

## **CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE COMMITTEE**

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### **FOR DECISION**

**Title: CORPORATE PLAN FINANCIAL FORECASTS**

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#### **Purpose**

To seek approval of the financial forecasts underpinning the Corporate Plan for 2012 to 2015.

#### **Recommendations**

That the Committee approve the financial forecasts underpinning the Corporate Plan for 2012 to 2015.

#### **Executive Summary**

The Board will consider the Authority's Corporate Plan for 2012 to 2015 at its meeting on 11 May 2012.

This paper sets out the detailed financial forecasts underpinning the Corporate Plan, in order to allow Finance Committee members to support the Corporate Plan review process through a more detailed consideration of financial forecasts and resource investment plans over the three year period.

The paper also highlights a move toward developing rolling, three year budgets in order to assist in implementing financial strategies while also retaining a focus on delivery of the National Park Partnership Plan over the longer term to March 2017.

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## CORPORATE PLAN FINANCIAL FORECASTS – FOR DECISION

### Background

1. Over several months, the Management Team and Board have been engaged in the development of the Authority's new Corporate Plan commencing April 2012 to set out the Authority's delivery intentions in support of the National Park Partnership Plan for 2012 to 2017.
2. The Board will be considering the proposed Corporate Plan and overall financial forecasts accompanying it at the meeting following the Finance Committee on 11 May.
3. The purpose of this paper is to present a more detailed analysis of the development of the Authority's forward financial forecasts supporting the Corporate Plan, in order to allow Finance Committee members to support the Board processes through a more detailed scrutiny of underlying financial assumptions.

### Budget Analysis

4. The new Corporate Plan period from 1 April 2012 spans a period of significant restrictions on public sector finances. The Authority's grant-in-aid allocations from Scottish Government for the new Spending Review period has been relatively well protected, in part in recognition of the significant leverage we create in the use of our funding within the Park. While the Authority's grant reduced by slightly over 2% each year from 2012/13 to 2014/15, this reduction is significantly lower than many other bodies in the public sector. Table One illustrates the changes in grant funding to the Authority over the spending review period.

**Table One: Changes in Grant in Aid Funding Expected 2011/12 to 2014/15**

	<b>2011/12 Actual (£000)</b>	<b>2012/13 Proposal (£000)</b>	<b>2013/14 Plan (£000)</b>	<b>2014/15 Plan (£000)</b>
Grant in Aid	4,756	4,646	4,566	4,436
Change in funding		-110	-80	-130
Cumulative change in funding		-110	-190	-320

### Core Running Costs

5. In addition to the declining grant over this 3 year forward period, the Authority must also consider the impact of cost increases on its budgets. We have been successful over the previous four years in implementing efficiency savings from "core" running costs and this in turn has allowed increasing proportions of the Authority's finances to be allocated against Operational Plan projects investing in the National Park.

However, in the majority of areas where efficiency measures have been implemented, budget levels are now at a point where further reduction does begin to pose significant risk of ineffectiveness in our operations. Our forward financial plans therefore include provision for some modest, inflation driven increases in operational costs over the new Corporate Plan period.

6. Forward financial forecasts for direct income – grant in aid and planning fees – and core expenditure are set out in Table Two. Note that figures set out in table 2 for 2011/12 Draft Actual remain subject to audit, and may vary from those set out in the 2011/12 update paper which will aim to reflect as current a position as timetables for production of Committee papers allows.

**Table Two: Direct Income and Core Expenditure Forecasts to 31 March 2015**

	<b>2011/12 Draft Actual (£000)</b>	<b>2012/13 Proposal (£000)</b>	<b>2013/14 Plan (£000)</b>	<b>2014/15 Plan (£000)</b>
<b>Direct Income: Grant in Aid and Planning fees</b>	<b>4,796</b>	<b>4,681</b>	<b>4,601</b>	<b>4,471</b>
Board and Staff Salaries	2,240	2,292	2,340	2,387
Other Board and Staff expenditure	211	200	202	204
Office Running expenditure	238	239	241	243
IT and Professional Support	146	149	150	152
<b>Core Expenditure</b>	<b>2,835</b>	<b>2,880</b>	<b>2,933</b>	<b>2,986</b>
Core Expenditure as proportion of Direct Income	59%	62%	64%	67%

7. The combination of declining core grant together with increasing cost pressures therefore combines over the three year period to increase the proportion of direct income available to the Authority supporting core expenditure.
8. However, it should be borne in mind when considering this analysis that many of the Authority's Corporate objectives and priority actions are delivered through the investment of staff and Board members' time, sometimes to back up cash investment while often investment of time and expertise can be the Authority's main or sole input to work toward achieving the National Park Partnership Plan. Therefore, investment in staff time, skills and expertise is in itself a crucial element of

successfully delivering the Authority's Corporate Plan objectives and through those, making an effective, successful contribution to delivery of the National Park Partnership Plan.

### **Staffing Provision**

9. Management Team assess the overall balance between financial and staff resource investment required to deliver objectives. Financial contributions into projects are crucial in making priority actions within the Park happen. Equally, having sufficient staff resources to inform and influence the development and implementation of these projects and activities is just as vital.
10. We have agreed a monitoring guideline ceiling with Committee of staff expenditure of 53% of total income, which includes the Authority's own, direct income as set out in Table Two, plus other "indirect" project contributions received - to reflect a role of the Authority in acting as "host" employer of many project staff.
11. Over the last few years of the existing Corporate Plan period, we have been managing our staff levels downward, as existing plans and projects come to completion, and to create some flexibility in budgets – including scope to recruit into new posts where required in delivery of the new Corporate Plan priorities – anticipating that variations in qualifications, experience and skills mix may be required going forward. Hence expenditure on staffing at the end of 2011/12 is £2.1 million compared with total income including project contributions (£0.6 million) of £5.4 million, giving staff costs of only 39% of total income in comparison with the agreed monitoring ceiling of 53%. At the end of 2011/12 staff headcount was 59, equivalent to 52.5 full time equivalents (FTE), compared with a position at 31 March 2010 of 66 headcount and 61.3 FTE.

12. Our assessment of future Corporate Plan delivery is for a limited number of additional staff to be required to meet future delivery priorities. In particular we are proposing to strengthen staffing through posts on: Wildlife Partnership, Land Management Support, Special Place (temporary post focused on design), Broadband connectivity. Without these posts, we will need to review the scope of the Plan. Table Three highlights the potential financial consequences of the estimated staffing requirements, with an increase of 4 staff forecast in 2012/13 and a further 1 in 2013/14.

**Table Three: Forecast of Future Staffing Levels as Proportion of Total Income, Including Project Contributions**

	<b>2011/12 Actual (£000)</b>	<b>2012/13 Proposal (£000)</b>	<b>2013/14 Plan (£000)</b>	<b>2014/15 Plan (£000)</b>
Direct Income (from Table 2)	4,796	4,681	4,601	4,471
Project Contributions	602	400	250	250
<b>Total Income</b>	<b>5,398</b>	<b>5,081</b>	<b>4,851</b>	<b>4,721</b>
Staff Salaries	2,081	2,133	2,179	2,224
Additional staff proposals (from Table 2)	-	107	147	150
<b>Total staff salaries including proposals</b>	<b>2,081</b>	<b>2,240</b>	<b>2,326</b>	<b>2,374</b>
<b>Total staff as proportion of total income (53% guideline)</b>	<b>39%</b>	<b>44%</b>	<b>48%</b>	<b>50%</b>

13. The forward projections therefore confirm, even with allowing for only a relatively low level of third party project contributions into future years, that staffing cost projections remain within the established guideline agreed with Finance Committee throughout the Corporate Plan period.

14. To summarise the budget analysis for the Corporate Plan period, Table Four presents the split over the Corporate Plan period between planned expenditure on core areas and on Operational Plan projects.

**Table Four: Analysis of Core and Operational Plan Expenditure over Period to 31 March 2015**

	<b>2011/12 Actual (£000)</b>	<b>2012/13 Proposal (£000)</b>	<b>2013/14 Plan (£000)</b>	<b>2014/15 Plan (£000)</b>
Total Direct Income (Table 2)	4,796	4,681	4,601	4,471
Core Expenditure	2,835	2,880	2,933	2,986
Forward Staffing requirement to deliver Corporate Plan objectives	-	107	147	150
Total Core Expenditure	2,835	2,987	3,080	3,136
Operational Plan Budget	1,961	1,694	1,521	1,335

**Operational Plan Investment**

15. Total planned expenditure on Operational Plan projects is broadly in line with budget for 2012/13, with potential investment plans over the following two years increasingly diverging from current forecast resource levels. This situation is deemed to be acceptable for medium to long term Corporate Planning purposes: incentivising and targeting income from partners to support project activity and allowing staff to develop project proposals to a level where they may be commissioned at short notice should funding opportunities become available. Equally, senior managers have planning time to scale back expenditure plans for 2013/14 and 2014/15 over the course of the current year.

16. The analysis of Operational Plan investment proposals as they currently stand against forecast financial resource levels is set out in Table 5.

**Table Five: Analysis of Operational Plan Expenditure Proposals Over Period to 31 March 2015**

	<b>2011/12 Actual (£000)</b>	<b>2012/13 Proposal (£000)</b>	<b>2013/14 Plan (£000)</b>	<b>2014/15 Plan (£000)</b>
<b>Operational Plan Budget (Table 4)</b>	<b>1,961</b>	<b>1,694</b>	<b>1,521</b>	<b>1,335</b>
Building the Brand		410	425	445
Getting Involved		275	280	245
Land Management and Conservation		130	135	135
A Special Place		155	120	120
Developing Opportunities for Recreation		249	279	342
Supporting Sustainable Business		205	200	200
High Quality Effective Planning Service		205	220	190
Organisational Excellence		83	83	83
<b>Total Operational Plan Expenditure</b>	<b>1,961</b>	<b>1,712</b>	<b>1,742</b>	<b>1,760</b>
<b>Variation from forecast resource level</b>		<b>-18</b>	<b>-221</b>	<b>-425</b>

17. A more detailed analysis of forecast Operational Plan financial investment over the three years to 31 March 2015 is set out at Annex I.
18. As the programmes of work for 2011/12 and the previous Corporate Plan frequently vary from those now established to support the new Corporate Plan, 2011/12 comparative information on expenditure across programmes cannot be given.

**Planning for Additional Funding Availability**

19. As a final point on resources, it is worth highlighting that the Authority and its partners have proven themselves able to deliver on projects at short notice where

funding becomes available. A total of £0.4 million in additional funding was secured over the last 4 months of 2011/12 (equivalent to around 8% of original grant in aid for the year) and successfully spent against agreed projects. We will continue to ensure, along with key delivery partners, that we have a stock of projects within the Park that are ready to start should additional funding become available. This also ties in with an ongoing culture within the Authority of targeting leverage and joint funding for activities, and into plans to develop rolling, three year budgets where projects phased for forward years can be readily brought forward if funding opportunities present themselves.

### **Next Steps**

20. Subject to any amendments required following this Finance Committee discussion and subsequent discussion of the Corporate Plan by the Board, we will work with Programme Managers to finalise delivery intentions through an Operational Plans for 2012/13.
21. We will continue to bring specific project proposals and expenditure justifications to Finance Committee in the usual way.
22. We also intend to develop a rolling, three-year budget process. As we get into the Autumn/early Winter review of 2012/13 budgets, we will also seek to develop Operational Plans for the next following year, 2013/14 and also add in longer-term expenditure proposals for 2015/16. An ongoing, three year financial planning horizon should assist in implementing financial strategies while also retaining a focus on delivery of the National Park Partnership Plan over the longer term to March 2017.

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**1 May 2012**

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