

National Park Authority Board Meeting

Agenda Item 6

Draft Budget for 2019/20



Paper for decision

1. Purpose

1.1. To present the draft budget for 2019/20 for approval.

2. Recommendation

2.1. Members to approve the 2019/20 budget presented, with the provision that appropriate action will be taken during the year to achieve a balanced budget.

3. Contribution to National Park Partnership Plan and / or Our 5-Year Plan

3.1. The 2019/20 budget process supports the delivery of Our 5-Year Plan by ensuring that financial resource is allocated to priority activities and this is clearly shown in the activity budget at Appendix 2.

4. 2019/20 Headlines

4.1. Capital budget allocation awarded by Scottish Government increased by £200k to £1,160k whereas the revenue budget remained the same at £6,520k. This represents a favourable settlement in the overall context of public finances.

4.2. The impact of the pay award advised by Scottish Government represents a cost increase of circa £200k, meaning equivalent savings require to be identified from elsewhere.

4.3. The 2019/20 budget shows capital and revenue as being over budget by £26k and £39k respectively, £65k in total. The budget will be actively managed throughout the year to deliver a balanced budget, with the revenue element being more challenging. A summary of the overall budget position is shown at Appendix 1.

5. 2020/21 Context

5.1. If a similar pay award was advised by Scottish Government for 2020/21 it would equate to circa £210k and therefore the revenue budget would be utilised in covering operational costs leaving minimal revenue budget available for enabling activities e.g. Police Scotland support, contributions to Community Partners, tourism events and visitor research, support for Wild Park / Your Park / LIVE Park, process improvements.

5.2. Scottish Government Spending Reviews in the coming years are expected to continue to be challenging. In the event of receiving even a flat revenue budget settlement for 2020/21, the current range of activities and level of operations will be

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very difficult to sustain and tough decisions will have to be made in respect of reducing areas of delivery and continuing to secure new sources of income. Following the setting of the 2019/20 budget, the Executive will be considering more strategic financial scenarios for future years to guide longer term planning to inform decision making on resources and staffing levels.

- 5.3. We have regular meetings with our Scottish Government Sponsor Team and communicate the significant negative impact a flat or reduced revenue settlement would have, including the disproportionate impact on the amount external funding leveraged into the National Park. We will present the strongest possible case for a revenue budget increase in 2020/21. Board Members should be aware of the potential longer term financial challenges facing the Authority and the implications for next year's Annual Operating Plan and Budget.

6. Operating Income

- 6.1. Operating income is £41k lower than the 2018/19 forecast, with the latter including £151k of court awards in relation to the successful Luss Visitor Centre and Drumlean Access cases. Therefore there is an underlying increase of £110k based on higher income from car park charging of £22k, recharges of costs of £37k (no net impact), higher launch fees of £20k following price increase and £26k lower toilet charging income in 2018/19 as a result of turnstile mechanism issues. There is an element of risk in the income figures and this is expanded upon below.
- 6.2. Car park charging income is subject to the successful delivery of the car park charging project and the main risks to highlight are:
 - Project management resource to deliver the project by the end of quarter 3 2019/20 is a priority and funding has been included in the activity budget.
 - Total income budgeted is £37k: £18k Inveruglas, £8k Balmaha, £6k Milarrochy and £5k for Tarbet. 2018/19 income for Inveruglas, where charging is already in place, is expected to be ~£13k so the targets are ambitious.
- 6.3. The £20k increase in launch fee income was sense checked against historic volumes of launches and rounded down for prudence so the risk is whether the price increase has an adverse impact on the number of launches.
- 6.4. Realisation of the toilet charging income budget is achievable provided: the turnstile operational issues are not repeated and; that we ensure the closure period for upgrade works (West Loch Lomond RTIF project) are as short as practicable.
- 6.5. Property rental income is budgeted at £158k for 2019/20 (2018/19 forecast £158k) and of this £115k is secured and £16k for commercial operators annual licences to use our piers and pontoons is expected to be realised. There is £27k of income not finalised, but not considered high risk, in relation to the rental of Luss Pier Shop,

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Tarbet Ticket Office and Pop Up, lease of the ground floor at the Callander Office and a small stretch target.

6.6. Sales of Goods are budgeted at £23.5k based on having two campsites operational and setting a challenging increase in recognition of the fundraising priority (2018/19 Forecast £9.5k).

6.7. Planning fees are budgeted at £265k (2018/19 Forecast £275k) based on trend judgements and knowledge of expected larger applications but ultimately we have no control over the achievement of this figure and will monitor income through the year. Annual income for standard planning applications is around £120k and this is supplemented by larger fees for more complex applications.

7. Salaries

7.1. The salary budget is £5,879k, £366k higher than the 2018/19 forecast, before accounting for the savings target and the allocation to capital activity costs and the increase is explained by:

- £202k Scottish Government advised pay/progression award
- £118k Litter Prevention Manager and Campsite Supervisor new appointments, and the full year impact of an increase in Land Operations staff, the latter reducing externally contracted grounds maintenance costs
- £46k arising from: savings and costs associated with maternity leave; small increases in posts for Wild Park and Education; restructure of the Visitor Operations, Communications and Ranger teams; savings from not replacing the Capital Projects Manager post and; other changes in hours and roles.

7.2. We prepare the salary budget on a prudent financial basis and expect the actual costs to be lower because of delays in recruitment / replacement and changes in roles / hours / bands as opportunities arise. Therefore we set a savings target to take account of timing and efficiency savings and to assist in delivering a balanced budget.

7.3. The £200k savings target for 2019/20 is the highest that we have set, reflecting the challenges in balancing the revenue budget. We have realised ~£150k in 2018/19 and this is included in the forecast figure. The £200k target is likely to be achievable however this approach may increase risk in relation to delivery / or performance if vacancies have to be managed.

7.4. The allocation of salary costs to capital works has increased by £30k to £205k in 2019/20 to reflect the higher level of staff time on works funded by the £200k increase in our capital budget allocation. The £205k is based on 18% of the capital budget allocation which is consistent with 2018/19.

8. Operating Costs

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- 8.1. The 2019/20 budget of £1,664k covers the following expenditure:
- Staff Costs £341k, including Board Members Fees of £157k
 - Property Costs £655k
 - Transport Costs £112k
 - ICT Costs £280k
 - Administration and Other Costs £276k
- 8.2. The budget is £129k lower than the 2018/19 forecast excluding cost recharges:
- Reduction in property repairs of £100k based on additional work completed in 2018/19 and the team focus in 2019/20 on project work;
 - £28k saving from renegotiation of management arrangement at a tenanted site;
 - Reduction in legal costs of £15k;
 - 2018/19 includes £20k for the quinquennial asset review and;
 - Other increases including Board Member costs (now at full complement), staff and Board Member training and travel costs, and various other changes.
- 8.3. The operating cost base is lean and contains an element of risk as there is no contingency budget.

9. Activity Budgets

- 9.1. The total activity budget presented is £1,455k: £1,186k Capital and £269k Revenue, and this is a key aspect of budget decision making in relation to the allocation of our financial resources to Our 5-Year Plan priorities.
- 9.2. The activity budget represents projects, grants, contributions and capital expenditure and we have revised the presentation of this to clearly align the financial budget allocation with Our 5-Year Plan priorities. Many of our activities align with more than one priority but for simplicity the budget has been allocated against only one priority.
- 9.3. This way of presenting the budget will increase transparency and comparability as although individual projects, grants, capital and activities will change from year to year our priorities will remain consistent and therefore we can easily demonstrate where we are focussing financial resource. *(We may consider presenting the operating budget in a similar way in the longer term.)*
- 9.4. The table at Appendix 2 shows the activity budget for 2019/20 by priority.

10. Conclusion

- 10.1. The 2019/20 budget has been challenging to prepare and forecasts a small overspend, although this will be managed and a balanced budget should be achievable over the course of the year. There are a variety of risks within the budget

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such as the achievement of increased income targets and activity delivery at the same time as managing a salary savings target. There is also no cost contingency so additional action / decision making will be required should there be unexpected costs or non-achievement of income targets.

- 10.2. The position for 2020/21 is potentially extremely challenging and may require significant reductions and changes to the services we provide subject to the pay award and revenue budget allocation from Scottish Government.

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Appendix 1 – Draft Budget 2019/20

Draft Budget 2019/20 £'000	2019/20 Budget			2018/19 Forecast			Variance		
	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total
Grant in Aid	1,160	6,520	7,680	960	6,520	7,480	200		200
Income		848	848		889	889		(41)	(41)
Total Income	1,160	7,368	8,528	960	7,409	8,369	200	(41)	159
Operating Costs		1,664	1,664		1,756	1,756		92	92
Salaries	205	5,674	5,879	175	5,337	5,512	(30)	(336)	(366)
Savings Target		(200)	(200)					200	200
Total Salaries	205	5,474	5,679	175	5,337	5,512	(30)	(136)	(166)
Exclude Capitalised Salaries <i>(in activity budget)</i>	(205)		(205)	(175)		(175)	30		30
Operating Salaries		5,474	5,474		5,337	5,337		(136)	(136)
Total Operating Expenditure		7,138	7,138		7,093	7,093		(44)	(44)
Net Operating Income / (Expenditure)	1,160	230	1,390	960	316	1,276	200	(86)	114
Activity Budget <i>(including capitalised salaries)</i>	1,186	269	1,455	959	318	1,277	227	(49)	178
Under / (Over) Budget	(26)	(39)	(65)	1	(3)	(2)	(27)	(37)	(63)

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Appendix 2 – Activity Budget by Priority

Priority	2019/20 Draft Budget	2018/19 Forecast
Priority 1 Litter	£15k Capital First year of litter priority and appointment of dedicated manager. This will cover litter infrastructure and higher investment may be required in future years.	£nil
Priority 2 Visitor Infrastructure	£650k: £640k Capital / £10k Revenue Investments in our visitor facilities on both East and West Loch Lomond supported by the RTIF grant award, the staff time associated with this capital work, urgent capital repairs to the toilet at Firkin and a small amount allocated for urgent non-capital repairs to piers and pontoons.	£593k Capital Investment in the Your Park project including the completion of the campsite at Loch Achray, capital improvements in relation to the West Loch Lomond RTIF funding (some of which has been delayed to 19/20), piers and pontoons capital upgrades and the staff time associated with this capital work.
Priority 3 Sustainable Organisation	£nil Budget has not been allocated specifically to this priority but the work being undertaken on Priority 2 Visitor Infrastructure in particular meets this priority.	£29k: £24k Capital / £5k Revenue Climate change and electric fleet actions.
Priority 4 Attractive, Accessible and Healthy Destinations	£115k: £25k Capital / £80k Revenue Path projects, human waste initiatives, minor permit area improvements, engagement and inclusion activities, our contribution to the Callander's Landscape programme, and tourism/visitor research and event planning.	£191k: £50k Capital / £141k Revenue Visitor research, inclusion and engagement, the Year of Young People, Outdoor Recreation Plan activities, tourism / event planning including the European Swim and our contribution to Callander's Landscape programme

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Priority	2019/20 Draft Budget	2018/19 Forecast
Priority 5 Placemaking and Sustainable Communities	£25k: £20k Capital / £5k Revenue Contributions to active town developments.	£43k: £20k Capital / £23k Revenue Contributions to active town developments and to the Community Partnership.
Priority 6 Fundraising	£154k: £133k Capital / £21k Revenue Car park charging project, sponsorship from Forest Holidays, investment in solutions for Luss Visitor Centre and the National Park Grant Scheme.	£100k: £80k Capital / £20k Revenue National Park Grant Scheme
Priority 7 Policy-making Wild Park	£92k: £28k Capital / £64k Revenue Wild Park commitments and action plans including work with Land Managers, tree preservation orders and trees and woodland strategy.	£65k: £25k Capital / £40k Revenue Wild Park commitments and action plans including work with Land Managers, tree preservation orders and trees and woodland strategy.
Priority 7 Policy-making LIVE Park	£nil Any standard costs associated with this are included in the operational budget.	£nil Any standard costs associated with this are included in the operational budget.
Priority 7 Policy-making Your Park	£72k Revenue Ongoing commitment to Police Scotland, preparation of the 3 year review following camping management byelaw implementation and Outdoor Recreation Plan consultation.	£55k Revenue Police Scotland commitment.
Priority 8 Communication and Engagement	£nil Any standard costs associated with this are included in the operational budget.	£nil Any standard costs associated with this are included in the operational budget.

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Priority	2019/20 Draft Budget	2018/19 Forecast
Enablers People	£3k Revenue Expansion of volunteer programme, standard volunteer costs included in operational costs as are other standard costs.	£nil Standard costs included in operational costs.
Enablers Systems and Processes	£300k: £295k Capital / £5k Revenue ICT infrastructure upgrades (end of life), migration to SWAN, development / purchase of an estates database and purchase of Ranger workboat.	£116k: £81k Capital / £35k Revenue Purchase of a Ranger workboat (delayed until 19/20), tools and equipment to facilitate staff to make repairs, ICT hardware and software purchases / upgrades and local Board Member elections.
Enablers Service Design	£nil No specific activities in 19/20	£nil No specific activities in 18/19
Enablers Estate	£30k Capital Capital upgrades to facilities at our storage units and the Slipway.	£86k Capital Capital investment / upgrades to office environment at Balmaha, Slipway and Balmaha
Enablers Finance	£nil No specific budget allocation, internal processes support achievement of this priority	£nil No specific budget allocation, internal processes support achievement of this priority
Enablers Partnerships	£nil No specific budget allocation, internal processes and other activities listed above support achievement of this priority	£nil No specific budget allocation, internal processes and other activities listed above support achievement of this priority
Totals	£1,455k: £1,186k Capital / £269k Revenue	£1,277k: £959k Capital / £318k Revenue