National Park Authority Board Meeting

Agenda Item 16

2017/18 Financial Report: End of Year

Paper for information

1. Purpose

To present the Management Accounts for the quarter and year ended 31st March 2018 (**Appendix 1**).

2. Recommendation

It is recommended that members review and note the information contained within this report and **Appendix 1**.

3. Contribution to National Park Partnership Plan

Effective management of the budgets supports the proper delivery of the organisational processes that underpin all Outcomes and Priorities of the National Park Partnership Plan 2018-23.

4. Context

These are presented as Management Accounts for the 2017/18 year ended, although there may be some end of year adjustments necessary as a result of the external audit being undertaken. The external audit close-out meeting is scheduled for 7th June 2018.

5. Management Accounts Summary

The overall net position against budget is an under spend of £78k, with capital being £1k underspent and revenue being £77k underspent. The variance against budget arises from the Estates team and property underspends, notably on piers and pontoons.

Prior to year-end, underspends were identified in a number of capital projects, notably piers and pontoons, Loch Achray and Tarbet car park. This was pro-actively and successfully managed through the outturn process, which facilitated the management of the capital budget across financial years. This included the purchase of electric vehicles, contribution to Mountains and the People project, IT hardware and infrastructure spend. There were additional underspends which were not forecast and resulted in the overall net underspend.

The SG capital Grant In Aid allocation was £860k, however we were permitted to overspend by £175k to account for the reverse lease premium that was paid by Scottish Enterprise in relation to the Gateway sub-lease. In addition, SG requested that £50k of revenue savings were given up, following a review of uncommitted discretionary spend.

6. Management Account Analysis Revenue and Expenditure

The capital position has been managed carefully throughout the year. Underspends of ~£100k were identified in January 2018 as a result of contract pricing for Tarbet Car Park being less than anticipated and delays in the development of Loch Achray. The adverse weather in March then impacted the delivery of the piers and pontoons upgrades and resulted in further delays in construction at Loch Achray. The final capital position is broadly in line with budget, despite no contractor costs being incurred for the piers and pontoons work at 31 March 2018.

The capital accounting process at the year end, including the capitalisation of salaries and have identified that more spend was capital than had been forecast. There were notable savings on Property costs (energy, ground maintenance and cleaning) and some underspend on the Callander Landscape Partnership.

The main variances to note are as follows:

- Operating income is £133k below budget, primarily as a result of planning fees being under budget by £92k (following the slippage in anticipated applications) and £50k grant in aid savings offered accepted by the Scottish Government. The "delayed" planning applications are expected in 208/19.

- Salaries are £93k below budget, as forecast. This arose from staff turnover, which resulted in gaps in positions in the year. Given the current year underspend, the vacancy savings target for 2018/19 of £100k appears reasonable.

- Operating costs are £91k lower than budget. The notable variances were:

    - Property costs are £192k under budget, with most of this (£157k) arising from the delay in piers and pontoons. Operational property costs were under budget by £15k, following the increase in in-house repairs. Energy costs are £13k under budget, refuse and waste disposal is £12k below budget and operational Grounds maintenance spend £28k less than budget, as the Land Operations team prioritised carrying improvements to pitches at Loch Chon.
    - Transport costs are £115k over budget, following the management of the capital budget across year ends, which resulted in the purchase of 6 electric vehicles being brought forward from 2018/19.
    - Administration costs are £23k under budget.

- Net project expenditure was £52k under budget, taking account of active management of spend across the financial year. Notable transactions included:
    - The following contributions were made; Countryside Trust £20k, Mountains and the People £105k; Community Partnership £40k and ORP (Walk in the Park £7k)

- Place Enabling and the Grant Schemes underspent by £24k to contribute to the SG revenue savings of £50k.
- 3 Lochs Forest Drive was forecasting an underspend pre-year end, as a result of adverse weather. The under spend totalled £40k, before capitalised salaries of £58k. The project spans 2 financial years, with completion not expected until 2018/19. Your Park monitoring was £15k under budget as forecast
- Tarbet car park was originally budgeted at £105k, however the contract price was significantly less. The actuals are included within operational costs and totalled £35k.

Capitalised salaries are in line with budget and have been allocated to the individual projects.

7. Balance Sheet Analysis

- The Balance Sheet has been updated for the revaluation of fixed assets that arose at the end of the 2016/17 audit. The capitalisation of assets for 2017/18 is in progress as one of the year end tasks. The depreciation and impairments will be processed in the coming week to finalise the first draft of the annual accounts for our auditors.

- The Gateway Centre has been revalued at 31/3/17. The valuer has valued the property of a market value basis, rather than on depreciated replacement cost (DRC), given the property is now let. The change in valuation basis has altered the value of the building significantly and it is now valued at £215k, based on the net rental income.

- The fixed asset policy has been drafted and provided to our external auditors. Following discussions with the auditors before their visit, there is a requirement for a more formal assessment by management that the asset base has not materially changed in value since 31 March 2017. The valuers, Ryden, have confirmed that there will be no significant change in the valuation of those buildings valued on a market value basis. However, DRC properties will be subject to indexation.

- The cash balance was £278k which includes £84k relating to the West Highland Way and £12k deposit from Shore's tenancy of the Gateway Centre. As noted, the £175k reverse lease premium for the Gateway has also been received from SE and although included in the budget for 17/18, will be released in the Balance Sheet over the life of the lease (133 years).

- Only £7k of the trade debtors balance remains outstanding at 14th May 2018. £29k has been recognised in relation to rent recoverable for Luss Visitor Centre once the current legal process reaches a conclusion. Accruals and prepaid income totals £706k and comprises costs incurred but not yet invoiced, income in relation to 2018/19 retentions on construction projects, the Gateway reverse lease premium, staff holiday pay accrual and staff salaries.

- KPMG confirmed that we do not have to pay any corporation tax for 2016/17.

8. Summary

The capital underspend forecast pre year end was successfully managed through the outturn process. This resulted in a balanced capital budget at year end and a revenue under spend of £78k. The revenue underspend reduces the brought forward deficit from prior years.

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