
CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE & DELIVERY COMMITTEE

FOR DISCUSSION

Title: FINANCE MONITORING: 4 MONTHS TO 31 JULY, 2020

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Purpose

To present a summary review of income and expenditure for the 4 months to 31 July, 2020.

Recommendations

The Finance & Delivery Committee is requested to:

- a) **Note the outturn for the 4 months to 31 July, 2020.**

Executive Summary

1. The analysis of financial position over the four months to 31 July is contained in Annex I. 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 I shows the actual outturn position as at 31 July 2020, compared to a projected position based on a straight line allocation of the revised budget for the year over the 4 months.
2. There are no overall impacts on the authority's budget from these externally funded projects to report at this point. Actual and expected income received from projects offsets the project costs incurred to date.
3. Overall, income is broadly on budget at this point in the year, with receipts around £4k ahead of the budget for the period of £166k, once externally funded projects are removed.
4. Salaries are also broadly on budget, with a small underspend of £13k against the budget for the four month period of £1,190k.
5. Core and Operational Plan expenditure is below budget on a straight line (even monthly expenditure over the year) phasing basis. This is a common position for operational plan expenditure, and some impacts of COVID19 restrictions will have exacerbated normal lead times in committing expenditure plans. Initial adjustments to

budget to reallocate funds were approved by the Board in June 2020 and these adjustments are reflected in Annex I. The management team is currently conducting a further review of expenditure plans and commitments in order to identify any expenditure pressures and need for further budget reallocations.

6. Annex I also sets out the specific additional and unbudgeted costs of COVID19 related actions taken by the Authority, which totals £12k at the end of July.
7. 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 budgeted overspend down as far as is a possible during the working challenges of due to the covid-19 pandemic (covid).

Overview

8. Despite the covid outbreak the finance department has continued to operate largely unaffected and mostly remotely from Grantown on Spey.
9. The year-end presented some operational challenges and the deadlines for the completion and presentation of the draft accounts to the auditors were met. The audit timetable has slipped due to the difficulties of auditing at a distance, and remotely, and the accounts are on track to be signed at the Audit and Risk Committee meeting on the 11 September. We have not been made aware of any changes to the outturn which shows a draft reported (a) an underspend of £5,000 on resource, (b) an underspend of £1,000 on non-cash and (c) break even on capital.
10. The accounting system is now be accessed remotely on the Virtual Machines (VM) with office time kept to a minimum. Payments continued to be processed, salaries prepared and all payments made timeously. In contrast to many other organisation we have been able to carry on functioning with little or no disruption, though at times slower than previously.
11. While the covid outbreak has brought many challenges it also been a push for real change, not just to accounting and finance but to the wider digital operation of the Authority. For instance, work has started on digitising all finance transactions which means that providing sample selection at the next audit will be more efficient. On the wider organisational scale we are exploring a new way of accessing the server remotely using “secure hyperlinked micro tunnels” which, if trials are successful, will mean more staff can work more productively from home direct to the office servers.

Other Resource Income

12. Other resource income is made up of:

Other income	£15,703
Operational income	£39,265
Project activity costs recovered	£115,115
Staff costs recovered	£115,294

13. **Other income** of £15,704 represents:

a)	Recovery of legal fees	£1,714
b)	3 month planning fees to 30 June recovered	£12,989
c)	Other recoveries	£1,000

£48,883 was invoiced at the end of June for the Authority's share of planning fees for the 6 months to 30th June from the five councils within the Park boundaries. Only £121 remains outstanding.

14. **Operational plan income** of £39,265 represents:

a)	CLIF funding for ant study at Marr Lodge	£10,000
b)	Contributions to curlew mapping	£10,000
c)	Recovery of costs incurred on Capercaillie Project since closure of Development phase	£19,265

The permission to start for the Delivery Phase of the Capercaillie project was given on 27 July and costs will start to be incurred from August onwards.

15. **Staff costs recovered** of £115,294 represents:

a)	Contributions to ECMP (whole year)	£11,500
b)	Contributions from SLC (quarter 1)	£3,272
c)	Contribution to Speyside Wader officer costs	£8,075
d)	Recoveries from staff for additional annual leave	£3,103
e)	Recovery of project staff costs	£89,344

16. In 19/20 SNH contributed to the costs of employing the two Peatland Action officer posts. The funding for the posts for 20/21 has yet to be agreed with Scottish Government. If funding is made available on the same basis as 19/20, as is expected based on correspondence to date, a further £25,000 is potentially recoverable for the 4 months to July.

Board and Staff Costs

17. 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 4 months. 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.

Other Board and Staff Costs

18. As is to be expected with the current unique way of working, with most staff working from home, costs related to Board and staff costs have reduced substantially reflecting especially the reduction in travel and subsistence costs. Costs continue to be incurred on the leased car fleet, and motor vehicle insurance, and ongoing HR and training.

Overall “savings” can be expected to continue until there is a reversion, if at all, to closer to normal scale of operations. Savings in these budgets have to be balanced with other costs arising solely due to how we have reacted to covid to allow us to continue to work as seamlessly as possible – shown in Annex I as COVID related costs.

Facilities Costs / IT and Professional Costs

19. Many of the facilities costs are considered relatively “fixed”. Rent, rates, and utilities costs are only slightly less than budget for the period largely due to the fixed nature of these costs and taking the opportunity of less staff in the office to “catch up” on facilities work - redecoration/establishment work and installation of additional charge points for electric vehicles – originally planned for late March but abandoned due to lockdown. The work on the facilities for the 4 months is £10,400.
20. As noted above we have attracted additional costs and expenses due covid 19 and these amount to £12,325 by the end of July. 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 when it opened again. These units are on hire for 3 months and will cost approximately £20,000, after a contribution from Aberdeenshire Council which has still to be recovered.
21. We have also spent more on PPE (£1,600), due to additional costs for remote working, and on additional mobile phones and connections to make home working more efficient.
22. 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.
23. Should any staff member be in the office and subsequently tests positive for covid the office will have to be closed and deep-cleaned by specialists. The estimated costs of each deep-clean, which cannot be carried out by the cleaning contractor, will be approximately £3,600 per deep-clean. Depending on the areas accessed this costs can potentially be proportionately reduced.
24. As noted in the overview we are exploring new ways of working and using digital solutions more appropriately and effectively. The use of Lifesize for video conferences has been a highly cost effective successful investment. Currently, despite buying additional VM licenses at the start of lockdown, there are still issues with bottlenecks and speed of access using the VMs. We are currently exploring, and are about to trial, another technology which potentially would allow more staff to have access to the server without the VM limitations. This may mean further investments in the IT infrastructure. If the “secure hyperlinked micro tunnels” trial is successful we will potentially be able to give 4 times as many staff access to the servers at a comparable cost of having 15 VM licenses.

Operational Plan

25. Operational plan spend is lower than anticipated. The remaining budgeted spend for the year is being reprofiled to give a more accurate monthly spend for both cash flow and to reassess stress points between now and the year end. Traditionally the spending profile is biased towards the last quarter in the financial year and is likely to be more pronounced this year.
26. Included behind Visitor Services are the costs incurred in July, for the seasonal rangers. This amounted to £35,300, which means it is broadly on track to spend the full allocated budget.

Non-Cash

27. 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.
28. 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 £132,000.

Grant-in-Aid

29. **Resource (R DEL):** £1,625,000 resource grant-in-aid has been drawn down in line with the planned drawdown (budget of £4,565,000).
30. **Capital (C DEL):** £120,000 capital grant-in-aid has been drawn down in line with the planned drawdown (budget of £390,000). The C Del allocation is to cover assets bought to be used in the Park Authority's operations or to be spent as capital contributions/grants.
31. Additional capital grant-in-aid of £250,000 has been awarded and is subject to confirmation in the Autumn Budget revisions. This additional funding has not been taken into account in the budgets.

Capital Spend

32. Only £2,308 has been spent on capital items in the 4 months. This is 5 additional laptops required as we move to replace desktops to allow for more efficient home working. An additional 10 laptops were delivered in August.

Projects

Tomintoul & Glenlivet Landscape Partnership

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

Quarter ended	£	Received
31 March (claim 13)	146,812	27 July
30 June (claim 14)	63,051	o/s

34. Claim 14 has been loaded on the NLHF portal for £63,051 and has still to be formally claimed. Before submission this claim will be increased with a claim for match funding for agri- environment schemes. Once finalised the claim will be substantially higher. Indications are that all the agri-environment schemes will be completed before the end of the project now set at 31 December 2020.

LEADER

35. All project advances unclaimed at 31 March (£63,969) have now been claimed on LARCS, and only 1 claim remains to be paid (£3,000). All claims included as debtors, at 31 March (£195,002) have now been received, as have all other project claims made in the 4 months to 31 July (£32,562). All administration costs for the 4 months have been treated as claimed in the figures reported with the formal claim yet to be made.

Great Place Badenoch

36. Activity in the 4 months has been low, not solely due to covid but because of the appointment of a replacement part-time project manager. The project has now been extended past its original 31 December end due to a combination of the late start to the project and the impact of covid on planned events for the summer/autumn 2020.
37. Amounts received/due from the NLHF in the current year are:

Quarter ended	£	Received
31 March (claim 8)	6,095	8 June
30 June (claim 9)	7,080	17 August

Capercaillie Framework

38. The final Development Phase claim, for the period to 31 March (£79,537), was received on the 29th June.
39. The first claim for the Delivery phase will be made for the 2 months to 30 September.

Outturn Position 2020/21

40. 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. At this stage in the financial year, no projected outturn has yet been modelled and, as ever, the intention will be to return an outturn as close as is possible to break even in what has been, and will continue to be, a challenging year.

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