National Park Authority Board Meeting

Agenda Item 10

Financial Report

Paper for noting

1. Purpose

   1.1 The purpose of this paper is to present the financial update, including the Management Accounts to 30 September 2020.

2. Recommendation

   2.1 That the Board notes this report and the Management Accounts to 30 September 2020, as set out in Appendix 1.

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. Summary of our 2020/21 financial position

   4.1. As previously reported to the Board in September, the organisation has faced significant financial challenges this year as a result of the COVID-19 pandemic. Income from rent, charges for services, and planning fees has reduced and costs associated with COVID-safe workplaces and visitor facilities and management, have increased. The budget revision presented to the Board in September presented a revenue overspend of £398k. This was done in lieu of a Q2 budget review which usually takes place in October.

   4.2. The Scottish Government has been supportive of the measures taken during 2020 to safeguard visitors and restart the economy. Steps were taken to ensure that the cost pressures forecast by the Authority were factored into Scottish Government COVID-19 budget management plans. Our sponsor team at Scottish Government committed to ensure that the Authority can meet our statutory obligations and deliver a balanced budget and on 30th October 2020 confirmed an increase in our revenue Grant In Aid of £400k. Due to timing this is not shown in Appendix 1 (which is the accounts to September 30th 2020) but will be shown in next quarter's update.

   4.3. Our Capital spend has been under review for the last quarter following delays to some projects as a result of COVID-19. Due to the restrictions on construction work in the early summer period and the diversion of staff capacity to deal with reactive visitor management tasks, the timeframe for delivering some planned capital projects has become significantly compressed. We have been reviewing the options to reallocate spend to other priorities to avoid a significant underspend. We are looking to identify investments that would support our visitor management priorities in particular, but delivery by financial year end is a substantial constraint and a significant capital underspend remains a significant risk.

4.4. Our focus now for the Revenue budget is on delivery of our budget and the validation of assumptions within the forecast. This is very difficult this year as we cannot rely on past experience and normal annual spending profiles in the same way as before. Our aim is to avoid significant over or underspends and deliver on budget.

4.5. In order to help mitigate these risks, the forecast process to year-end, which normally starts in January, has begun early (November 2020) and will be updated on a regular basis to allow the outturn position to be tracked. Given the untested nature of the assumptions within the budget, this process is critical to ensure timely reporting and decision making in the current year. Staff costs, which represent the highest proportion of costs, are profiled on a monthly basis and income is tracked monthly against expectations. In addition to tracking capital projects, committed expenditure is used to forecast full year spend.

5. Management Accounts for Q2

5.1. As with the previous quarter presented to the Board in September 2020, we have included the prior year actuals within the management accounts for reference, alongside the original budget.

5.2. Income

- As anticipated, operational income to September is significantly lower than for the same quarter last year with property rental, planning fees and generated income all impacted by the pandemic. Income was reduced from £874k to £560k in the revised budget, reflecting the reduction in planning fees, visitor services income (car park, toilets) and the rental holiday provided to commercial tenants from April to July.

- The following points should be noted:

  - Year to date actual income totals £400k, compared to £548k for the same period last year. Income to date includes £49k from the Job Retention Scheme.
  - Planning income totalled £47k for the six months, compared to £115k for the same period last year. The full year budget has been reduced from £225k to £150k and there remains a risk in achieving this forecast in 2019/20, although income of £30k was achieved in October.

- Although property rental income totalled £96k for the six months to 30th September, there is a risk around recoverability of some aged debt, despite rent holidays already granted.

5.3. Salaries

- As at the end of September, salary costs remain in line with expectations. The savings target has been removed in the revised budget, given that staff turnover is low in the current economic climate. Although certain fixed term contracts have been extended, the decision has been made not to fill the majority of vacant posts this financial year.

5.4. Operating Costs

- Operating costs are £101k lower than the same period last year, following the shutdown in the first quarter. The most significant variances are:

    - Property costs – costs to September are £335k versus £436k in the same period last year. However, a number of invoices from toilet cleaning and portaloo hire have yet to be received and processed
    - Staff related costs – costs for the first six months of the year are £106k compared to £151k for the same period last year, which is as a result of minimal conference, training and recruitment costs in the current year
    - IT costs – costs are £241k for the period, £68k higher than 2019/20. Of this, £26k is a result of new agreements with Microsoft and VMware. These costs are non-COVID related and were included in the original 20/21 budget. The remainder of the variance is the purchase of additional laptops to facilitate home working.

- Of the operational costs incurred to date £25k of capital and £65k of revenue costs are directly attributable to COVID-19 and includes infrastructure costs to ensure our sites were operating safely upon opening, as well as laptops to facilitate home working.

5.5. Project Costs

- The majority of project activity normally takes place in the second half of the financial year, following completion of the season. However, the level of project spend for the period is lower than normal following COVID-19 restrictions and delays. With the season finished, the focus is now on delivery of projects in the current financial year.

Appendix 1 – Management Accounts to 30 September 2020

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