

Financial Report: Quarter 3 2016/17

Paper for information

1. Introduction

1.1 To present the management accounts for the quarter ended 31st December 2016.

2. Recommendations

2.1 It is recommended that Members note this paper and the financial information in Appendix 1, in particular:

- Although there is risk of overspends in individual areas, an overall underspend appears likely. Through the outturn management process, the Executive will be informed of any underspends and decide how this is used (e.g. re-allocate budget, retain saving to reduce brought forward cash deficit or identify 2017/18 programmed works that could be advanced and delivered in this financial year).
- There is risk associated with a potential underspend in relation to the delivery of Your Park and the Gateway Centre project.
- The cash position is strong at present although we will continue to actively manage cash, particularly around year end. Members will recall that we have a historical cash deficit of £300k built up from prior years.
- Risk associated with outstanding court cases.

3. Background

3.1 There are a number of variances against budget. The key items have been highlighted below and any action noted.

4. Operating Income

4.1 Income is £35k higher than budget for the period ended 31st December 2016: £25k of this is expected to be timing variances only with the remaining £10k variance forecast as a full year upside. The full year planning fee income budget now seems achievable following some large planning application fees in the last quarter.

5. Salaries

5.1 Overall salaries are £32k below budget for the year to date. This saving relates to vacancy management, planned and unplanned delays in filling open positions and a sabbatical. This variance will be monitored as part of the outturn management process but it is expected that there will be savings on salaries for the full year.

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6. Operating Costs

- 6.1 Operating costs are £169k lower than budget and a significant proportion of this arises from timing differences.
- 6.2 There are a number of favourable and adverse variances, which will be reviewed as part of the outturn management in the last quarter. The following items are of note:
- Grounds maintenance costs are £52k below budget and although there is a timing element a full year saving is anticipated.
 - Other property costs are £13k above budget and £6k of this is expected to be an overspend in relation to 15/16 and 16/17 balancing charges (covered by the Grounds Maintenance underspend).
 - Although rent payable is in line with budget at the end December, there is likely to be a significant upside for the full year (up to £23k) because a one-of cost was lower than expected.
 - Bad debt of £1.5k has been recognised following the news that one of our tenant's companies has been dissolved.
- 6.3 It is worth highlighting that professional fees continue to contain risk and the ongoing legal case costs are expected to be at least £6.5k over budget. The budget will be closely monitored as the cases progress.

7. Project Actuals

- 7.1 The project results show there is £0.8m of expenditure still to be incurred / committed at this stage in the year, representing 58% of the overall project budget for the year (net £1.4m).
- 7.2 In relation to the financial performance of projects the following points are of note:
- The total Your Park budget for the year is £689k and the management accounts reports show that there is still a further £373k to commit and spend in Quarter 4. The project team reviewed all areas of spend and forecast an underspend of £9k across the project at the time of preparing this report (with an additional £74k of expenditure likely to increase the forecast underspend). Given the overall budget of £689k this is a strong position to be in at this stage in the year and costs will continue to be closely monitored.
 - The legal agreements in relation to the Gateway Centre have been agreed. The landlord works element of the project is now anticipated to start mid-March and complete in June 2017. The allocated budget in the current financial year will be managed over financial years to minimise any detriment to the project and budgets. The project team are working to identify the split of expenditure

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between 16/17 and 17/18. Any resulting underspend will be managed as part of the outturn management process.

- The accounting treatment of the £175k reverse lease premium receivable as part of the Gateway Centre agreements has been finalised with external audit and with Scottish Government Finance. This will not be treated as income in the current financial year and will be deferred to the balance sheet and released over the life of the lease. This is likely to result in an apparent overspend on the project for management accounts purposes. It has been agreed with Scottish Government Finance that this will not be treated as an overspend of budget because we have received the cash. The accounting treatment will be explained in more detail as part of the year end management accounts and annual accounts process.
- The Callander Landscape Programme is showing an expected overspend of £10k which is a timing variance only.
- Project expenditure will continue to require careful monitoring over the remainder of the year so that any surplus funds can be re-allocated as necessary, with sufficient lead time for delivery before year end.

8. Balance Sheet and Fixed Assets

8.1 Cash has been successfully managed throughout the year. As a result of the previously reported delays in project expenditure, the cash balance at the end of the month was £1.04m. This includes £91k of money 'ring-fenced' for the West Highland Way. We will continue to manage cash on an on-going basis.

8.2 There are two low value issues with debtors of £2.3k in total – these are being followed up by the Estates and Legal teams.

9. Corporation Tax

9.1 Work will continue in Quarter 4 to calculate our tax liability for 2015/16. The information has been provided to KPMG with the tax computation expected to be prepared in February so we meet the end of March 2017 deadline for submission to HMRC.

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