

## CAIRNGORMS NATIONAL PARK AUTHORITY

### Minutes of the Finance Committee

Held in Kingussie,  
On Friday 4 November 2005, 9:15 am

#### Present

Eleanor Mackintosh (Chair)                      Joyce Simpson  
Gregor Rimmell                                      Bruce Luffman

#### In Attendance

David Cameron                                      Jane Hope

#### Apologies

David Selfridge

#### Welcome and Apologies

1. The Chair welcomed everyone to the meeting and noted apologies as above. The Chair indicated that the meeting was not being held as a public meeting as the main subject for discussion was a staffing matter.
2. The Chair indicated that each Committee was due to appoint a Chair following the Board's agreement to revised remits and membership. The Chair stated that she had discussed this issue with the Head of Corporate Services prior to the meeting, and they had agreed that the Chair should be appointed at the next full, public meeting in order that it may be highlighted to members in advance on the agenda. Members agreed to this course of action.

#### Minutes of Previous Meeting

3. The minutes of the meeting held on 9 September 2005 would be considered at the next open Committee meeting in December.

#### Performance Related Pay System: Financial Implications (Paper 1)

4. David Cameron introduced the paper, which sought approval for the financial consequences of the Authority's proposed Performance Related Pay (PRP) system.
5. The operation of the PRP system itself had already been the subject of a report to the Board's Staffing and Recruitment Committee. The report had been circulated to

Finance Committee members, as an Annex to the paper now under consideration, for information. The format of the PRP system and its operation was not therefore, a matter for consideration by the Finance Committee, as these matters had previously been resolved by the Staffing and Recruitment Committee. However, in approving the proposed PRP system, the Staffing and Recruitment Committee had recognised that the financial implications of the PRP system would have a material impact on the Authority's budget and had therefore requested that the Finance Committee consider this point.

6. The paper set out the initial modelled annual costs of the PRP system, which amounted to £50,000 in salaries, plus some £13,000 in additional employer's pension and National Insurance contributions. These figures were based on the existing 2004/05 salary structure as the pay award for 2005/06 had yet to be finalised.
7. David Cameron highlighted the final section of the paper, which indicated that there is a strong staff expectation within the Authority that upward salary movement through the pay points within their salary band will be available to them by some means. Strong guidance on this received from the Scottish Executive was that any incremental increases in salary should be linked to performance. While the costs of salary increments had been labelled as the financial consequences of a PRP system, it was very likely that salary increases arising from upward incremental movements would have to be recognised in the Authority's financial plans in one way or another.
8. In discussion, the following points were raised:
  - a) As the push to PRP arose from the Scottish Executive's requirement that the Authority link pay to performance, there should be appropriate reflection of the cost of doing so in the Authority's Resource Allocations. Members acknowledged that allocations had been fixed through to the end of the 2007/08 financial year, but asked whether a bid for additional resources may be successful.
  - b) The Authority's financial situation was likely to become increasingly tight, with many public bodies already set targets for annual efficiency savings to be made from expenditure. While the Authority had not been set a specific target for efficiency savings at present as a consequence of its very recent development, it was entirely possible that such targets may be set for the future. In light of this wider public funding context, bids for additional funding were always possible but could not be given a high probability of success.
  - c) The additional pay costs to the Authority would represent opportunity costs elsewhere, with some activities not able to be delivered as a result of a lack of resources following increases in payroll levels.
  - d) The Authority's pay bands were significantly longer than those of local authorities and the incremental increases would therefore add costs over a longer period than those in local government. It was acknowledged that local authority staff generally received incremental pay increases automatically,

without any form of performance appraisal. Local authorities were also much larger organisations, offering many more opportunities for career and salary progression through internal promotion.

- e) Members considered whether the proposed additional date for incremental increases part way through the financial year for some new joiners was necessary, leading to a potential for two incremental salary increases to be received in an 18 month period. David Cameron indicated that this arrangement dealt with increments not being awarded to staff who were still in their probationary period. Without such an arrangement, a member of staff recruited in October would have to wait for up to 18 months to have any performance in their post recognised by the PRP system, while a colleague recruited in September would be eligible for an increment the following April, just over 6 months after appointment. There was, therefore, a case to address individual equity between staff. There was some further discussion on how usual such an arrangement was in organisations. The arrangement was not expected to have a material effect on the financial consequences of the PRP system, with the organisation now moving into a phase of much lower ongoing recruitment. The implications of this element of the PRP system were unlikely to exceed £5,000 per annum.
- f) Members noted that the PRP system would not become operational until the 2006/07 financial year. Therefore, there were no financial consequences for the 2005/06 budget.
- g) Members noted that the financial consequences of incremental pay increases through the PRP arrangements would be in addition to cost of living increases on pay. David Cameron agreed this point, indicating the cost of living pay increases had not been included in the paper in order to focus on the budget implications of incremental increases in pay alone. Additional cost of living increases would have to be negotiated on an annual basis, within overall affordability to the Authority and within public sector pay guidelines.
- h) Members suggested that it was difficult to consider the financial consequences of the proposals without a broader budgetary context. David Cameron accepted this point, and indicated that a paper on the budget forecasts for 2006/07 and 2007/08 would be coming forward to the next meeting of the Committee in December. However, as there was a need to progress the PRP proposals through the Staff Consultative Forum later in November and then to the, Scottish Executive he did not want to delay consideration of the issue until December.
- i) Members noted the situation highlighted previously that, having recruited staff into pay bands with incremental salary points, there was a requirement to provide for salary progression and accept the financial consequences of that.
- j) Members discussed whether the correct order of presentation for such items in the future would be for the proposals to be considered by the Finance Committee first and then the Staffing and Recruitment Committee. David

Cameron indicated that as Head of Corporate Services he understood part of his role being to coordinate consideration of combined Human Resource and Finance issues. Were there to be significant reservations expressed on the financial consequences of this or other proposals then he would arrange either to take matters back to the Staffing and Recruitment Committee or arrange for a joint discussion.

9. Members agreed the financial consequences of the proposed PRP system.

#### **2004/05 Accounts**

10. David Cameron took the opportunity to verbally update the Committee on progress with the accounts for 2004/05.
11. Following a lengthy dialogue with the Scottish Executive, it was apparent that the Authority would not be able to accrue grant due to pay 2004/05 accrued expenditure. The Scottish Executive expected grant to be accounted for on a cash basis, although all other items of income and expenditure were accounted for on an accruals basis.
12. This would result in the need to show a deficit on the Income and Expenditure account, although an explanatory table would be added to the Annual Report to explain the position and reconcile the financial accounts with the accrued budget underspend of £117,000 previously reported to the Committee.
13. As draft accounts had been presented to the Board in October, a note explaining the change would be circulated.
14. Members accepted the need to revise the accounts.

#### **Date of Next Meeting**

15. 2 December 2005 in Ballater.