

National Park Authority Board Meeting

Agenda Item 9

2020/21 Budget Update



Paper for noting

1. Purpose

- 1.1 The purpose of this paper is to update the Board on our re-forecast of the 2020/21 Budget as a result of the ongoing COVID-19 pandemic, and provide information on how we plan to proceed over the coming months given the budget challenges.

2. Summary and Recommendation

- 2.1 We expect that the pandemic will lead to a large reduction in our income, particularly from rent, charges, and fees. In total, depending on the length of the crisis, we anticipate that our income could fall by over £400,000.
- 2.2 We recommend that the Board notes our proposed approach to this budget challenge, which is set out in Section 6 of this paper.
- 2.3 We will keep the Chairs and Executive Group up to date with any progress, and will report again to the September Board meeting.

3. Contribution to National Park Partnership Plan and Our 5-year Plan

- 3.1. Robust financial and budget management underpins the outcomes and priorities of the National Park Partnership Plan 2018-23 and Our 5-year Plan.

4. New budget forecast

- 4.1 The Board approved our [2020/21 Budget](#) at its March 2020 meeting. At the time, the COVID-19 pandemic was emerging and the Board recognised that a number of the income and expenditure assumptions made in the Budget were likely to change.
- 4.2 The pandemic is having two significant effects on our budget:
 - Income is reduced due to rent not being paid, charges for services not being collected (e.g. slipping fees, parking charges, toilet entrance), and an expected reduction in planning application fees.
 - Some expenditure will be reduced as a result of the shutdown, leading to savings in areas such as energy and vehicle use. However, these savings will be partially or wholly offset by additional expenditure on restart costs, such as adaptations to make our workplaces and sites safe in the presence of COVID-19.

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- 4.3 Appendix 1 sets out the detail of our original budget forecast, alongside two re-forecasts: if the shutdown lasts until June 30th (end of Q1) and if it lasts to September 30th (end of Q2). This is summarised in the table below.

(£'000)	Original 2020/21 Budget	Shutdown to end of Q1	Shutdown to end of Q2
Income	8,712	8,443	8,280
Expenditure	8,745	8,629	8,543
Balance	(33)	(186)	(263)

- 4.4 To expand on this, on capital spend, our current expectation is that this could be roughly balanced.
- We expect increased capital spending of approximately £65k carried over from projects we were unable to complete in 2019/20 due to the pandemic
 - However, though it is too early to predict how project spend will unfold through the year, we also assume that we won't be able to undertake all of the 2020/21 planned capital spend. A considerable amount could still proceed, while others might be difficult to get off the ground. For the moment, we therefore anticipate absorbing the £65k carry-over in our existing budget.
- 4.5 Therefore, the expected deficits are on the revenue side. If lockdown extends to the end of June, we might expect a £186k revenue deficit. This includes:
- A loss of £269k in income
 - Savings of £51k on salaries (including having taken into account our existing staff savings target), assuming we won't be filling posts until September at the earliest.
 - Savings of £77k on operating costs such as savings from buildings and vehicles not in use, which is offset by £50k of re-start costs
 - Savings of £37k as a result of bringing forward the Community Partnership and Countryside Trust contributions to 2019/20, and some likely savings from activity spend.
 - The £33k deficit identified in our original 2020/21 Budget
- 4.6 If the pandemic restrictions continue to impact us until the end of September, we might expect a deficit of £263k.
- 4.7 In recent weeks we placed a number of staff on furlough. This includes some staff from our Rangers, Facilities and Land Operations teams, where their usual roles

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cannot be undertaken at this time. We plan to access the UK Government's Coronavirus Job Retention Scheme (CJRS) to recover some of the associated salary costs. Although the government scheme only covers 80% of an individual's salary we are making this up to 100% and it will not affect anyone's terms and conditions of employment. Most of our seasonal staff were not eligible for the CJRS given their contract start dates, and they have not been furloughed.

- 4.8 We are starting to recall some staff from furlough to deal with increasing visitor management issues associated with relaxation of restrictions and increasing visitor numbers. Other staff will have to be brought back when it is safe to start to open some buildings and facilities. At the moment it is very difficult to forecast how much income we might receive through the CJRS. At present we have assumed that we will recover £45,000 through the scheme, but it could be less or more depending on when we need to recall staff. We will keep the Board informed on this matter in future financial updates.

5. Risks

- 5.1 The Board should note the following risks:

- **Assumptions:** How and when the nation emerges from the crisis will affect both our income and expenditure. Given the ongoing uncertainty, our reforecast remains an evolving picture and we expect these numbers to continue to change. In order to arrive at the current figures we have had to make a number of assumptions. These assumptions are untested meaning the numbers are likely to fluctuate.
- **Staff savings:** We have reduced our staff savings target from £150,000 to £75,000. This target is dependent on turnover and vacancy management through the year. Given the current state of the labour market, we expect staff turnover to be low and therefore this savings target will need to remain under review.
- **Capitalised salaries:** We have continued to allocate £175,000 to capitalised salaries. Being able to capitalise salaries is reliant on our capital projects proceeding. If we are unable to make progress with a number of these projects then these salaries will need to be allocated to revenue, further increasing our revenue deficit.
- **Cash flow:** In running a deficit we are carrying cash flow risk as we are unable to borrow. This means that over the course of the year, if our expenditure exceeds our income by a large enough amount we may not be able to make required payments such as payroll and to suppliers. As most of our expenditure

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tends to be towards the end of the year, this risk is unlikely to materialise until Q3 at the earliest. We are mitigating this risk as set out in Section 6 below, and we have the option to take proactive measures to reduce costs later in the year should we need to.

6. Proposed Approach

- 6.1 The National Park has an important role to play in the national and local pandemic recovery efforts, not to mention our business-as-usual roles to protect the environment, support communities, enhance economies, and welcome visitors. At this point in time, we consider that taking immediate action to cut spending to balance the budget would be highly detrimental to these efforts. For example, we have had to mobilise field staff to respond to the large numbers of people coming to the National Park against national guidance, and there is work required in advance to prepare for safe opening of buildings and facilities. It is also important that we find a safe way to open public toilets to address outdoor toileting issues, and the solutions are likely to add costs.
- 6.2 We have provided information to the Scottish Government that sets out our budget and delivery challenges in light of the COVID-19 pandemic. We plan to continue to engage with our Scottish Government sponsor team in the coming weeks and months to explain the challenges we face and the critical role that we can play as part of the recovery, as well as discuss their views on our budget challenges.
- 6.3 In the meantime, we propose to largely maintain our original total expenditure plans for now, with some variation in activity-specific spend where some items are no longer proceeding but new items have emerged, such as restart costs.
- 6.4 We will also proceed with caution before committing expenditure (e.g. entering new contracts, filling vacancies, etc.). For example on vacancies we are considering how to resource capital projects management especially where there are external funding deadlines and so that we can adapt and invest in existing properties in the future. The Executive will closely monitor new spend to ensure it is necessary and in line with the goals of our National Park Partnership Plan, Our 5-Year Plan, our Annual Operational Plan, and our coronavirus recovery plans.
- 6.5 Later in the year, possibly in the autumn, we will have more information about how the situation is unfolding and therefore firmer budget forecasts. We will also have progressed our discussions with our Scottish Government sponsor team. At that point, we will be in a better position to determine what measures may be needed to address the budget gap.

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Appendix 1 – Revised Budget 2020-21 Forecasts

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