

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DECISION

Title: DRAFT ACCOUNTS FOR 2006-07

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Purpose

To present the draft accounts for 2006-07.

Recommendations

After considering the accounts, the Committee is requested to:

- a) recommend the accounts to the Board, subject to no material amendments being required by the external auditors.
- b) agree the Head of Corporate Services will make any minor alterations required prior to final completion. Should it be required, the Committee's approval will be sought prior to any material changes being made.

Executive Summary

- a) 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 2006-07 accounts is now nearing completion and a clearance meeting will be held with Audit Scotland on August 6. A draft of the accounts is therefore presented with this paper for the Committee's consideration.
 - b) The format of the accounts has changed this year with grant in aid which forms the majority of the Authority's income being credited to the Balance Sheet. The impact of this is that the Income and Expenditure Account shows an excess of expenditure over income which is met by a transfer of grant in aid from the Balance Sheet. This new disclosure is required by the Government's Financial Reporting Manual (FRm).
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DRAFT ACCOUNTS FOR 2006-07 FOR DECISION

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 2007 were audited by Audit Scotland in July and a clearance meeting is being held (August 6) between the Head of Corporate Services, the Finance Manager and the external auditor's Senior Audit Manager. The process of finalising the accounts for publication is therefore at an advanced stage, and currently on schedule for audit certification and submission to the Scottish Executive by the end of September.
3. 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.
4. It is one of the Park Authority's, i.e. the Board's, responsibilities to prepare for each financial year an account of the authority's expenditure and receipts in accordance with directions issued by the Scottish Ministers (National Parks (Scotland) Act 2000).
5. The Chief Executive, in her role as the Accountable Officer, is required to sign the accounts (Management Statement and Financial Memorandum). In order to fulfil this requirement and the responsibility detailed in para. 4 the Chief Executive signs the accounts "... on behalf of the National Park Authority".

Accounts for 2006-07

6. The draft accounts for 2006-07 are set out in Annex 1 to this paper. It should be stressed that these are only for the Member's attention at present and no copies of the Accounts should be made public until they have been finally agreed with Audit Scotland, an audit report issued and the accounts have been laid before the Scottish Parliament, printed and distributed. This process is expected to be completed in October.
7. At June's Finance Committee meeting we reported that the forecast results for the year showed a surplus of £196,000 with Grant in Aid income of £4.4m. The draft accounts, now presented for approval, have recognised gains of £37,432 and Grant in Aid is unchanged (see note 11 to the accounts).
8. This movement is in line with our normal practice as we tried to maximise our 2006-07 spend by including as much Operational Plan expenditure in the year to March 2007 as permitted by accounting regulations and also firm up year-end debtors and creditors.

Income and Expenditure Account

9. In producing our accounts we are governed by the requirements of the Financial Reporting Manual (FRM) issued by the Treasury. The current version of the FRM requires that grant in aid receipts, which account for over 80% of the Authority's income, are credited directly to the Balance Sheet and treated as transfers to and from reserves, rather than shown as income in the Income and Expenditure Account. In order to comply with the FRM requirements we have had to adopt this change in reporting requirements and also to restate the figures for 2005-06. Consequently, there is a significant presentational change in the Authority's Income and Expenditure Account for 2006-07 from that seen in previous years.
10. The only income now shown on the face of the Income and Expenditure Account is that which is not grant in aid related. In 2006-07 this covers income from planning fees, co-funding from Operational Plan partners and bank interest. These sources total just under £950,000 and total expenditure recorded in the accounts is over £5,350,000.
11. The excess of expenditure over income is met by a transfer of monies from the Balance Sheet as shown in Note 11 of the Accounts.
12. Notes 16 and 17 to the Accounts includes information on the restatement of the comparative figures comparing the figures as initially reported in the 2005-06 Accounts with the current disclosure. In addition, Annex 2 presents a draft copy of the Financial Highlights commentary that we plan to include in the Annual Report immediately preceding the Accounts section. This explains the Authority's funding and expenditure in cash terms and also has an explanation of the changes in reporting requirements.

Next steps

13. The Board paper that is being presented to the August 10 Board meeting (Paper 5) contains details of the steps to be taken to finalise the Annual Report and Accounts.
14. We will give a verbal report to the Finance Committee covering any outstanding audit issues that are raised following the audit clearance meeting on August 6. Audit Scotland will also be issuing their report on the audit which will be mailed to all Board members in time for the Audit Committee meeting on August 24.

Presentational Implications

15. Whereas previous years' accounts have shown relatively small surpluses for the year (of around £100,000 or so), the change in reporting format now results in the Authority's Income and Expenditure Account showing an excess of expenditure over income of £4.4 million. As the Committee is aware, the Authority has not overspent. However, there is a risk that a reader of the accounts may take this to mean the Authority has not managed operations within its resources.

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16. The Income and Expenditure Account does end with a note that the excess of expenditure over income for the year represents the cost of Scottish Executive funded activities, the cash to fund this activity being taken directly to the General Fund. Also, the Statement of Total Recognised Gains and Losses on the same page of the Accounts as the Income and Expenditure Account shows a final total gain of £37,432 after accounting for grant in aid.

17. Nevertheless, it is recognised that the change in accounting treatment may lead to some misunderstanding by readers of the accounts. We have sought to provide some further explanation of the financial position in the Commentary on Financial Performance at the end of the Annual Report in order to better show the Authority's balanced budget position for the year.

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