

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DISCUSSION

**Title: OUTTURN FOR THE SIX MONTHS TO SEPTEMBER
2006 including UPDATE ON Q2 OPERATIONAL PLAN
EXPENDITURE REVIEW**

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Purpose

To provide Members with an update and information on the outturn for the six months to September 30, 2006 together with an update on the results of the Q2 Operational Plan review performed in September.

Recommendations

That the Committee:

- a) note the draft outturn for the six months to September 30, 2006; and
- b) note the outcome of the Q2 Operational Plan review and consider any remedial action that needs to be taken; and
- c) approve the latest forecast shown in Annex 1.

Executive Summary

- a) Annex 1 shows the Income and Expenditure account for the six months to the end of September. A commentary is also included on each line, the accounts and commentary in this format are sent each month to Finance Committee members.
- b) Although expenditure is greater than at the same time in 2005/06, both in monetary amounts and percentage terms, it is £470,000 less than the 2006/07 budget. This is mainly due to delays in Operational Plan expenditure which will be rectified before the year end (see para. 9).
- c) The Q2 Operational Plan review will be reported to Management team w/c 17 October but draft figures indicate an Operational Plan underspend of £133,000 compared with the initial budget approved in May 2006.
- d) A revised forecast has been prepared which takes account of increased Scottish Executive funding, known changes to Core expenditure and the latest Operational Plan estimates. This shows a total underspend for the year of £176,000. However, it is still early enough in the year for this to be addressed and our use of resources maximised.

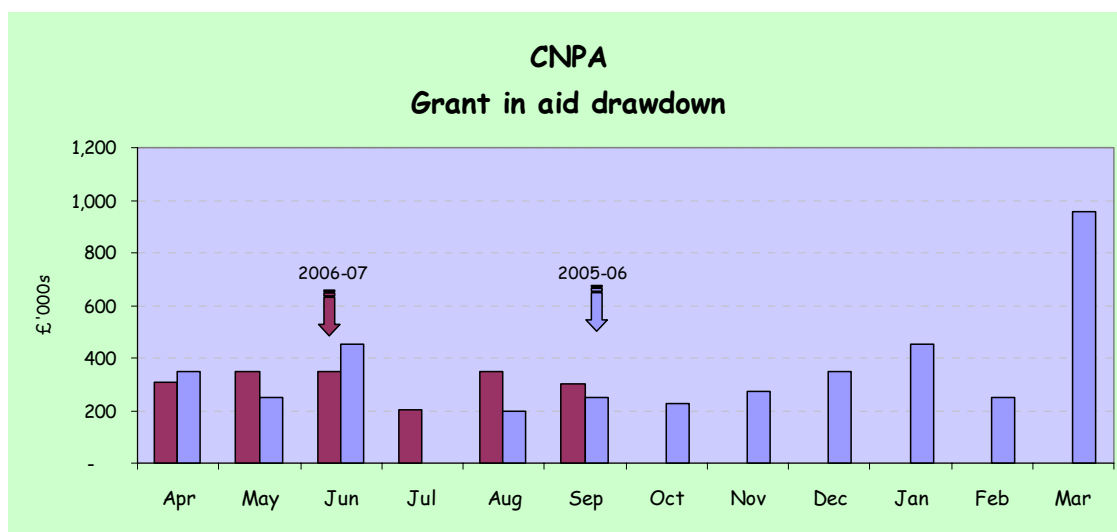
OUTTURN FOR THE SIX MONTHS TO SEPTEMBER 2006 including UPDATE ON Q2 OPERATIONAL PLAN EXPENDITURE REVIEW FOR DISCUSSION

Overview

1. Annex 1 includes the latest Income and Expenditure account together with commentary on each line which focuses on actual income or expenditure against budget.
2. The Q2 Review of Operational Plan expenditure was undertaken with Heads of Group in September.

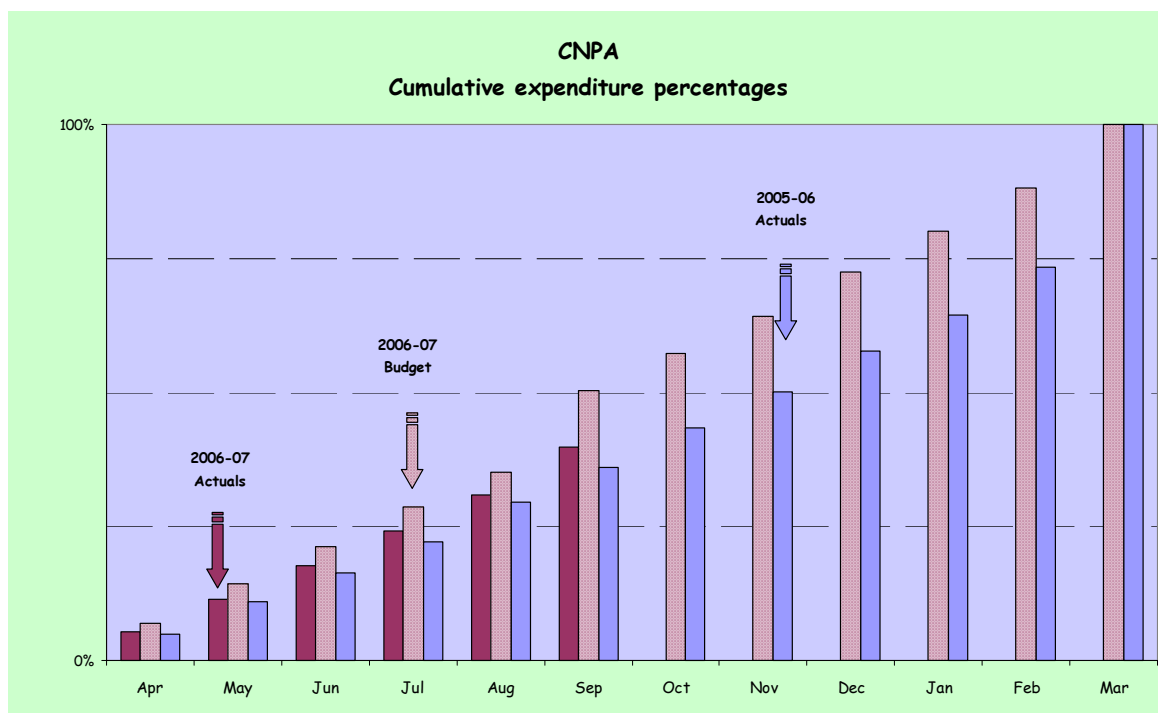
Grant in Aid drawdown and expenditure patterns

3. The chart 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.



4. In order to maximise our use of Grant in Aid, future monthly drawdowns need to be £430,000 in the second half of the year compared with actual monthly drawdowns of £310,000 in the first six months.

5. The chart below shows the cumulative expenditure over the course of the year compared with budget and last year's expenditure profile.



6. Expenditure continues to be ahead of last year's level, both in monetary and percentage terms, although we are under spent by £470,000 (Core £66,000 and Operational Plan £404,000) in the current year compared with budget.
7. Core costs are below budget mainly due to staff salaries (£36,000) and office costs (£24,000). Although we have not had the 2006/07 pay award agreed with Scottish Executive for either Board or staff we have accrued for the estimated costs of the award for the first six months of the year. After this accrual expenditure to date on staff salaries is £36,000 (3.7%) below budget as:
- i. there have been a number of staff leave recently whose posts have not yet been filled; and
 - ii. when recruiting new posts it is normal for start dates to slip as advertising and recruitment may take longer than anticipated or the successful candidate may not be able to leave their previous post as soon as wished.
8. Expenditure on activities and projects included in the Authority's Operational Plan for 2006-07 totals £505,000 at the end of September, and compares with an initial budget of £909,000.

9. Operational Plan expenditure is just over £400,000 below budget but this continues to be very dependent on timing of payments at present and further details of the anticipated full year's outturn are given in the following section. The areas of under spend greater than £20,000 are:
- i. Point of Entry Markers (£210,000): expenditure relates to the completion of Phase 1 which covers the placing of granite markers on all but the four main trunk road sites. The start of the building work was slightly delayed after tender and we have to receive invoices from the contractors and also professional advisers. In addition, we have been reclaiming monies from European and Local Authority funders as the project as been progressing whereas the initial budget profile anticipated this income being received in October. Installation works and invoicing is on track to be completed by the end of 2006.
 - ii. Integrated Grants Programme (£66,000): previous Board papers have highlighted the fact that demand for community grants has been less than anticipated at the start of the Programme. A part of this underspend is due to timing delays with projects having been run but final claims have not been submitted by community bodies yet and part of it reflects projects that will not happen, £40,000 is being released from the budget in respect of this. LEADER+ staff are now managing this Programme and, along with Finance, outstanding claims are being chased as a priority;
 - iii. Speyside Way management (£30,000): this is the first tranche of the annual payment to Moray Council for management of the Speyside Way within the Park boundaries. Full amount to be paid in the financial year.
 - iv. Upper Deeside Action Trust (£20,000): this amount is a retention being held back until the end of the project.

Operational Plan review (Q2 2006)

10. 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 are on track or whether corrective action is needed.

11. The Q2 review is being discussed by the full Management Team in the w/c 16 October. However, in advance of this discussion the estimated financial outcome is summarised below:

	No.	£'000
Operational Plan following Q1 review (June)		1,635
New spend opportunities	3	24
Existing opportunities - increased spend	8	49
- reduced spend	16	(203)
Revised planned expenditure total after Q2 review		1,505
Approved Operational Plan budget (initial budget)		1,638
Potential Operational Plan underspend		(133)

12. The Committee will recall that, when the initial budgets were considered in December 2005, provision was made for over-programming. The following figures were presented to the Committee in December and it can be seen that the present planned expenditure of £1,505,000 exceeds both the budget at the time and that included in the February 2005 Corporate Plan forecast:

	2006/07 Forecast (December 2005) £'000
Operational Plan budget	1,370
Initial over-programming allowance	250
Total initial expenditure plans	1,620
February 2005 Corporate Plan forecast	1,235

13. The majority of Groups reduced their budget forecasts but Communications requested additional funds in respect of the Park Plan and the intranet, Rural Development have requested resources for a new activity examining the current status of farming in the Park.
14. Of the Groups who are reducing their budget requirements, many of the causes are beyond the Park's control. For example, in Planning expenditure on the Local Plan is dependent on the timing of the Local Plan (£27,000 released), Visitor Services have reduced the monies required for capital projects because they are waiting for confirmation of matched funding in respect of the Glenmore off-road route (£50,000 released).
15. Working as an enabling body and often part-funding projects undertaken by other, larger organisations we have to be aware of slippage in projects. This was the reason for over-programming the budget but at least identifying underspend this early in

the year should enable us to re-allocate resources to maximise our use of public monies.

16. A verbal update will be given to the meeting following the Management Team discussion earlier in the week.
17. As part of the Q2 Review projects in the Integrated Grants Programme (IGP) were also reviewed closely. Following changes in personnel this Programme is now being managed by LEADER+ staff who have experience in managing similar grants. Previous Board reports have highlighted that community demand for grants is less than expected and £40,000 has been released in respect of this.

Latest forecast

18. Normally, six months through the Financial Year is a time to review the overall budget and Annex 1 shows our latest estimate in the right-hand column.
19. The following table summarises changes to the budget:

	£'000
Initial budget deficit	(123)
Increased Grant in Aid	59
Reduced Core expenditure	107
Reduced Operational Plan expenditure	133
Revised budget surplus	176

20. The main changes are:
 - i. an increase of £59,000 in Grant in Aid to be received from the Scottish executive. This is as a result of the Sponsoring department changing the overall Resource Allocation from the initial estimate;
 - ii. forecast Core expenditure has been reduced to reflect lower than budgeted staff and office costs to date and a reduction in capital expenditure;
 - iii. the forecast for Operational Plan spend reflects the outcome of the Q2 Operational Plan review although, at the time of writing this paper, these still have to be agreed by the Management Team

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CAIRNGORMS NATIONAL PARK AUTHORITY
Finance Committee Paper 1 Annex 1 20/10/06

CNPA								
Income & Expenditure account (September 2006)								
		Year to date			Full year			Full year
	Notes	Actual £'000s	Latest budget £'000s	Variance £'000s	Initial budget £'000s	Latest budget £'000s	Activity to date %	Latest forecast £'000s
Income								
Grant in aid from SE	(a)	1,865	2,283	(418)	4,387	4,387	43%	4,446
Other income	(b)	5	6	(1)	75	75	7%	75
Non-cash transactions	(c)	60	60	-	128	128	47%	128
Total income	-	1,930	2,349	(419)	4,590	4,590	42%	4,649
Core Expenditure								
Board costs	(d)	127	129	2	258	258	49%	257
Staff salaries	(e)	926	962	36	1,997	1,997	46%	1,950
Staff (other costs)	(f)	99	102	3	225	225	44%	225
Office costs	(g)	163	187	24	412	412	40%	375
Capital expenditure	(h)	5	6	1	55	55	9%	33
	-	1,320	1,386	66	2,947	2,947	45%	2,840
Programme Expenditure								
Projects - managed by CNP	-	-	-	-	-	-	-	-
Park objectives	-	-	-	-	-	-	-	-
	(i)	505	909	404	1,638	1,635	31%	1,505
Cash Expenditure	-	1,825	2,295	470	4,585	4,585	40%	4,345
Depreciation	(j)	54	54	-	115	115	47%	115
Notional costs	(j)	6	6	-	13	13	46%	13
Total Expenditure	-	1,885	2,355	470	4,713	4,713	40%	4,473
Surplus/(Deficit)	Even activity through year leads to following proportion						50%	176
Notes:								
Initial budget	This was approved by Finance Committee at their meeting on May 19.							
Latest forecast	More details in the body of the Paper+B54 (para. 20).							

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Finance Committee Paper 1 Annex 1 20/10/06

	Commentary
(a)	Drawdown is behind budget reflecting the lag in expenditure. Much of this is due to timing delays which will be caught up by the year end.
(b)	Planning fees are the largest element of other income and these are received in the last three months of the Financial Year, hence the relatively low budget to date compared with the full year figure.
(c)	Non-cash transactions represent notional costs that we are 'charged' by the Scottish Executive based on the assets we use and the depreciation charge based on previous capital expenditure.
(d)	An accrual has been posted in September reflecting the back-pay that will need to be made for six months when the Board fees for 2006/07 are confirmed by the Scottish Executive.
(e)	Similar to the above point, the staff's pay award for 2006-07 has not been approved yet although we have posted an accrual for the six month's estimated cost. In addition, the budget included a monthly provision for staff cover which has not been little used.
(f)	Other staff costs are close to budget.
(g)	The office running cost underspend continues to be mainly due to maintenance (£8,000), professional support (£3,000) and computing costs (£9,000). Budgets for these items are spread evenly across the year whereas any expenditure will tend to be for discrete, one-off costs.
(h)	The main expenditure on capital expenditure is the purchase of the Sonus microphone system (£3,900).
(i)	Programme expenditure lags behind budget, more details are given in the main body of Paper 1 and in particular para. 9
(j)	Non-cash costs in line with budget.