
CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE & DELIVERY COMMITTEE

FOR DISCUSSION

**Title: FINANCE MONITORING: 10 MONTHS TO 31
JANUARY, 2020**

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Purpose

To present a summary review of income and expenditure for the 10 months to 31 January, 2020, together with a projected outturn for the 2020/21 financial year.

Recommendations

The Finance & Delivery Committee is requested to:

- a) **Note the outturn for the 10 months to 31 January, 2020 and the projected outturn for the year.**

Executive Summary

1. The main report to the Committee is contained in Annex I. This report covers the 5 main components of the Authority's operations - Core and Operational Plan and significant externally funded projects: LEADER, the Tomintoul & Glenlivet Landscape Partnership (T&GLP), Great Place Badenoch (GPB) and the Caper Framework (CF). Annex I shows the actual outturn position as at 31 January 2020, with the current estimate of the year end outturn by 31 March 2020.
2. Any adverse variances in the year to date are highlighted under CORE activities. Variances on CORE expenditure and Operational Plan are monitored on an ongoing basis and variances of greater than 15% or £5,000 from budget, whichever is the higher, will be brought to the Committee's attention. Most of the reported variances will self-correct during the financial year due to the timing of spend and recognition of prepayments or accruals.
3. Positive variances (those helping financial performance) are reported as "+ £x,xxx" and negative variances as "- £x,xxx".

Overview

4. Annex I summarises the outturn as at 31 January and the projected outturn to 31 March. The projected outturn is subject to change as Services confirm their actual spend and any underspend is vired.

Other Income

5. Other income of £89,886.42 recognised to January includes:
- | | | |
|----|------------------------|------------|
| a) | Recovery of legal fees | £13,203.60 |
| b) | Planning fees | £66,398.40 |
| c) | NPP sourced income | £168.40 |
| d) | Shared costs recovered | £207.00 |
| e) | Other recoveries | £9,909.02 |
6. Projected other income includes £6,000 from the National Parks LLP.
7. Operational Plan income of £576,771.55 includes:
- | | | | |
|----|-------------------|------------------------|-------------|
| a) | Conservation | Forest holidays | £5,000.00 |
| | | RSPB curlew survey | £5,000.00 |
| b) | Visitor Access | Writer in residence | £16,573.25 |
| | | LCTT recoveries | £234,497.25 |
| | | Hightrans | £10,099.20 |
| | | LEADER | £8,292.85 |
| c) | Rural Development | RTIF - Glenmore | £113,393.00 |
| | | RTIF - Dinnet | £54,000.00 |
| | | Sustrans - Glenmore | £15,000.00 |
| | | Developer contribution | £68,620.00 |

*RTIP Rural Tourism Infrastructure Fund

8. Projected other income includes a further contribution of £98,000 from SNH against the final section of the Speyside Way from Ruthven to Tromie Bridge, LEADER payments to projects of £37,200, a final £2,000 from Creative Scotland for the Writer in Residence project, and the final contribution from RTIP for the Muir of Dinnet upgrade.
9. Staff costs recovered of £410,174.43 includes contributions and funding from third parties, National Lottery Heritage Fund (against staff directly employed by the Authority on HF projects), recoveries against specific staff roles (East Cairngorms Moorland officer, Peatland officers, Access officer [now ceased]) and staff “purchasing” additional annual leave.
10. Projected other Core staff cost recoveries includes the Peatland Action officers costs for the quarter to 31 March (£18,186), contributions towards staff costs from the Scottish Land Commission and Loch Lomond and Trossachs National Park (£6,707), the final payment from Paths for All (£3,334) and the final two months additional annual leave recoveries (£1,588).

CORE Activities

Board and Staff Costs

11. Board fees for the year are expected to be over budget for the year. However, the actual value will not be known until any adjustments for the last quarter of the year are processed in March.
12. Core and project staff costs, and recoveries, have been broadly in line with projections for the period with a net underspend projected for the year after netting actual costs with all recoveries. The positive variance is due to in year leavers and timing of recruitment and managing vacant positions.
13. 2019/20 is the first year that staff costs recovered have been reported separately and in future year's budgets other income and staff costs recoveries will be reported separately for greater clarity.

Other Board and Staff Costs

14. Other board and staff costs are broadly in line with expectations given the normal phasing of expenditure. As there is a normal skew in the phasing of expenditure, especially charges in from other public bodies', monthly recharges in the final two months will be higher than the average monthly recharges throughout the first 10 months of the year.

Facilities Costs / IT and Professional Costs

15. In addition to points a – d, which were reported in the last monitoring paper, points e onwards should be noted for the 10 months outturn position now reported:
 - a) **Rates** have been paid in full for the whole year in April. Full provision for the additional rates for the new build was taken into the 18/19 as an accrual;
 - b) **Rent** for the new build is now coming through as expected and at anticipated levels;
 - c) **Motor vehicle** insurance has been recognised for the full year;
 - d) **Prepayments** recognised in 18/19 for 19/20 were released in full over all accounts in April 2019 and this includes rent, the motor vehicle fleet and IT maintenance and services plans.
 - e) Savings are coming through following the merger of 2 mobile phone contracts into 1. Anticipated savings remain at about £8,000. Further savings are coming through on Voice Over Internet Protocol use for telephony and for BT contracts, and are approximately half the anticipated monthly cost;
 - f) Office cleaning costs will higher, £5,000, due to contractor passing on staff increases as a consequence of the Authority's contractual insistence that the staff are paid in line with the Scottish Minimum wage;

- g) Staff recruitment is showing an overspend of £13,044 due to the higher than expected levels of staff turnover and consequent recruitment activity;
- h) Service improvement costs, now recognised as an operational plan cost, are £14,756.38 higher than original budget due to agreed increase in investment from available funds, relating to a new approach to cultural change and development within the Authority which is a key tool in delivering Organisational Development Strategy 3. This spend to train in house trainers will save future development costs by taking service provision in-house.

Operational Plan

- 16. In the run up to the year end the working assumption is that all Services will either spend their allotted budget, allow budget transfer with other Services, or identify costs which can be potential “forward phased” to use resource in the current year with investment that would otherwise represent a call on 2020/21 resources. At the end of January the actual spend was £1,073,138 with projected spend being £2,037,000. The skew in the expenditure towards the year end is normal and provided for.
- 17. Further oral update will be given at Committee on the progress made to that date.

Non-Cash

- 18. 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 2019/20 is £150,000, compared to £116,000 included in the Budget for the year.
- 19. Current projections for 2019/20, 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, indicating that current year’s non-cash budget will be underspent by £4,000. This does not pose an issue for the Authority and our sponsor team are aware of this small variation.

Grant-in-Aid

- 20. **Resource (R DEL):** £3,765,000 resource grant-in-aid has been drawn down in line with the planned drawdown (budget of £4,565,000). The intention is to draw down as profiled in the remaining 2 months.
- 21. Additional grant-in-aid was awarded to cover additional pension costs (£117,000) and on peatland recovery (£45,560). Both these amounts were drawn down in February. The revised total resource grant-in-aid for the year is £4,727,560 (£4,828,000 in Annex I. This has increased over the year from the projected RDEL of £4,745,000 by the two additional awards, less
- 22. **Capital (C DEL):** £180,000 capital grant-in-aid has been drawn down in line with the planned drawdown (budget of £240,000). 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.

23. In Annex I, the original budget (core) discloses total grant-in-aid of £4,745,000 to cover operating expenditure and capital grants. The projected grant-in-aid is £4,898,000 and increase of £153,000. This movement includes the additional pension and peatland settlement (£163,000) less £10,000 which has been vired from capital grant spend to expenditure which will be capitalised as tangible or intangible assets in the statement of financial position.

Capital Spend

24. Capital spend on assets for use in day to day operations to the end of January includes:

a) Digital infrastructure and devices	£12,900
b) Software	£2,800
c) Operational assets	£23,600

25. The original capital budget allocated to capital assets was £60,000. This has now been increased to £70,000. It is projected that this budget will be spent in full with approximately £10,800 on operational assets and £19,900 on the digital infrastructure and devices, largely on two new servers with an estimated useful life of five years.

Projects

Tomintoul & Glenlivet Landscape Partnership

26. Amounts due from the National Lottery Heritage Fund (NLHF) since last paper to Committee:

Quarter ended	£	Received
30 September (claim 11)	436,141	9/12
31 December (claim 12)	236,998	o/s

27. The major projects, Blairfindy, Scalan are largely complete and final measures are expected. The Access Project, Speyside Way spur, being completed in December. As the project is now 7 months from completion there remains substantial work to complete the water/agri environment and interpretation projects.
28. Work is underway within the Authority to establish the legacy impacts beyond the formal implementation period of the project and management measures required to deal with these. A separate update on these measures will be brought to the Committee in due course.

LEADER

29. All claims for project advances and administration costs continue to be made on the "LARCS" system.

30. The “RAG” status on LARCS has been upgraded to “green” highlighting that the Scottish Government have now recognised that all internal processes and procedures are appropriate and operating effectively.

31. A summary of the LEADER programme financial position is presented in the following table:

32. LEADER Programme Summary of Position

	Admin costs claimed	Project advances claimed	Suspense	Claims still to be made	Total
	£	£	£	£	£
As at 01.04.19	-	114,085.33	(277.67)	30,431.85	144,239.51
YTO movement	-	-	120.44	-	120.44
Transfers	-	20,065.70	-	(20,065.70)	-
Claims made	103,881.41	305,924.44	-	-	409,805.85
Received	(47,245.91)	(339,197.65)	-	-	(386,443.56)
As at 31.01.20	56,635.50	100,877.82	(157.23)	10,366.15	167,722.24

33. Claims still to be made represents “final” claims on 2 projects which require a software resolution to be made by the LARCS team in Edinburgh.

34. Of the £157,513.32 outstanding at 31st January, £57,342.63 is flagged on LARCS as “due to LAG” with the remainder, £100,179.69, flagged as being released for payment.

35. If all claimant milestones are met a further £147,000 will be advanced by 31 March.

Great Place Badenoch

36. This is a 3 year NLHF project to conserve and develop the cultural heritage of Badenoch. The project was originally due to end 31 December 2020 which has now been extended with the agreement of the Heritage Lottery Fund to 31 March 2021.

37. The project manager, employed by Voluntary Action Badenoch & Strathspey on behalf of the partnership, left the project at the end of January. A replacement is expected to be in post in April, and as a consequence, expenditure in the final quarter of 20/21 is expected to be minimal.

38. Amounts due from the Heritage Lottery Fund (HLF) since last paper to Committee:

Quarter ended	£	Received
30 September (claim 6)	24,465	17 October
31 December (claim 7)	31,752	o/s

Capercaillie Framework

39. The Development Phase of the NLHF project to conserve the remaining Capercaillie population in the Cairngorms will close on the 31 March with the final claim being made to NLHF shortly thereafter.

40. Amounts due from the NLHF since last paper to Committee:

Quarter ended	£	Received
30 September (claim 7)	44,537	30/10
31 December (claim 8)	44,340	03/02

CASH FLOW AND CASH MANAGEMENT

41. Although CNPA has been successful in attractive funding for high value projects the cash management falls on CNPA to ensure that adequate funding is available to meet project liabilities as they arise, in addition to CNPA's own funding requirements and to stay within guidelines set by the sponsoring Department and Scottish Government.
42. The RAG status of current projected cash flow, at 31 March 2020, with the cash position of each component's RAG status shown. (**Red**, warning; **amber**, neutral; **green** positive) is as follows:

Quarter ended...	Mar
CORE activities	●
LEADER	●
T&GLP	●
GPB	●
CF	●

Outturn Position 2019/20

43. All budget lines continue to be monitored on a weekly basis, while working closely with Heads of Service to identify pressure points or slack as early as possible
44. The 19/20 audit will commence on 27 April with the auditors being on site for 1 week followed by 1 week in office for completion, with the target established of accounts being signed at the Audit and Risk Committee on 12th June.

TABLE re Budget and projected outturn (Core activities only)

	2019/20 Budget forecast £,000s	2019/20 projected outturn £,000s	Variance £,000s
Total income	4,980	5,961	+981
Less capital allocations	(60)	(70)	-10
Net income	4,920	5,891	+971
Expenditure			
Core budgets	3,805	3,834	+29
Operational plan (less forward phasing)	1,148	2,037	+889
Expenditure against income for year	4,953	5,871	+918
Under/(over) spend	(33)	20	+53

45. The 19/20 budget presented to the Board in March included a “planned” deficit of £33,000, the result of late reported increased pension costs, resulting in the £146,000 re-profiling of the budget. In year additional grant-in-aid of £117,000, approximately 80% of the additional pension cost, was awarded and received in the February grant-in-aid draw down.
46. While the current projections show an underspend of £20,000 we will continue to work towards breakeven or as close as possible to break even on resource and capital spend without impacting the delivery of the Operational Plan objectives.
47. The underspend is, in part, attributable to a positive movement in the required provision for staff benefits (the assessed value of staff flexitime credit and leave carried forward that is to be taken in the year ahead) which has reduced by almost £5,000, creating a net under-spend of this value from this accounting provision (non-cash) adjustment.

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