

**HISTORIC SCOTLAND BOARD, 26 FEBRUARY 2008**

HSB

Copy to: John Barber

**Corporate Plan 2008-09 to 2010-11**

1. The draft Corporate Plan has already been circulated together with a paper on the National Performance Framework. However I want to set out the funding position which underpins the draft plan and its implications as well as highlight a number of issues which the Board may wish to consider.

**Funding**

2. The available funding across the Corporate Plan period is shown below:

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
Scottish Government Funding	48.029	49.279	50.279
PIC Commercial Income (Underlying net of efficiency)	25.555	27.678	29.143
<b>Total Available Funding</b>	<b>73.584</b>	<b>76.957</b>	<b>79.422</b>
<b>Increase in funding</b>	<b>0.639</b>	<b>3.373</b>	<b>2.465</b>
Earmarked Funding (Pay, Heritage Bill and Stirling)	(1.0)	(2.250)	(2.0)
<b>Free Funding Increase</b>	<b>-</b>	<b>1.123</b>	<b>0.465</b>

3. Within the overall funding increase £1.0 million in each of the years is earmarked for the Stirling project. £0.250 million of the increase in 2009-10 is earmarked for the work on a future Heritage Bill. We believe we have to earmark £1.0 million per annum for pay increases, based on annual increases of 2% on the total paybill.

**Risks and Uncertainties**

4. The main risks and uncertainties over funding are:-

- 2% per annum increases in the pay bill are well below what has happened in recent years. There is risk that settlements may be higher.

- No provision has been made for inflation in non-staff costs, although this typically costs £0.6 million each year;
- None of the major contracts for Stirling has yet been let;
- If a merger with RCAHMS were ultimately to go ahead there could be significant upfront costs, although these would produce longer-term savings;
- The commercial income projection above assumes annual increases of 4.9 / 8.2 / 5.2 %: these could prove to be too high, or too low.

### **Key Strategic Questions**

5. Appendix A shows the breakdown of the 2007-08 budgets across the key business areas in the Agency. Given the level of available funding the draft plan has not proposed any major changes to what we do. The Board may wish to consider whether they feel this is appropriate. There are also a number of actions / initiatives which the Board may wish to consider. This list is by no means exhaustive.

- Should we accelerate the implementation of the retail strategy and what would that take?
- Should we try to establish some independent assessment of monument condition?
- Are we putting enough into the historic environment audit?
- Is the broad balance within the grants budget right?
- How far and fast could we go in devolving responsibility for casework to Councils?
- Should we be putting more resource into listing?
- How much effort should we put into research?
- Is the Plan going to tell a convincing story on green issues, particularly addressing our own emissions and increasing our understanding of the energy performance of buildings?
- How seriously should we be piloting the Monument watch scheme?
- Can we find, and tackle, another project which would materially increase our income?

### **Possible Areas for Releasing Funding**

6. There remains little flex within the Agency's budgets for releasing significant funding. Our commitment to the Stirling Castle Royal Apartments project effectively ties down PIC capital for the Corporate Plan period. One third of agency expenditure is on staffing and also not available for quick redistribution. The main area of discretionary spend which in theory offer some scope for flex is the grants programmes, which including archaeology grants total £15 million. There is however considerable potential pressures on the grants programmes with the reduced funding available from the HLF.

7. The agency target is to achieve £1.0 million cash releasing and recurring efficiency saving per annum. The target has not been applied directly to group budgets reflecting the different abilities and timescales of groups to deliver efficiencies. However the savings have already been deducted from the overall agency budget. It is proposed that as savings are achieved these will be pooled to meet emerging pressures or strategic priorities. SMT are still

to consider the mechanism for this. Provided that we find sufficient cash-releasing savings to meet the target, we will have a further £1.0 m / £2.0 m / £3.0 m. to allocate over the period.

### **Action required of Directors**

8. Directors are invited:

- To note the funding position and pressures set out at paragraphs 2 and 3 above;
- To consider the risks and uncertainties set out in paragraph 4;
- To consider the strategic questions at paragraph 5 above and to consider whether these are the key strategic questions to address; and
- To note and comment on our proposals for the efficiency savings reserve.

**Laura Petrie**  
**Director of Finance**

**21 February 2008**

## Corporate Plan 2008-11 – Main Blocks of Spend and Main Features

### Heritage Policy

£millions 2007 -08	Function/Activity	Main features
13.720	Grants	SHEP programme running down: small bill planned for 2009 or 2010: review scheduled of support for city heritage trusts
1.828	Policy and Development Assessment	

### The Inspectorate

£000s 2007 -08	Function/Activity	Main Features
5.858		Continuation of business improvement programme: refining of priorities for archaeology grants planned for 2008-09: need to replace Memorandum of Guidance on listed buildings and conservation areas; e-Planning and Casework system to be developed in 2008-09

### Properties in Care

£000s 2007 -08	Function/Activity	Main Features
13.276	Visitor Services and Business Development	Retail Strategy to be implemented progressively over period. Health checks planned of business areas not so far examined
5.039	Major Projects	Stirling Project 2008-09 – 2010-11
16.892	Conservation and Maintenance	Best Value Review of Professional Services scheduled in 2008-09
1.489	Understanding and Access	Strengthened team being put in place. Response required across PIC if Antonine Wall becomes WHS

### TCRE

£000s 2007 -08	Function/Activity	Commentary
2.828		Best Value Review of TCRE to be completed in 2008-09. Enhanced research programme on energy issues

**Corporate Services**

<b>£000s 2007 -08</b>	<b>Function/Activity</b>	<b>Commentary</b>
0.724	Chief Execs	No significant change planned
3.552	Human Resources	Best Value Options Appraisal Review to be completed in 2008-09
2.233	Finance	Best Value Options Appraisal Review to be completed in 2008-09