
CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE & DELIVERY COMMITTEE

FOR DISCUSSION

**Title: FINANCE MONITORING: 7 MONTHS TO 31
OCTOBER, 2020**

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Purpose

This paper presents a summary review of income and expenditure for the 7 months to 31 October, 2020.

The paper also reviews the budget position with a view to considering whether further budget reallocations are appropriate at this time.

Recommendations

The Finance & Delivery Committee is requested to:

- a) Note the outturn for the 7 months to 31 October, 2020;**
- b) Consider the analysis of the financial position and cost pressures and potential for resource reallocations further to those agreed by the Board in June 2020.**

Executive Summary

1. The analysis of financial position over the 7 months to 31 August is contained in Annex 1. This is a simplified management accounting report and covers the 5 main components of the Authority's operations - Core activities and Operational Plan and the 4 externally funded projects: LEADER, the Tomintoul & Glenlivet Landscape Partnership (T&GLP), Great Place Badenoch (GPB) and the Caper Framework (CF). These externally funded projects are aggregated and included as Projects Costs Recovered (income) and Project Costs (expenditure). Annex 1 shows the actual outturn position as at 31 October 2020, compared to a projected position based on a straight line allocation of the revised budget for the year over the 7 months.
2. Actual and expected income received from projects offsets the project costs incurred to date. As such there are no exceptions to report to Committee in terms of potential additional financial consequences arising from the Authority's financial stewardship of externally funded projects at this time.

3. Salaries and Board fees are broadly on budget, with a small overspend of £8k against the budget for the 7 months period of £2,056k (actual expenditure at +0.4% of budget).
4. Core and Operational Plan expenditure remains behind budget, though not unexpected due to the continued impact of covid on day to day operations impacting core expenditure, and that Operational Expenditure is traditionally skewed to the last quarter of the financial year. Initial adjustments to budget to reallocate funds were approved by the Board in June 2020 and these adjustments are reflected in Annex I.
5. Annex I also sets out the specific additional and unbudgeted costs of COVID19 related actions taken by the Authority, which total £36k at the end of October.
6. Annex I does not include a projected outturn for the year as it is too early in the financial year for such projections. As with previous years, the working assumption is that we will manage the financial position as close to a break even position as possible while recognising the additional working challenges posed in the current financial year by the covid-19 pandemic.

Finance Team Operations

7. Despite the continued covid outbreak the finance department has continued to operate largely unaffected and mostly remotely from Grantown on Spey.
8. The accounts for the year to 31 March 2020 have now been signed off by the auditor and will be laid before Scottish Parliament in November. No changes to the outturn presented for audit were made.

Finance Monitoring for 7 Months to 31 October

Other Resource Income

9. The movements from 31 August are:

	31 August	31 October	movement
	£	£	£
Other income (a)	15,703	28,470	+12,767
Operational plan* (b)	39,265	43,034	+3,769
Project activity costs recovered (c)	115,515	468,556	+353,041
Staff costs recovered	115,294	190,089	+74,795
	285,777	730,149	+444,372

*In the July monitoring report included a recovery of costs, £19,256, between the close of the development phase and opening of the delivery phase of the NLHF funded Capercaillie Framework. These costs and recoveries are now recorded as part of project costs and the analysis changed to reflect this at 31 October.

10. **Movement on Operational Plan income:**

	31 August	31 October	movement
	£	£	£
LEADER	32,565	66,617	+34,052
T&G LP	73,724	320,788	+247,064
Capercaillie (Development phase)	-	19,256	+19,256
Capercaillie (Delivery phase)	-	36,707	+36,707
Great Place Badenoch	9,226	25,188	+15,962
	115,515	468,556	+353,041

There remains substantial expenditure due over the next 5 months as T&G LP an LEADER move towards completion by 31 March 2021.

11. Staff costs recovered includes monthly recoveries on project staff and purchase of additional holidays from staff. As noted in the July monitoring paper if funding is made available on the same basis as 19/20 for Peatland Recovery officers additional recoveries will be made. At the time of writing this paper we are yet to receive final confirmation on levels of Peatland Programme recoveries for the current financial year. Consequently, Annex I highlights that staff recoveries are £27k below budget estimates at this point in the year. Recent correspondence does indicate that Peatland staff recoveries are likely to be confirmed within the next month or so and therefore we expect this budget variance to be resolved prior to the next reporting cycle to the Committee.

Board and Staff Costs

12. With the exception of the Peatland action posts noted in 11, all project staff costs, have either been recovered or will be recovered for the 7 months. As was reported in the last monitoring paper to 31 August staff costs relating to seasonal rangers are not reported in the staff costs line but as a seasonal ranger cost within the operational plan line for Visitor Services for management accounting purposes and covered by that budget. These staff costs will be reclassified in the financial accounts purposes at the year-end.

13. **Movement on running costs**

	31 August	31 October	movement
	£	£	£
Other board and staff costs	17,760	57,936	+40,176
Facilities costs	117,384	204,957	+87,573
Covid costs	12,325	35,631	+23,306
IT & professional	30,440	60,622	+30,182
	177,909	359,146	+181,237

Other Board and Staff Costs

14. Costs related to Board and staff costs continue to be lower than budget due to continued home working. Costs continue to be incurred on the leased car fleet, and motor vehicle insurance, and ongoing HR and training.

Facilities Costs / IT and Professional Costs

15. Many of the facilities costs are considered “fixed”: rent, rates, and utilities costs. Redecoration and wider facilities work required under conditions of lease is now planned to be carried out before the end of the financial year.
16. Covid related costs continue to increase. Costs allocated to this code are those which would not have otherwise been incurred but for covid, such as additional IT kit to support dispersed working - telephony headsets, cordless keyboards and mice sets, port replicators for designated hot desk (all to minimise the risks of cross contamination); PPE (masks and sanitiser) and also moveable solar powered signs for use round the park which account for £21,240 of the costs incurred.
17. At some point, before the year end, the coding of all expenditure incurred will be reviewed and if appropriate recoded to consolidate all covid related costs in one heading.
18. As noted in the overview we are exploring new ways of working and using digital solutions more appropriately and effectively. We have established collaboration platforms and software to allow access to central records filing and storage systems to continue to support remote working. We will continue to review evolution of systems, and are developing a revised IT Strategy to direct long term development of IT infrastructure to support wider organisational development.

Operational Plan

19. Operational plan spend continues lower than a straight-line profile would suggest. This is a usual pattern and exacerbated by delays in many project delivery and investment plans as a consequence of COVID over the first 4 months or so of this year. Heads of Service are reviewing budgeted spend for the year to reassess stress points to the year end to ensure that resources spend is directed to achievable outcomes. The typical Operational Plan spend profile which is biased towards the last three to four months of the financial year will therefore be more pronounced this year, and remain dependent on current and future COVID restrictions until the end of March 2021.
20. Visitor Services Operational Plan budgets includes reallocation of funds for the seasonal rangers, now including provision for two posts which will continue service delivery and development until the end of the financial year.
21. The Board agreed a reallocation of resources of £40,000 in June 2020 to offer support to the Tomintoul and Glenlivet Dark Skies Observatory project. The Authority has

recently learned that this project will not now progress and this £40,000 allocation is therefore no longer required. The potential reallocation of this sum in context of other existing cost pressures is considered in the final section of this paper.

Non-Cash

22. Non-cash budget provision from Scottish Government provides for depreciation of assets and other accounting provisions made necessary by the Authority's operations. The budget allocated for 2020/21 by Scottish Government is £320,000. This includes the "depreciation" of leased assets covered by IFRS 16, the adoption of which has been postponed for another financial year, until 2021/22. This allocation will be reduced before the end of the financial year.
23. Current projections for 2020/21, based on assets in use at the beginning of the financial year, proposed capital spend, with no abnormal charges or write downs for diminution in value, are for a full year depreciation charge of £140,000.

Grant-in-Aid

24. Grant-in-aid has been drawn down as originally profiled and £2,905,000 has been drawn down to 31 October. £2,845,000 has been allocated as "Resource" funding with the remaining £60,000 as "Capital" funding to be allocated to spend on assets and other projects delivering benefits over the longer term.

Projects

Tomintoul & Glenlivet Landscape Partnership

25. Amounts received/due from the National Lottery Heritage Fund (NLHF) in the current year are:

Quarter ended	£	Received
30 June (claim 14)	158,220	16 October *
30 September (claim 15)	79,276	o/s

* Previously reported as £63,051. The final claim submitted included the first match funding claims for EACS projects.

26. Costs will continue to be incurred for at least another 6 weeks as the remaining final projects complete,

LEADER

27. Claims have been few in this reporting period as the LEADER Programme draws increasingly closer to a close in delivery, and only 1 project advance has still to be claimed (paid out on 28 October). Claims made and due at 31 October total £19,278. All administration costs for the & months have been treated as claimed in the figures reported with the formal claim for recovery of funds from Scottish Government yet to be made.

Great Place Badenoch

28. Activity in the 7 months remain at a low level.
29. Amounts due from the NLHF since last monitoring paper are:

Quarter ended	£	Received
30 September (claim 10)	10,475	o/s

Capercaillie Framework

30. The first claim for the Delivery phase has been made for the 2 months to 30 September and amounts to £33,771.

Outturn Position 2020/21 and Potential Financial Reallocations

31. At the point of writing this paper, it is slightly too early to confirm whether there are further opportunities to reallocate budgeted funds to other spending priorities. Annex I does highlight some small ongoing budget savings in staff and board related expenditure (travel, accommodation and training for example) and in facilities costs. Other than those areas, budgets are either on target or, in the case of the Operational Plan investments, still require to be finalised in terms of likely outturn position.
32. There are a number of cost pressures of which we are also aware:
 - a) COVID related costs are likely to continue to rise. We are asking staff now to plan for ongoing home working until well into 2021 and there is consequently an expectation of a further peak in equipping staff to do so. Wider organisational COVID costs are also likely to be incurred.
 - b) Visitor Management Costs in particular are likely to be incurred as the Authority works with partners in preparation for the 2021 visitor season which will start around, or before, a relatively early Easter weekend. We have recruited two posts to sustain the Ranger Services impacts achieved over the summer and to support development of our visitor management approaches for 2021. There are a variety of cost pressures such as those around traffic management, car parking capacities, information provision and support to businesses and land owners that may have to be considered over the coming months.
 - c) GIS, Data Management and ICT Network investment: while the Authority has responded well to a rapid evolution of remote working arrangements, there are a number of areas that may require further and priority investment in the remaining part of the current financial year. As mentioned previously in this paper, this will be driven by a refreshed IT Strategy and will cover a wider review of our ICT Infrastructure platforms, including a testing of alternate / additional videoconference platforms to augment the existing contract with Lifesize.

33. As such, no specific recommendations are made for consideration of budget reallocations are put forward at this time.
34. All budget lines continue to be monitored on a regular basis, while working closely with Heads of Service to reprofile spend for the remainder of the year and to identify pressure points, or slack, as early as possible. It remains the intention to return an outturn as close as is possible to break even in what has been, and will continue to be, a challenging year. The opportunity of the Board meeting on 27 November will be taken to consider further any potential budget reallocations with improved visibility over Operational Plan outturn expectations.

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