

CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE COMMITTEE

FOR DISCUSSION

Title: FORWARD FINANCIAL PROJECTIONS

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Purpose

This paper sets out initial high level projections of anticipated changes in Scottish Government grant funding and illustrative cost pressures on current expenditure levels, to support early discussion on the Authority's future financial management.

Recommendations

The Finance Committee is requested to:

- a) Consider and discuss the Authority's future financial position in light of information on future grant funding proposals and illustrations of potential future cost increases;

Executive Summary

The Scottish Government published their proposed 2012/13 budget together with 2013/14 and 2014/15 forward financial plans in September 2011.

The Scottish Government's proposed budget for 2012/13 and future expenditure plans to 2014/15 indicates a cumulative reduction of £320,000 in grant funding by the end of 2014/15.

Additionally, a high level illustration of potential movement of the Authority's current cost base, allowing for pay and price inflation, highlights an illustrative £240,000 increase over this three year period.

The paper supports initial discussion by the Committee on the Authority's future financial position. More detailed work on establishing actual budgets and resource allocations for the coming year will be undertaken within the Corporate Planning process.

FORWARD FINANCIAL PROJECTIONS - FOR DISCUSSION

Background

1. The Scottish Government published their proposed 2012/13 budget together with 2013/14 and 2014/15 forward financial plans in September 2011.
2. This paper sets out a summary of the proposed grant in aid for the Authority in 2012/13 together with future projections.
3. The paper also sets out an initial high level overview of the Authority's future financial position in light of the Scottish Government's funding proposals and taking into consideration illustrative increases from pay and price inflation on the current cost base.
4. The paper aims to support initial discussion of the Authority's financial position by the Committee.

Grant Funding and Income Considerations

5. The proposed levels of future grant in aid funding from Scottish Government are set out in table one. Table one also compares proposed future grant levels with the actual funding level for 2011/12 and highlights the cumulative change expected over the coming three year period.

Table One: Changes in Grant in Aid Funding Expected 2011/12 to 2014/15

	2011/12 Actual (£000)	2012/13 Proposal (£000)	2013/14 Plan (£000)	2014/15 Plan (£000)
Grant in Aid	4,723	4,613	4,533	4,403
Change in funding		-110	-80	-130
Cumulative change in funding		-110	-190	-320
Capital Grant	33	33	33	33

6. In total, table one highlights an expected cumulative reduction in the Authority's grant in aid funding of £320,000 by the 2014/15 financial year.
7. Capital grant is expected to remain constant at £33,000 per annum.

Cost Pressures on Expenditure

8. In addition to reducing grant funding streams, the Authority will also have to consider adapting to increasing cost pressures. In particular, there is a need to consider potential increases in pay and prices over the period.
9. Table Two draws out the potential impact of some initial, very high level assumptions on the potential movement of pay and prices over the next three year period, on the basis of pay movement of 2.5% in 2012/13 and 3.5% in 2013/14 and 2014/15; and of price inflation of 4% in 2012/13 and 2.5% in 2013/14 and 2014/15.

Table Two: Potential Impact of Movement in Pay and Prices

Current Budget Expenditure position:	2011/12 Actual (£000)	2012/13 Forecast (£000)	2013/14 Forecast (£000)	2014/15 Forecast (£000)
Board and Staff Salaries	2,243	55	77	77
Other Board and staff expenditure	169	-	-	-
Office Running Costs	233	9	5	5
IT and Professional Support	137	6	3	3
Operational Plan funded by CNPA	1,938	-	-	-
Total movement in pay and prices		70	85	85
Cumulative movement in pay and prices		70	155	240

10. To be clear, the potential movement in costs set out above are for illustrative purposes only. No decisions have been taken as yet that will influence cost movements in these future years. Such decisions will form part of the forthcoming Corporate Plan and budgeting process.
11. The figures do highlight that with current high levels of inflation and some expectation of movement in pay even within fairly restricted public sector pay policy, there is potentially a cumulative impact of up to £240,000 increased cost pressures to manage within a context of reducing income streams.
12. This figure of £240k is based on an assumption that cost increases in other board and staff expenditure (training, travel and subsistence) and Operational Plan activities can be avoided through changes in budget management practices and design of project activities.

13. Implementation of further efficiency savings will be expected to offset at least an element of these projected pay and price increases.

Conclusion and Next Steps

14. Taken together, the reduction in grant funding and illustrative potential cost increases result in an impact on current budget levels of £180,000 in 2012/13; £345,000 in 2013/14; and £560,000 by 2014/15.
15. There are a number of controls already put in place to help manage this position.
16. The report on the control over future year Operational Plan commitments is set out elsewhere on the Finance Committee's agenda as a standing item. This control seeks to maintain flexibility in prioritisation of activities and associated resource allocation through limiting the level of pre-existing financial commitments within the Authority's future plans.
17. The authority also continues to manage its staffing base within an overall control threshold of 53% of total income, as previously agreed with the Committee. Indeed, the current 2011/12 staff base of £2.077 million is only around 38.8% of expected total income this year.
18. Management Team and Board have begun considering the shape and content of the next Corporate Plan for the Authority. Key resource allocation decisions will be made within that process, both at Board level and by the Committee.
19. The development of the Corporate Plan will take place over the period November 2011 to March 2012.
20. The conclusion of the consultation on the National Park Plan (NPP) and consideration of adjustments required to the NPP on the basis of comments made during the consultation process during December 2011 and early 2012 will also have a strong influence on the final shape taken by the Corporate Plan.

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