

Financial Update

Agenda Item 12

National Park Authority Board Meeting

11 December 2023

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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 30 September 2023, the Quarter 2 (Q2) budget revision for 2023/24 and a final update on the Statutory Accounts for 2022/23.

2. Recommendation

2.1. That the Board **note** this report, the Management Accounts for the period ended 30 September 2023 (Appendix 1) and the Q2 Budget Revision for 2023/24 (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 budget for 2023/24 was approved by the Board on 14th March 2023. This was subsequently updated to include capital movements of an additional £300k for EV charging infrastructure and a £150k reduction in the Peatland restoration Grant in Aid funding.
- 4.2. The Budget Statement has been confirmed to be announced on 19th December 2023. The Scottish Government Sponsor team have indicated that the overall financial picture is challenging. It is anticipated there will be a very short window to consider the budget allocation for the National Park Authority and prepare our budget proposals for 2023/24. Preparatory work is already underway to consider 2024/25 spend proposals against different budget scenarios.

5. Management Accounts

- 5.1. The Management Accounts present the actual year to date financial position as at 30th September 2023 against the original full year budget, original year to date budget and prior year to date results for comparison purposes. This is not presented against the subsequent Q2 revised budget position.
- 5.2. Excluding Grant in Aid and grant income from other public bodies, income for the first six months totalled £572k, compared to a budget of £514k. The main budget variances are in relation to planning fees, £28k under YTD budget, and generated income and rental income, £49k and £29k ahead of YTD budget respectively. Generated income has been revised upwards at the Q2 budget review, however planning income is expected to come in in line with the original budget for the year.
- 5.3. Salary costs are £99k below YTD budget at £3,298k. The actuals do not include any uplift for 23/24 pay award which is still being negotiated.
- 5.4. Operational revenue expenditure to the end of September totals £1,346k against a year-to-date budget of £1,119k. The overspend relates primarily to property costs, at £579k, £104k above the YTD budget. The largest overspends against YTD budget are rates and water charges (£56k), property repairs & developments (£45k), Rent (£25k) and property security (£24k), whilst energy saw an underspend against YTD budget of £37k. Information and Communications Technology (ICT) costs came in £52k under budget. Year to date operational capital is £0k, which is £11k under YTD budget. We expect to spend the planned £57k in the remainder of the year, £35k of which is on IT hardware and £22k on improvements to CCTV
- 5.5. Excluding ringfenced Grant in Aid funded projects (Peatland, and Nature Restoration), net project spend for the year-to-date totals £224k capital expenditure and £66k revenue expenditure. This includes £88k on Conic Hill, £73k on Mission Zero and £42k on Future Nature Development.

5.6. A summary of the of the management accounts for the 6 months to September 2023 is included within appendix 1.

6. Quarter 2 Budget Revision

- 6.1. The Q2 budget process is our opportunity to update the original budget part way through the year, to reflect new pressures and reallocate any predicted underspends. Total budgeted spend is updated for the full year, based on actual spend to date and the forecast for the rest of the financial year. Appendix 2 sets out the Q2 Budget Revision.
- 6.2. Both capital and revenue were reviewed by budget holders as part of the Q2 reforecast. The Q2 Budget revision includes a forecast **revenue deficit of £175k** and a **capital deficit of £246k**. Although a deficit figure is shown on the budget revision, this does not mean that an overspend is expected. The revenue and capital budgets are over-programmed to reflect the fact that slippage is expected in some projects and works over the last 6 months of the year. The majority of our project expenditure takes place in the latter half of the year and delivery can be challenging during the winter period. We continue to report an expected balanced position to the Scottish Government at the end of the financial year and will continue to manage projects towards that outcome.
- 6.3. The Executive Team is comfortable with this overspend budget position due to the expectation of slippage. We will actively monitor and manage this as we approach year-end, especially in capital, where we have some ability to decelerate some deliverables into early next financial year. That said, the risk of overspend cannot be ruled out at this stage.
- 6.4. It should be noted however, that whilst no firm decisions have been made about the 24/25 capital and revenue budget grant allocations, we already know the outlook is expected to be very challenging which means we also need to be cautious about slippage of discretionary spend in both **capital and revenue budgets**.
- 6.5. The main revisions included within the Q2 budget are;
- **Revenue income increased by £79k**, mainly because of the additional £32k for the Peatland grant, £16k in other public bodies grants, as well as an increase in quarterly interest receivable totalling £20k. Generated income has been revised up by £11k with slipway, car parking and camping income all seeing increases.
 - **Capital income has increased by the net amount of £150K** as a result of being awarded £300k Transport Scotland EV charging grant and a reduction of £150k Peatland funding due to project delays.

- **Salaries costs increased by £290k** – Reflecting the impact of the probable outcome of the pay review for 23/24. This has not yet been finalised.
- **Capitalisations of salaries.** An estimation has been included in the forecast, removing revenue £200k and increasing capital by the same amount. Though included within the financial summary this movement has been included as an adjustment to Net Expenditure and not Salaries to maintain consistency in total salary reporting spend.
- **Operating expenditure budget has increased by £84k.** Main adjustments include, increases in the Administration budget to allow for additional potential consultant spend on the fish farm case and increases in Property costs for rates, water charges and security expenses.
- **Net Activity expenditure revenue project budget has decreased by £274k and Capital Budget decreased by £6k** with movements across various projects. Funded capital projects from LLNTPA resources are:
 - Mission Zero £821k
 - Nature and Land Use £123k
 - Conic Hill £347k
 - New Patrol Boat £130k
 - Outdoor Recreation Plan £125k
 - Tarbet £540k
 - Luss Pier £96K
 - Trossachs Connectivity £97k
- **Peatland and Nature Restoration capital spend £500k.** This is £150k lower than the ring-fenced funds with shortfalls on spend in Peatland activity and a return of funds to has been agreed. **Revenue spend £193k** is in line with funding provision.

7. Risks

7.1. As noted above, the Scottish Government have been signalling an increasingly challenging overall financial picture, as a result of inflation cost of living increases and pay negotiations. Our annual budget for 2024/25 is due to be announced on 19 December 2023 following the publication of the Scottish budget. Budgets are likely to remain a challenge over the short and medium term. We continue to apply restraint when considering revenue commitments that span into future years, including being cautious around new recruitment. In addition, where there has been headroom in the Q2 2023/24 budget to accelerate spend from 2024/25, this has been prioritised.

7.2. We don't have the ability to carry budget across financial years and we continue to pro-actively manage our budget and capital programme to minimise the risk of underspend. The risk of overspend also cannot be ruled out at this stage. Once we enter Q4, should we see probabilities shift that suggest an increased likelihood of overspend, we may decelerate expenditure and also we may wish to engage in discussions with the Scottish Government about whether (a) any funds can be re-profiled to us to cover the gap, or (b) whether we can have permission to overspend to be managed through our cash-flow given recent years of underspend.

7.3. There remains financial risk with regards to an ongoing legal case. Significant costs have already been incurred in relation to the Glenoglehead court case. The next court date is in March 2024. We hope that a negotiated agreement can be reached with the pursuer prior to this date. If the case goes to court and we lose, we may be liable for the other party's legal fees and court dues, which are likely to be significant. We have highlighted this risk to our sponsor team at the Scottish Government

8. Statutory Accounts 2022/23

8.1. As reported to the Board in September 2023, external audit field work was conducted in June and July 2023. We had originally planned to sign the Accounts in September. However, Mazars LLP provided late advice around the basis of calculation for the pension asset ceiling which required a recalculation by Hymans Robertson LLP and an amendment to the Accounts.

8.2. We received the revised asset calculation on 18th October 2023 and circulated the revised Accounts first to the Audit and Risk Committee and upon approval from the Chair of the Audit and Risk Committee to the wider Board.

8.3. The Accounts were signed by the Accountable Officer and the auditors on 26th October 2023. We received confirmation on 15 November that the Minister had cleared the Annual Report and Accounts for laying in the Scottish Parliament.

9. Appendices

Appendix 1 – Management Accounts 6 Months to 30 September 2023

Appendix 2 – Quarter 2 Budget Review 2023/24

Author: Stephen French, Finance Manager

Executive Sponsor: Jane Kemp, Head of Governance and Performance