Financial Report

Agenda Item 8

National Park Authority Board Meeting

15th March 2021

Paper for information

1. Purpose

1.1. The purpose of this paper is to present the financial update, including the Management Accounts to 31 December 2020.

2. Recommendation(s)

2.1. That the Board notes this report and the Management Accounts to 31 December 2020, as set out in Appendix 1.

3. Contribution to National Park Partnership Plan and/or 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. Background

4.1. The management accounts detail actual income and expenditure for the 9 months to 31 December 2020. The full year original budget, the full year revised budget and the prior year to date actuals are detailed for reference.

4.2. The Scottish Government confirmed an increase in our revenue Grant in Aid of £400k on 30th October 2020. This covers the additional financial costs incurred to safeguard visitors and support the economy during the COVID 19 pandemic. The revised budget figures include the additional funding and therefore a balanced budget is presented.

4.3. As part of the Spring Budget revision in January 2021, the Scottish Government have allocated £49k in revenue and £173k in capital for Peatland to fund the restoration works and officer costs. This additional Grant in Aid will be reflected in the management accounts at the end of the financial year.

Summary of Financial Position

4.4. As anticipated, operational income to December is significantly lower than the prior year at £497k (£578k YTD in 19/20), highlighting the impact of the pandemic on visitor services, rental and planning income. The revised budgeted income of £560k reflects the impact of these reductions. We are on track to achieve the full year income budget.

4.5. As at the end of December, salary costs are broadly in line with expectations, with a small underspend forecast. A review of fixed term contracts and vacant posts is in progress following the increased grant in aid settlement for 21/22.

4.6. Year to date operational expenditure totals £1,174k (19/20 - £1,284k) against a full year revised budget of £1,823k. Property costs, other staff costs and administration costs are less than in the same period in 19/20 given the closure of buildings, reduction in travel costs, recruitment costs, conferences, courses and training and legal fees. The current year costs include additional seasonal costs for COVID-safe visitor facilities incurred in summer 2020, such as portaloo hire and cleaning costs.

4.7. Project expenditure remains low at the end of Quarter 3 and will continue to be monitored in the final quarter of the year. The focus is on delivery of both revenue and capital projects within the final months of the year.

4.8. The capital project budgets were reviewed with Operational Managers in Quarter 3, with a focus on delivery for the remainder of the financial year. Following the review, the capital budget was over-programmed by £165k and additional project revenue spend of £31k was identified.

4.9. As noted previously, capital income of £118k will be recognised in 2020/21 rather than 2019/20, following the requirement by external audit to defer RTIF income in relation to Balmaha Visitor Centre. This will result in a capital underspend for Scottish Government reporting purposes, which is an accounting adjustment between financial years and has no cash impact.

5. Risks

5.1. The Authority is unable to carry any underspend forward to future financial years. Each year we manage budget delivery carefully to reduce the risk of under/over spend.

5.2. Given the challenges over the current year, with the number of untested assumptions in the budget and the impact of the pandemic on income, costs and projects, the forecasting process is more complex than usual. The Executive team have been actively managing the risk of a revenue underspend, with any forecast underspends being re-allocated to priority areas such as IT and repairs across our

Estate. Our target remains to come in on balance on revenue, though this depends on delivery of a number of projects and services by the end of the financial year. As such a range of outcomes are possible, but at this stage we would expect to be within 1% above or below balance.

5.3. As highlighted at the end of Quarter 2, there is a risk of capital underspend within the revised budget. The capital budget has been over-programmed to reduce the risk of underspend within 20/21, noting that there is still headroom in the 2021/22 budget to manage any projects that are unable to be completed this year and are deferred to next year instead. Significant underspends have been re-allocated by the Executive team on other priority areas. The position is being tracked closely, with a balanced position being forecast at the time of writing, although there remains delivery risk to complete works by the end of the financial year.

5.4. There is risk around recoverability of debtors, with over £35k of aged debt over 60 days at 31 December 2020 being highlighted as at risk of recovery.

6. Next steps

6.1. The Finance team are preparing for the financial year end and continue to monitor the outturn position with the Executive.

6.2. Planning for the 20/21 external audit has commenced and the interim audit was conducted at the end of February 2021. Although the final audit is planned for early June, the sign off of the annual accounts is not scheduled until September 2021, as our external auditors are dependent on the completion of the pension fund audit to finalise their audit opinion.

7. Appendices

Appendix 1 – Management Accounts 9 Months to 31 December 2020

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