

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DECISION

Title: DRAFT ACCOUNTS FOR 2004/05 AND END YEAR FLEXIBILITY

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Purpose

To present the draft accounts for 2004/05, and to update the Committee on the progress of the bid to carry a proportion of 2004/05 funding into the current year, 2005/06.

Recommendations

The Committee is requested to:

- consider the draft accounts for 2004/05
- recommend the accounts to the Board, subject to no material amendments being required by the external auditors. The Head of Corporate Services will make any minor alterations required prior to their submission to the Board. Should it be required, the Committee's approval will be sought prior to any material changes being made
- note that the Scottish Executive has indicated the Authority will receive an additional £115,000 in both 2005/06 and 2006/07 following representations made on End Year Flexibility and the Authority's resource allocation.

Executive Summary

- i) The Finance Committee's remit includes the duty to seek the approval of the CNPA Board to the annual accounts. The closure process for the 2004/05 accounts is now nearing completion and a draft of the accounts is therefore presented with this paper for the Committee's consideration. The accounts indicate a final shortfall in expenditure of some £132,000 (3.7%) against total resources of £3.55 million made available for the year by the Scottish Executive.
 - ii) Following a bid to the Executive to carry forward resources not used in 2004/05 into 2005/06, indication has been received that the Authority will receive an additional £115,000 both in the current year and in 2006/07.
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Draft Accounts for 2004-05 and End Year Flexibility

Background

1. The remit of the Committee includes the duty to seek approval of the CNPA Board to the annual accounts.
2. The accounts for the year ended 31 March 2005 were audited by Audit Scotland in the week commencing 13 June and they have spent a further two days in August performing additional audit tests that have been necessary as a result of a change in audit emphasis and programmes.
3. We have not been advised of any required audit-generated adjustments to date. The draft accounts were presented to the Board's Audit Committee at its meeting on 26 August for consideration and, in particular, approval of the Statement of Internal Control. A closure meeting has been arranged on 7 September between the Head of Corporate Services and the external auditor's Senior Audit Manager. The process of finalising the accounts for publication is therefore at an advanced stage, and currently ahead of the schedule for audit certification of 31 October previously agreed by the Audit Committee.
4. It is, therefore, felt appropriate to present the draft accounts to the Finance Committee for consideration and recommendation to the Board for adoption, subject to there being no further material amendments required by the external auditors.

Accounts for 2004/05

5. The draft accounts for 2004/05 are set out at the Annex to this paper.
6. The draft Income and Expenditure Account shows total expenditure of £4.1m, met by Grant in Aid of £3.2m, Operational Plan Income of £0.8m and other income totalling £0.1m.
7. Over the course of 2004/05, the Committee has monitored the Authority's use of its resource allocation of £3.55m made available by the Scottish Executive. The following table reconciles the Grant in Aid figure set out in the Income and Expenditure Account to this resource allocation.

Reconciliation of Grant-in-Aid Figure in Income and Expenditure Account with total Scottish Executive Resource Allocation for 2004/05

	£000	£000
Grant in Aid received per Income and Expenditure Account		3,178
Add Depreciation cover required by Scottish Executive	91	
Add Planning fee income for which grant receivable was reduced	38	
Add cash received in year used to fund capital expenditure and treated in accounts as deferred income	111	
Total of above additions		240
Total Resource Allocation used in 2004/05		3,418
Balance of Resource Allocation not used in year		132
2004/05 Resource Allocation from Scottish Executive		3,550

8. The table indicates a final “underspend” of £132,000 (3.7%) against total resources made available by the Scottish Executive for 2004/05. This position is reduced by £34,000 from the figure of £166,000 previously reported to the Committee in May, and reflects the ongoing efforts of staff to ensure that 2004/05 resources were used as far as possible.
9. This position remains somewhat clouded by our ongoing discussions with the Scottish Executive on the correct treatment of annual depreciation charges against the Authority’s resource allocation. As the draft accounts show, depreciation charges in the Authority’s accounts are met by income released from a Capital Assets Fund. This Fund is created from the grant used each year to purchase the fixed assets, with the grant expended in this way excluded from the income and expenditure account and included as deferred income in the balance sheet. However, the Scottish Executive continues to contest that the annual depreciation charge should be deducted from each year’s resource allocation prior to claiming “cash” grant draw-downs.
10. The Committee may also wish to note that the Authority is required to minimise its cash balances held. In this regard, the balance sheet indicates that cash at bank at 31 March reduced from £193,272 in 2004 to £43,230 in 2005.
11. **The Committee is now requested to consider the draft accounts for 2004/05.**
12. **The Committee is also requested to recommend their approval to the Board, subject to no material amendments being required by the external auditors. In this regard, the Head of Corporate Services will make any minor alterations required prior to their submission to the Board. Should it be required, the Committee’s approval will be sought prior to any material changes being made.**

End Year Flexibility (EYF)

13. We reported to the previous Committee meeting in May that a claim for up to £200,000 had been made to the Scottish Executive under their End Year Flexibility (EYF) rules for carrying unused resource allocation forward. This claim was made on the basis of a slightly higher forecast underspend at the time, of £166,000, together with depreciation then estimated at £72,000. At the time, we were advised that we could expect to receive 50% of this in the Autumn.
14. SEERAD have now advised us that we will receive additional funding of £115,000 in both 2005-06 and 2006-07. The increase is in line with our expected depreciation charge in 2005/06 and therefore possibly reflects an outcome of the discussions outlined at point 9 above.
15. Beyond 2006-07, we have not received any indication of additional funding since this forms part of a new Comprehensive Spending Review cycle.

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31 August 2005

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