

HISTORIC SCOTLAND BOARD 21 AUGUST 2008

FINANCE REPORT

Forecast Position

1. The forecast overspend at the end of July has worsened to £1.4 million (May: £0.894 million). This is due to the further reduction in the income forecast of £0.233 million. Overall commercial income is down £0.906 against original budget.

| HS Internal Budgets | Original HS Budget | Revised Budget / Forecast | Variance |
|------------------------------|-----------------------------------|--|-----------------|
| Income: | £000 | £000 | £000 |
| SE Funding | 48,064 | 48,064 | - |
| PIC Estate Income | 25,586 | 24,680 | (906) |
| Other Receipts | 681 | 1,010 | 329 |
| TOTAL INCOME | 74,331 | 73,754 | (577) |
| Expenditure: | | | |
| Grants | 13,452 | 13,452 | - |
| Policy | 1,578 | 1,663 | (85) |
| Heritage Planning Unit | 451 | 451 | - |
| Policy Group | 15,481 | 15,566 | (85) |
| Inspectorate | 5,490 | 5,640 | (150) |
| TCRE | 2,630 | 2,710 | (80) |
| Conservation | 16,395 | 16,395 | - |
| VSBD | 12,207 | 12,251 | (44) |
| PIC Central | 2,356 | 2,356 | - |
| Major Projects | 3,135 | 3,371 | (236) |
| U&A | 2,528 | 2,528 | - |
| PIC | 36,621 | 36,901 | (280) |
| Chief Executive Group | 565 | 567 | (2) |
| Human Resources | 3,756 | 3,757 | (1) |
| Finance | 3,499 | 3,171 | 328 |
| Direct Cost of Sales | 3,242 | 3,242 | - |
| Capital Charges | 3,607 | 3,607 | - |
| TOTAL EXPENDITURE | 74,891 | 75,161 | (270) |
| TOTAL AGENCY OUTTURN | (560) | (1,407) | (847) |

2. I advised at the June HSB meeting that I would wait to see how the income was performing over the summer before taking action. However given that the forecast overspend is now in excess of £1 million I will now be conducting a review of budgets. The initial overcommitment was £0.560 million but in light of the uncertainty over income I will now bring this down to £0.250 million. I am therefore seeking to reduce the level of overspend by £1.2 million.

3. Other income represents grant recovery and the funding for the tapestries which has now been recognised.

Commercial Income

4. The year to date and forecast position as at the end of July is shown below:

| YEAR TO DATE | Budget | Actual | %+/- Bgt | %+/- Ly | Annual Budget | Forecast |
|----------------------------------|---------------|---------------|---------------------|----------------|----------------------|-----------------|
| Visitor Numbers | 1,458,713 | 1,350,364 | -7 | -10 | 3,077,744 | 2,965,479 |
| Admissions | 4,889,669 | 4,371,974 | -11 | -9 | 11,567,431 | 11,025,372 |
| Site SEPs | 640,000 | 507,206 | -21 | -3 | 1,260,920 | 1,094,206 |
| Site Membership | 128,902 | 130,924 | 2 | 8 | 272,668 | 274,690 |
| Retail | 2,834,858 | 2,713,402 | -4 | -1 | 6,240,951 | 6,113,270 |
| Tourism & Membership | 2,389,834 | 2,404,311 | 1 | -3 | 5,963,285 | 5,929,431 |
| VSBD INCOME | 10,883,263 | 10,127,817 | -7 | -5 | 25,305,255 | 24,436,969 |
| Other Income | 177,233 | 140,333 | -21 | - | 573,741 | 536,840 |
| Total Commercial Income (KPT) | 11,060,496 | 10,268,150 | -7 | -5 | 25,878,996 | 24,973,809 |

5. There is a paper from PIC covering the income position. We have forecast based on the £0.9 million reduction in income but have noted that the July report states that the position could deteriorate. We will watch the position closely and build in any further change over August as part of the budget review.

Grants

6. The grants position shows an overcommitment of £15.6 million against a budget of £12.1 million. This is a reasonable position in total but, within the figures, the level of committed funds, £12.7 million, is high. The key point is that the grants budget is running hot and is already supported by an additional £0.5 million of funding this year. This will be needed and cannot be used to fund the income shortfall. There is little possibility that the grants budget will underspend.

| Grants Position at 13 August 2008 | No of Cases | 2008-09 | 2007-08 |
|---|--------------------|--------------------|--------------------|
| Building Repair | 43 | £4,843,617 | £4,526,202 |
| Places of Worship | 19 | £877,609 | £684,148 |
| City Heritage Trust / NTS / Town Schemes etc. | 14 | £4,657,334 | £8,593,099 |
| Conservation Area Regeneration Scheme | 13 | £2,404,797 | £1,000,000 |
| Total Committed Funds (Firm) | 89 | £12,783,357 | £14,803,449 |
| Fast Track | 13 | £1,740,871 | n/a |
| Total Firm and Definite Site Starts | 102 | £14,524,228 | £14,803,449 |
| Building Repair | 2 | £53,581 | £1,030,765 |
| Places of Worship | 7 | £754,300 | £485,400 |
| Total Indicatives | 9 | £807,881 | £1,516,165 |
| Building Repair | 6 | £305,011 | £3,022,133 |
| Places of Worship | 0 | £0 | £0 |
| Total Estimates | 6 | £305,011 | £3,022,133 |
| Total | 117 | £15,637,120 | £19,341,747 |
| Grant Budget | | £12,116,000 | £16,947,900 |

Efficiency

7. There is a separate paper on the key performance targets. Directors should note that we are forecasting a shortfall of £0.350 million on the efficiency target. This means that we cannot consider further bids to the reserve and there is no scope to flex efficiencies achieved to cover the income shortfall.

8. I will discuss this report further at the meeting on 21 August 2008.

Laura Petrie
Director of Finance
13 August 2008