

**CAIRNGORMS NATIONAL PARK AUTHORITY
FINANCE COMMITTEE**

FOR DISCUSSION

Title: 2006/07 BUDGET

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Purpose

To provide Members with an update on the budget position for the 2006-07 Financial Year, together with a guide to the budget for 2007-08.

Recommendations

- That the Committee consider the updated position for the 2006/07 budget.

Executive Summary

- a) Budget allocations for 2006/07 and 2007/08 were previously agreed by the Committee in December 2005. This paper provides an update to the budget position since that time.
 - b) Scottish Executive funding is £4.3m for the current year and £4.5m for 2007-08. In addition we are to receive supplementary income of £215,000 in the current year (see para. 2).
 - c) The total effect of changes in income and expenditure budgets is a budget position which is over-programmed (i.e. potential expenditure exceeds budgeted income) by £123,000, compared with a working estimate in December of £250,000. We suggest this remains a reasonable level of over-allocation at this relatively early stage in the year
 - d) The second review of operational plan delivery and budget commitment will inform the next finance monitoring report to the Committee in July. At this stage, we plan to look very closely at progress in developing specifications and tender proposals for projects, with a view to ensuring budgets are fully committed by the end of the financial year, while budgets in areas not able to be delivered by 31 March 2007 are recovered to begin to reduce levels of over-programming.
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2006/07 PROPOSED BUDGET – FOR DISCUSSION

Background

1. The Committee has previously agreed budget forecasts for 2006/07 and 2007/08, as set out in a paper in December 2005. The Committee has also considered plans for management and monitoring of the financial allocations made to operational plan activities at its meeting in February 2006. The primary purpose of this paper is to set out more detailed estimates for elements of the Authority's "Core" expenditure over the course of 2006/07, against which financial activity will be monitored, and to update the Committee on the latest position on 2006/07 budgets.

Introduction

2. The annual Resource Allocations given to the Authority by the Scottish Executive is £4.3m for 2006-07 and £4.5m for 2007-08. In addition we will receive supplementary funding of £215,000 in 2006-07 only. This comprises:
 - a) The final instalment of the End Year Flexibility (EYF) payment that was awarded for two years from April 2005, (£115,000); and
 - b) carry forward of monies from 2005-06 under the Centrally Unallocated Provision (CUP) rules, (£100,000).
3. The Authority incurs two main types of expenditure:
 - a) Core running costs covering administrative expenditure such as Board costs, staff salaries, office running costs and capital expenditure; and
 - b) Programme expenditure that covers expenditure on the Operational Plan that is spent in meeting Corporate Plan goals.
4. Core expenditure tends to be relatively fixed monthly expenditure whilst the amount spent on Programme expenditure can vary from month to month depending on activity being undertaken.

Methodology and assumptions

5. A budget agreed by Committee in December 2005 has been updated for known changes, with a comparison of the results set out in the following table:

	see para.	Current forecast £'000	December forecast £'000
Scottish Executive Resource Allocation	2.	4,300	4,300
EYF and CUP monies	2.	215	115
Planning fees, bank interest and other income	6.	75	45
Total income		4,590	4,460
Core (inc. notional costs & depreciation)	7.	3,075	3,090
Programme (including over-allocation)	8.	1,638	1,620
Total expenditure		4,713	4,710
Deficit		-123	-250

6. Other income has been increased, in reflection of higher planning fee income over the previous year than initially budgeted, and an assumption of similar levels of fee income in 2006/07 as received in 2005/06. Funds transferred into the Centrally Unallocated Provision (CUP) in 2005/06 have now been built into the 2006/07 budget, now that the emerging 2005/06 outturn figures confirm that the £100,000 transferred was not required to fund 2005/06 expenditure.
7. Salary costs remain exactly the same as forecast in December and the main change to the Core budget has been the transfer of costs for the Board elections to be held this year (£38,000) from the Core to the Programme budget.
8. In line with our planned Operational Plan monitoring timetable, an initial review has been undertaken of all action plans completed for planned activities in 2006/07 and a first assessment undertaken of the likelihood of budget allocations being committed by the end of the financial year. This has resulted in a number of budget areas being amended, with some budgets recovered for varying reasons and supplementary budget allocations funded from this released resource as work on Operational Plan activities begins to better inform resource requirements. Total Operational Plan changes have led to a slight (£18,000) increase in budget allocations.
9. The total effect of changes in income and expenditure budgets is a budget position which is over-programmed by £123,000 (i.e. potential expenditure exceeds budgeted income) compared with a working estimate in December of £250,000. We suggest this remains a reasonable level of over-allocation at this relatively early stage in the year, and indeed would be comfortable with that level rising slightly over the remaining first quarter of the year.

Core expenditure

10. Annex 2 shows a more detailed breakdown of Core expenditure. Budget monitoring information will be presented to Committee over the course of the year in line with this more detailed split of areas of expenditure, as requested by members at their previous meeting.

Staff salaries

11. Corporate Services are currently consulting with staff and the Scottish Executive on the development of a pay remit to cover staff pay awards for 2006/07 and possibly 2007/08. The Committee was informed, in December 2005, of the budgetary provision made to accommodate cost of living increases and the movement of staff through pay bands in line with the Authority's Performance Related Pay scheme. The pay remit under development continues to work within the ceiling of 6% of salary costs established as an element of that agreed budget.
12. One further significant element of salary costs is employers' superannuation contributions. We are forecasting this to be 20.5% of gross salary in 2006-07 compared with 19.2% in 2005-06. Members will recall that there was a large increase in this cost from 2004-05 when it was 14.3% of gross salary but information we have received from the Civil Service Pension Scheme indicates only a modest increase is required this year.

Other Core expenditure

13. Other staff costs are forecast to fall reflecting a reduction in recruitment as the Authority reaches its planned staffing level. We are also looking at ways to reduce the cost of advertising which is the main recruitment cost.
14. Office costs rise in 2006-07 since part of the Corporate Services Group is now based in Morlich House. There has been a reduction in costs on maintenance since the 2005-06 accounts included a one-off charge.
15. Capital costs in 2006-07 are expected to rise since leases on three pool cars expire in the year and it may be beneficial for us to buy replacements.

Programme expenditure

16. Anticipated spend on the Operational Plan is as follows:

Actual 2003/04 £'000	Actual 2004/05 £'000	Draft 2005/06 £'000	Budget 2005/06 £'000	Forecast 2006/07 £'000
267	944	1,601	1,638	1,655

17. For each line of the Operational Plan with a financial spend, a detailed Action Plan has been drawn up which, as well as the timing of payments, has individual milestones against which progress can be monitored. These will give an early warning if the project is dropping behind schedule and a decision can be made as to whether the project will catch up or whether it should be cancelled and the available funds transferred to another area.
18. Management Team have reviewed the Operational Plan detail and the next quarterly review is scheduled for June with a Q1 Operational Plan update being given to the Board in August. The second review of operational plan delivery and budget commitment will inform the next finance monitoring report to the Committee in July. At this stage, we plan to look very closely at progress in developing specifications and tender proposals for projects, with a view to ensuring budgets are fully committed by the end of the financial year, while budgets in areas not able to be delivered by 31 March 2007 are recovered to begin to reduce levels of over-programming.

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May 2006

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CAIRNGORMS NATIONAL PARK AUTHORITY
Finance Committee Paper 2 Annex 1 06/05/05

CNPA						
Income & Expenditure account (2003-2007)						
	Historic			Future years		
	Actual 2003-04 £'000s	Actual 2004-05 £'000s	Draft 2005-06 £'000s	Forecast 2006-07 £'000s	Forecast 2007-08 £'000s	see para. no.
<u>Income</u>						
Grant in Aid (GIA) from SE	1,926	3,111	4,188	4,502	4,287	
Other income	1	42	75	75	45	
GIA to meet notional costs	3	11	110	13	13	
Total income	1,927	3,164	4,373	4,590	4,332	
<u>Core Expenditure</u>						
Board costs	235	238	248	258	266	
Staff salaries	492	1,308	1,678	1,997	2,074	
Staff (other costs)	285	312	248	225	215	
Office costs	199	368	398	412	440	
Capital expenditure	432	111	14	55	20	
	1,643	2,337	2,586	2,947	3,015	
<u>Programme Expenditure</u>						
Projects - managed by CNP	-	-	-	-	-	
Park objectives	-	-	-	-	-	
	267	944	1,601	1,638	1,655	
Notional costs	3	11	12	13	13	
Depreciation	44	90	110	115	115	
Total expenditure	1,957	3,382	4,309	4,713	4,798	

CAIRNGORMS NATIONAL PARK AUTHORITY
Finance Committee Paper 2 Annex 2 06/05/05

CNPA						
Core expenditure (2003-08)						
	Historic			Future years		
	Actual	Actual	Draft	Budget	Forecast	see
	2003-04	2004-05	2005-06	2006-07	2007-08	para.
	£'000s	£'000s	£'000s	£'000s	£'000s	no.
<u>Board costs</u>						
Board member salaries	183	188	192	198	206	
Other costs	52	50	56	60	60	
	235	238	248	258	266	
<u>Staff salaries</u>						
Core staff	492	1,308	1,678	1,997	2,074	
<u>Other staff costs</u>						
Recruitment	227	117	81	45	25	
Relocation	4	70	30	30	10	
Professional subscriptions	-	1	2	5	5	
Training	11	55	64	70	80	
Conferences & courses	-	6	6	10	15	
Pool cars	8	22	26	35	40	
Travel and subsistence	35	41	39	30	40	
	285	312	248	225	215	
<u>Office running</u>						
Standing charges	53	79	95	125	130	
Utilities	10	15	10	17	20	
Stationery	14	18	32	30	35	
Other supplies	11	19	34	15	20	
Maintenance	2	12	41	20	20	
Postages	6	10	12	15	15	
Telephone	13	17	23	25	30	
Computer support	24	91	48	50	50	
Library	2	6	9	10	15	
Professional support	64	100	91	100	100	
Corporate expenses	-	1	3	5	5	
	199	368	398	412	440	
<u>Capital expenditure</u>						
Total capex	432	111	14	55	20	
Total expenditure	1,643	2,337	2,586	2,947	3,015	