Financial Report 2020/21

Agenda Item 10

National Park Authority Board Meeting

14th June 2021

Paper for information

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1. Purpose

1.1. The purpose of this paper is to present the financial update, including the Management Accounts for the year ended 31 March 2021.

2. Recommendation

2.1. That the Board notes this report, the Management Accounts to 31 March 2021 (Appendix 1) and the Statutory Accounts timetable (Appendix 2).

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 12 months to 31 March 2021. The full year original budget, the full year revised budget and the prior year to date actuals are detailed for reference. The position attached is unaudited and remains provisional until the completion of external audit and finalisation of the statutory accounts.

4.2. The original Grant in Aid for 20/21 was £7.838m, of which £6.678m related to revenue and £1.16m capital. We were awarded an increase in our revenue Grant in

Aid of £400k in October 2020 from the Scottish Government to cover the additional financial costs incurred in safeguarding visitors and supporting the economy during the COVID-19 pandemic.

4.3. In addition, as part of the Spring Budget revision in January 2021, the Scottish Government allocated an additional £49k in revenue and £173k in capital for Peatland to fund the restoration works and officer costs.

4.4. The revised budget figures include the additional funding, with revenue Grant In Aid totalling £7.127m and capital totalling £1.333m.

4.5. The unaudited financial position for 2020/21, prior to non-cash and statutory account adjustments, is an **underspend of £270k**. Revenue is £66k underspent and capital is £204k underspent. This was primarily as a result of the unexpected winter lockdown, which led to slippage across a number of projects.

4.6. The budget contained a number of the untested assumptions across income, costs and projects, as a result of the pandemic. The forecasting process was more complex than in a normal year. The lengthy December 2020 to April 2021 lockdown was not expected and affected our delivery capacity as well as that of our partners and suppliers. With the majority of our capital spend and project works completing in the final quarter of the year after the completion of the visitor season, the lockdown meant that several projects were not completed by 31 March 2021.

4.7. We monitored the financial position closely throughout the year, especially throughout the last quarter. We were able to identify underspends and re-direct budget to priority areas, thus reducing the level of underspend for the year. As a result, we were able to strengthen our fleet of electric vehicles in line with our Mission Zero objectives and invest significantly in flexible electronic visitor management signage. In addition, we re-allocated revenue underspends on key areas of focus, such as IT and Estate repairs. Whilst we were able to minimise the effect of the pandemic through redeployment of financial resources, our ability to deliver a balanced budget at the year end was impacted.

5. Summary of Financial Position

5.1. Operating income for the year totalled £638k compared to a budget of £560k and prior year income of £750k. Operational income (excluding income from other public bodies) was £424k, broadly in line with the revised budget of £409k, but down £238k on the prior year.

5.2. The impact of the pandemic was reflected across all areas of operational income with generated income, property rental income and planning fees all down significantly from 2019/20. Two rental holidays were offered to our tenants following the lockdowns over the year and restrictions meant that we were unable to charge for toilets during the period. However, our income exceeded budget, with recharges and generated income, notably camping income, being higher than anticipated.

5.3. Total salary costs for the year were £5,600k versus a budget of £5,568k, an increase of £32k. Staff turnover was low during the year as a result of the pandemic and although there were savings from the delayed recruitment of roles, fixed term contracts were extended for a number of key staff during the year. It is worth noting that given the nature of capital spend, salaries which could be capitalised were lower than budget and significantly lower than in prior years.

5.4. Total operational expenditure was £1,753k (19/20 - £1,732k) against a full year revised budget of £1,823k. Savings resulting from reduced operations at the beginning of the year were partially offset by expenditure required as a result of the pandemic including portaloo hire, additional cleaning, additional costs for COVID-safe visitor facilities and equipment to facilitate home working. As anticipated, staff costs, administration costs and IT costs were less than budgeted. Property costs were higher than budget, with the re-allocation of underspend to high priority repairs on our Estate.

5.5. Net project expenditure totalled £1,302k at 31 March 2021, which included £373k for Callander Landscape Partnership and £170k of Peatland capital works. Excluding these two initiatives, net capital project expenditure totalled £955k and net revenue expenditure totalled £347k. We had over programmed the capital expenditure plans for the year on the expectation that there would be slippage in works. Historically the majority of our activity spend occurs in the final quarter of the year and the winter lockdown had a significant impact on our ability to fully deliver a number of scheduled capital projects, such as Luss Visitor Centre and Internet of Things projects. Although these projects were delayed, as highlighted above, we were able to minimise the capital underspend by redirecting funds, in particular to strengthen our electric vehicle fleet in line with our Mission Zero objectives.

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

5.7. A provisional outturn was provided to the Scottish Government at the beginning of May, highlighting the overall underspend position. We have been highlighting the risk of a capital underspend through our monthly monitoring returns, in addition to the capital adjustment from prior year.

6. Risks

6.1. The position is unaudited and will not be confirmed until completion of the external audit and statutory accounts. No adjustments are expected from external audit review, especially as we held open our books for an extended period to ensure all costs from 20/21 were captured in the correct financial year.

6.2. There is risk around recoverability of debtors, with over £66k of aged debt over 60 days at 31 March 2021.

7. Next steps

7.1. The annual accounts timetable is presented in Appendix 2 for information.

7.2. The statutory accounts will be presented to the September Board and Audit & Risk Committee. Our external auditors, Grant Thornton, require the completion of the pension fund audit before signing our accounts. The pension fund assurances are not received until August and therefore this will be the Committee timetable for the annual accounts going forward.

7.3. The following points should be noted for our statutory accounts:

- Our property portfolio has been revalued in full at 31st March 2021, following the material uncertainty on property valuations in 2019/20 as a result of COVID.
- The external audit field work commenced on 31st May 2021 for 2 weeks. The work is being undertaken remotely.

8. Appendices

Appendix 1 – Management Accounts 12 Months to 31 March 2021

Appendix 2 – Annual Accounts Timetable

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