after lockdown earlier in 20/21, the 'staycation' affect has resulted in higher income figures. No impacts for covid-19 have been built into 2021/22 figures.
- 4.3 Planning income has been maintained at 2020/21 original budget levels with the exception of pre-application advice fees which have been reduced by £15k following a reduction in demand for pre-pp advice during national restrictions. Overall income of £275k is budgeted in 2021/22. It was anticipated that covid-19 would reduce numbers of applications but the opposite has been true in 2020/21, with smaller householder applications being much higher than usual. The 2021/22 budget assumes that applications will return to expected levels.
- 4.4 Income from visitor centres, education and events was heavily affected by covid-19 in 2020/21 but the 2021/22 budget assumes that these income levels are restored to pre-pandemic levels and programmes of activities can be carried out with the exception of visitor centres where an additional £20k of income is anticipated as a result of higher visitor numbers at Sutton Bank. Any change from this will be dealt with in year.

5 Key expenditure assumptions

- 5.1 Employee costs are the Authority's single largest item of expenditure. Recent announcements from Central Government indicate a desire to freeze pay across the majority of the public sector. Pay award for the Authority is set by a separate body, and there has been no announcement on this to date. Although a freeze in pay seems increasingly likely, the budget assumes 2% as a cautious approach until further announcements are forthcoming. If a freeze is announced, then there will be approximately £70k less employment costs in 2021/22.
- 5.2 Pension costs are a risk as identified in the MTFS. Whilst the next triennial valuation and a change to the pension rate will be from 2023/24, it is now considered prudent to put all of the saving generated from the reducing pension rate into a reserve to help smooth any future increases.
- 5.3 In the MTFS, there was an indicative deficit of £374k in 2021/22, and a proposal to mitigate this through reduced expenditure was put forward. This mitigation is now built into the figures. The details can be found in the following table:-

Area of spend	MTFS budget 20/21	Mitigation	Final 2021/22 budget
Biodiversity action plan (no longer required)	13.0	-13.0	0.0
Connectivity	175.0	-75.0	100.0
PAWS	80.0	-20.0	60.0
Traditional Boundary Scheme	60.0	-25.0	35.0
Archive Services	3.0	-3.0	0.0
Historic Buildings Grants	50.0	-25.0	25.0
Committee Costs	76.0	-10.0	66.0
Corporate overheads (e.g. printing / postage)	73.0	-20.0	53.0
Volunteers	113.0	-15.0	98.0
Rangers overheads budgets	143.0	-5.0	138.0
Rosedale access route	9.5	-4.0	5.5
Tourism grant	56.0	-56.0	0.0
Village improvement grant	56.0	-30.0	26.0
Admin Apprentice	10.0	-10.0	0.0
Target Outreach net saving	18.0	-3.6	14.4
Community Champions	1.5	-0.6	0.9
Access works budget	136.0	-16.0	120.0
Contingency	50.0	-20.0	30.0
Total	1,123.0	-351.2	771.8

- 5.4 This proposal is for one year, with a longer term strategic view underpinning the new Business Plan from 2022/23. Key areas of mitigation are detailed below:-
- One-year savings. Some one year savings have been identified within ranger budgets. Overall expenses for volunteers are expected to reduce next year also.

- Sustainable savings. Longer term savings have been identified in the admin apprentice role which is currently vacant and no longer required, archive services and corporate overheads in committee costs, printing and postage which are generated from increased remote and electronic working.
- Conservation works. Projects such as the Rye and Esk are delivering considerable connectivity and biodiversity outcomes and are the focus for the team in 2021/22. As a result, connectivity budgets have been reduced for one year, but £100k of connectivity works will still be delivered. The biodiversity spend related specifically to the action plan which is not required next year. Considerable biodiversity work is being delivered through projects such as Esk, Ryevitalise and our S106 work.
- Contingency. This budget in previous years has been a contribution to reserves to cover inflation. The new business plan proposal should include applying inflation to budgets as appropriate rather than separately as a contingency. For this one year extension, instead of a contribution to reserves, this will be maintained as a contingency budget within revenue. It is proposed to reduce the MTFS £50k contingency to £30k.
- Grants. The option has been taken to reduce grants as per earlier years. The tourism grant has been reduced in full as grants are already provided from alternative sources of income and the team will be focussing on the development of the new website in 21/22 and this reduction will allow resources to focus on this key project. Proposal is to then reduce the village improvement, traditional boundary, PAWS and heritage building grants. Village caretaker and archaeology grants will be preserved at full value. A detailed breakdown of grants can be found in appendix 4.

6 Reserves

- 6.1 In line with the current Business Plan, most of the reserves are earmarked to spend over the period of the MTFS with the value expected to reduce to £789k at the end of the period based on current spending proposals. Additional detail can be found in appendix 3.
- 6.2 As per last year, it is recommended that the reserves contributions profile is maintained in order to help smooth the impact of replacement of our IT and vehicles.
- 6.3 A business plan target was set that a minimum level of 5% of gross expenditure excluding S106 is to be maintained in the emergency reserve at any time. Again, if this was to dip below that level we would need to top this reserve back up from revenue budgets. The 2021/22 MTFS currently shows an expenditure level excluding S106 of £7.413m, 5% of this equates to £371k. In the 2020/21 revised budget, £111k usage of the emergency reserve has been approved which leaves a balance of £274k. To top this back up to 5% levels, an additional £97k would be required. It is recommended that this is reallocated from the current unallocated reserve in 21/22.

7. Conclusion

- 7.1 Total cash expenditure for the year £9.3m in 2021/22, a reduction on 2020/21 mainly due to changes in externally funded projects. There are no bottom line changes to the proposed final budget compared to the report that went to NPA in December. However, S106 income and expenditure and recharges have now been included. The £351k mitigation of the MTFS deficit remains the same as that reported prior to Christmas, with £23k of the deficit being funded from the unallocated reserve.
- 7.2 The budget has been set amidst considerable uncertainty with no confirmation of DEFRA grant or pay award at the point of publication of this paper. DEFRA grant is assumed at a freeze whilst pay award is included at 2%. It is also expected that the Agricultural Transition Plan will likely have a financial and resource impact in 2021/22, but this will need to be assessed when further information is available and the impacts communicated to Members, nothing is included for this currently in the budget.
- 7.3 At 1 April, the country will be coming out of another period of lockdown. This provides uncertainty on visitor numbers, although previous experience in 20/21 suggests that when lockdown ends visitor numbers may be higher than usual. There is also however risk of delays to reopening which will need to be monitored.
- 7.4 The emergency reserve is topped up from the unallocated reserve as part of the budget proposals and it is expected that reserves will continue to be used as earmarked with £41.8k remaining in the unallocated reserve at the end of 21/22 which will help to manage risk.

8. Financial and staffing implications

- 8.1 This paper contains the budgeting requirements for the year ahead, including financing the level of resources required to be able to deliver on 2021/22 priorities.
- 8.2 There are a number of areas of uncertainty covered in the paper which could have further resource implications for the Authority. These will need to be monitored through 2021/22.

9. Contribution to National Park Management Plan

- 9.1 The budget fundamentally underpins delivery of the plan, ensuring there is sufficient funding and resources to be able to deliver on proprieties and ensuring that there are financial controls on delivery.

10. Legal and sustainability implications

- 10.1 It is a legal requirements that a balanced budget for 2021/22 is set by the Authority prior to the 31st March 2021.

11. Recommendation

11.1 Members are asked to approve the final budget proposal for 2021/22.

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Appendix 1 Budget by function	20/21 Original budget	20/21 Revised budget	2021/22 budget
Income	£k	£k	£k
Conservation Of Cultural Heritage	515	550	94
Conservation Of The Natural Environment	1049	1250	755
Corporate Management	210	181	220
Development Control	305	230	270
Forward Planning	15	15	17
Promoting Understanding	1081	914	397
Rangers & Volunteers	0	0	0
Recreation Management	858	546	903
Polyhalite	2300	2440	2,288
Resources (DEFRA Grant)	4382	4382	4,382
Total income	10715	10508	9,326
Expenditure			
Conservation Of Cultural Heritage	-791	-769	-360
Conservation Of The Natural Environment	-1788	-1915	-1,592
Corporate Management	-421	-402	-300
Development Control	-753	-770	-787
Forward Planning	-353	-292	-229
Promoting Understanding	-2233	-2163	-1,580
Rangers & Volunteers	-841	-800	-856
Recreation Management	-1338	-1385	-1,357
Polyhalite (S106)	-2300	-2440	-2,288
Total expenditure	-10818	-10936	-9,349
Deficit	-103	-429	-23

Appendix 2 : Budget by Subjective	20/21 Original Budget	2021/22 Budget	Commentary on Key Movements 20/21 Original Budget and 21/22 Budget
Income	£k	£k	
Other Grants	2155	839	Land of Iron, Sutton Bank and WEG projects in 20/21.
Sales	214	234	Increased income target at the visitor centres.
Lettings	92	92	
Booking Fees	65	65	
Car Park Income	606	651	Additional capacity at Sutton Bank plus income from other car park initiatives.
Planning Fees	305	270	Pre-application fees and income from S106 reduced.
Other Income	152	120	Apprentice income reduced due to end of Land of Iron project.
Donations & Sponsorship	22	47	Additional donations target in final year of the business plan.
Investment Income	25	10	Low Bank of England interest rates due to covid-19.
Capital Receipts	15	16	
External Match Funding	282	212	Land of Iron project coming to an end.
S106 staff recharge	100	100	
DEFRA Grant	4382	4,382	Grant frozen
S106 Polyhalite income	2300	2,288	
Total Income	10,715	9,326	
Expenditure			
Employees	-3575	-3,636	2% pay increase
Premises	-379	-389	Additional expenditure on offices in response to covid-19.
Transport	-181	-181	
Supplies & Services	-3432	-1,953	Sutton Bank, WEG, signage and Land of Iron projects in 20/21.
Grants	-379	-345	Reduction in core grants.
Third Party	-376	-377	
Contribution to reserves	-150	-150	
Inflation contingency	-46	-30	Lower inflation contingency as part of mitigation.
S106 Polyhalite Expenditure	-2300	-2288	One off signage project in 20/21 offset by increase in other project budgets in 21/22.
Total Expenditure	-10,818	-9,349	
Deficit	-103	-23	

Appendix 3 Reserve Summary	20/21 Opening Position	Cont from Reserve	Cont to Reserve	20/21 Closing Position	Cont from Reserve	Cont to Reserve	21/22 Closing Position	Cont from Reserve	Cont to Reserve	22/23 Closing Position	Cont from Reserve	Cont to Reserve	23/24 Closing Position
Emergency Reserve	385	-111		274		97	371			371			371
TELI Match Funding	381	-381		0			0			0			0
Section 106 Reserve	628	-400		228			228			228			228
Restricted and Committed Reserves	1,394	-892	0	502	0	97	599	0	0	599	0	0	599
Capital : Sutton Bank Visitor Centre	50	-50		0			0			0			0
Capital : Vehicle Replacements	60	-63	75	72	-80	75	67	-58	75	84	-146	75	13
Capital : IT Replacements	55	-104	75	26	-50	75	51	-96.5	75	29.5	-77.25	75	27.25
Capital : Office Building Works	280			280	-50		230	-115		115	-115		0
Projects : Ryevitalise Match Funding	153	-40		113	-55		58	-22		36	-36		0
Projects : Asset Income Generation	80	-25		55	-55		0			0			0
Projects : Climate change post	18	-4.5		13.5	-13.5		0			0			0
Projects : Car park machines	115	-115		0			0			0			0
Projects : Disability access routes	8	-8		0			0			0			0
Pension Smoothing Reserve	0		10	10		57	67		71	138	-30		108
Allocated to support 20/21	115	-115		0			0			0			0
2019/20 carry forwards	52	-52		0			0			0			0
Committee Approved Reserves	986	-576.5	160	569.5	-303.5	207	473	-291.5	221	402.5	-404.25	150	148.25
General Unallocated Reserve	198	-36		162	-120.2		41.8			41.8			41.8
Total	2,578	-1,505	160	1,234	-424	304	1,114	-292	221	1,043	-404	150	789

Note : the £120.2k contribution from the unallocated reserve in 21/22 is made up the top up of the emergency reserve and the support for the 21/22 revenue budget.

Appendix 4 - Grants by Income Source	Area of Delivery	2018/19	2019/20	Revised 2020/21	2021/22 Proposed
Core Grants	Archaeology	628	0	0	20,000
	Connectivity	20,000	9,000	0	0
	Conservation Agreements	6,388	11,000	13,000	20,000
	Village Caretakers	28,500	26,000	28,500	28,500
	PAWS	32,087	28,000	51,000	60,000
	Village Community Grants	56,908	14,000	28,000	26,000
	Tourism Community Grants	26,330	29,000	12,000	0
	Historic Buildings Grant (20/21 Rural Recovery fund)	35,010	27,000	25,000	25,000
	Traditional Boundary Scheme (TBS) (20/21 Rural Recovery Fund)	64,393	38,000	20,000	35,000
	Other Conservation Grants (Rural Recovery Fund)	0	0	50,000	0
	Core Total	270,244	182,000	227,500	214,500
S106 Grants (21/22 estimated as yet to be finalised)	S106 - Core Policy D	99,872	94,500	400000	500000
	S106 - Landscape and Ecology	20,000	60,180	50000	60000
	S106 – Tourism	55,820	49,100	55000	55000
	S106 Total	175,692	203,780	505,000	615,000
External Funding	External Funding – Monuments for the Future	6,705	3,900	0	0
	External Funding -Land of Iron	65,509	76,500	82,400	0
	External Funding – Ryevitalise	0	6,000	75,000	75,000
	External Funding - Turtle Doves	2,700	4,100	7,000	0
	External Funding -WEG	0	0	10,500	10,500
	External Funding - Blue Corridors				tbc
	External Funding - Green Recovery Fund				tbc
	External Funding Total	74,914	90,500	174,900	85,500
Total Grants	520,850	476,280	907,400	915,000	