

**CAIRNGORMS NATIONAL PARK AUTHORITY  
FINANCE COMMITTEE**

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**FOR DECISION**

**Title: 2006/07 AND 2007/08 BUDGET FORECASTS**

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**Purpose**

To present summary budget forecasts for 2006/07 and 2007/08 for consideration and approval by the Committee.

**Recommendations**

**The Committee is requested to approve the budget forecasts for 2006/07 and 2007/08 set out in the paper. This includes:**

- a. Approving the financial consequences of proposed additional staffing, which remains within overall budget forecasts established as part of the Corporate Plan agreed by the Board in February 2005.**
- b. Approving other core expenditure levels.**
- c. Approving operational plan budget levels, which meet or exceed provision agreed by the Board in February 2005.**

**Executive Summary**

The Management Team has been considering the Authority's Operational Plans and associated expenditure requirements for 2006/07 and 2007/08 over the last two months. Expenditure forecasts for "core" elements of activity, such as permanent staff and Board salaries, accommodation and Board support, and general running costs have also been developed for these two years. As this process nears completion, it is considered appropriate for current budget forecasts to be presented to the Committee for consideration.

Total income for the coming two years is estimated at £4.46 million and £4.55 million.

Staff payroll estimates include an allowance for an additional five posts proposed for recruitment in 2006/07, and for the additional costs associated with the implementation of the Authority's performance related pay system.

On the whole, other running costs have been increased in line with a general inflation assumption over both years and adjusted to reflect the anticipated consequences of staffing changes considered below. In particular, provision has been made for additional accommodation which will be required in the coming period.

Resources available to fund activities within the 2006/07 and 2007/08 operational plans are estimated at £1.37m and £1.41m respectively, while an over-programming element of £0.25m has been provided for in both years to allow for slippage in expenditure plans.

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## 2006/07 AND 2007/08 BUDGET FORECASTS

### Background

1. The Management Team has been considering the Authority's Operational Plans and associated expenditure requirements for 2006/07 and 2007/08 over the last two months. Expenditure forecasts for "core" elements of activity, such as permanent staff and Board salaries, accommodation and Board support, and general running costs have also been developed for these two years.
2. As this process nears completion, it is considered appropriate for current budget forecasts to be presented to the Committee for consideration.

### Income

3. The Authority's main source of income, grant-in-aid allocated by the Scottish Executive, has been determined for the two-year period in question as part of their Spending Review settlement finalised in October 2004. The Committee was informed of the Authority's resource allocation for the period 1 April 2005 to 31 March 2008 at its meeting in November 2004. The Authority's resource allocation from the Scottish Executive for the next two years is £4.3m for 2006/07 and £4.5m for 2007/08.
4. In response to a bid to the Scottish Executive for End-Year Flexibility (EYF) to allow carry-forward of resources from 2004/05 into 2005/06, the Authority was informed that an additional £115,000 had been allocated to it in both the current year, 2005/06, and in the next year, 2006/07.
5. The Authority has also agreed to a 50:50 share of planning fees for those applications which the Planning Committee calls-in for determination. Accordingly, we are now budgeting for that income on an annual basis and have added an estimate of £45,000 in planning fees for 2006/07 and £48,000 in 2007/08. These estimates are based on actual planning fee receipts of £42,000 in 2004/05.
6. The total income forecasts for 2006/07 and 2007/08 are summarised in Table One.

*Table One: Summary Income Forecasts for 2006/07 and 2007/08*

Income Source	2006/07 (£000)	2007/08 (£000)
Original Scottish Executive Resource Allocation	4,300	4,500
Additional Allocation following EYF bid	115	-
Share of called-in planning fees	45	48
<b>Total Income Estimates</b>	<b>4,460</b>	<b>4,548</b>

7. The Authority has also been successful in attracting a variety of third party funding to support expenditure on a number of its operational activities. As these contributions

match specific items of expenditure, they have not been included in the budget estimates presented here.

## Core Expenditure

### *General Inflation Assumptions*

8. A general inflation assumption has been made to cover price increases over the budget period. Price increases of 2.5% per annum have been assumed, in line with the upper limit of the UK Treasury's annual inflation target of 2% +/- 0.5%. On the whole, running costs have been increased in line with this inflation assumption over both years. Expenditure estimates have also been adjusted to reflect the anticipated consequences of staffing changes considered below.

### *Staffing Levels*

9. In presenting the Corporate Plan for 2005 to 2008 to the Board in February, the Chief Executive indicated that it was expected that an average of 53 full-time equivalent (fte) staff would be required to deliver plans over the period. The Chief Executive proposed, however, that the Management Team would seek to keep average numbers at around 50. Approval was given for the Chief Executive to deploy staff resources over the corporate plan period in line with the budget proposals, which represented a maximum for staff costs.
10. The Authority's current staffing total is 59 posts; this includes 11 fixed-term project posts (which are not funded through the CNPA's staffing budget but by separate project budgets, comprising contributions from a range of partners).
11. Core staffing, funded through GIA, is therefore 48 posts, of which 2 are filled by secondments (and are therefore time limited). The 48 core posts equates to 45.7 ftes.
12. The core staffing complement therefore remains 4.3fte below the average at which the Management Team seeks to operate, and over 7fte below the average staffing base developed for the Corporate Plan to 2008.
13. Monitoring of operational plan expenditure in 2005/06 continues to indicate some difficulty in delivering the various Operational Plan expenditure proposals. Operational Plan expenditure budgets amount to some £1.6m in the period. Much of this difficulty relates to the simple fact that delivering programmes requires input of time from staff. There is a strong sense within the management team that a small number of additional staff are still required to achieve the necessary balance between establishing sufficient staff time to enable activities to run; outsourcing activities where that remains the means of delivering with and achieving best value from resources; and provision of direct financial support to facilitate stakeholder and community provision.
14. Currently some 5 posts (5fte) have been proposed for future recruitment, as follows:
  - a) *Planning Assistant (Band 4)* – Development control is a statutory function, and we are required to meet delivery targets. The quality of advice from officials is high, but is time consuming, partly because of the nature of the

cases called in (which tend to be the more complex ones), and the quantity. We are making good progress in the turn-around time for dealing with cases, but have been reliant on high levels of overtime, and the goodwill of staff. The current arrangements are not sustainable, and we will continue to struggle to process cases in good time. Extra resources are essential if we are to provide a good development control service - the proposed post will take some of the burden off the DC officers.

- b) *Access Officer (Band 3)* – delivery of our statutory function as Access Authority was always considered to need 3 access officers, but we have only appointed 2 initially. It is clear that we will need a third to cope with the growing demands of the caseload, servicing the CLOAF, developing the Core path plan, and support for pathwork projects.
  - c) *Landscape Adviser (band 2-3)* – The CNPA needs access to sound landscape advice in dealing with planning cases, the local plan, and developing landscape policy. Such advice must be capable of withstanding scrutiny at an Inquiry, and therefore must be backed by recognised expertise. We can buy in expertise for significant cases, but we need access to advice on a more constant and immediate basis for day to day planning case work. We have been conscious of the need to avoid duplication, but it is clear that SNH do not have sufficient capacity to share with us. Additional capacity is required across the Park area, and we propose to acquire that, but share out the landscape advice work with SNH in a way that avoids duplication.
  - d) *Land Management - 2 posts (around Band 3)* – The Land Management Group is currently under-staffed. While precise needs are still being fully defined (and we will not recruit until we are sure what we need) it is very likely that we will need some more staff to meet the challenges of Land Management Contracts, Integrated Land Management schemes, an input on forestry, and an integrated approach to deer management issues.
15. The above 5 posts would take our complement of core staff to slightly over the target average 50 ftes referred to above, by 0.7fte. The following factors need to be kept in mind in considering this point.
16. Firstly, we wish to use as much of our budget as possible to “do” things, in the sense of delivering change in an obvious and often tangible way. This is not possible without people to do it, and while this can sometimes be done through others, this is not always the case – other organisations often do not have the staff time, or may not have the expertise. There is therefore a balance to be struck in the staffing levels of the organisation – we want to be “lean”, but taken to extremes, that can lead to ineffectiveness.
17. Thirdly, we are mindful of the delivery of agreed operational plan goals as reported quarterly to the Board. Two of the Authority’s seven priority 1 goals are delivered primarily by staff in the Planning and Development Control Group: adoption of a local plan for Cairngorms National Park by Spring 2007; and establishment of an effective and efficient development control service, seamlessly blending planning policy and the Park aims. Delivery of the latter of these two goals over the first half of 2005/06 has

been highlighted as “amber” and therefore at some heightened risk of non-delivery as a result of delays in intended timetable for action. Delivery of the former goal is also planned to very tight timetables and is highly dependent on staff resources for delivery. Provision of additional qualified support to the Authority’s Development Control Officers is being considered as key support to delivery of both these goals.

18. Finally, nothing is constant – the CNPA will continue to develop and change as an organisation in response to the inevitable changes around it. Projects and key areas of activity will ebb and flow, so that the priorities will change every few years. The National; Park Plan is the most obvious example; equally, the need for administrative resources for a newly created organisation will be front end loaded. So over time, the deployment of existing staff is likely to change to meet new demands, rather than necessarily recruit new posts.
19. There are arguments for various other posts, but for the moment we continue to buy-in various services (print/design; website services; legal advice; audit), and will keep the efficiency of these under review. We also continue to use secondments and fixed term posts as appropriate, to ensure we have flexibility in the future.
20. The budgetary consequences for these 5fte staff are estimated at £98,000 for 2006/07 (after allowing for some staff taking up post part way into the year) and £160,000 for the full year of 2007/08.

### ***Staff Salary Levels***

21. The Committee approved the financial consequences of the Authority’s Performance Related Pay (PRP) scheme at its meeting in November 2005, that scheme having previously been approved by the Staff Consultative Forum and Staffing and Recruitment Committee. The proposals will be implemented with effect from 1 April 2006, subject to final approval by the Scottish Executive. As indicated in the paper to the Committee in November, the effect of the PRP process, i.e. of incremental salary increases subject to satisfactory performance, has been forecast at around 3.4% per annum and the budget forecasts have accommodated this increase.
22. The estimated effect of the salary changes arising from the PRP proposals is £65,000 in 2006/07 and £67,000 in the following year.
23. A budget allowance has also been established to allow for increases to all salary scale points to reflect inflation, in line with the general inflation assumption set out at point 8.
24. The combined effect of cost of living (inflationary) pay increases and incremental movement of salaries upward within salary bands based on performance appraisal is therefore in the order of 6% for both years under consideration.
25. Budget provision has also been made for known changes in employers’ pension contributions. Contribution rates have been made available for 2006/07, with increases notified on rates for 2005/06. Estimated contribution rates for 2007/08 have been fixed at 2006/07 levels for the time being. Current pension contribution rates average at 19.2% of salaries across the organisation, with this likely to increase to 20.1% from 1 April 2006.

26. Employers' national insurance contribution rates have been estimated at currently applicable rates, averaging 9.3% of salaries. No information on proposed changes to contribution rates is available at this stage.
27. Table Two summarises the changes in payroll levels arising from these combined budgetary considerations over the next two years. Staff payroll remains below that projected within the Corporate Plan throughout the period.

**Table Two: Total Budgeted Staff Payroll Forecasts for 2006/07 and 2007/08**

	<b>2005/06 Outturn Estimate (£000)</b>	<b>2006/07 Forecast (£000)</b>	<b>2007/08 Forecast (£000)</b>
Staff Payroll: current budget forecast	1,688	1,997	2,074
February 2005 Corporate Plan Forecast	1,957	2,092	2,088

***Accommodation Provision***

28. Provision of accommodation represents the only additional anticipated "step change" within the Core expenditure provision for 2006/07 and 2007/08.
29. The need for additional accommodation is set out in some detail in a separate paper for the Committee's consideration. In summary, the accommodation need arises from strain on existing availability compounded by the need to accommodate new staff proposed, as set out in the above section.
30. Ongoing additional costs of accommodation are currently estimated to be in the region of £20,000 per annum in each of the next two years.

***Core Expenditure: Summary***

31. Total projected expenditure on core running costs for the Authority is summarised in Table Three.

**Table Three: Core Expenditure Estimates Summary 2006/07 and 2007/08**

	<b>2005/06 Outturn Estimate (£000)</b>	<b>2006/07 Forecast (£000)</b>	<b>2007/08 Forecast (£000)</b>
Board expenditure	249	258	266
Staff Payroll: current budget forecast	1,680	1,997	2,074
Other staff-related expenditure	225	270	215
Office running costs and equipment	370	437	460
Depreciation and Notional Interest	127	128	128
<b>Total</b>	<b>2,651</b>	<b>3,090</b>	<b>3,143</b>

## Operational Plan / Programme Expenditure

32. The Management Team has been considering the operational plans for 2006/07 and 2007/08 in light of the foregoing analysis of resources. This work has yet to be finalised, but control budgets for the next two years are set out in Table Four and compared with forecast provision originally set out in the Corporate Plan.

*Table Four: Operational Plan Budget Totals 2006/07 and 2007/08*

	<b>2005/06 Outturn Estimate (£000)</b>	<b>2006/07 Forecast (£000)</b>	<b>2007/08 Forecast (£000)</b>
Operational Plan Budget	1,578	1,370	1,405
Initial Over-programming allowance	100	250	250
Total initial expenditure plans	1,678	1,620	1,655
February 2005 Corporate Plan Forecast	1,395	1,235	1,395

33. A decision has been taken to build in additional over-programming at the outset of the operational plan period, to allow for future slippage in activity plans. This will, of course, require careful management of operational plan commitments as the year progresses in order to ensure overspends are avoided.
34. Operational Plan Budgets remain at or above forecasts set out in the Corporate Plan approved in February 2005.

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