

National Park Authority Board Meeting

Agenda Item 9

Financial Report: Full Year 2016/17



Paper for information

1. Purpose

1.1 To present the management accounts for the year ended 31st March 2017.

2. Recommendations

2.1 Members to note this paper and the financial information in **Appendix 1**, in particular:

- The final year end position is an underspend of £121k as compared with budget. This was closely monitored during the last quarter and funds were re-allocated as needed.
- The risk of an underspend had been previously highlighted and plans were in place to successfully manage this risk and budget was re-allocated to the purchase of replacement vehicles (2007 plates) and upgrade IT equipment.
- Members will recall that we had a cash deficit of £300k from prior years and this underspend allows the risk in our cash management processes to be significantly reduced.

3. Operating Income

3.1 Income is £73k higher than budget arising mainly from:

- £10k unexpected upturn in planning fees
- £9k from sale of old equipment
- £10k increase in toilet charging, car park charging and room hire income
- £28k of income recognised in relation to West Highland Way sales and advertising income which is offset by matching costs
- £8k increases in property rental income which partly relates to more effective management of lease arrangements by the Estates team

4. Salaries

4.1 Salaries are £105k below budget which relates to staff levels due of the timing/challenges in recruiting and filling vacant positions.

5. Operating Costs

5.1 Operating costs are £140k higher than budget which relates to capital purchases funded to manage the underspend on project capital (£95k spent on replacing old vehicles in the fleet and £46k on upgrading IT equipment).

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5.2 Operating revenue expenditure was realised at £10k lower than budget.

5.3 A summary of each main category of expenditure is shown below:

- Staff non-salary costs are £10k higher than budget mainly because of the £9k cost of agency staff to cover vacant posts, £6k for an agency recruitment fee to backfill a time sensitive vacant post and a number of other smaller variances.
- Property Costs are £62k lower than budget.
 - The most significant variances are £71k on Grounds Maintenance, £21k on Property Repairs & Development and £18k on Rent - savings were forecast in these areas as part of the out-turn management process and the budget was re-allocated.
 - The overspends of £6k on Furniture Fixtures & Fittings, £8k on Property Cleaning and £21k on Tools & Equipment were agreed as part of the out-turn management and this has taken pressure off the 2017/18 budget and assisted in the implementation of the new Grounds Maintenance and Cleaning staffing structures.
 - Other variances were managed within the year end process.
- Transport Costs are £90k higher than budget because we funded an additional £95k for replacement vehicle purchases.
- ICT Costs are £35k over budget which was agreed as part of the out-turn management process and we funded £46k of IT equipment (servers / projectors / tablets). The underlying underspend managed as part of the year end process.
- Administration Costs are £51k over budget which includes:
 - costs of £20.5k in relation to the West Highland Way which are covered by income
 - additional Professional Fees of £14k for legal costs
 - Payments to Others is £20.5k higher as a result of funding an additional £10k to NPP LLP (UK wide National Parks organisation), and a £5k contribution to the Rescue Boat and a £4.7k contribution to solar panels at Loch Lubnaig.

6. Project Actuals

6.1 Net Project expenditure is £121k under budget (risk highlighted previously) which is £145k under on capital and £23k over on revenue expenditure. The key points are explained below:

- Conservation & Land Use projects are in line with budget and we were able to award £10k to the Countryside Trust (taking pressure off 2017/18).
- Visitor Management projects are £104k over budget which arises from the £105k contribution to Mountains & The People (planned for 2017/18, with flexibility in the payment schedule) and this is the main factor in funding the

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Gateway project in 2017/18. There were small underspends on the Outdoor Recreation Plan and Education Development which facilitated a payment of £6.5k to the Countryside Trust for the Walk in the Park project and takes pressure off the 2017/18 budget.

- Your Park projects are showing an underspend of £9k on the report and this includes £100k of capitalised salaries which are budgeted elsewhere as a placeholder until we reach year end. Therefore the real underspend is £109k and this is mainly in the capital category. We managed this underspend by funding additional replacement vehicles and ICT equipment. The underspend relates to the complexity and scale of the Your Park project combined with staff resource not being at full complement.
- Estates projects (excluding capitalised salaries) are £25k under budget because the cost of the bridge replacement on the West Highland Way was £7k less than expected. There was limited staff capacity within the Estates team to deliver the systems and site improvements planned of £11.5k and there was an unexpected rebate on the cost of Loch Venacher of £7k.
- Capitalised salaries were budgeted at £176k as a one line placeholder. These costs have been calculated at year end and they total £137k for the year and are allocated to the following project lines:
 - Your Park Loch Chon £50.4k
 - Your Park Future Sites £15.5k
 - Your Park Signage £16.2k
 - Your Park Permit Development £18.2k
 - Gateway Centre £37.1k
- Visitor Experience projects, excluding the Gateway Centre, are £11.3k under budget and this has arisen mainly due to a limited staff resource to progress projects.
- The Gateway Centre project shows an underspend of £21.4k which includes capitalised salaries, excluding those it is £58.5k less than budget and this is because of the delay in the signing the legal agreements and therefore starting the landlord construction work. Sufficient budget has been created within the 2017/18 budget to allow this work to be funded in the next financial year.
- Rural Development projects are £16k over budget as we contributed a further £17k to the Community Partnership. The Callander Landscape Partnership is £9k over budget which mostly relates to securing professional advice on the governance arrangements for the delivery phase of the project. There are a number of other variances which were forecast and managed within the service area.

7. Balance Sheet and Cash Flow

- 7.1 The bank account balance at the end of the year is higher than usual at £886k as it includes £175k reverse lease premium and £185k contribution from Scottish

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Enterprise in relation to the Gateway Centre with little having been paid out during the year for the landlord construction costs. This also explains why the accruals and deferred income balance is significantly higher than the prior year (the other side of the cash entries) and the significant increase in trade and other payables on the Cash Flow.

- 7.2 As at 31 March 2017 we are holding £85k cash which is ring-fenced for work in relation to the West Highland Way Management Group. Work is expected to complete in 2017/18 in relation to the governance arrangements for this group and the potential use of the cash balance.
- 7.3 The balance sheet presented shows the fixed assets position as per the prior year as the year end capitalisation process occurs after the management accounts are prepared. However, as a result of process improvements, we are able to present the fixed assets analysis as it will be once the capitalisation is complete so that the final assets position is available for review earlier than usual. This shows a net increase in the year to fixed assets of £128k which is £580k net additions offset by £452k net depreciation charge for the year.
- 7.4 The net additions of £580k include the following:
- Loch Chon £310k (including capitalised salaries £50k)
 - Loch Chon Impairment (£142k)
 - Your Park Future Sites £95k (including capitalised salaries of £16k)
 - Gateway Centre £140k (including capitalised salaries £37k)
 - Vehicles £132k
 - IT Hardware/Software £67k
 - Other additions / disposals (£22k)

8. Corporation Tax

- 8.1 The corporation tax computation was completed and submitted on time to HMRC and there is no liability arising from this.

9. Summary

- 9.1 The main points to highlight are:
- An overall underspend was realised and the Executive team confirmed that this was acceptable as it reduces the brought forward cash deficit.
 - There were a large number of variances arising in Quarter 4 due to the impact of a reduced headcount during the year and these were managed successfully with the full engagement of all managers.

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