

National Park Authority Board Meeting

Agenda Item 12

Financial Report: Quarter 2 2017/18



Paper for information

1. Purpose

- 1.1 To present the Management Accounts for the quarter ended 30th September 2017 (Appendix 1) and the Budget Revision for the financial year 2017/18 (Appendix 2).

2. Recommendation

- 2.1 It is recommended that members review and note the information contained within this report and Appendices 1 and 2.

3. Management Accounts Summary

- 3.1 The September management account commentary is superseded by the revised budget for 17/18. The achievement of a balanced budget is forecast and the key changes in budget are detailed in section 4 below.
- 3.2 The main financial updates for the quarter are as follows:
 - The annual accounts were signed at the Audit Committee on the 12th of September 2017, following the completion of the accounting for the revaluation of property assets. The revised Fixed Asset and Reserves position have not yet been processed within the accounting system and as such the Balance Sheet is not presented with these papers. Land and Buildings and the Revaluation Reserve are updated annually.
 - The cash balance as at 30th September 2017 was £725k, which includes funding received for the Gateway project, Sustrans funding and money ring-fenced for the West Highland Way.
 - Two inspectors from HMRC visited the Authority on 22nd August 2017 to perform a review of the last 4 years' of VAT returns and supporting documentation. The feedback from the inspectors was positive.

4. Budget Revision 17/18

- 4.1 The revised 17/18 budget remains balanced in both revenue and capital, although there have been some changes in assumptions. The budget has been prepared on the basis of essential spend.
- 4.2 The main points to note are:

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- £157k capital has been budgeted for infrastructure upgrades (primarily piers and pontoons) within the operational Property Repairs and Development budget.
- The allocation of the Your Park budget has been revised to reflect the work planned in 17/18. The budget for 3 Lochs Forest Drive (Loch Achray) has been increased to £250k and the budget for Tarbet upgrades has been increased to £105k. There is no net change to the overall Your Park project budget.
- The net Gateway budget has been revised to £94k, a reduction of £46k. This is as a result of the recognition of the lease premium of £175k this financial year, as agreed by Scottish Government.
- Legal fees for ongoing legal disputes have been included, which is offset in part by backdated rental due. If the court cases go in our favour, there is the potential to recover the associated legal fees for the current year, as well as the expenditure in prior years. However, there is also the risk that if we lose, we may be liable for the other parties' legal fees.
- Additional planning income has been included for large applications and there is a risk that a proportion of the revised budget may not be achieved if there is a delay in the submission of these applications. The increased planning fee income is also partially offset by additional consultant/ professional fees in support of the specialist planning case work.
- A high level of capital expenditure is uncommitted and there is the risk that these projects will not be fully completed by the end of the financial year given seasonal constraints. This will be managed through the year end outturn management process.
- There is potential for slippage on the timing of recruitment, which may lead to a saving on salary costs.

4.3 **Operating Income**

Overall operating income has increased by £125k.

- Planning income has increased by £97k based on YTD income and a number of large planning applications.
- Backdated rent of £29k has been included in the revised budget.

4.4 **Salaries**

Staff salary costs have been reduced by £32k following a full review of all positions and vacancies within the organisation. The revised budget is based on current headcount and expected recruitment.

4.5 **Other Operating Costs**

Overall operating expenditure, excluding staff costs has increased by £269k. The breakdown is included in Appendix 2 on a line by line basis.

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The increase is mainly as a result of:

- Increase in property repairs and development of £145k, following the allocation of £157k for piers and pontoon capital upgrades.
- Increase in professional fees of £91k to include legal fees for Drumlean and Luss Visitor Centre (£44k), specialist professional fees in relation to planning applications (£30k) and Estates survey costs (£17k).
- Increase in consultant costs of £12k for landscape advice in relation to planning case work.
- Increase in staff costs of £17k for additional training and recruitment costs.
- Other small net variances of £4k.

4.6 **Net Project Expenditure**

The revised budget shows net project expenditure of £978k, a decrease of £112k. Within this there are a number of points to note:

- Although there is not much change in the overall Conservation and Land Use budgets, the Mountain bogs budget now includes £448k of offsetting income and expenditure for practical peatbog restoration and project officer costs which are funded by SNH (no net cost)
- The Visitor Management budget includes Sustrans income and expenditure of £517k for funding of path projects (no net cost)
- The Visitor Management Your Park budget has been re-allocated between the individual projects to reflect the projected spend on 3 Lochs Forest Drive (Loch Achray) and Tarbet.
- The Estates project budget has been reduced by £53k, with the West Highland Way Upgrades budget being reallocated to the operational infrastructure upgrades, given the ongoing review. Funding is likely to be required in future years
- The Visitor Experience budget has reduced by £49k, mainly as a result of the decrease in the Gateway Centre budget, following agreement from the Scottish Government to recognise the lease premium in the current financial year.
- The Rural Development budget has decreased by £11k, with the Callander Landscape Partnership not expected to require any budget for Phase 2 this financial year
- The National Park Partnership Plan budget has increased by £4k to cover the printing and launch of the Plan.

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5. Summary

- 5.1 The Quarter 2 management accounts do not highlight any budget management concerns.
- 5.2 The achievement of a revised balanced budget for 2017/18, with considerable investment in infrastructure, is significant. Although there are risks within the revised budget around planning income, ongoing legal disputes, the finalisation of the Gateway project costs and the delivery of the capital upgrades and projects in the financial year, the budget seems achievable.
- 5.3 Managers and the Executive will continue to closely monitor and manage performance against budget over the rest of the financial year and focus on delivering a balanced budget for 2017/18.

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