

# Loch Lomond and the Trossachs National Park Authority

Report on the 2008/09 audit

October 2009



 AUDIT SCOTLAND



# Loch Lomond and the Trossachs National Park Authority

**Report on the 2008/09 Audit**

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# Key messages

In 2008/09 we looked at the key strategic and financial risks being faced by Loch Lomond and the Trossachs National Park Authority (LLTTNPA). We audited the financial statements and we also reviewed the use of resources and aspects of performance management and governance. This report sets out our key findings.

## **Financial statements**

We have given an unqualified opinion on the financial statements of LLTTNPA for 2008/09. We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## **Financial position and use of resources**

LLTTNPA recorded a deficit of £4.245 million in 2008/09. This is the difference between the operating cost for the year of £12.332 million and the funding received from the Scottish Government of £8.087 million. The deficit was caused by the market valuation of the new Headquarters at Carrochan which resulted in an impairment charge of £4.356 million. The business case for the HQ project, presented in May 2005, recognised that there would be an impairment of value on the Park Authority taking ownership of the building. This has been formally acknowledged by the Scottish Government.

Scottish Ministers have agreed a resource budget of £8.268 million for 2009/10. This comprises operating expenditure of £7.001 million and capital expenditure of £1.267 million. LLTTNPA is predicting a small deficit for 2009/10; however they propose to manage this by ongoing re-prioritisation of business plan projects.

LLTTNPA achieved its 2% efficiency plan target for 2008/09 as defined in the grant in aid letter. A major part of the savings which amounted to £0.128 million were achieved from consolidation of activities within the new headquarters building. Future efficiency savings are set at 2% per annum, as part of the budget settlement from the Scottish Government for the next two years. The delivery of these efficiency savings together with other budget pressures in the medium term are a challenge for LLTTNPA.

## **Governance and accountability**

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for LLTTNPA operated satisfactorily during the year, as reflected in the Statement on Internal Control.



We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

## **Performance**

LLTTNPA sets its targets on an annual basis by reference to the overriding strategy set out in its corporate plan. These delivery targets are expressed in an annual business plan. For 2008/09, the targets were aligned with seven of the national outcome targets set by the Scottish Government national performance framework for all public agencies. Performance against these targets is reported using a balanced scorecard.

The senior management team has developed proxy indicators to demonstrate how it will contribute to the Scottish Government's national outcomes. We will monitor LLTTNPA's progress in implementing and measuring performance against these indicators during our 2009/10 audit.

## **Looking forward**

The final part of our report notes some key risk areas and issues for LLTTNPA going forward. We highlight a number of national issues which affect all public sector bodies including LLTTNPA, including the National Performance Framework and the introduction of Scotland Performs and the impact of international financial reporting standards. LLTTNPA also faces significant financial pressure to achieve financial balance. We will continue to monitor financial planning arrangements and LLTTNPA's financial position.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

**Audit Scotland**  
**October 2009**



# Introduction

1. This report summarises the findings from our 2008/09 audit of Loch Lomond and the Trossachs National Park Authority (LLTTNPA). The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 26 March 2009 . This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and the Park Authority's agreed response.
3. Best value duties apply across the public sector and, in central government, best value is a formal duty on all accountable officers. Audit Scotland has adopted a generic framework for the audit of best value across the public sector and throughout this report we comment on aspects of LLTTNPA's arrangements.

**Exhibit 1: Framework for a best value audit of a public body**





4. Our comments are made on the basis of information made available in the course of the annual audit. We do not make an overall best value judgement because we do not have enough evidence to conclude on all relevant areas. Our intention is to build up the corporate assessment over time. This report is the first step towards that goal.
5. Another building block for our assessment of best value is the national study programme carried out by Audit Scotland on behalf of both the Auditor General for Scotland and the Accounts Commission. We mention the key findings from all relevant reports, and the implications for LLTTNPA, throughout this report. Full copies of the study reports can be obtained from Audit Scotland's website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
6. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by management and members of LLTTNPA during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website.



# Financial Statements

7. In this section we summarise key outcomes from our audit of LLTTNPA's financial statements for 2008/09 and the accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

## Our responsibilities

8. We audit the financial statements and give an opinion on:
  - whether they give a true and fair view of the financial position of LLTTNPA and its expenditure and income for the period in question;
  - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
  - the consistency of the information which comprises the Management Commentary, Board Members and Management Team, Notification of Interests, Financial Performance, Capital Investments in Year, Gifts and Charitable Donations, Losses, Special Payments and Write Offs, Supplier Payment Performance, and Appointment of Auditors within the financial statements;
  - the regularity of the expenditure and receipts.
9. We also review the statement on internal control by:
  - considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control;
  - assessing whether disclosures in the statement are consistent with our knowledge of LLTTNPA.

## Overall conclusion

10. We have given an unqualified opinion on the financial statements of LLTTNPA for 2008/09.
11. Although we were provided core financial statements prior to coming on-site on 26 May 2009, the notes to the accounts and narrative sections were not provided until approximately a week after the planned commencement of the audit. The requirement of the Park Authority to deploy temporary cover for staff previously involved in the preparation of the accounts, contributed to the gap in expectations between audit staff and officers on what should be delivered prior to commencement of





the audit. Nevertheless we concluded our audit within the agreed timetable and provided our opinion to the Audit Committee on 15 July 2009 as timetabled.

## Issues arising from the audit

12. As required by auditing standards we reported to the audit committee on 15 July 2009 the main issues arising from our audit of the financial statements. The key issues were as follows:
13. **Carrochan building** – Financial Reporting Standard (FRS) 15 requires assets under construction to be recorded at cost until they are ready for use, at which point they should be subject to a formal valuation. The original business case for the construction of the new headquarters building highlighted that a significant impairment was anticipated following construction of the building. The Carrochan building was completed in May 2008 at a cost of £6.3 million. At 31 March 2009 the building was independently valued on an existing use value basis at £2.0 million. In line with the requirements of FRS15, the impairment of £4.3 million has been charged to operating costs in the 2008/09 financial statements.
14. The Park Authority is required to work within resource allocations agreed each year with the sponsor department. A total resource allocation of £8.1 million was agreed for 2008/09, covering net operating costs, capital costs, depreciation charges and notional interest costs. As a consequence of the Carrochan building impairment, actual resource cost for 2008/09 was £12.6 million, an overspend of £4.5 million. In response to audit enquiries, the Park Authority has now approached the sponsor department in the Scottish Government and obtained written approval for the overspend in the financial year.
15. **Gateway Centre** – The Park Authority Gateway Centre at Lomond Shores was funded by Loch Lomond and the Trossachs Interim Committee and built on land owned by Scottish Enterprise. The building was not included in asset transfer schedules when the Park Authority was established, and has been treated as an operating lease at nil consideration. The Park Authority has managed the asset since it came into use, however no actual lease agreement exists for the land on which the building was constructed.
16. Following enquiries made by the Park Authority in 2009 to the partners involved in the original project, (Scottish Enterprise and West Dunbartonshire Council), it has become clear that none of the partners have claimed ownership of the building and it is not recognised as an asset in the partners accounts. The Park Authority has, however, managed the asset since construction, including any income and expenditure streams relating to the building. Consequently, the Park Authority has recognised the Gateway Centre as an asset in the 2008/09 financial statements in accordance with generally



accepted accounting practice. During 2009/10 the Park Authority will seek to clarify legal ownership of the building.

## Regularity

17. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## International financial reporting standards (IFRS)

18. As announced by the Chancellor in the 2008 Budget report on 12 March 2008 (Budget report paragraph C103), Government departments and other public sector bodies will report using International Financial Reporting Standards (IFRS) from 2009/10. The Scottish Government announced on 25 April 2008 that all Scottish Government Departments, Executive Agencies, Health Bodies and Non-Departmental Public Bodies would be required to produce shadow IFRS based accounts for financial year 2008/09. This was to include a restated balance sheet as at 1 April 2008.
19. In terms of the audit of the IFRS opening balance sheet at 1 April 2008, there were two key dates to achieve as outlined below:
  - **28 November 2008** – opening 2008 IFRS-based balance sheet were to be presented to auditors for dry-run audit
  - **28 February 2009** – dry-run audit of opening balances was to be completed, resulting in a letter to management highlighting the work done, auditors' findings and areas for further work.
20. The opening balance sheet and supporting documentation were submitted by LLTTNPA for audit for review by the deadline date of 28 November 2008.
21. We made some recommendations for the delivery of the next stage of IFRS reporting – the production of the shadow accounts for 2008/09, and will consider progress on these when we review the shadow accounts later in 2009. These included:
  - **Operating Leases** – The Park Authority should revisit its review of operating leases when independent asset valuations are received.



- **Intangible Assets** – The Park Authority has agreed to review all de-recognised intangible assets in accordance with the changes in guidance issued.
- **Segmental Reporting** – IFRS 8 requires that financial information is reported on the same basis as that used internally for allocating resources and evaluating performance. The Authority needs to consider the implications of recording and reporting segmental information as part of the shadow accounts.



# Use of Resources

22. Sound management and use of resources (people, money and assets) to deliver strategic objectives is a key feature of best value. This section sets out our main findings from a review of LLTTNPA.

## Financial Position

### Outturn 2008/09

- 23. LLTTNPA is required to work within its resource budget set by the Scottish Government. LLTTNPA is expected to ensure that, taking one year with another, income from Grant in Aid and charging schemes, equals expenditure. For 2008/09 LLTTNPA had a deficit of £4.245 million. This is the difference between the operating cost for the year of £12.332 million and the funding received from the Scottish Government of £8.087 million.
- 24. LLTTNPA's balance sheet at 31 March 2009 shows net assets of £8.490 million (2007/08 net assets of £13.013 million). The movement is mainly caused by the market valuation of the new Headquarters at Carrochan which resulted in a diminution in value of £4.356 million.
- 25. LLTTNPA operated within the resource budget limits set by the Scottish Government – see exhibit 2 below. The deficit was caused by the impairment of the new headquarters building. The business case for the HQ project, presented in May 2005, recognised that there would be an impairment of value on the Park Authority taking ownership of the building. This has been formally acknowledged by the Scottish Government.

**Exhibit 2 – Performance against resource budget 2008/09 (£ million)**

Limits	Budget	Actual Outturn	Difference
Non Cash Expenditure	1.147	5.477	(4.330)
Cash	6.940	7.031	(0.091)
<b>Total</b>	<b>8.087</b>	<b>12.508</b>	<b>(4.421)</b>

### Financial sustainability and the 2009/10 budget

- 26. Scottish Ministers have agreed a resource budget for LLTTNPA of £8.268 million for 2009/10. This comprises operating expenditure of £7.001 million and capital expenditure of £1.267 million.
- 27. LLTTNPA is expected to achieve efficiency savings of 2% per year from 2009/10 to 2010/11, amounting to £0.128 million an annum. The Park Authority has identified a route towards meeting the 2009/10 target through new management arrangements for the Gateway Centre. Ongoing savings will also come in use of energy as the headquarters building is managed effectively. However, the



achievement of future savings and efficiencies continues to represent a challenge and risk for LLTTNPA.

## National Studies

28. Audit Scotland published three national studies relevant to LLTTNPA's use of resources. These were use of consultancy services, improving energy efficiency, and delivery of efficiencies.

## Use of consultancy services

29. The overall aim of the study was to review central government's use consultancy services and to make recommendations to improve the public sector's use consultants' knowledge, skills and resources to help deliver new services and initiatives quickly and expertly. The key findings were as follows:

- The public sector is strengthening the way it buys goods and services.
- Central government does not have a clear strategy for its use of consultants or for linking use to its priorities or financial and workforce plans.
- In most cases, central government buys consultancy services well but some improvements can be made.
- Central government could improve how it manages consultancy projects through more consistent and formal evaluation of consultants' work and learning more from them.
- Central government could make savings of up to £13 million a year through better planning and buying of consultancy services.

30. The report made specific recommendations for public bodies:

- confirm they have clear processes for approving and recording the use of consultants and monitoring progress, and reinforce these as required
- plan their use of consultancy services when developing their forward work programme to ensure that consultants are used where their knowledge and skills bring greatest value for money
- always evaluate the option to use consultants against the option to use their own staff
- gather and share consistent information on the consultancy skills bought and why consultants are used
- improve the quality of their invitations to tender through better and earlier discussion with consultants about their consultancy needs



- increase the use of framework agreements where possible by ensuring that existing agreements are used and new ones developed as appropriate
- select and use the most economical competition routes by using framework agreements, restricted competitions and closed tendering approaches when appropriate
- evaluate the work of consultants more systematically and share findings from these reviews
- work closely with consultants to increase assurance on quality and make use of opportunities to learn from consultants and ensure knowledge transfer, where appropriate.

31. In 2008/09, LLTTNPA made payments to consultants amounting to £0.018 million and spent £0.103 million on legal and professional fees, including internal audit. In total this represents only approximately 1% of gross expenditure. LLTTNPA are aware of the importance of achieving value for money in their use of consultants.

## **Improving energy efficiency**

32. Audit Scotland assessed how councils, NHS bodies and central government bodies were improving energy efficiency in relation to buildings and transport use. This included examination of a range of issues including whether public bodies demonstrate commitment to improving energy efficiency; how public bodies are performing against their objectives and targets for improving energy efficiency; and if public bodies are delivering continuous improvement in this area.

- Funding has been made available by the Scottish Government and public bodies to improve energy efficiency. While energy consumption in buildings has fallen, spending on energy increased in the three years to 2006/07.
- There is a need for stronger leadership by the Scottish Government and within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made.
- A robust strategy is central to the coordination of activities to improve energy efficiency, however, there are inconsistencies in the quality of strategies being implemented.
- There is a lack of formal monitoring and reporting of progress in improving energy efficiency by public bodies and the Scottish Government.

33. LLTTNPA is developing an environmental management system to make sure its resource use is more sustainable, to reduce CO2 emissions from its operations and to make corporate processes more sustainable. Effective management of the new sustainable headquarters building will also generate efficiencies in the use of energy.



## Delivery of efficiencies

34. In June 2004, the Scottish Executive launched the Efficient Government Initiative. The initiative aspired to achieve £1.5 billion of efficiency savings by 2007/08 and reported efficiency savings of £1.7 billion. In November 2007 the Scottish Government announced the Efficient Government Programme 2008/09 – 2010/11, setting out its target to deliver cash-releasing efficiency savings amounting to £1.6 billion in 2010/11.
35. To achieve this level of savings the Scottish Government set portfolios a target of two per cent cash-releasing savings – producing the same outputs with fewer inputs – for each of the three financial years. Public bodies will therefore need to be able to deliver year on year efficiency savings and contribute to the achievement of these portfolio savings targets.
36. As part of Audit Scotland's performance audit programme a national study on the delivery of efficiencies within the Scottish public sector is being undertaken. The study will provide an overview of the Scottish Government's Efficient Government Initiative 2005/06 – 2007/08 and consider the extent to which public bodies are set up to deliver year on year efficiency savings.
37. To assess the readiness and ability of public sector bodies to deliver year on year efficiency savings Audit Scotland undertook fieldwork across central government, the NHS and councils, with five bodies selected from each. LLTTNPA agreed to participate in the study.
38. The fieldwork was carried out during March and April, including interviews with senior officers and analysis of supporting documentation. The fieldwork used Audit Scotland's Best Value Efficiency Toolkit. The toolkit is a document specifically created to enable auditors or public sector bodies to assess the efficiency arrangements in place within an organisation. The fieldwork assessed the arrangements for monitoring and measuring efficiencies and how public bodies seek to ensure that reported savings have been delivered without affecting service delivery.
39. A position statement on the efficiency programme, setting out what has been delivered in the first year of the programme and what arrangements bodies have in place to monitor and report efficiency savings, is scheduled to be published in January 2010 alongside a good practice checklist.



# Governance and Accountability

40. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings arising from a review of LLTTNPA's arrangements.
41. Increasingly services are being delivered across the public sector through partnership working, sometimes involving complex governance and accountability arrangements. Best value characteristics also include effective partnership working to deliver sustained improvements in outcomes.

## Overview of arrangements

42. This year we reviewed:
- partnership working
  - key systems of internal control
  - internal audit
  - arrangements for the prevention and detection of fraud and irregularity, including standards of conduct.
43. Our overall conclusion is that arrangements within LLTTNPA are sound and have operated through 2008/09.

## Partnership working

44. In June 2007 Ministers challenged the organisations delivering the rural affairs and environment portfolio to create a single environment and rural delivery service (SEARS). SEARS brings together nine delivery-focused bodies within the Environment and Rural Affairs sector to provide more joined-up services, initially to rural land managers.
45. The three principles of public service delivery are at the heart of the SEARS approach:
- user focus – putting the person and not the institution first
  - effectiveness – focusing on real improvements in public value through services delivered for the people of Scotland
  - value for money – making sure that each and every public pound is spent wisely.





46. SEARS is a partnership approach and it is therefore vital that the SEARS partners have a clear understanding of their responsibilities, with clear lines of accountability. To ensure this a memorandum of agreement, setting out the framework for the partnership, was agreed by the SEARS Programme Board in March 2008.
47. SEARS is a commitment to working in a joined-up way. The Annual Review 2008/09 notes that during the first year since the partnership was launched it has:
- carried out 2,000 fewer inspections or visits to land managers ahead of the October 2009 target
  - saved the sheep farming industry around £150,000 in groundwater license charges through SEPA waiving the second instalment of the annual charge for 2008/09
  - introduced a 24/7 contact centre and established the SEARS web portal
  - given land managers the opportunity to change their personal information with the nine bodies within the Environment and Rural Affairs sector through single contact, thereby reducing duplication
  - improved the co-ordination of communication between the SEARS partners
  - co-located SNH, SGRPID and FCS, along with staff from Highlands & Islands Enterprise and Community Energy Scotland in a new office in Golspie.
48. SEARS is currently exploring the following areas for further development:
- reducing bureaucracy
  - further co-locations
  - sharing services
  - linking the natural and built environment (Outcome 12 of the Scottish Government's National Performance Framework)
  - identifying other possible candidates.
49. During the year LLTTNPA built on earlier collaborations with Cairngorms National Park Authority to establish a wider, more formal joint working partnership. Regular meetings are now held between senior management of the two Park Authorities to review and develop joint working across corporate services and harmonise working practices. The Cairngorms' Corporate Services Director is assisting in this process spending two days fortnightly at LLTTNPA. In addition, a Head of HR will be appointed to work between both Park Authorities on the review and development of policies and procedures for joint working.



## Systems of internal control

50. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In their annual report for 2008/09 Wylie & Bisset LLP, the internal auditors, provided their opinion based on the internal audit work undertaken during the year, and concluded that the controls tested were not found to be adequate in a number of high priority areas including budget monitoring, risk management, procurement, and appraisal of board members. Appropriate measures have been implemented by management to address these areas. The action taken will be reviewed by internal audit in 2009/10.
51. As part of our audit we reviewed the high level controls in a number of LLTTNPA's systems that impact on the financial statements. This audit work covered a number of areas including accounts payable, accounts receivable, cash and bank, main accounting, and payroll. Our overall conclusion was that key controls were operating effectively and that LLTTNPA has adequate systems of internal control in place. We did identify a number of areas where controls could be strengthened and agreed an action plan of improvements with management. This will be followed up in 2009 to confirm that improvements have been made.

## Statement on Internal Control

52. The Statement on Internal Control provided by LLTTNPA's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and set out LLTTNPA's approach to this. The statement reflects the ongoing work to embed risk management processes throughout the organisation and the improvements made to systems for information and communication management.

## Internal Audit

53. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2008/09 audit we assessed whether we could place reliance on LLTTNPA's internal audit function. We concluded that Wylie & Bisset LLP operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in number of areas during 2008/09, as we anticipated in our annual audit plan. This included reliance on aspects of internal audit's systems work to avoid duplication of effort.



## Prevention and detection of fraud and irregularities

54. LLTTNPA has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and Board members.
55. During the financial statements audit it was noted that the register of board member's interests on the Park Authority's website had in a number of cases not been updated for a considerable time. A follow-up review of the website has indicated that the register has now been brought up to date.

## National Studies

56. Audit Scotland published one national study relevant to LLTTNPA's use of resources. This was a review of major capital projects.

## Major capital projects

57. This report was the first systematic review of major capital projects in Scotland. It considered the progress of all 43 projects completed in the five years between April 2002 and March 2007, and a sample of current major projects. It looked at progress against cost and time estimates, quality specifications and project management in general. The main findings from the report were as follows:
  - In general, the achievement of cost and time targets improved significantly as projects progressed.
  - Early cost and time estimates at project approval stage were too optimistic for many major projects.
  - Performance against cost and time estimates is better after contracts are awarded, as plans are more certain and risks clearer.
  - Most completed projects have successfully delivered the required roads, hospitals and other assets, and all current projects are forecast to do so. However, few projects have been evaluated to demonstrate that they have delivered the expected wider benefits which originally justified the investment.
  - Nine current projects examined had awarded the main construction contract, which should increase cost certainty. However, four projects had significant increases in estimated cost before reaching this stage.
  - Project management and governance arrangements within individual projects are broadly effective, although room for improvement remains. A more strategic approach to managing the programme of capital projects could improve value for money.



58. LLTTNPA completed construction of their new headquarters building in April 2008. A project management group was set up to maintain scrutiny over cost and timings to ensure the development was on track and issues were addressed in a timely manner. This major capital project utilised best practice in project management and was subject to a gateway review by the Scottish Government.



# Performance

59. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. Key features of best value include:
- setting a clear vision of what the organisation wants to achieve, backed up by plans and strategies to secure improvement, with resources aligned to support their delivery;
  - a performance management culture which is embedded throughout the organisation and a performance management framework which is comprehensive and supports the delivery of improved outcomes.
60. In this section we comment on:
- LLTTNPA's corporate plan
  - performance against targets
  - performance management arrangements
  - risk management arrangements
  - LLTTNPA's efficiency programme

## Vision and strategic direction

61. LLTTNPA published its corporate plan for 2008 – 2011 in early 2008. The plan structured the Park Authority's activities into five core themes:
- Climate change and our special qualities
  - Responsible enjoyment
  - Place making
  - Rural vibrancy
  - Leading and innovating.
62. In March 2008, LLTTNPA completed their new business plan for 2008-09 alongside an outcome based approach report which aligns the current corporate and business plans with the Scottish Government's outcomes and targets.
63. In July 2008 a new Chief Executive was appointed by the Park Authority. She introduced a delivery focus that concentrates on four key strands of activity:
- Conservation



- Visitor Experience
- Rural Development
- Organisational Excellence.

## Performance overview

64. LLTTNPA sets its targets on an annual basis by reference to the overriding strategy set out in its corporate plan. These delivery targets are expressed in an annual business plan. For 2008/09, the targets were aligned with seven of the fifteen strategic outcomes set by the Scottish Government performance framework for all public agencies. Performance against these targets is reported using a balanced scorecard.
65. The business plan categorises the Park Authority's objectives in terms of the business priority they relate to and details the projects and operational activity that contribute to each objective. Performance against each project is recorded within the plan along with the financial resource committed and spend to date. In 2008/09 LLTTNPA was successful in demonstrating achievements against all seven Scottish Government strategic outcomes with which it is aligned.
66. Specific key performance indicators defined by LLTTNPA and Cairngorms National Park Authority will also define and measure how the Park Authority is performing within the Scottish Government's performance framework. Where it was not possible to apply the Scottish Government measures directly in a National Park context relevant proxy indicators have been defined. We will monitor LLTTNPA's progress in implementing and measuring progress against these indicators during our 2009/10 audit.

## Risk management

67. LLTTNPA has sound risk management arrangements in place including the maintenance of a corporate risk register with annual reporting to the Audit Committee. The register sets out a number of key risks for the Park Authority in delivering its objectives including:
- loss or theft of sensitive data or records results in reputational damage
  - the Park Authority is unable to demonstrate achievements against the Scottish Government's strategic objectives
  - staff capacity and skills are insufficient to support and deliver the agreed levels of service
  - significant changes in the Board negatively impact on corporate governance arrangements.
68. We will continue to monitor LLTTNPA's risk management arrangements and specific progress in each of these areas over the course of the next year.



## Efficiency

69. LLTTNPA is required to deliver 2% per annum cash releasing efficiency savings within the three year spending review period of 2008/09 to 2010/11 amounting to £0.128 million per annum. This target has been achieved in the financial year. The major part of the savings, which related to stationery and printing, postage, travel and energy costs, achieved in the year arose from consolidation of activities within the new headquarters building.
  
70. The recurring savings identified in 2008/09 will contribute towards efficiencies over the coming years, however the Park Authority is required to identify a further 2% savings in 2009/10 in addition to these. Work has started to identify areas where savings can be made. The entire levels of savings required can be achieved through the introduction of new management arrangements at the Gateway Centre. Major savings are expected in the areas of staff, through sharing resources with Loch Lomond Shores, and repairs. The new management arrangements mean that room income will increase due to the shared facilities with Loch Lomond Shores site management team and the residence of one private tenant.
  
71. We will continue to monitor the financial position and the actions taken by LLTTNPA to manage these risks.



# Looking Forward

72. LLTTNPA faces a number of challenges in 2008/09, which include:

- **Financial management and affordability** – The Scottish Parliament’s Finance Committee recently published its report on the Scottish Government budget. The report noted that Scottish Government spending is set to decline in the next few years as UK public finances come under increasing pressure. Effective budget monitoring and reporting arrangements will be crucial across central government bodies in order to achieve targets within tight funding settlements.
- **National Performance Framework** – The Scottish Government is continuing to develop its approach to performance management based on the National Performance Framework and local authority single outcome agreements. This is an outcome-based approach that is reported to the public on the Scottish Government’s web site in the ‘Virginia-style’ model of performance measurement and reporting. This will include progress on overall delivery of the administration’s purpose for Government, the five strategic objectives for Scotland and other outcomes. LLTTNPA will need to consider the impact of this developing area.
- **Efficiencies and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tight funding regime. This includes no scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on PFI, leases and infrastructure accounting. LLTTNPA needs to find £0.128 million of savings in 2009/10 to meet target efficiencies, although the 2009/10 settlement allows some scope for development of service delivery.
- **IFRS** – The timetable for IFRS implementation requires that central government accounts in Scotland become IFRS compliant with effect from the 2009/10 financial year. As part of the timetable for the implementation of IFRS, shadow accounts will require to be produced for 2008/09 for audit review by the end of November 2009. These processes will require significant resource to complete and it will be important that these issues are addressed early in 2009/10.
- **The National Park Plan** – The first National Park Plan 2007-2012 was approved by Ministers in March 2007. This is a comprehensive plan that guides the balanced achievement of the four National Park aims over five years but with a longer term, shared-vision for the next 25 years. Successful delivery against the National Park Plan will require that LLTTNPA ensure that the key partners remain committed to delivering the plan. These include other NDPBs and the local authorities which fall within the Park’s boundaries.





- **National Parks Strategic Review** – Scottish Ministers have confirmed their intention to reduce the number of members of the two National Park Authorities as recommended in the National Parks Review. As a result the LLTTNPA board will reduce to 17 members from October 2010. In addition a short life National Park Strategy Group will be set up in autumn 2009 which will contain 12 members including the Scottish Government's Rural Director, the Conveners of the National Park Authorities, representatives from Scottish Natural Heritage and COSLA. This group will be chaired by the Minister for Environment and operate at a strategic rather than operational level. LLTTNPA should ensure that it takes account of the impact these changes will have on its governance arrangements.