

## Draft 2018/19 Budget

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### *Paper for decision*

1. Purpose

1.1 To present the draft budget for 2018/19 for approval.

2. Recommendations

2.1 It is recommended that members review and note the information contained within this report and **Appendix 1**, with a view to approving the budget.

3. Context

3.1 This budget is prepared on the basis of both the draft Scottish Government published on 14 December 2017 and the subsequent changes presented by the Finance Minister on 31 January 2018, which increased the benefits proposed in the public sector pay. Again, this is presented as a one year spending review with indications that the 2019/20 settlement is expected to be challenging.

3.2 The proposed Grant in Aid allocation for the National Park Authority includes an increase in the revenue budget allocation of £250k to £6,520k and an increase in capital budget of £100k to £960k. Given the wider context of pressure on public spending, this represents a very favourable outcome and strong endorsement from the Scottish Government of the work of the Authority.

3.3 In addition, the proposed budget also reflects a changing strategic context for the National Park Authority and in particular the transition to delivering the priorities set out in the new National Park Partnership Plan 2018-23 (awaiting Ministerial approval) as well as relevant Scottish Government priorities. This budget is a first step towards considering how the Park Authority deploys its resources in the implementation of the new plan as other significant areas of delivery are being completed, notably the Camping Development Strategy, operationalising Your Park, and the completion of the Gateway Centre handover.

3.4 In the coming year key priorities reflected in the proposed budget include;

- Completing our undertaking to deliver a network of low-cost camping opportunities
- Investing in cost-effective improvements to the visitor experience of our existing visitor sites and infrastructure (including camping opportunities and improved litter management)

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- Ensuring tenanted properties are improved to attract good quality tenants providing appropriate visitor services
- Delivering more ambitious conservation outcomes driven by a refreshed Wild Park strategy
- Using the opportunity of Year of Young People to showcase and further develop our activities which ensure the National Park benefits and provides more opportunities for young people
- Maximising the benefits of holding signature events, notably the 2018 European Championships at Loch Lomond
- Delivering projects supporting community aspirations and the enhancement of the Park's towns and villages, notably the Callander Landscape Partnership and southern expansion

3.5 Despite the proposed increase in the Grant In Aid from Scottish Government, there remains pressure on the revenue budget for 2018/19. The lifting of the public sector pay cap, the announcement of a 3% rise for staff earning less than £36,500 and the full year impact of the staff recruited in 2017/18, has resulted in an increase in salary costs of £418k.

3.6 The preparation of the 2018/19 budget has involved the continued careful prioritisation of staff and resources to support delivery of the Annual Operating Plan and operational commitments given the constraints above.

#### 4. Overview

4.1 There have been challenges in the preparation of the 2018/19 budget. The organisation will continue manage the delivery of the 2017/18 outturn position, alongside the completion of the 2018/19 budget to ensure resources are maximised, where possible, across both financial years.

4.2 The capital budget for 2018/19 is balanced and reflects the focus on improving our infrastructure and estate. There is an expectation that we will continue capital investment on our sites; Inveruglas, Tarbet, Millarochy, Rowardennan, Duncan Mills Memorial Slipway, delivering the Camping Management Strategy and starting to replace our 2007 vehicles with electric vehicles as part of our Climate Change Action Plan.

4.3 The revenue budget has been particularly challenging, given the increase in salary costs. Salary costs remain a significant proportion of overall costs and are currently running at 82.2% of our revenue Grant in Aid.

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- 4.4 It has not been possible to balance the budget and therefore the budget currently has a projected overspend position of £61k (0.7%).
- 4.5 Although we were able to present a balanced budget for 2017/18, in previous years it has been practice to present a projected deficit which we have successfully managed in-year as various project variances have arisen.

18/19 Draft Revised Budget	Capital £000s	Revenue £000s	Total £000s
Operating Income	7	793	800
Salary Costs	(155)	(5,363)	(5,518)
Other Operating & Net Project Expenditure	(812)	(2,011)	(2,823)
Net Expenditure	(960)	(6,581)	(7,541)
Budgeted Grant in Aid	960	6,520	7,480
Budget position	<b>0</b>	<b>(61)</b>	<b>(61)</b>

- 4.6 As in previous years, the budget includes a vacancy management target, which this year is £100k. There have been savings targets in the last two years of around £120k and these have been achieved, so the risk associated with this target is not considered high based on staff turnover rates.

## 5. Income £800k

- 5.1 Operating income is £58k higher than 2017/18.
- 5.2 Included within income are the following points to highlight:
- Planning income is £42k lower than in 17/18 at £230k, as a number of large planning applications were anticipated in Quarter 4 of 2017/18. However, there is the potential that some of these applications may slip into 2018/19, which would reduce the pressure on the 2018/19 budget.
  - Generated income is £103k higher than in 17/18, with an increase in car park income of £38k, camping income of £50k, toilet income of £10k and income from the National Park Partnership of £10k.

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### 6. Salaries £5,518k

6.1 Salary costs have increased by £418k as compared with 2016/17. This includes:

- £100k vacancy management savings target
- Approximately £215k increase in salary costs as a result of the lifting of the public sector pay cap
- £28k increase in seasonal staff costs to support the management of our new campsites
- £20k for unplanned maternity and overtime costs

6.2 There have been a number of vacancies in 2017/18, some of which have taken time to backfill or have been vacancy managed to generate savings. The 2018/19 budget assumes that all vacancies are filled by the start of the financial year.

### 7. Other Operating Costs £1,878k

7.1 Other operating costs have decreased by £70k as compared with 2017/18. This has been achieved by reducing non-essential expenditure.

- Property costs show savings of £68k.
  - Property repairs and development costs have fallen by £97k. This reduction in part reflects that in 2017/18 there was significant investment in the piers and pontoons and car park re-surfacing (£158k). Investment in our main visitor sites is planned to continue within 2018/19, with an overall reduction in expenditure being necessary.
  - Property cleaning costs are £40k higher than budget, given the desire to have toileting facilities at Lochearn and a decision to separate out the responsibility for cleaning toilets from tenants operating the centres in Tarbet and Inveruglas.
  - Other Property cost are £20k lower than in 2017/18, as the prior year included service charge for the Gateway, which will be the responsibility of the tenant in 2018/19.
- Transport costs are £9k lower than the prior year given the marine vehicles replacement plan, which should result in lower repairs. The marine fleet plan anticipates a reduction in marine vessels due to the disposal of under used vessels, alongside the replacement of some existing fleet at net nil replacement cost.

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- ICT costs are £32k higher than 2017/18:
  - Hardware costs have increased by £10k. Previous years has benefited from year-end spend which is unlikely this year.
  - Software costs have increased by £22k following the requirement to upgrade the office and email server
  
- Administration costs are showing a saving of £37k compared to the current year.
  - Professional Fees show a saving of £58k:
    - There are savings of £30k for the Drumlean and Luss Visitor Centre Court cases compared to the 2017/18 budget. Although a small budget has been included in 2018/19 for these court cases, expenditure is likely to be significantly less than in 2017/18. Depending on the outcomes there is the possibility that we may re-coup or be liable for some of the legal fees.
    - Professional fees for piers and pontoons surveys (£18k) and Cononish gold mine (£27k) were incurred in 2017/18, but these fees are not expected to re-cur in 2018/19.
    - The savings in professional fees are offset by the requirement in 2018/19 for the quinquennial asset valuation (£20k).
    - As is our usual practice, we have not included amounts for contingency and any significant unexpected costs will be managed in year.
  - Consultant costs are £13k higher than in 2017/18, primarily as a result of an additional £10k being required for evidence gathering for the Local Development Plan.
  
- Payment to others has increased by £10k as this includes additional contribution to National Parks Partnership. This is offset by income of the same value anticipated as part of the agreement.

### 8. Project Expenditure £1.1m

- 8.1 Capital expenditure on projects for 2018/19 is budgeted at £823k, which is higher than 2017/18 and reflects the welcome increase in our Capital Grant in Aid allocation. For the last few years, that capital budget has been focussed on the Gateway Centre and the implementation of Your Park and the Camping Management Strategy. Given the completion of the Gateway and the significant investment in 2017/18 in Loch Achray, additional capital has been allocated to focus

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on our estate in 2018/19. This investment is planned to bring additional revenue in future and improve our asset base.

- 8.2 Revenue expenditure of projects is planned at £276k which is broadly in line with 2017/18 expenditure.
- 8.3 The project budget is intended to be managed across the financial years. As with prior years, it is anticipated that the £105k contribution to the Mountains and the People will be funded in 2017/18.

### **Conservation and Land Use £77k**

- 8.4 There is an overall budget of £77k which will encompass expenditure on Countryside Trust, Land Management initiatives, Wildpark 2020, Strathard Eco Systems Services, Woodland Landscape capacity survey and Trossachs INNS Project. Revenue for Conservation and Land Use Projects remains in line with 2017/18 levels. A key strategy will be to try to identify alternative sources of funding or other opportunities to work with stakeholders to deliver key projects.

### **Visitor Management £136k**

- 8.5 There is an overall budget of £136k which will cover expenditure on Respect the Park (Police Scotland partnership), Outdoor Recreation Plan, Walk in the Park, Place Enabling, Education, Year of Young People and Programme and Projects Development. As with Conservation and Land Use projects a key strategy will be to try to identify creative solutions to deliver key projects within increasingly limited budgets.

### **Visitor Management – Your Park £150k**

- 8.6 As Your Park moves into business as usual, the main capital budget requirement has been allocated to within the Estates projects budgets. £75k remains under Your Park for the completion of the campsite at Loch Achray and £75k for additional toilet provision and signage works in 2017/18.

### **Estates / Capital Projects £525k**

- 8.7 There is an overall budget of £525k which will encompass expenditure on developments for Inveruglas, Tarbet, Duncan Mills Memorial Slipway, Millarochy, Rowerdennan, Luss and Balmaha. There will be a focus on delivering a high quality

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visitor experience on our own estate whilst growing opportunities for new/additional income streams.

- 8.8 Investment is also planned in electric vehicles, with additional charging points for the public use and replacement of our ageing fleet.
- 8.9 Capitalised Salaries are estimated at £155k, in line with the current year. This is deemed appropriate given the planned capital expenditure in 2018/19.

### **Visitor Experience £33k**

- 8.10 There is an overall budget of £33k which will cover our contribution to the Great Scottish Swim, participation in STEAM, visitors/residents/Your Park surveys and a grant scheme associated with cultural and heritage activities to maximise the benefits Balloch hosting the open water swimming as part of the 2018 European Championships, which also leverages an additional £40k of funding.

### **Rural Development £148k**

- 8.11 There is an overall budget of £148k which will cover our contribution to support the Community Partnership, Park Authority support funding for the second phase of the Callander Landscape Partnership, which with other stakeholder contributions leverages in the significant HLF funding, community/natural heritage/built heritage grant schemes and delivery of a Tree Preservation Order project.

### **Corporate Services £33k**

- 8.12 £33k is allocated for the Locally Elected Board Member election process. The election takes place on Thursday 5th July 2018.

## 9. Summary

- 9.1 Members will note that although there were favourable revenue and capital uplifts by Scottish Government, we will continue to face pressure on the revenue budget, notably within staff costs following the lifting of the public sector pay cap. However, the increased Grant in Aid in the current financial climate clearly demonstrates Scottish Government's confidence in the organisation and has alleviated a more challenging budget process.

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- 9.2 The capital budget is balanced, with a focus on infrastructure investment in our estate. The Authority also continues to leverage funding and support partner organisations with our project revenue budget. Although the revenue budget presented shows a deficit of £61k, with areas of risk within it, the Executive team are confident in the ability of the organisation to manage the risks and deliver a balanced financial position by the end of the financial year.

**Appendix 1 – Draft 2018/19 Budget**

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