

# Financial Report Q1 2021/22

## Agenda Item 13

### National Park Authority Board Meeting

26 September 2022

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#### 1. Purpose

The purpose of this paper is to present the financial update, including the Management Accounts for the quarter ended 30 June 2022.

#### 2. Recommendation

That the Board note this report and the Management Accounts for the quarter ended 30 June 2021 (Appendix 1).

#### 3. Contribution to National Park Partnership Plan and/or Our 5-year Plan

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 3 months to 30 June 2022. The full year budget, year to date budget and the prior year to date actuals are detailed for reference.

4.2 The total revenue Grant In Aid budget settlement includes £630k of additional visitor management funding as set out in the revised budget presented in June 2022.

The overall budget position for 2022/23 is a capital deficit of £148k and a revenue deficit of £69k, both of which are expected to be managed down throughout the year.

## **5. Summary of Financial Position**

5.1 Operating income for the quarter totalled £343k compared to the YTD budget of £344k, full year budget of £929k and prior year income for the quarter of £260k. Although income is in line with budget, there are variances across categories and there is an element of rental income that will be written off later in the year. Generated income is below budget, notably toilet income, where it is unlikely that the full year budget of £85k will be achieved.

5.2 Operational spend for the quarter totalled £807k, which is broadly in line with the YTD budget. However, an overspend of ~£20k is currently forecast on marine fuel for the year, given increased patrols, higher fuel prices and increased surveys in relation to the byelaw review.

5.3 Total salary costs for the period were £1,424k which are below the YTD budget. However, this does not include the 2022/23 pay award which was formally agreed with the Scottish Government at the beginning of July. We are pleased to report that in mid-August we reached a final settled position for the year with our trade union, as per our offer which was in line with the Scottish Government pay guidance.

5.4 At the end of June, net activity expenditure totalled £16k. Although spend is low, procurement is progressing well this financial year, with tender returns being received on project tenders. To reduce the risk of capital underspend, we have brought forward the review of capital expenditure from Quarter 2 to Quarter 1, with a focus on deliverability of capital works this financial year.

## **6. Risks**

6.1 The Scottish Government have been signalling an increasingly challenging overall financial picture for this year, which has been further stretched centrally as a consequence of inflationary pressures, the increased cost of living and associated pay negotiations. All new resource spending over £1m has been paused and we were asked to model a 2% reduction in resource spending in July 2022. In late August we were informed that a 2% reduction to our revenue Grant-in-Aid is probable (£172k), and we are in the process of considering the impacts on delivery. This is likely to include a mixture of reduced activity spend and more active vacancy management.

6.2 Despite the publication of the Resource Spending Review by Scottish Government in May 2022, which outlines the high-level parameters for resource spending to 2026/27, our annual budget for 2023/24 onwards has not been confirmed. However, given the central spending pressures and plan to reduce the size of the public sector workforce and hold pay levels at 2022/23 levels, the revenue

outlook appears challenging. We continue to apply constraint when considering revenue commitments that span into future years.

6.3 Although we have a multi-year capital settlement, we do not have the ability to carry budget across financial years. The majority of our capital spend takes place in the last two quarters of the year, after the visitor season, where conditions can be challenging and unpredictable. However, we continue to pro-actively manage our budget and capital programme to minimise the risk of capital underspend.

6.4 Our mid-year (Q2) budget review will shortly commence and the results will be presented to the Chairs & Executive Group in November and the Board in December. This exercise allows us to formally review spend and income against budget and helps manage the risk of not achieving Scottish Government budget. In particular, the ongoing wider impacts of escalating energy costs will need to continue to be monitored as we move toward the winter months and any budgetary implications will be further reported to Board members.

6.5 There remains financial risk with regards to ongoing legal cases. There is no provision in the current budget for any costs that we may be awarded or may have to pay in relation to court proceedings.

## **7. Appendices**

Appendix 1 – Management Accounts 3 Months to 30 June 2022

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