

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DISCUSSION

**Title: OUTTURN FOR THE SEVEN MONTHS
TO OCTOBER 2005, FORECAST OUTTURN FOR
THE FULL FINANCIAL YEAR AND 2005-06
OPERATIONAL PLAN DELIVERY**

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Purpose

To provide Members with an update and information on the outturn for the seven month period, April to October 2005, an indication of the forecast outturn for the full year and have the Committee consider the 2005-06 Operational Plan delivery.

Recommendations

- That the Committee note the outturn for the seven months to 31 October 2005.
- That the Committee note the forecast outturn for the full financial year.
- That the Committee consider proposed comment on the financial monitoring position for inclusion in the next Operational Plan update report to the Board, as set out in paragraphs 23 and 24.

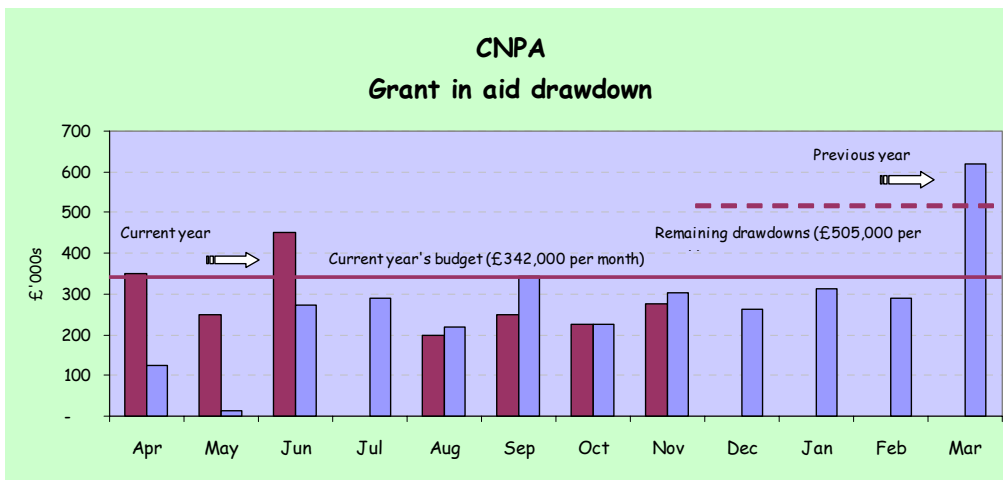
Executive Summary

- a. At present we are showing an under-spend of £608,000 for the 2005-06 financial year to date compared with the initial budget approved by the Committee in May (see Annex 1).
- b. The majority of the under-spend (£563,000) relates to spending on the Operational Plan. Following the Q2 review we are currently forecasting full year spend of £1,578,000 compared with an initial budget of £1,635,000. As last year, we are starting to monitor this on a monthly basis in order to maximise control (para. 12 -15)
- c. The forecast outturn shows a deficit of £47,000 (Annex 1) but there are possibilities to manage our annual spend using year end creditors and recalling cash resources should we identify additional spending plans before the year end (para. 17)
- d. It is intended that future Operational Plan reports to the Board will include views of the Finance Committee on the Authority's financial position, as reflected in these budget monitoring reports, and comment on the potential impact of the financial position on delivery of the Operational Plan for the year (see para. 22)

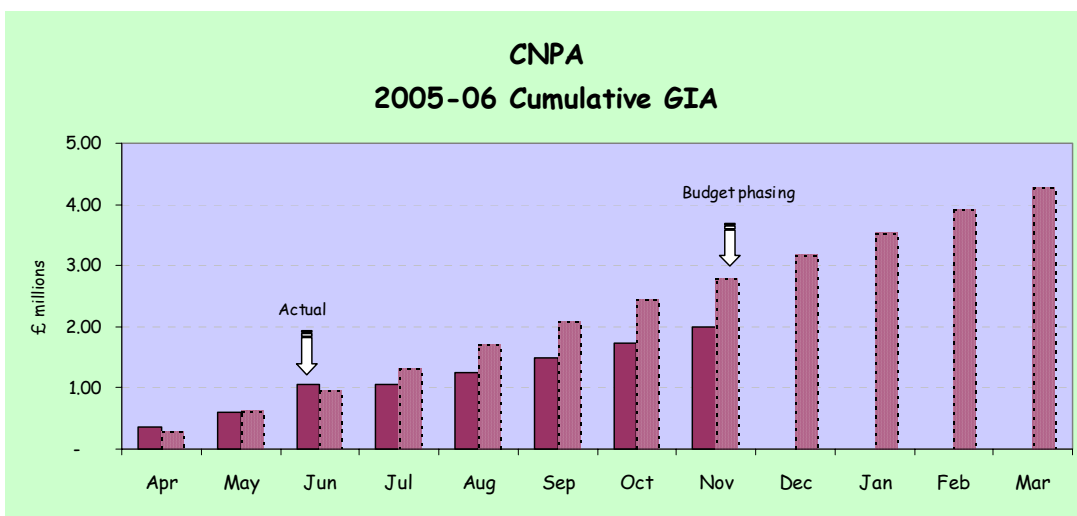
OUTTURN FOR THE SEVEN MONTHS TO OCTOBER 2005, FORECAST OUTTURN FOR THE FULL FINANCIAL YEAR AND 2005-06 OPERATIONAL PLAN DELIVERY

Overview

- The graph below summarises the monthly draw-downs for the last two financial years, with 2005-06 on the left and 2004-05 on the right of each month's columns. The current year's budget is calculated at £342,000 per month if drawn down equally throughout the year based on total cash availability of £4.1m (see para. 3). In order to maximise our use of resources this year we need to drawdown an average of £500,000 each month during the remaining four months of the year.



- Cumulatively, Grant in Aid (GIA) drawdowns are £700,000 less than budgeted for the first seven months reflecting slippage in Operational Plan expenditure although the recently completed Q2 review gives us some comfort that expenditure will still be committed in the financial year.



3. As previously advised to members, there are a number of factors affecting the headline resource allocation figure of £4.3 million in converting this to cash.

The following table established the cash available to be drawn down as Grant in Aid in 2005-06:

	£'000
Initial Resource Allocation	4,300
<u>Non cash items to be met from this</u>	
- depreciation	(115)
- notional costs	(12)
Initial Grant in Aid (cash) availability	4,173
<u>Changes to 2005-06 cash availability</u>	
End Year Flexibility receipts	115
Use of cash to meet 2004-05 creditors	(178)
Cash available	4,110

4. Cash available to be spent in 2005-06 can be managed by controlling the level of creditors at March 2006. In addition we may be able to obtain additional funds from the Scottish Executive to meet the any shortfall caused by paying the 2004-05 creditors from current year's cash but this is not guaranteed and would also be dependent on Scottish Executive's overall funding position.
5. In addition to the movements shown in para. 3 we have also transferred £100,000 under the Centrally Unallocated Provision (CUP) rules. This would reduce our cash availability to just over £4 million although if we need to spend the £100,000 during 2005-06 we can elect to have it returned with no penalty. If not used in 2005-06 then the £100,000 transferred is automatically available to CNPA in 2006-07 in addition to the existing allocation.
6. The overall position of income and expenditure over the seven months to 31 October 2005 is summarised in Annex 1 to this paper. Main items to highlight to the Committee on the position for Core and Operational Plan expenditure are set out in the following sections.

Core Expenditure

7. Overall, core expenditure, covering Board expenditure, staff salaries and associated employment costs, other staff costs (recruitment, travel and training), office running costs and capital expenditure is some £45,000 (3%) below the expected level of expenditure of £1,462,000 at the end of October.

8. We have accrued the anticipated cost of the April 2005 pay award even though discussions are still ongoing with the Scottish Executive and the Staff Consultative Forum on the Authority's pay remit. At the start of the year we budgeted an amount for short term work cover and this has not been used to date which accounts for the majority of the saving.
9. Other staff costs exceed budget by £15,000 which is mainly caused by paying relocation costs in the current year that were incurred by staff in post at March 2005 but which the auditors did not allow us to treat as a 2004-05 expense since payment was not made until 2005-06.
10. Office costs exceed budget by £11,000 (6%). There are a number of movements within this including higher stationery, computing and library costs and lower professional costs.
11. The capital expenditure budget for the year to date was £35,000 but actual expenditure is only £1,000. We have changed our capitalisation policy so that assets below £1,000 are now expensed in the year of purchase rather than being carried in the balance sheet and written off over their estimated useful life, which in the case of IT equipment is 3 years. We are currently reviewing the budget allocations of office costs and capital to reflect the new capitalisation policy.

Operational Plan Expenditure Monitoring

12. Expenditure on activities and projects included in the Authority's Operational Plan for 2005-06 totals £355,000 at the end of October, and compares with an initial budget of £918,000 and a current forecast budget for the first seven months of £646,000.
13. To avoid underspend on the Operational Plan running through to the end of the year, we have held the second series of quarterly reviews between individual Heads of Group and Corporate Services. The purpose of this review is to critically analyse individual expenditure lines to receive early indications as to whether individual actions or group tasks identified in the Operational Plan:
 - a. are in line with budget;
 - b. need more financial or other resources, for example, staff support; or
 - c. can meet their goals with less financial resources. In this case surplus funds can be released into a central pot to be used, subject to Management Team approval, on tasks identified under (ii) or new tasks identified in the year.

14. The second quarterly review has been discussed by the full Management Team and the financial outcome is summarised below:

	No.	£'000
Operational Plan following Q1 review (June)		1,755
New spend opportunities	4	49
Existing opportunities - increased spend	8	25
- reduced spend	36	(251)
Revised planned expenditure total after Q2 review		1,578
Approved Operational Plan budget (initial budget)		1,635
Potential underspend		57

15. All Groups reduced their budget forecasts and since we're over half-way through the year the emphasis now must be on ensuring that expenditure is committed and completed before the year end in line with the latest projections.

Forecast Outturn

16. The amended forecast included in Annex 1 is based on the above Operational Plan projection and forecast Core expenditure.
17. The forecast Grant in Aid reflects use of current year cash to settle March 2005 creditors, receipt of End Year Flexibility monies from 2004-05 and the surrender of £100,000 under CUP. As already mentioned in para. 4. we have the flexibility to increase spend by recovering money from CUP if necessary and managing year end creditors.
18. As mentioned in para. 7, Core expenditure to date is very close to the initial budget. In compiling the full year forecasts adjustments have been made to reflect:
- a) staff salaries running slightly behind budget as we are not utilising the provision for short term staff cover (para. 8);
 - b) additional budget needed to cover relocation payments (para. 9); and
 - c) lower than budgeted capital expenditure (para. 11).

2005-06 Operational Plan Delivery

19. Quarterly reports have been presented to the Board setting out delivery of the agreed Operational Plan for 2005-06, the last such report having been considered by the Board at its meeting in October 2005 covering the six months to end-September 2005. These reports have shown that planned activities remain broadly on target in terms of timetable and delivery of intended outcomes. For 17 of the 20 goals approved in the Corporate and Operational Plans, progress has been broadly in line with intentions set out in the Operational Plan. Although some changes to the timetable and/or intended delivery plans have been identified within the remaining 3 goals, intended outcomes in these areas for 2005/06 have been expected to be delivered prior to the end of the year.

20. Delivery of the Operational Plan goals does not rely entirely on the financial resources made available as part of the budget process. Many goals consist of a range of actions to be delivered in the year, and a blend of in-house, out-sourced, partnership and stakeholder delivery methods.
21. It is clear from the combination of the Operational Plan delivery reports previously presented to the Board and the financial monitoring position now presented that much of the Operational Plan delivery to date will have relied on in-house staff resources to secure effective delivery. Expenditure plans are behind schedule, as shown by comparison of expenditure against budget phasings and the consequently high levels of expenditure required in the last five months of the year to achieve outturn forecasts. Therefore, a number of areas of activity which were more dependent on out-sourced delivery and/or partnership funding are now likely to be at an increased risk of non-delivery in the year.
22. It is intended that future Operational Plan update reports to the Board will include the views of the Finance Committee on the Authority's financial position, as reflected in these budget monitoring reports, and comment on the potential impact of the financial position on delivery of the Operational Plan for the year.
23. In light of the position reflected in this paper, it is suggested that the next Operational Plan update to the Board should reflect the Committee's concern that expenditure levels on activities in the current year are well below that which would be expected at this stage of the year. Accordingly, there is an expectation that a number of planned activities dependent on expenditure to secure outcomes and milestones, whether through out-sourced or partnership activities, may be highlighted as at some increased risk of non-delivery in the year in the next report.
24. The Committee may also wish to note that experience in 2004-05, with a relatively similar expenditure position encountered at this stage in the year, does give some confidence that expenditure levels can increase substantially towards the end of the financial year. Current outturn projections established following recent meetings between Corporate Services and Heads of Group indicate that this will again be the case for 2005-06.
25. The Committee's views are invited on the proposed comments for inclusion in the next Operational Plan update report, as set out in paragraphs 23 and 24 above.

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CAIRNGORMS NATIONAL PARK AUTHORITY
Finance Committee Paper 1 Annex 1 02/12/05

CNPA								
Income & Expenditure account (October 2005)								
	Current month			Year to date			Full year	
	Actual	Initial	Variance	Actual	Initial	Variance	Initial	Latest
	£'000s	budget	£'000s	£'000s	budget	£'000s	budget	forecast
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<u>Income</u>								
Grant in aid from SE	226	345	(119)	1,726	2,441	(715)	4,288	4,010
Other income	1	-	1	5	3	2	42	45
Non-cash transactions	36	10	26	64	64	-	12	127
Total income	263	355	(92)	1,795	2,508	(713)	4,342	4,182
<u>Core Expenditure</u>								
Board costs	20	21	1	145	145	-	249	249
Staff salaries	189	148	(41)	942	979	37	1,717	1,680
Staff (other costs)	13	15	2	135	120	(15)	210	225
Office costs	23	25	2	194	183	(11)	344	350
Capital expenditure	-	5	5	1	35	34	60	20
	245	214	(31)	1,417	1,462	45	2,580	2,524
<u>Programme Expenditure</u>								
Projects - managed by CNP	-	-	-	-	-	-	-	-
Park objectives	-	-	-	-	-	-	-	-
	49	209	160	355	918	563	1,635	1,578
<u>Cash Expenditure</u>	294	423	129	1,772	2,380	608	4,215	4,102
Depreciation	9	10	1	64	64	-	115	115
Notional costs	1	1	-	7	7	-	12	12
Total Expenditure	304	434	130	1,843	2,451	608	4,342	4,229
Surplus/(Deficit)							-	(47)