

**CAIRNGORMS NATIONAL PARK AUTHORITY  
FINANCE COMMITTEE**

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**FOR DISCUSSION**

**Title:** BALANCED SCORECARD: FINANCE MEASURES

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**Purpose**

To present the financial performance measures proposed for inclusion in the Authority's balanced scorecard model to the Committee for consideration, in order that members may consider the appropriateness of these measures in establishing a high level, summary view of the financial health of the organisation.

**Recommendations**

Committee members are invited to consider whether:

- a. The six financial performance measures proposed at point 5 provide an appropriate set of measures on which to assess the financial performance of the Authority;
- b. Any areas of the Authority's financial activities are missed by these measures and therefore...;
- c. Any additional measures are required;
- d. Tolerance levels proposed in monitoring actual performance set acceptable levels of variation from targets.

Subject to comments on points a to d above, the Committee is requested to agree the financial performance measures proposed for inclusion in the Authority's balanced scorecard model

**Executive Summary**

Operational Plan Update reports for 2006/07 to the Board have indicated that the Management Team has been developing a "Balanced Scorecard" model to assess the organisation's health. It is intended that this will complement the quarterly review of Operational Plan activities by also presenting summary information on the Authority's financial performance; its staffing and recruitment position; management of strategic risks and governance measures; and progress made on delivering priority three-year Corporate Plan outcomes. The purpose of this paper is to present the financial performance measures proposed for inclusion in the Authority's balanced scorecard model to the Committee for consideration

Six financial indices are proposed to give a broad overview of the financial health of the organisation:

- a. Total Available Income in line with Budget estimate (current year);
- b. Core expenditure in line with budget estimate (current year);
- c. Operational Plan expenditure in line with budget estimate (current year);
- d. Forecast year-end result in line with target (current year);
- e. Next year income in line or above forecast;
- f. Future year expenditure commitments in line with agreed control level.

The paper seeks the Committee's views on these measures proposed.

The development of a balanced scorecard approach also assists in embedding the Authority's risk management processes into our Operational Planning and Monitoring arrangements. Key aspects of the organisation's operations, governance and resourcing are highlighted. Any increased risk to delivery of organisational objectives through these essential components not falling within required tolerances are also exposed, requiring management to address and seek to remedy the situation.

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## BALANCED SCORECARD: FINANCE MEASURES FOR DISCUSSION

### Background

1. Operational Plan Update reports for 2006/07 to the Board have indicated that the Management Team has been developing a “Balanced Scorecard” model to assess the organisation’s health. It is intended that this will complement the quarterly review of Operational Plan activities by also presenting summary information on the Authority’s financial performance; its staffing and recruitment position; management of strategic risks and governance measures; and progress made on delivering priority three-year Corporate Plan outcomes.
2. It is also intended that the balanced scorecard model will help integrate the work of the Board’s Committees within overall activity monitoring.
3. The purpose of this paper is to present the financial performance measures proposed for inclusion in the Authority’s balanced scorecard model to the Committee for consideration, in order that members may consider the appropriateness of these measures in establishing a high level, summary view of the financial health of the organisation.
4. The Audit and Staffing and Recruitment Committees will similarly be requested to consider the indices relevant to governance/risk management and HR operations respectively.

### Balanced Scorecard: Financial Measures

5. Six financial indices are proposed to give a broad overview of the financial health of the organisation:
  - a. Total Available Income in line with Budget estimate (Current year);
  - b. Core expenditure in line with budget estimate (current year);
  - c. Operational Plan expenditure in line with budget estimate (Current year);
  - d. Forecast year-end result in line with target (current year);
  - e. Next year income in line or above forecast;
  - f. Future year expenditure commitments in line with agreed control level.
6. These indices are intended to present a combined, summary view of the in-year financial monitoring undertaken by the Committee with consideration of the current status and robustness of information on future year income and expenditure commitments. The proposed measures are set out in Annex 1, together with the result of the assessment of performance against these measures over the last 9 months.
7. Tolerance levels have been suggested for each of these indices, and are shown in Annex 1. Tolerance levels are set to establish acceptable levels of variation

from target before the underlying position measured by each index requires to be highlighted to Management to address.

8. For example, the history of the Authority's finance monitoring has shown that a relatively large variation from budget in Operational Plan expenditure is common at an early part of a financial year, and can normally be remedied by the year-end. Hence, we have suggested that it is appropriate to accept Operational Plan expenditure variations of up to 6% below budget forecast at the end of the first quarter of a year; up to 4% below budget forecast at the end of the second quarter; and up to 2% in the remaining third and fourth quarters.
9. Our budget management strategy is to both improve accuracy of budget forecasting and to even out phasing of expenditure over the year. These tolerance levels are not, therefore, introduced to excuse budget variations, but to highlight that larger variations in some aspects of the organisation's activities may be acceptable at some stages of the year.
10. Through establishing the set of six financial measures proposed, it is intended that a relatively simple and clear overview of the financial monitoring process may be reviewed and agreed by the Committee and used for onward reporting to the full Board.
11. Committee members are invited to consider whether:
  - a. The six financial performance measures proposed at point 5 provide an appropriate set of measures on which to assess the financial performance of the Authority;
  - b. Any areas of the Authority's financial activities are missed by these measures and therefore...;
  - c. Any additional measures are required;
  - d. Tolerance levels proposed in monitoring actual performance set acceptable levels of variation from targets.

## **Risk Management**

12. The development of a balanced scorecard approach also assists in embedding the Authority's risk management processes into our Operational Planning and Monitoring arrangements. Key aspects of the organisation's operations, governance and resourcing are highlighted. Any increased risk to delivery of organisational objectives through these essential components not falling within required tolerances are also exposed, requiring management to address and seek to remedy the situation.
13. It is intended that the full balanced scorecard will be presented to the Board along with the quarter 3 Operational Plan monitoring report in February. Thereafter, it will be updated quarterly to provide an up to date overview of the Authority's operational health.

14. To illustrate the intended final presentation, the current balanced scorecard summary is set out at Annex 2 to this paper. Members are asked to note that this presentation is prior to consideration and agreement of the performance indicators for Human Resource Management or Governance and Risk Management by the Staffing and Recruitment and Audit Committees, while the final measures on Operational Plan Management have still to be agreed by Management Team for recommendation to the Board.

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