CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE COMMITTEE

FOR DISCUSSION

Title: **DRAFT OUTTURN FOR THE 2006-07 FINANCIAL YEAR**

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Purpose

To provide members with an update and information the draft outturn for the Financial Year to 31 March 2007.

Recommendations

That the Committee note the draft outturn for the year to 31 March 2007.

Executive Summary

a) The figures set out in this paper are draft and will be subject to audit in July. Although there are still some closing account entries to be made it is not thought that the audited figures will change materially.

b) A change to the Government's reporting requirements means that the accounts published in the Annual Report will differ from the format used in previous years. A further paper will be issued in August once the accounts have been audited.

c) In cash terms, all grant in aid was fully utilised, with only £3,000 remaining as a bank balance at 31 March 2007.

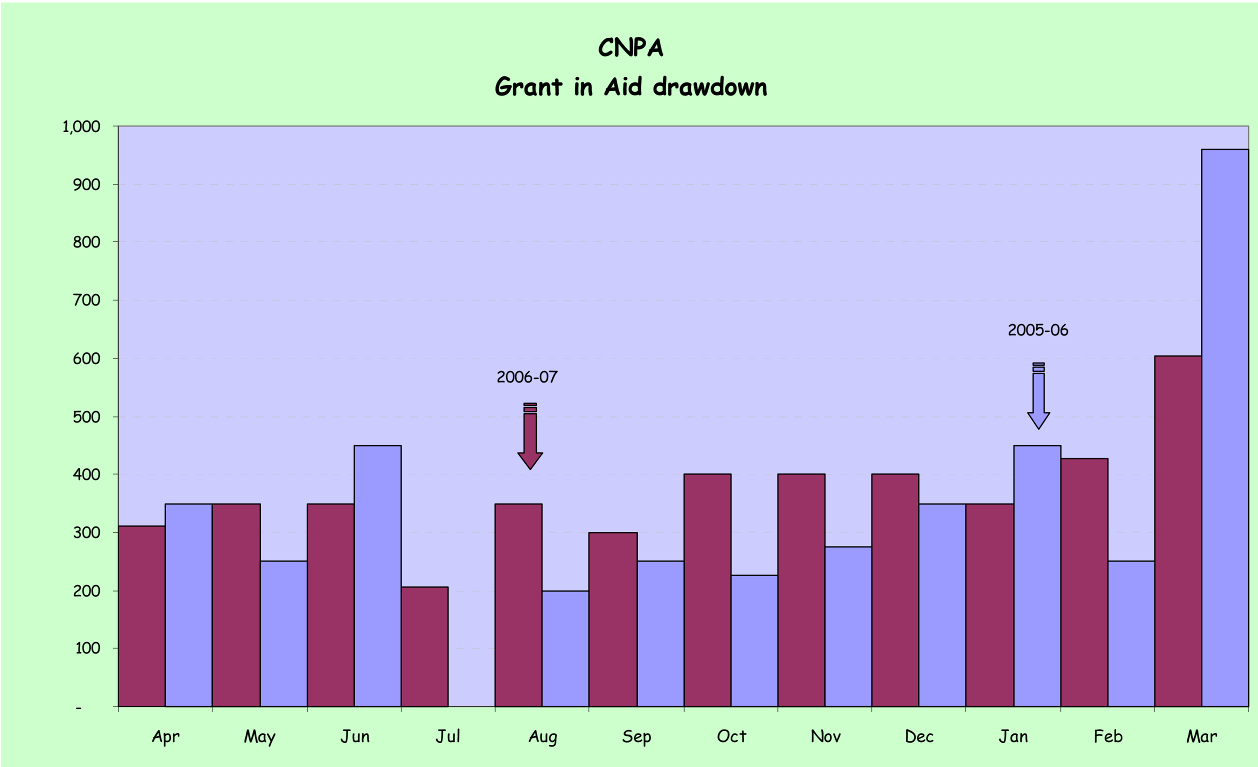
d) Once accrued income and expenditure is accounted for, total expenditure in the year was £4.4m compared with total available income of £4.6m: resulting in a surplus of resource available over expenditure of £0.2m.

DRAFT OUTTURN FOR THE 2006-07 FINANCIAL YEAR FOR DISCUSSION

Overview

1. The Authority's available grant in aid (GIA) cash for 2006-07 was £4.01m. This figure formed the key element of our ongoing financial monitoring, with the objective of maximising our use of this cash resource in delivery of the Authority's plans.

2. The graph below summarises the monthly GIA drawdowns for the last two financial years, with 2006-07 on the left and 2005-06 grant on the right of each month's columns. This provides a broad overview of the Authority's expenditure pattern over the course of these two years and shows that there has been an improvement in the phasing of drawdowns through the year although there is still room for improvement.



3. Our bank balance at the end of the year was less than £3,000 which shows we spent all the resources available to us in 2007-08 although some of the money spent in the year was used to settle trade creditors from March 2006. This is how we can have a surplus for the year whilst having a bank balance at the end of the year that is pretty close to zero.

4. Annex 1 contains more detailed information and commentary in the normal monthly reporting format.

Next Steps

5. As indicated previously, we are now developing the Authority's financial accounts for the year to 31 March 2007. This process may identify some additional expenditure made after 31 March which relates to 2006-07 activity and which should be accrued in the Authority's accounts. The figures reported here may therefore change slightly, although the level of accruals is not expected to be significant.

6. A timetable for the external audit process has been developed with Audit Scotland and agreed by the Board's Audit Committee. We are due to submit draft accounts to Audit Scotland by the start of July and audit work is expected to be complete by the end of July.

7. Part of the Finance Committee's remit is to seek approval from the CNPA Board for the annual accounts. It is intended to present a copy of the audited accounts to the Finance Committee in time for them to consider them and, if appropriate, seek approval from the Board at its meeting on 10 August. As the next scheduled Finance Committee meeting is not until September we will probably need to convene an earlier meeting, on the morning of the August Board, in order that members can ask officers any questions on the accounts.

Changes in the format of the Accounts

8. The published accounts will include a significant change in the treatment of income as a result of changes made in 2006-07 in the Financial Reporting Manual (FReM) which is the Government's rule book regarding the preparation of financial accounts.

9. In previous years, the Income and Expenditure account has, in accordance with FReM, been prepared in the conventional way that most companies prepare their accounts, i.e. both the organisation's income and expenditure is shown and the resulting difference is either a surplus for the year or a deficit depending on whether income exceeds expenditure or income is less than expenditure. The surplus/deficit is then transferred to reserves on the Balance Sheet.

10. For 2006-07, the FReM rules requires NDPBs (such as the Park Authority) who receive grant-in-aid for revenue purposes from its Sponsoring Department (SEERAD) to treat the grant-in-aid as a contribution from a controlling party. As this ultimately gives rise to a financial interest, the NDPB is required to account for the grant-in-aid by crediting the grant-in-aid receipt to reserves.

11. This means that the only income shown on the face of the Income and Expenditure account is income which is not grant-in-aid related. In the case of the CNPA this means monies received from project co-funders, planning fees, bank interest and any other income.

12. The grant-in-aid that we receive comprises two parts – current and capital, the capital portion is intended to finance the purchase of fixed assets. Previously the capital portion was credited directly to the Balance Sheet and released to the Income and Expenditure account over the life of the asset. Now all grant-in-aid receipts are credited to the reserves.

13. The new reporting format will mean that the Income and Expenditure Account will show an 'excess of expenditure over income for the year' of over £4 million which will be funded by a contribution from reserves.

14. We are aware of this as a significant presentational issue and have already made representations on this to the Scottish Executive. We will seek to provide a clear explanation of these changes in the Financial Highlights section of the Annual Report and Accounts.

15. An illustration of the impact of this change on the Authority's Income and Expenditure account will be given to members once the 2006-07 figures have been agreed with Audit Scotland.

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31 May 2007

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CNPA
Income & Expenditure account (March 2007)

	Notes	Full year estimate Latest forecast £'000s	Full year estimate Feb-07 forecast £'000s	Revised budget £'000s	Initial budget £'000s
Income					
Grant in aid from SE	(a)	4,446	4,446	4,446	4,387
Other income	(a)	55	55	75	75
Non-cash transactions	(b)	100	128	128	128
Total income	-	**4,601**	**4,629**	**4,649**	**4,590**
Core Expenditure					
Board costs	(c)	251	257	257	258
Staff salaries	(c)	1,887	1,905	1,950	1,997
Staff (other costs)	(c)	199	195	225	225
Office costs	(d)	401	426	375	412
Capital expenditure	(e)	8	33	33	55
	-	2,746	2,816	2,840	2,947
Programme Expenditure					
Projects - managed by CNP	-	-	-	-	-
Park objectives	-	-	-	-	-
	(f)	1,559	1,674	1,505	1,638
Cash Expenditure	-	4,305	4,490	4,345	4,585
Depreciation	(b)	93	115	115	115
Notional costs	(b)	7	13	13	13
Total Expenditure	-	**4,405**	**4,618**	**4,473**	**4,713**

Notes:

Revised budget	Presented to the Finance Committee at their meeting on October 20.

	Commentary
(a)	No change from forecast presented to Committee in February.
(b)	Costs are less than forecast since the actual depreciation charge is less than the standard monthly charge as a number of assets became fully depreciated in the year. This reduction in asset value has a knock-on effect reducing notional costs.
(c)	Immaterial differences from latest forecast.
(d)	Office costs are slightly less than forecast as some accruals were released since costs were less than expected when final invoices were received. The actual costs of £401,000 are close to the initial budget of £412,000.
(e)	The revised budget and forecast of £33,000 for capital expenditure represented the amount of capital GIA we were to receive from Scottish Executive. The £5,000 actual spend represents assets that are capitalised in our accounts and recorded as fixed assets since their value exceeds the capitalisation threshold agreed with the Internal Auditors. In addition to these items, there have also been a number of small value items bought and expensed through office costs.
(f)	Spending on the Operational Plan is less than forecast although it exceeded the revised budget level. This was a managed increase in expenditure, in the knowledge that Core costs had been held at below budget level.