Financial Report
Agenda Item 10

National Park Authority Board Meeting
14th March 2022

Paper for information

1. Purpose

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

2. Recommendation

2.1. That the Board note this report and the Management Accounts as at 31st December 2022 (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 present the actual year to date results at 31st December 2021 against the full year revised Q2 budget, year to date budget and prior year to date results, for comparison purposes.

5. Management Accounts to 30th December 2021

5.1. The Q2 budget revision process was completed in Autumn 2021 and presented to the Board in December 2021. The revised Q2 budget presented a projected capital underspend of £146k and a revenue overspend of £197k.

5.2. The Q2 budgeted revenue overspend reflected the Scottish Government decision to reduce our Grant in Aid by £155k in Autumn 2021. The Grant in Aid reduction was applied across our portfolio of public bodies with the aim of supporting the Scottish Government to address the continuing financial challenges as a result of COVID-19. However, in February 2022, the Scottish Government advised that following emerging underspends elsewhere within portfolio budgets, the £155k would be returned to us. This helps relieve in-year pressures and allows us to also explore whether there are any revenue projects from 2022/23 that we can accelerate to reduce budget pressures next year. There are no significant variances anticipated on the year end revenue position at present. However there remains uncertainty around the outcome of ongoing legal cases and risk around completion of the first stage of the piers and pontoon repairs with current weather conditions and high water levels at Loch Lomond.

5.3. As at the end of December 2021, income, salary and operating costs were broadly in line with the YTD budget.

5.4. Excluding Grant in Aid, income to the end of December was £617k, £43k higher than YTD budget. However, this is a timing variance, as there will be a year end provision for bad debts in relation to rental and service charges that are unlikely to be recovered.

5.5. Salary costs are £39k higher than the Q2 budget at £4,542k, as a result of seasonal costs being higher than anticipated. The additional campsite shifts and patrols during the season, higher than anticipated annual leave payments, and the extension of the Environment Officers all contributed to increased seasonal staff costs.

5.6. Operational spend totalled £1,787k at the end of December, £106k higher than the YTD Q2 budget. Property spend is above budget, primarily due to refuse and waste charges in relation to portaloos.

5.7. However, activity spend, especially on the capital side was lower than budgeted. Project spend, excluding Callander Landscape Partnership, RTIF monies from Visit Scotland COVID recovery, Peatland and other funded activities totalled £341k. Spend includes IT equipment and consultancy for Teams and Office 365, refurbishment of Luss Visitor Centre, Green Recovery grant scheme, Mission Zero projects and nature initiatives.

<u>Capital</u>

5.8. The risk of a capital underspend has been highlighted to the Board and Scottish Government throughout the year, with an initial £200k identified in summer 2021 and flagged as available for re-prioritisation. Our latest returns to the Scottish Government flag a risk of underspend of £500k, an increase from the £146k as at the end of November in the Q2 budget. At the Q2 budget review process and as part of our year end outturn process, where spend is possible, achievable and desirable, funds have being re-allocated as required and appropriate. Despite this, our full capital spend of £1.7m will not be realised this year. Capital spend is more likely to be closer to previous capital budget settlements, which totalled £1.1m in 2020/21.

5.9. Delays have arisen on a number of projects and capital purchases including Conic Hill path upgrades, the Trossachs Connectivity project, the Green Recovery fund, the Finance system upgrade, the and boat registration database replacement, and the patrol boat replacement.

5.10. Each project has its own individual drivers for delay, but there are some consistent themes that have emerged:

5.10.1. Supply chain issues, for example lead times of nearly a year for some vehicle needs and market developments not yet advanced enough for our Mission Zero objectives such as procuring an electric powered (or future-proofed) patrol boat

5.10.2. Procurement challenges, for example we initially received no bids in our tender for a principal designer for our Mission Zero work on our Estate, which set back our timescales whilst we determined an alternative approach. When we subsequently tendered for specific pieces of low carbon equipment, no bidders came forward that could meet year-end.

5.10.3. COVID infections and isolation periods for our staff and contractors, which has meant extended timescales for deliverables.

5.10.4. Other challenges inherent to our projects such as land owner engagement and agreement, and Planning considerations.

5.11. We are not alone in facing these challenges, and Partners and communities are reporting similar delays. One of the reasons for our projected underspend on the Green Recovery Fund is that the communities receiving the grants are also having difficulty with procurement.

5.12. We consider the future outlook on capital to be more positive. Through the year we have been staffing up our Place Projects team, and they have been able to progress early development work on a number of projects. We also now have our Mission Zero principal designer on a multi-year contract that will enable us to invest across our Estate. Our approach to next year is to develop a portfolio of projects that will progress through the year, with an over-allocation of budget knowing that there is likely to be delay as issues arise.

6. Scottish Government Resource Spending Review

6.1. The Scottish Government has launched the consultation and framework for the Resource Spending Review, which is expected to be released in May 2022. This focuses on three key priorities; targeting child poverty, addressing climate change and securing a stronger, fairer, greener economy in Scotland. The

Resource Spending Review is expected to produce a multi-year revenue settlement until 2026/27.

6.2. We provided initial forecasts for 2023/24 to 2026/27 to the Scottish Government in September 2021 and updated them in January 2022. In doing so we highlighted the requirement for a significant revenue uplift support the delivery of our key strategic priorities, including Mission Zero and Future Nature projects. We have not yet had any feedback on our January submission and may not hear further until publication in May.

6.3. Although there is a clear benefit of a multi-year settlement, one of the Scottish Government's aims of the spending review exercise is to improve the effectiveness of public spending in line with government priorities. This is with a backdrop of limited funding and continued pressure on the public purse, where expenditure is forecast to exceed funding. The Scottish Government is looking to identify opportunities for reform and efficiency, as well as understanding the key spending areas where progress can be made against the three key priorities.

7. Annual Accounts

7.1. The 2020/21 Statutory Accounts were laid in Parliament on 16th December 2021. The planning has started for our 2021/22 annual accounts and audit process with our external auditors, Grant Thornton. Audit Scotland has indicated that normal deadlines for signing of the accounts will resume this year, with NDPBs being required to have accounts signed by 31 October 2022.

8. Appendices

Appendix 1 – Management Accounts to 31 December 2021

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