

**REPORT OF FINANCE MANAGER**

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**SUBJECT:  
EXPLANATORY FOREWORD TO STATEMENT OF ACCOUNTS 2010/11**

This report is the Explanatory Forward to the 2010/11 Draft Statement of Accounts. It is for information purposes only and members are requested to note the contents. The Draft Statement Accounts will be authorised for release to Audit by the Responsible Financial Officer on or before 30<sup>th</sup> June 2011 and issued to members for information purposes shortly afterwards. The Draft Statements of Accounts will be available for public inspection from the 1<sup>st</sup> August and will be considered by members in the Audit & Corporate Services Review Committee meeting on 3<sup>rd</sup> August. The audited set of Statement of Accounts will be presented to members on the 21<sup>st</sup> September by the Wales Audit Office and will be signed off by the Chairman and the Chief Executive.

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# STATEMENT OF ACCOUNTS

## 2010/11

### EXPLANATORY FOREWORD & SUMMARISED ACCOUNTS

#### INTRODUCTION

1. Under the provisions of Section 63 of the Environment Act 1995, and the National Park Authorities (Wales) Order 1995, the Secretary of State for Wales established the Pembrokeshire Coast National Park Authority on 23<sup>rd</sup> November 1995. From 1 April 1996, the National Park ceased to be managed as a committee of Dyfed County Council and became a free-standing, special purpose local authority. Article 17(1) of the Local Government Reorganisation (Wales) (Property etc.) Order 1996 had the general effect of vesting in the new National Park Authority the property rights and liabilities (but not any loan debt) of the former County Council, as it related to the National Park area.
2. The Statement of Accounts is a publication required by law that gives local taxpayers, members of the Authority and other stakeholders clear information about the financial performance and position of Pembrokeshire Coast National Park Authority, in order to facilitate an assessment of the stewardship of public funds and for making economic decisions.
3. This Explanatory Foreword provides an easily understandable guide to the most significant matters reported in the Statement of Accounts. A simplified summarised revenue account is presented, along with supporting information, to clearly demonstrate the cost of services and how these costs are funded. Wherever possible technical terms have been avoided in this Explanatory Foreword.

#### EXPENDITURE & FUNDING

4. Each year the National Park Authority is required to submit a bid to the Welsh Government for its funding for the following year. The bid is submitted as a combined Welsh National Parks' Grant Bid document and, following consultation with the Countryside Council for Wales, the Welsh Government determines the National Park Grant for the forthcoming year.
5. In setting the amount of National Park Grant, the Welsh Government also determines, in accordance with statutory powers, the minimum amount that can be raised by the National Park Authority as a Levy against Pembrokeshire County Council. The National Park Grant represents 75% of the Authority's core grant funding, with the remaining 25% represented by the Levy. The net revenue budget accounts for income generated locally by the National Park Authority, for example through car park charges and planning fees, and from other service specific grants, for example for the maintenance of the Coast Path (National Trail). Any balance above or below the approved net budget is managed via the Authority's revenue reserves.

6. In 2010/11 the Authority's funding for revenue expenditure, (that is, day to day operational activities) was £7,144 million. Capital expenditure of £185k, (that is, investment in longer term assets such as land and buildings) was funded £16k from Capital Receipts & £169k from other grant funding sources.

(a) Where the money came from:-

<b>REVENUE BUDGET</b>	<b>2010/11 £ 000</b>	<b>2010/11 %</b>	<b>2009/10 £ 000</b>	<b>2009/10 %</b>
National Park Grant, from the Welsh Government:	3,463	48%	3,483	49%
National Park Levy, against Pembrokeshire County Council:	1,154	16%	1,161	17%
Locally Generated Income (through fees and charges):	1,339	19%	1,329	19%
Service/Project Specific <i>Revenue</i> Grants:	897	13%	917	13%
Earmarked/General Reserves:	291	4%	129	2%
<b>TOTAL REVENUE FUNDING</b>	<b>7,144</b>	<b>100</b>	<b>7,019</b>	<b>100%</b>

<b>CAPITAL BUDGET</b>	<b>2010/11 £ 000</b>	<b>2009/10 £ 000</b>
Project Specific <i>Capital</i> Grants:	169	163
Use of capital receipts	16	139
<b>CAPITAL FUNDING</b>	<b>185</b>	<b>302</b>
Plus, funding from the revenue budget (included above)	-	-
<b>TOTAL CAPITAL BUDGET</b>	<b>185</b>	<b>302</b>

The Authority's income and expenditure is split for accounting purposes between revenue funds and capital funds in accordance with local authority accounting practice. The Authority is able to use some of its revenue funding to contribute to capital projects, but it cannot use capital grants to contribute to revenue expenditure.

The Authority's revenue funding increased overall by 1.8 % in 2010/11, with reductions in the National Park Grant, Levy and Service specific grants being compensated by an increases in locally generated income & use of Earmarked Reserves. For 2010/11, for every £1 provided by the National Park Grant and Levy in the year, the Authority generated a further 55p from other sources (2009/10=51p).

Locally Generated Income consisted of:

<b>LOCALLY GENERATED INCOME</b>	<b>2010/11 £000's</b>	<b>2009/10 £000's</b>	<b>% Change</b>
Merchandise Sales and income from Information Centres	352	380	-7%
Car park charges and concessions income	309	293	5%
Admissions fees and Activities & Events	172	164	5%
Planning fees	135	141	-4%
Timber sales	91	92	-1%
Other : rents, advertising	269	250	8%
Investment income (spare cash invested)	11	9	22%
<b>TOTAL LOCAL INCOME</b>	<b>1,339</b>	<b>1,329</b>	<b>1%</b>

The Authority is enormously grateful to all the organisations that support its work through providing revenue and capital funding. Further information on revenue grants and a breakdown of capital grants provided can be found in the Statement of Accounts,.

(b) **What the money was spent on:-**

<b>REVENUE BUDGET</b>	<b>2010/11 £000</b>	<b>2010/11 %</b>	<b>2009/10 £000</b>	<b>2009/10 %</b>
Employees	4,114	58%	4,126	60%
Premises related	907	13%	728	10%
Transport & Travel	299	4%	335	5%
Supplies, Services and Grants	1,489	21%	1,483	22%
Transfers to Earmarked Reserves	309	4%	391	4%
Financing charges	2	0%	3	0%
Increase/ (decrease) in General Reserves	24	0%	-47	-1%
<b>TOTAL REVENUE COST</b>	<b>7,144</b>	<b>100%</b>	<b>7,019</b>	<b>100%</b>

<b>CAPITAL BUDGET</b>	<b>2010/11 £ 000</b>	<b>2009/10 £ 000</b>
Capital projects	185	302

## 7. Revenue Budget

The Authority manages its revenue budget on a “net” budget basis. This means that locally generated income and specific grants are allocated to individual budget headings and are offset against the expenditure against those headings to arrive at the net budget.

The net budget for each service also includes a “capital charge”. This is based on the assets used by services and is made up of a charge for depreciation (being the value of assets used-up by a service during the year). The capital charges are reversed out of the accounts, as they are non-cash adjustments - that is, they balance to nil and do not need any cash funding.

Similarly, adjustments are made for pension’s costs in accordance with accounting requirements known as ISA 19 Employee benefits *Retirement Benefits*. Service budgets are charged with a “current service cost” (being the cost of what employees have earned in pension rights during the year) in lieu of the cost of employer contributions (being the actual amount charged to the accounts for contributions in the year to the Pension Fund). These adjustments are also reversed out of the accounts below the Net Cost of Services, via the *Movement on Pensions Reserve*, to revert the cost in the accounts back to the value of employer contributions. These technical, complex adjustments are intended to bring the public services in line with UK Generally Accepted Accounting Practices.

The net budget and net out-turn position are presented below for the Authority’s main service areas, shown within a simplified Income & Expenditure Account (profit/loss account).

<b>2010/11 Revenue Account</b>	<b>Net Budget £000</b>	<b>Net out-turn £000</b>	<b>Variance £000</b>	<b>2009/10 Net Out turn £000</b>
Conservation of the Natural Environment	740	716	24	686
Conservation of the Cultural Heritage	193	180	13	263
Development Control	595	627	-32	566
Forward Planning & Communities	442	407	35	239
Promoting Understanding	1,390	1,250	140	1,101
Recreation & Transport	353	389	-36	356
Rangers, Estates & Volunteers	818	816	2	750
Democratic Representation & Management	605	579	26	708
Service Management & Support Services	66	0	66	0
<b>Net cost of services</b>	<b>5,201</b>	<b>4,964</b>	<b>237</b>	<b>4,669</b>
Interest and investment income earned during the year	-15	-12		-9
<b>Net expenditure</b>	<b>5,186</b>	<b>4,952</b>		<b>4,660</b>
Other Non Cash Items debited or credited to the Authority Reserves during the year:				
Other Non Cash Items debited or credited to the Authority Reserves during the year:	-605	-377		-231
National Park Grant - Welsh Government	-3,463	-3,463		-3,483
National Park Levy – Pembrokeshire County Council	-1,154	-1,154		-1,161
<b>Net Operating Surplus</b>	<b>36</b>	<b>42</b>		<b>215</b>
<b>Less Net Transfer to Earmarked Reserves</b>	<b>18</b>	<b>18</b>		<b>-262</b>
<b>END OF YEAR SURPLUS / (DEFICIT)</b>	<b>18</b>	<b>24</b>		<b>-47</b>

*\*Service Management & Support Services costs cover Heads of Service, reception, performance management, legal, finance, IT, , training, projects, building maintenance, and accommodation costs – which are all recharged to users of these services, with any balance shown on the face of the accounts. Support Services net cost, including capital charges (£61,000), revised) and inter-support-recharges (£452,000), totalled £1.4m and have been fully reallocated to direct service departments.*

### **Summary Comment**

Net Cost of Service expenditure for the year was £4,964k against a budget of £5,201k and £4,669k for 2009/10. The surplus for the year at £24k compares to an original budget surplus of £18k for 2010/11 and deficit of £47k in 2009/10.

The Net Cost of Service was below the revised budget by £237k and the explanation for the major variances within each service is as follows;

**Conservation of the Natural Environment (£24k under spent).** The under spend within this service arose from increased Timber Sales at Cilrhedyn of due to the supply a wooden footbridge

on the Canaston Bridge redevelopment and additional grant income from the Bubble Bee Trust (£14k).

**Conservation of Historic & Cultural Environment (£13k under spend).** The under spend in Conservation of Historic & Cultural Environment was due to reduced travel costs (£3k) & savings in archaeological services (£8k) which were provided by the Authority's own staff..

**Development Control (£32k over budget).** Planning fee income of £134k in the year was down £46k against budget and £4k lower than 2009/10, despite the number of applications being marginally up at 532 versus 529 year on the prior year. The cost of professional services overran budget by £29k due to the costs attached to Bettys Newydd appeal and enquiry. These overruns were mitigated by salary savings of £24k.

**Development Planning & Communities (£35k under spend).** The under spend within Development Planning arose from savings in the anticipated cost of the inspection of the local Development Plan, coupled with by an additional Welsh Government grant of £14k awarded in recognition of the additional work done in delivering the Plan.

**Promoting Understanding & Enjoyment (£140 under spend).** Although the overall attendance at Carew Castle was slightly down on last year, lower school attendance figures were compensated with higher public visitor number. Performance against budget was good with admission income and merchandise sales exceeding budget by £20k and £2k respectively.

Visitor numbers were also down at Castell Henllys although admission income and merchandise sales of £54k were in line with last year's figures. As observed at Carew Castle school numbers were down. However better margins on the higher value merchandise sales added a further £5k to net revenue.

Merchandise income of £19k was down £5k against budget at Tenby TIC whereas Newport TIC's income of £21k was £7k ahead of budget. The OYP Gallery & TIC net operating costs were in line with budget with lower sales, £96k versus a budget of £100k, being off set with salary savings. The decision to close Oriol Y Parc café capped the net operating cost at £24k.

Coast to Coast advertising income at £88k was £10k higher than last year and £8k better than budget. A vacant post during maternity leave in the Communications department contributed to surplus of £45k with other savings from substituting the publication of Park life for air time on Pembrokeshire Radio and the reduced costs of attendance at the County Show. A surplus of £17k was also made within the Education Service from staff reorganisation following the retirement of the Educational Officer and additional income from charging for the schools programme. Work on the Nevern Castle project was completed in the year with a total expenditure of circa £200k being funded from a C.A.D.W grant.

**Recreation and Transport (£36k over spend).** While car park income at £309k for the 12 months was up £15k on last year the Car park management shows a deficit against budget of £40k. Lower income performances at Fresh Water East & Newgale and higher car park attendants cost at £37k, up £5k over last year, contributed to the overrun. During the year new car park machines were installed at Freshwater East, Little Haven and at Newgale ( £25k), being funded from the Welsh Government capital grant.

The four year Mentro Allan activities project, helping disadvantaged children in the area, came to end during the year. The project involved expenditure of £238k and was funded by The Big Lottery Fund £219k, and C.A.D.W £19k.

The Authority also attracted additional non gore funding for:

- Castlemartin Range Trail. £46k was funded by the Coastal Access Improvement Programme (CCW) and in partnership with the MOD for the Castlemartin Range Trail. The trail provides 10km of off-road horse riding and cycling and forms a much improved alternative route for the Coast Path when the range is closed for firing.
- Pantmaenog Forestry, Rosebush. This project was mainly funded by a grant from the Welsh Government under its Rights of Way Improvement Plan (£35k) to provide new access opportunities for horse riders, walkers and cyclists
- The authority received SPLASH funds, funded by Environment Agency Wales, for £7500 for Fresh Water East marsh (£7.5K) and for the slipway (£2k).

**Ranger, Estate & Volunteers (£2k under spend).** The additional work performed on the coast path funded by CCW resulted in West and South Areas showing a saving of £20k and £5k respectively. These surpluses together with an under spend in the North area, allowed the authority to undertake work at Newport Parrog car park (£15k) and to set aside a earmarked reserve (£30k) to match a Green Seas convergence fund program for repairs to the Poppit Sands in 2011/12. Funds from the Capital grant were also used to fund the St Brides Tower Consolidation Project (£8k) and Madoc's Haven Coast Path Re-alignment Project (£7.5k)

**Democratic Representation & Management (£26k under spend)** A shorter than expected hand over of CEO's coupled with lower travel costs resulted in savings in the Chief Executive's Office (£14k). There were also savings in the Democratic Representation budget (£11k) arising from under spends on members' allowances & expenses and corporate events and conferences.

**Service Management & Support Services (£66k under spend).** The under spends against budget within Support Services were due to a salary saving from later than expected commencement date of the Director of Conservation (£18k), savings in Reception & Admin Services budget (£15k), legal cost (£4k) Finance costs (£6k), Projects cost (£6k) and training (£7k) within the Personnel & Health & Safety. Other savings identified across the authority in the year were due to the purchase of additional staff leave (£10k) and travel costs (£22k).

## 8. Capital Programme

The following projects were funded as part of the capital programme for the year:

	<b>Total Cost 2010/11 £</b>	<b>Total Cost 2009/10 £</b>
<b>Conservation of the Cultural Heritage</b>	<b>100.0</b>	<b>101.2</b>
Historic Towns Grant Scheme	100.0	100.0
Carew Castle Design Work		1.2
Green Bridge of Wales		
<b>Promoting Understanding &amp; Enjoyment</b>	<b>40.2</b>	<b>112.7</b>
St.Davids Car Park Toilets	39.7	112.7
Carew Visitor Centre	0.5	
<b>Woodlands</b>		<b>15.0</b>
Crane & Trailer		15.0
<b>Recreation &amp; Park Management</b>		<b>29.8</b>
Car Parking Machines		19.3
LandRover		10.5
<b>Corporate &amp; Support Services</b>	<b>44.7</b>	<b>43.2</b>
Llanion Buildings	10.3	
Information & Communications Technology & SWIFT Planning System	34.4	43.2
<b>TOTAL CAPITAL SPEND</b>	<b>184.9</b>	<b>301.9</b>
<b>Financed by:</b>		
Financing from the Revenue budget		
Financing from capital receipts	-16.2	-139.2
Additional Grants	-168.7	-162.6
	<b>-184.9</b>	<b>-301.9</b>

From the total capital spend of £184,890, £99,962 relates to expenditure on fixed assets not owned by the Authority – namely under the Historic Towns Grant Scheme. The remaining £84,928 relates to assets owned by the Authority and impacts on the fixed asset values held in the Balance Sheet.

Grants for the Historic Towns were fully allocated and spent with the scheme funded 50% by the Authority and 50% CADW. The I.T. expenditure involved the implementation of the SWIFT, was completed at the end of February 2011, the programme of cyclical replacement of the Authority IT equipment and the virtualisation of the servers. The Llanion Buildings expenditure was on the alterations to the White Room to accommodate operational changes for the Development Management Team. Carew Castle Visitor Centre expenditure was to help to secure Convergence funding for work on the Lesser Hall roof, replacement of the portacabins and development of the car parking facilities. Oriel y Parc Toilets expenditure represents work carried over from 2009/10. £16,155 of the funding was from the Capital Receipts Reserve with the remainder of £168,735 from grant funding.

## 9 Authority Balance Sheet as at 31<sup>st</sup> March:

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Fixed Assets	13,489	13,599
Cash in hand/bank	1,829	1,732
Stocks of merchandise and timber	135	129
Debtors – money owed to the Authority	208	228
Creditors – money owed by the Authority	-630	-483
Provisions – for known commitments	-8	-38
Long-term borrowing (in excess of 1 year)	-8	0
<b><i>Cash Reserves:</i></b>		
Usable Capital Receipts/Unapplied Capital Grants	0	-37
Earmarked Reserves – for specific purposes	-906	-887
General Revenue Reserves	-484	-460
Useable Capital Receipts Reserve	-215	-231
<b><i>Non-cash:</i></b>		
Accrued Absences Reserve	61	65
Capital Adjustment Account	-11,753	-11,965
Revaluation Reserve	-1,718	-1,652
Pension Liability	-2,020	-4,948
Pensions Reserve (to balance with liability)	2,020	4,948
<b>BALANCED TO:</b>	<b>0</b>	<b>0</b>

The Authority's financial position at the end of the 2010/11 remains strong with sizeable cash reserves in place. During the year the authority moved funds from the General Reserve to create the following Earmarked Reserves; Poppit Sands Car Par £30k, Staff Restructuring £70k, Public Sector Broadband £60 and Miscellaneous Receipts in Advance £149k. The balance on the Capital Receipts Reserve as at the end of the year was £215k, down £16k from last year due to funds being utilised in the 2010/11 Capital Program. In light of the challenging National Park Grant settlement in the immediate future the balances on all three reserves are expected to reduce significantly over the next three years.

The net value of the Authority's capital fixed assets at the year-end was £13,489m (£13,599m at 31 March 2010). Capital assets include owned vehicles and equipment and land/buildings – such as car parks, picnic sites, coastal land, woodlands, information centres and historic sites. Due to the way the Authority accounts for capital expenditure the balance on the Capital Adjustment account and Revaluation Reserve approximately correspond to the value of capital assets

employed.

Stock, Debtors, Creditors & Provisions balances arise from the normal revenue and capital expenditure activities of the Authority. Earmarked Reserves are reserves created from current and prior year surpluses and set aside for specific projects. General Reserves are accumulative surpluses available for all Park purposes. Useable Capital Receipts are proceeds from sale of Authority assets and can only be used to fund capital expenditure.

The Accumulated Absences Reserve matches the compensated absences earned but not taken in the year. The Pension Fund Liability at the year-end decreased to £2,020m compared with the liability at the close of 2009/10 of £4,948m. This improvement was due both to an increase in the pension fund assets and a reduction in liabilities due to a shift from R.P.I to C.P.I. for indexation purposes.