

YORKSHIRE DALES NATIONAL PARK AUTHORITY
FINANCE AND RESOURCES COMMITTEE

13th February 2006

RETAIL SERVICES FINANCIAL PERFORMANCE TO 31ST DECEMBER 2005

Purpose of report

To provide Members with further information regarding the financial contribution made by Retail Services for the nine month period ended 31st December 2005.

Strategic Planning Framework

The information and recommendation(s) contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework:

- ***Best Value Performance Plan***

Provide accessible, high quality information and services that stimulate interest, encourage responsible behaviour and so help as many people as possible enjoy the special qualities of the Yorkshire Dales National Park.

Implement the new Retail Services Strategy so as to improve the financial contribution to the Authority by an average of 10%pa using 2001/2 as a base.

Background

The retail sector in general has suffered from a downturn in sales during the current financial year. Organisations such as the CBI have regularly reported a continued weakness in consumer spending throughout 2005, with December being the first month since February in which sales were not lower than the previous year. However there is strong anecdotal evidence that this recovery was only achieved through aggressive price discounting. Indeed, the Distributive Sales Survey produced at the end of September indicated that retail sales were 20% down on the same period in 2004.

It is against this background that direct sales through the National Park Centres have declined between April and December from £216500 in 2004 to £189500 in 2005. A reduction of approximately 12.5%.

In addition to the general downturn in retail sales there have been several other factors that have affected sales of Authority merchandise. Firstly, the Easter weekend in 2005 (which is one of our best trading periods) fell at the end of March and was consequently included in the trading figures for 2004/5. Generally, visitor numbers to the end of December have reduced from the same period last year and this has been worsened by the closure of Sedbergh National Park Centre. For this period numbers were down from 517300 to

454600, a reduction of 12.1%. Bearing this in mind, the reduction in direct sales income mentioned above seems to have held up reasonably well given the broad economic picture.

The table shown below takes into account sales through our own Flagship National Park Centres as well as goods supplied to Partnership Centres and 40+ local retailers and TIC's who purchase goods from the Authority at a discounted price. The figures show a reduction in the gross profit earned for the period from £102000 to £83300. However the gross profit to sales ratio has remained generally stable, moving from 42.5% to 42.03% indicating that despite increasing wholesale prices margins have held steady when compared to the previous year. Operating costs during the year have reduced slightly, despite inflationary pressures. This reduction should continue during the final quarter as little discretionary expenditure is anticipated.

| | 2005 | 2004 |
|---------------------------|-------------|-------------|
| Cost Of Goods Sold | 114900 | 137500 |
| Sales | 198200 | 239500 |
| Gross Profit | 83300 | 102000 |
| Running Costs | 49000 | 49800 |
| Net Profit | 34300 | 52200 |

Conclusions

After several years of continued growth, Retail Services has faced several new challenges in 2005. The generally poor trading environment plus the reduction in visitor numbers have both contributed to a reduction in the contribution made to the Authority's finances.

Changes to the retail range have helped to combat this and the average transaction value has increased from £3.10 to £3.16 continuing the steady upward trend of previous years. Net budgeted contribution for the financial year ending 31st March 2006 is £40000. To date £34300 has been achieved. Allowing for anticipated sales in the final quarter together with further savings on overheads and salaries there is no reason to believe that the target will not be achieved.

At present it seems unlikely that trading conditions will improve in 2006/7 and it is crucial that we continue to examine the range of good we offer, improve our presentation and obtain value for money from our suppliers.

RECOMMENDATION

That Members note the content of this report

Kevin Smith
Retail Services Manager

31st January 2006