

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DISCUSSION

Title: 2008/11 Budget Development

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Purpose

To consider a number of key issues in development of financial and staffing plans for the coming three-year period, in order to inform development of the Corporate Plan and associated budgets for 2008 to 2011.

Recommendations

The Committee is invited to consider the following points for discussion:

- a) Does there continue to be a need to set a ceiling on staff numbers or a guideline limit on total Core costs? If so, what are the perceived merits of doing so?
- b) What are the financial advantages and disadvantages of maintaining a level of flexibility in the staffing structure?
- c) In anticipation of the proposed 2% efficiency saving target being implemented by the Scottish Government, where would the Committee wish the Management Team to focus their attention in seeking to realise these savings?

Executive Summary

The balance of expenditure between staff and other "Core" costs and the amount of resource available to invest in Operational Plan activities has been a regular point for discussion by Committee members. This paper is intended to facilitate that discussion in the lead up to concluding the Corporate Plan and associated budget for the coming three year period.

The outcome of these discussions will be used to inform the budget for the coming three year Corporate Plan period, which are due to be brought to the next meeting of the Committee.

2008/11 BUDGET DEVELOPMENT FOR DISCUSSION

Background

1. The Committee considered a model of forecast income and expenditure over the forthcoming corporate plan period, 2008 to 2011, at its meeting in September 2007. This model was updated, on the basis of draft resource allocations made available as part of the Scottish Government's draft budget announcement, in a subsequent paper to the Committee on 30 November 2007.
2. The purpose of this paper is to provide an update on the current staffing position of the Authority, and in particular on the potential flexibility within the staffing structure were it deemed essential by the Board to reduce expenditure on in-house staff.
3. The Committee meeting on 30 November also agreed the need to discuss how the Authority can incorporate expenditure on projects which may have long term financial commitments into the Authority's financial model and Operational Plan. This paper is also intended to help support that discussion.

Focus of Discussion

4. The balance of expenditure between staff and other "Core" costs and the amount of resource available to invest in Operational Plan activities has been a regular point for discussion by Committee members. This paper is intended to facilitate that discussion in the lead up to concluding the Corporate Plan and associated budget for the coming three year period. Key points for discussion appear to be:
 - a) Does there continue to be a need to set a ceiling on staff numbers or a guideline limit on total Core costs? If so, what are the perceived merits of doing so?
 - b) What are the financial advantages and disadvantages of maintaining a level of flexibility in the staffing structure?
 - c) In anticipation of the proposed 2% efficiency saving target being implemented by the Scottish Government, where would the Committee wish the Management Team to focus their attention in seeking to realise these savings?

Budget Structure

5. The Committee will by now be familiar with the split of the Authority's budget between "Core" and "Operational Plan" aspects of its activities. Core budgets cover recurring annual costs such as Board members' fees, staff salaries, training and development activities and other annual costs such as office rent and audit fees. Operational Plan budgets cover more one-off or time limited activities and projects.

6. While split for accounting and budgeting purposes, these aspects of the Authority's activities are nevertheless closely linked in operational terms. Core staff involvement is essential to management, development and delivery of the Operational Plan activities, whether those activities ultimately result in some form of collaborative project, research, or grant. Often delivery of an Operational Plan activity may be the result of the investment of core staff time (along with associated infrastructure support) in engaging with partners in order to deliver outputs through others. Some staff may also have part or all of their salary costs directly attributed to an Operational Plan activity.
7. Draft forward budget forecasts presented to the Committee to date have broadly aimed at maintaining the current balance between the provision for core and operational plan expenditure, of 65% and 35% of resource respectively. Current forecast of provision for each of these budget areas, as presented to the Committee on 30 November, is summarised again in Table One below.

Table One: Summary of Forecast Core and Operational Plan Expenditure 2008/11

	Core activities (£000)	Staff costs included in Core (£000)	Operational Plan provision (£000)	Total Cash Expenditure (£000)
2007/08 (for comparison)	2,974	2,043	1,682	4,656
2008/09	3,065	2,115	1,716	4,781
2009/10	3,158	2,189	1,750	4,908
2010/11	3,254	2,266	1,785	5,039

8. The Authority has continued to operate to date within a ceiling of 50 FTE Core staff, and forward budget projections set out in Table Two (and in previous papers on future budget development to the Committee) remain at this overall establishment level. While Core staffing projections for the coming year are currently estimated at £2.115m, the Authority's forecast total paybill for 2008/09 is some £2.26m. This figure includes some 6.1 FTE project staff engaged in Operational Plan activities who are managed by the organisation and on the payroll.

Staffing Structure

9. In developing the Authority's staff structure over the last few years, the Management Team has sought to ensure that contractual arrangements are used which are appropriate to the requirements of the organisation and commensurate with the anticipated duration of the activities concerned. Hence a number of project and core posts have been established on the basis of fixed-term contracts. The use of fixed-term secondments from partner organisations as a recruitment method has complemented these contractual arrangements, overcoming difficulties frequently

encountered by organisations when seeking to appoint staff into relatively short term (2 years or less) fixed term posts.

10. Through using these fixed-term contractual arrangements where appropriate, the Management Team has sought to preserve ongoing flexibility in deployment of financial and staff resources. This recognises and provides for the potential changes in priorities which may arise for the organisation over time, and / or changing skill-sets which may be required by the Board to achieve objectives.
11. The result of this in-built flexibility in staffing contracts is set out in Table Two. The table sets out the total full-time equivalent (FTE) staff posts falling for review at the end of current contract terms over the next three year period, together with associated expenditure in terms of total paybill (salary plus employer's pension and National Insurance Contributions). For completeness, where length of service is such that a redundancy payment would be due were the contract not extended, the statutory redundancy costs are also shown. For each year, figures are presented for both the potential flexibility in the year in question (i.e. taking into account the point in the year that contracts are due to complete) and the full year effect. For example, were a contract with a paybill effect of £50,000 due to expire on 30 September (half way through a year) the potential flexibility available to the organisation in either varying the role or concluding the activity and diverting the financial resource elsewhere would be £25,000 (0.5 FTE). The full year effect – the flexibility available for the next full financial year – would be the full £50,000 (1 FTE).

Table Two: Staff Contracts Due For Revision 2008/11

	2008/09	2009/10	2010/11
Potential Flexibility in Year:			
Paybill	297,776	2,754	60,643
FTE	8.48	0.09	1.50
Redundancy	9,145	930	5,425
Full Year Effect:			
Paybill	361,079	16,523	84,733
FTE	9.11	0.53	2.00
Redundancy	9,145	930	5,425

12. Of course it is not possible to simply take out all posts from the Authority's staffing establishments whenever these contracts expire without having a significant, adverse effect on the Authority operational performance and effectiveness. The expenditure figures highlighted should not, therefore, be looked at as presenting opportunities to make cost reductions of equivalent amounts in all cases. However, the contract end dates do provide points of flexibility where it is appropriate to evaluate activity, consider whether it is appropriate to alter focus, or, indeed, to cease an activity.

Efficiency Savings

13. The Authority has yet to receive any further information on the operation of the 2% efficiency savings built into the Scottish Government's draft budget for 2008 to 2011. Given the normal focus for efficiency saving measures, it is likely that the application of these savings over the course of the coming 3 year period will be on areas of core operations. Consequently, it is likely that Operational Plan provision will begin to account for an increasing proportion of total cash expenditure as efficiency measures are applied.

Long-term Financial Commitments: Budgetary Control Measures

14. In order to ensure that sufficient flexibility remains in determining priority investments in each year's Operational Plan, the Management Team has implemented a restriction that future years' financial commitments arising from multi-year projects should not exceed 30% of current budget. This seeks to ensure that even in years where there is some uncertainty over future funding levels, there should be sufficient scope to incorporate new priority investments for the coming year.

Focus of Discussion

15. In light of the information set out in the preceding sections, the Committee is invited to consider the key points for discussion highlighted at the outset of the paper:
 - a) Does there continue to be a need to set a ceiling on staff numbers or a guideline limit on total Core costs? If so, what are the perceived merits of doing so?
 - b) What are the financial advantages and disadvantages of maintaining a level of flexibility in the staffing structure?
 - c) In anticipation of the proposed 2% efficiency saving target being implemented by the Scottish Government, where would the Committee wish the Management Team to focus their attention in seeking to realise these savings?

Next Steps

16. The outcome of these discussions will be used to inform the budget for the coming three year Corporate Plan period, which are due to be brought to the next meeting of the Committee.

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