



Financial Report

Agenda Item 10

National Park Authority Board Meeting

13th December 2021

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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 period ended 30th September 2021 and the updated budget for 21/22 ("Q2 budget").

2. Recommendation

2.1. That the Board note this report, the Management Accounts as at 30th September 2021 (Appendix 1) and the updated 21/22 budget – Q2 Budget Revision (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 present the actual year to date results at 30th September 2021 against the full year budget, year to date budget and prior year to date results, for comparison purposes. The budget figures in the management accounts represent the original 21/22 budget rather than the Q2 budget revision which occurred after 30th September.

4.2. The Q2 budget review was prepared in October/November 2021, looking at actual spend to date, projecting the financial position for the remainder of the financial year, and reallocating likely underspends to priority spend areas.

5. Management Accounts to 30th September 2021

5.1. Income and operating costs were broadly tracking budget at the end of September. However, activity spend, notably on the capital side, remained low at the end of the second quarter.

5.2. Excluding Grant in Aid, income to the end of September was £519k, £111k higher than the year to date budget. Of this variance, £84k relates to higher than budgeted generated income.

5.3. Salary costs are higher than in the original budget at £2,960k, including seasonal costs. A portion of the uplift in Grant in Aid received in the 21/22 budget award was allocated to salary costs through the year. A number of new roles were recruited to improve organisational resilience, support the COVID recovery and visitor management season, and also allow the organisation to deliver on the long term capital settlement and revenue uplift. The salary budget has been updated to reflect these posts and the costs have been fully reforecast as part of the Q2 review.

5.4. Operational spend totalled £1,219k at the end of September, broadly in line with the YTD budget of £1,178k and higher than the same period last year when lockdown had substantially reduced our operations. The costs for the period include additional costs for the hire and cleaning of portaloos that were deployed as part of the COVID 19 response.

5.5. Net activity spend at the end of September totalled £130k. Activity expenditure, especially capital, is generally skewed to the last quarter of the financial year, given the seasonal nature of the business. The Q2 budget review process has reviewed projected spend for the rest of the year to assess delivery risk in the capital projects and re-assign budget as required.

6. Q2 Budget Revision

6.1. The Q2 budget revision process was completed by the Executive, Operational Managers and Finance team, reviewing actual income, spend and commitments at the end of August and projecting the financial position for remainder of the financial year.

6.2. In October 2021, the Scottish Government confirmed a 2% reduction in revenue Grant In Aid across the portfolio to address the continuing central financial challenges as a result of COVID-19. This resulted in a £155k reduction in the revenue budget. This has been factored into the revised budget.

6.3. Overall, the Q2 budget revision shows a £51k overspend, comprising a £197k revenue overspend (after the SG reduction of £155k) and a £146k capital

underspend. This compares to the original budget overspend of £198k, which consisted of £83k capital over spend and £115k revenue overspend.

6.4. Revenue is projected to be £197k over budget. This reflects a number of areas: the amount we have been and are looking to deliver this year and in preparation for next year; the £155k reduction in Grant in Aid by Scottish Government; and an element of over programming in anticipation of likely slippage across projects and uncommitted spend in the last six months of the year.

6.5. Capital is projected to be £146k underspent, which reflects the challenges in the supply chain at present, both in terms of materials and resources, including consultancy. The risk of a capital underspend has been highlighted to the Scottish Government since the summer. The Executive team reviewed the list of current and expected projects and have prioritised the key capital projects for delivery for the remainder of the financial year.

6.6. The following budget risks should be noted:

6.6.1. Supply chain issues across sectors have been affecting our delivery timescales and costs. We have experience of several procurement exercises that received few or no bids, as well as costs coming in much higher than anticipated. We are doing what we can to mitigate these risks, but it is widespread across the economy and other public bodies are experiencing similar difficulties. The result is that we have already experienced delays and can expect more, which will increase the likelihood of underspend (capital in particular) as well as what we had hoped to achieve. The outturn position will be carefully managed in the remaining quarter of the year and where spend is possible, achievable and desirable, funds will be re-allocated as required.

6.6.2. Whilst the Q2 position includes estimated provision for our in-year legal fees associated with the two ongoing legal disputes, it does not include any provision for additional costs we may incur should we lose those cases.

6.7. The main changes within the Q2 budget are as follows:

6.7.1. Capitalised salaries have been reduced from £175k to £25k based on the revised list of capital projects and the reduction in projected capital spend. As a result there has been a corresponding increase of £150k to our operational salaries.

6.7.2. Planning income forecast has increased from £150k to £210k based on the expected planning applications in the last 6 months of the year.

6.7.3. Salaries have been reforecast based on committed hires and the reduction of capitalised salaries. Provision has been made in the budget for gaps in vacancies arising from staff turnover.

6.7.4. Although operating costs have not changed significantly overall, there are some variances across categories, which includes the re-categorising of strategic budget pots to the actual expenditure categories.

- 6.7.5. Reduction in Peatland income and expenditure in line with revised delivery this financial year.
- 6.7.6. The activity budget has been reviewed on a line by line basis, based on tender returns and status, anticipated works this financial year and deliverability of projects.
- 6.7.7. There have been a number of changes within the capital budget projects, given the challenges with procurement and the review of priorities and resources for the last six months of the year. Overall the capital projects budget has reduced by £267k, which represents reductions in spend across a number of projects, offset by the re-allocation of funding to alternative initiatives.
- 6.7.8. There are budget reductions of £590k across four significant capital activities; the replacement of the patrol boat (deferred to 22/23 due to supply chain challenges); capitalised salaries; car park upgrades and charging; and East Loch Lomond active travel. These have been offset by increased capital budgets totaling £290k across four main areas; additional funding to the Green recovery grant scheme; additional budget for nature projects; increased allocation for vehicle replacement and budget for capital works at Luss pier.

6.8. Budget management within the current financial year remains a challenge, despite the increased budget allocation. The budget priorities in the first six months of the year have been around the visitor season and recruitment to increase organisational resilience and build capacity to plan, manage and deliver the long term capital settlement. The Scottish Government requested a 5-year projection of resource costs in September 2021 and within the commission we have highlighted the need for an appropriate level of Grant in Aid that supports our continued response to COVID-related visitor pressures as well the delivery of our broader outcomes for climate, nature, and communities.

7. 2020/21 Statutory Accounts

7.1. The Annual accounts were signed by our external auditors, Grant Thornton and Gordon Watson as Accountable Officer on 27th October 2021.

8. Budget 2022/23

8.1. We have started our work on the 2022/23 budget. The Scottish Government Budget announcement is expected on 9th December 2021, with our allocation expected on the same day. We will be working on the allocation of our budget settlement across the winter and will present the draft budget and Annual Operational Plan to the Board in March 2022.

9. Appendices

Appendix 1 – Management Accounts to 30th September 2021

Appendix 2 – Q2 Budget Revision 2021/22

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