

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

**Title: FULL YEAR OUTTURN FORECAST
(year to 31 March 2005)**

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Purpose

To provide Members with an update and information on the expected outturn for the year to 31 March 2005.

Recommendations

- That the Committee note the forecast outturn for the year to 31 March 2005.
- That the Committee note the submission of the End of Year Flexibility claim made in April 2005.

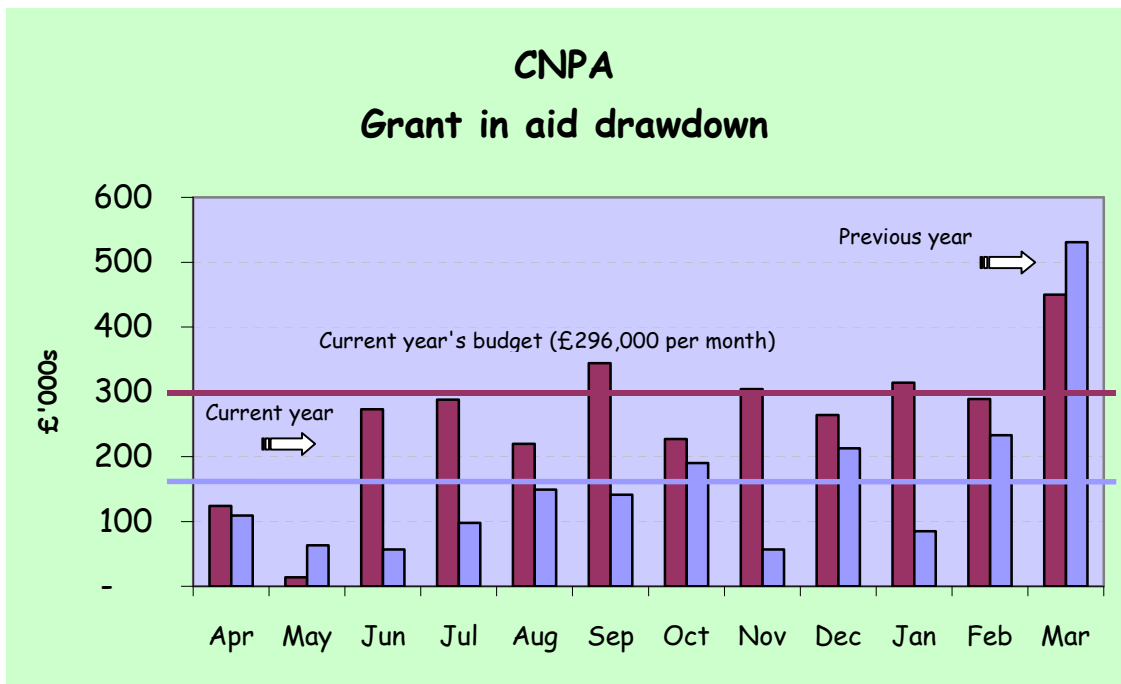
Executive Summary

- (i) At present we are showing an under-spend of £238,000 for the 2004-05 financial year.
 - (ii) We are keeping the books open in order that we can account for any work performed prior to 31 March 2005 for which we have still not been invoiced and it is expected that the under-spend will be reduced to around £200,000.
 - (iii) We submitted a claim for End of Year Flexibility (EYF) to the Scottish Executive's Environment and Rural Affairs Department (SEERAD) on April 5 for up to £200,000, depending on final accruals under point (ii) above. This would enable us to carry some of the under-spent funds to 2005-06.
 - (iv) SEERAD have indicated that 50% of the claim may be allowed but the final decision will not be known until the Autumn when all Department's spending plans have been finalised.
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FULL YEAR OUTTURN FORECAST (year to 31 March 2005)

Forecast outturn (year to 31 March 2005)

- We draw funds down monthly to meet forecast expenditure and the graph below summarises the monthly drawdowns for the last two financial years, with 2004/05 on the left and 2003/04 on the right of each month's columns. To meet our full 2004/05 expenditure of £3.55 million we would have needed to spend £296,000 each month compared with £160,000 per month for 2003/04.



- In March we drew down £450,000 from the Scottish Executive that brought our funding for the year to £3,111,000 (see Annex 1) compared with available spend of £3,497,000.

3. The figure of £3,497,000 in para. 2 above reconciles to the headline GIA award of £3,550,000 as follows:

	£'000
Initial Grant in Aid (GIA) award for 2004/05	3,550
less:	
unbudgeted planning fee income and bank interest	(42)
notional costs	(11)
GIA available for spend	3,497
Spending to date (Annex 1 - Cash Expenditure)	3,259
Underspend at present (see also point 3)	238

4. By the end of March we had run down our cash balances to £43,000 (Core £9,000; Project £34,000). Although not as important as managing overall spend, the Scottish Executive requests that Non-Departmental Public Bodies (NDPB) minimise the level of cash balances held throughout the year and especially at the year-end. Our cash balances held at March 2004 were £193,000 so this year's outturn represents a considerable improvement in treasury management.
5. At present we are still able to account for expenditure in the 2004-05 financial year if the project was substantially completed before 31 March. There are a few invoices still outstanding that, when received, we expect to reduce the under-spend to around £200,000 or below.
6. The following table sets out the draft expenditure to March 2005, the revised budget adopted by November's Finance Committee and the initial budget. A more detailed Income and Expenditure account is set out in Annex 1.

	March actual £'000	Revised budget £'000	Initial Budget £'000	See Para. No.
Core expenditure	2,315	2,270	2,170	7
Programme expenditure	944	1,195	1,295	8
Cash expenditure	3,259	3,465	3,465	
Notional costs	11	85	85	9 & 10
Total expenditure	3,270	3,550	3,550	-

7. Core expenditure has exceeded budget primarily as a result of a managed switch in expenditure from programme expenditure following the results of previous monitoring reports. The Committee will recall two reasons that have been identified at previous meetings:
- (i) although the intake of staff has been slower than anticipated the initial recruitment and relocation costs have been higher than budgeted due to the areas from which new staff were recruited.
 - (ii) office costs and capital expenditure are both higher than both the initial and revised budget since we have taken opportunity of available funds to invest in infrastructure that will benefit the Authority over a number of years:
 - a) office costs include expenditure on GIS licences costing £27,000 which are necessary to ensure the efficient running of Planning and Visitor Services groups.
 - b) capital expenditure includes spend on IT upgrades and company vehicles to meet the growing number of staff.
8. There has been a history during 2004-05 of under-spend on programme expenditure either due to the later than anticipated staff intake or delays forced on the Authority by our funding partners. The under-spend has been identified throughout the year and the February Finance Committee paper contained details of actions we are taking to avoid this in future. In addition to the points raised at February's meeting we are taking the following specific actions early in 2005/06 to keep expenditure in line with budget:

Task	Date
Review performed by Chief Executive to challenge Group's Operational Plan budgets and their ability to deliver programme tasks.	mid-May
Monthly financial and operational reviews with Groups by Finance Manager and Programme Manager to monitor progress of programme tasks and provide early-warning signal to Management Team if any milestones are not met.	monthly
Quarterly meetings will be held by the Heads of Corporate Services and Strategic Policy, Finance Manager and Programme Manager with individual Heads of Group and project managers. These quarterly reviews will build on the knowledge gained from previous monthly reviews and will look in detail at programme and budget delivery. Following meetings the Head of Corporate Services will recommend varying resources in line with programme performance. For example, if a programme is not meeting milestones the decision will be made as to whether more resources are required or if the task will not succeed and so time and money can be taken to a central fund and be re-allocated.	late-July for the first quarter; October and January

9. In our initial budgets there was an estimate included in notional costs for depreciation of £72,000. Part of the reason for the under-spend in 2004/05 is that we have deducted the forecast depreciation charge (£72,000) from our expenses as these costs are met by a transfer from the Government Grant Reserve that has been built up in previous years. The consequences of this accounting treatment were not recognised when the original budget for 2004/05 was set.

10. We have contacted SEERAD to clarify this position since this could be seen as contrary to Clause 2.2 of the Financial Memorandum which prohibits the establishment of reserves by the Authority although the treatment has been agreed with Audit Scotland in last year's accounts and is consistent with the approach adopted by other NDPBs. It is understood that the Financial Memorandum is based on a standard version drawn up prior to the introduction of Resource Accounting and has not been adapted to accommodate public sector accounting practice which requires grants used in the purchase of capital assets to be brought into a reserve and written off over the asset's life. We are still waiting for SEERAD's final advice on this point and a further update will be given to the Committee when we receive this.

End of Year Flexibility

11. The claim for End of Year Flexibility (EYF) was submitted to SEERAD on April 5 and asked for flexibility up to £200,000 depending on our final accruals position. SEERAD have indicated that 50% of the claim would be allowed although the final decision will not be known until the Autumn. In submitting the claim we asked that money be carried forward in order to meet expenditure on Operational Plan spend that was not possible in 2004-05 due to the later than anticipated intake of staff.

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CNPA

Income & Expenditure account (March 2005 - initial accounts)

	Actual £'000s	Current budget £'000s	Variance £'000s	Initial budget £'000s	Variance £'000s	see para. no.
<u>Income</u>						
Grant in aid from SE	3,111	3,537	(426)	3,550	(439)	2
Other income	42	-	42	-	42	-
GIA to meet notional costs	11	13	(2)	-	11	-
Total income	3,164	3,550	(386)	3,550	(386)	-
<u>Core Expenditure</u>						
Board costs	238	250	12	250	12	-
Staff salaries	1,308	1,343	35	1,389	81	7 (i)
Staff (other costs)	312	340	28	212	(100)	7 (i)
Office costs	346	270	(76)	300	(46)	7 (ii)
Capital expenditure	111	67	(44)	19	(92)	7 (ii)
	2,315	2,270	(45)	2,170	(145)	6
<u>Programme Expenditure</u>						
Projects - managed by CNP	-	-	-	-	-	-
Park objectives	-	-	-	-	-	-
	944	1,195	251	1,295	(351)	8
<u>Cash Expenditure</u>						
	3,259	3,465	206	3,465	(206)	-
Depreciation (net cost - zero)	-	72	72	72	72	9 & 10
Notional costs	11	13	2	13	2	-
Total Expenditure	3,270	3,550	280	3,550	280	-

- £50,000 of budgeted funds initially allocated for accommodation overflow in the revised budget have been transferred from office costs to staff salaries in order to meet the cost of Pay & Grading.