National Park Authority Board Meeting

Agenda Item: 7

LOCH LOMOND & THE TROSSACHS NATIONAL PARK

Financial Report

Paper for information

1. Purpose

    1.1 This report provides a summary of the financial performance to 30 September 2015, an overview of the 2015/16 Quarter 2 budget revision results, an update on the Comprehensive Spending Review and an update on the most recent financial information.

2. Management Accounts to 30 September 2015

    2.1 The September management accounts commentary is superseded by the Quarter 2 budget revision. Therefore this section will be kept brief so that more focus can be placed on the budget revision (section 3 below).

    2.2 The overall position shows no cause for concern in relation to the achievement of the full year budget. Any variances in the actual results against original budget have been reflected in the Quarter 2 budget revision.

    2.3 Income is £7k higher than budget which is the result of both favourable and adverse variances that roughly net each other out. There was risk inherent in ‘stretch’ income targets in the budget e.g. land use income, sponsorship, pontoon operator, car park and meeting room. These have been reviewed and updated as part of the Quarter 2 budget revision.

    2.4 Salary costs are £135k lower than budget YTD as a result of vacancy management and slower than expected recruitment.

    2.5 Other operating costs are £97k lower than budget YTD, however there are likely to be overspends in some areas for the full year e.g. property cleaning, energy and non-salary staff costs. These have been managed within the overall budget as part of the budget revision. The full year budget for operating costs (excluding salaries) is £1.9m and we have committed £1.35m so far this year.

    2.6 Net project expenditure YTD has increased to £85k, which is still significantly lower than expected at this point in the year. On an actual cost basis we still have £1.3m to spend by the end of the year. Project expenditure budgeted for the full year is £1.7m and so far we have committed £433k.

2.7 Net Assets in the Balance sheet have increased by £531k since year end. The increase relates primarily to the cash balance we are holding at the end of September, which is higher than expected because of the delay in incurring expenditure.

2.8 Non-current assets make up the majority of net assets (£9.6m), and this figure will not change until year end as fixed assets are accounted for annually.

2.9 Cash flow has reduced by £137k since year end which is the combination of paying / receiving all outstanding year end items and the timing of the delay in expenditure against the grant in aid received for the six months.

3. Quarter 2 Budget Revision 2015/16

3.1 Overview

3.1.1 The Quarter 2 budget revision presented for approval shows a balanced budget for both capital and revenue (small under/over spend which we will balance to nil by year end), as compared with the original budget for 2015/16 which was prepared on over-programming basis of ~£105k.

3.1.2 Net Operating Income is £16k higher than budget despite a number of changes in both income and expenditure. We have realised £211k of salary savings and this has covered variances in other cost areas as well as a reduction in income.

3.1.3 Net Project Expenditure is £88k lower than budget following the budget revision in order to achieve a balanced budget whilst still delivering on our operational plan for the year.

3.1.4 The revised budget has been prepared and reviewed in a very thorough process, resulting in £105k of cost savings to bring the budget to balance. Significant effort was made by all teams to achieve this.

3.2 Grant in Aid

3.2.1 Grant in Aid is expected to remain in line with the budget for the year at £6.4m revenue and £1.0m capital.

3.3 Operating Income

3.3.1 Operating income is £73k less than budget and this is because:

- We have stripped out £59k of income targets set at budget time as these could not be realised e.g. sponsorship, car park charging targets
- Planning fees are forecast to be £20k lower than budget
- There are a large number of other variances, both adverse and favourable, which do have a limited net effect. The executive team have reviewed this in detail.

3.3.2 The income target for the year seems achievable and realistic even although there remains a small amount of risk in relation to stretch income targets of £6k.

3.4 Operating Expenditure

3.4.1 Total operating expenditure for the year (excluding the impact of capitalised salaries) is expected to be £6.8m, £140k lower than the budget of £6.9m. This has been reviewed on a detailed basis by managers and executive team.

3.4.2 There are a number of variances contained within this reduction in costs of £140k and the most significant are salary savings of £211k which is reduced by an overspend in non-salary staff costs of £38k and property costs of £36k. Other key explanations are listed below.

3.4.3 Board members fees are higher than budget because of changes to committee roles.

3.4.4 Conferences and Other staff costs are higher than budget because of additional recruitment costs and unbudgeted training and conference costs.

3.4.5 Energy costs and Cleaning costs are being investigated to identify if savings can be made, however the revised budget assumptions are realistic.

3.4.6 There is a risk in the grounds maintenance forecast, especially in relation to winter car park maintenance and emergency repairs.

3.4.7 All other facilities and estates costs have been reduced to the minimum where possible in order to balance the adverse variances on energy and cleaning e.g. franking, printing & stationery, property repairs, transport. There may be some risk in these areas.

3.4.8 Professional fees are £16k higher than budget because we have included £10k for estates survey costs so that capital works for 16/17 can be planned and there is £3k of tax advice which was expected to be paid in 2014/15. There is also a small increase in legal fees which includes an assumption on recovering £20k of legal costs.

3.5 Capitalised Salaries

3.5.1 We budgeted for £200k of capitalised salary costs which now seems optimistic based on the delay in undertaking some capital projects. This has been reduced to £150k and will be managed proactively by the Capital Projects Manager and the Financial Performance Manager. It is important that we have an accurate target for this figure as any variance could have a negative impact on achieving the full year budget split on capital and revenue.

3.6 Net Project Expenditure

3.6.1 The budget set a net project expenditure target of £1.4m which was split £1,075k capital and £357k revenue. This resulted in a budgeted overspend for the year of ~£100k. The budget revision has been prepared on a balanced budget basis. Net project expenditure has been revised to £1.3m, which splits into £970k capital and £374k of revenue project spend.

3.6.2 Despite balancing the budget, we have been able to continue to fund the projects contained within our original budget to meet our strategic objectives, including Visitor Management, Mountains and the People and the Gateway Centre. Total project expenditure is in excess of £2.4m and this is funded by our Grant in Aid plus £1m of project income from a variety of sources, including SUSTRANS, Scottish Enterprise and Scottish Natural Heritage.

3.6.3 The following capital projects are included in the revised budget: Gateway Centre, Drumkinnon Bay Pontoon, Visitor Management (including systems development), Scenic Routes, Outdoor Recreation Plan, West Highland Way Upgrades, Electric Charging Point, Interpretation and Information Signage, Artist in Residence, Paths in the Park and Website development.

3.6.4 The following revenue projects are included in the revised budget: Wild Park 2020, Mountain Bogs, Callander Landscape Programme, Land Management, Education Development, Waterbus Development, Visitor Survey, Signature Events 2015, Local Development Plan and Board Election.

3.6.5 In addition, we support a number of organisations and individuals through grant awards and contributions. The following grants and contributions are included in the revised budget: Countryside Trust, Natural Heritage Grant Scheme, Respect the Park, Mountains and the People, Community Grant Scheme, Skills Partnership, Built Heritage Grant Scheme and Charette Delivery.

4. Comprehensive Spending Review

4.1 Scottish Government requested that we model a variety of cost savings scenarios in September 2015 for the years 2016/17, 2017/18 and 2018/19.

4.2 Each of the scenarios modelled would present significant operational challenges to the Authority and would also have a significant impact on delivery of our NPPP commitments.

4.3 We have not received any feedback on these proposals and expect that this will remain the case until the Scottish Government Spending Review is complete, which will hopefully be December / January.

4.4 We have begun the budget process for 2016/17 based on a 'business as usual' scenario. Once we have received our budget allocation for 2016/17 we will adjust the budget as needed and our plan is to present this to the February 2016 Delivery Group and March 2016 Board meeting for review and approval.

5. Latest Financial Update

5.1 The October management accounts are in line with the revised budget prepared at the end of Quarter 2 and there are no issues to highlight.

5.2 Scottish Government has requested savings in the current year in relation to discretionary expenditure (i.e. large value projects). To date we have been able to maintain our capital grant in aid budget at the original value of £1.0m.

5.3 The UK spending review is expected to result in an overall decrease to revenue expenditure of 5.7% in Scotland and a 14% increase in capital expenditure. As mentioned above it will be December / January before we receive our individual budget allocation.

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