

CAIRNGORMS NATIONAL PARK AUTHORITY

FOR DECISION

Title: 2018/19 BUDGET AND OPERATIONAL PLAN

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Purpose

This paper sets out the Authority's financial position for the 2018/19 financial year. The paper presents the proposed financial allocations for 2018/19 for core income and expenditure, together with intended operational plan investment, and seeks Board approval to the budget and Operational Plan for 2018/19.

Recommendations

The Board is requested to:

- a) Consider the budget proposals for 2018/19 presented in this paper;**
- b) Subject to any suggested amendments, approve financial allocations for 2018/19.**

Executive Summary

This paper sets out an overview of the Authority's financial position for the 2018/19 financial and operational year – the first year of the Authority's new Corporate Plan 2018 to 2022, which will be under consideration as a separate item at this Board meeting.

The Authority has received an increased resource allocation from Scottish Government, with 2018/19 grant in aid provided at £4.764 million compared with £4.375 million on a like for like basis in 2017/18.

The paper highlights the main areas of resource deployment, including the significant value of staff time, for inclusion in the Operational Plan for 2018/19.

2018/19 BUDGET AND OPERATIONAL PLAN - FOR DECISION

Background

1. The forthcoming year, 2018/19 represents the first year of the Authority's Corporate Plan for 2018 to 2022 to be considered by the Board as a separate item at this meeting.
2. As discussed with the Board during the development phase of the Corporate Plan, the overall priorities and structure of the Plan remain fairly consistent with the previous strategic plan. A relatively large number of multi-year projects span these Corporate Plan periods. Consequently, there is a degree of continuation of resource allocation and investment across activities in the Operational Plan.
3. We also continue to work with other organisations to establish alignment of our resource investment against the Scottish Government's wider portfolio outcomes.
4. At the time of writing this paper, we are yet to receive confirmed figures on grant-in-aid allocation for the coming year from our Sponsor Team at Scottish Government. All grant figures are therefore based on figures included in the budget submitted to Scottish Parliament.
5. The following sections of the paper go on to discuss the specific issues around income, "core" running costs and Operational Plan investment proposals. The budget estimates have previously been considered by the Finance and Delivery Committee at its meeting in January 2018 and also during development stages by the Board in February 2018. Underpinning strands of delivery work being undertaken by the Authority and continuing into the coming financial year have been set out in both the Chief Executive's updates to each Board meeting and also in the Corporate and National Park Plan Update reports presented to Board.

2018/19 Budget: Income

6. The Authority's expected cash-based income for 2018/19 comprises primarily a revenue grant of £4.564m and capital grant of £0.200m, giving a resource allocation totalling £4.764m from Scottish Government.
7. We are also budgeting for a further £0.200 million income from other sources including planning fees, project contributions and other generated income.
8. Total budgeted, cash-based income for the coming year, 2018/19, is therefore £4.964m. This represents funding available to the Authority to support its on-going activities and Operational Plan spending plans.
9. Many of the activities led by the Authority generate financial contributions from a wide range of partners. Therefore, the Authority's total income and turnover by the end of the coming year is likely to be higher than this estimate. As these financial contributions are typically tied to specific projects, the Park Authority's discretionary

income for budget allocation to core and operational plan activities in 2018/19, remains as £4.964m.

Wider Funding Context within Cairngorms National Park

10. As we reported to Board in presenting previous years' budget proposals, the work of staff and organisational support from the Authority over the course of the last years has resulted in some significant successes for the Authority and its partners in securing sizeable levels of third party investment into the National Park.
11. The coming year will involve the Authority in the continued support for delivery of the Tomintoul and Glenlivet Landscape Partnership Project. The Mountains and the People Project (Cairngorms Outdoor Access Trust as lead delivery organisation) is now near the completion of its third year of full delivery with a number of mountain path routes completed in both Cairngorms and Loch Lomond and the completion of two cohorts of training delivery in the Cairngorms, together with instigation of the volunteering programme. Cairngorms LEADER (Cairngorms Trust as lead delivery organisation) has had its second year of funding decisions, issuing grant awards and with the early projects now entering live claiming processes. Collectively, we have estimated that these partnership initiatives will secure total investment in the Cairngorms National Park from these programmes of activity in excess of £10 million over the 5 years from 2015/16.
12. Overall, we estimate that the Operational Plan investment intentions will secure some £2.8 million of additional investment from various third party contributions over the course of the coming financial year. In Annex 3 to the Corporate Plan, elsewhere on this Board agenda, there is a specific leverage KPI that we will report on to the Board on a rolling 6 monthly basis.
13. The Management Team also remains focused on delivery of efficiency savings on expenditure, in line with Scottish Government's budget targets of 3% annual savings. We reported to the Finance and Delivery Committee highlighting our achievement of this target in both 2016/17 and 2017/18 at the meeting in January 2018. This report can be accessed at:
<http://cairngorms.co.uk/resource/docs/boardpapers/26012018/180126FinanceCtteePaper5AAEfficienciesTargets.pdf>

2018/19 Expenditure Budget: Core Budget Summary

14. A summary of core budget estimates for the 2018/19 financial year is set out in Table One.

Table One: 2018/19 Core Budget Summary

	2018/19 Budget Proposals £000		2017/18 Budget Proposals £000	Change £000
Board Salaries	155		155	0
Staff Salaries	2,817		2,740	77
Other Board and Staff Costs	200		206	-6
Office Running Costs	386		296	90
IT and Professional Support	178		178	0
Total “cash” based expenditure	3,736		3,575	161
Depreciation of fixed assets	90		55	35
Total expenditure	3,826		3,630	196

2018/19 Budget and Operational Plan - Staffing

15. The Authority’s staffing levels represents one of the key financial management tasks in balancing financial investment between core areas of expenditure, and project investment through the Operational Plan.
16. Management Team has continued to maintain scrutiny of staffing levels over the course of the last year, and particularly over vacancy management and any proposed recruitment. Our current financial monitoring position presented to Finance Committee in January 2018 indicates that the final outturn position for 2017/18 will be some £20,000 lower on staffing than budgeted as a result of vacancy management in the year, representing a third year on year reduction in core staffing pay bill. A number of vacant posts have been removed from the established structure, delivering an ongoing budget saving. Organisational structures have also been reviewed, resulting in a number of new recruitments which have progressed to fill lower graded posts than previously.
17. The Board’s Staffing and Recruitment Committee will consider the Management Team’s proposed pay proposals for the coming year at its meeting immediately prior to the Board meeting. Pay proposals seek to implement Scottish Government’s public

sector pay policy in full, of a 3% increase for all staff earning up to £36,500 and a 2% increase for all other staff. Additionally, a 2% progression for the two-thirds of staff still progressing through their pay bands and a 1% non-consolidated award for those at the top of their pay bands seeks to ensure that all public sector staff achieve an at or above inflation pay award in 2018/19. The financial impact of these proposed pay awards has been included in the budget figures presented in this paper.

18. The Authority also plans to extend its No Compulsory Redundancy policy for a further year through 2018/19, again in line with Scottish Government guidance. Management team also continues to consider policy development supporting effective organisational operations while affording enhanced work / life balance opportunities for our staff group.
19. Our staff group does of course continue to provide a significant resource investment into delivery of both Corporate and National Park Partnership Plan (NPPP) priorities. The Operational Plan set out in Annex 1 to this paper and considered in more detail in a subsequent section of this paper highlights the amount of staff resource invested in each aspect of our planned activities for 2018/19.
20. The Authority also continues to deliver a key support and facilitation role in major projects, through its willingness to take on the role of lead employer for staff delivering major projects. Hence we act as the employer and Accountable Body for LEADER staff undertaking support to the Cairngorms LAG; we have employed an externally funded Peatlands Project Officer post; and act as the employer for a number of posts engaged in the delivery of the Tomintoul and Glenlivet Landscape Partnership Project.
21. It should be noted with regard to workforce management that the operation of the Authority's (and Scottish Government's) no compulsory redundancy policy creates limitations on management of staff numbers, and a dependency on natural turnover to create opportunities to review staff investment. The positive aspects of this policy are of course around enhancements to staff morale through job security over a period of difficult economic circumstances.

Board Fees

22. The Board has agreed in 2017/18 to adopt a policy implementing a change to payment of Board fees, whereby a proportion of fees will be paid on the basis of attendance at key meetings. This policy has operated throughout 2017/18 and the budget has been developed on the basis of this policy continuing into 2018/19.
23. The policy operation has been reviewed by the Staffing and Recruitment Committee during the past year. The current version of the Board fee payment policy is set out at Annex 2 to this paper.

Office Running Costs

24. The finalisation of the office extension project represents a further change in the planning base for the 2018/19 budget. We currently expect the building works to

complete around mid July 2018, with fit out taking place thereafter. We expect the building to be in full use by the end of August or early September 2018, with some rental payments therefore due in the coming financial year. We have therefore included a half year's rental and associated utility costs for the extension in development of these budget estimates, in addition to providing for other inflationary cost increases.

2018/19 Expenditure Budget: Operational Plan

25. The Operational Plan for 2018/19 sets out the Authority's anticipated contributions to a range of activities over the course of the year. Total financial investment in Operational Plan activities currently covers £1.243m in investment proposals. The Operational Plan also details the major lines of activity that are planned for the year which will require investment of staff resources alone. Proposed areas of investment of both financial and staff resources are set out in Annex I to this paper.
26. Our resource management process and consequent budget proposals set out in this paper, combined with an increase in core grant allocation, result in a significant increase in proposed Operational Plan investments over 2017/18 level of £0.994m, being an increase of £0.249m compared with 2017/18 initial budget proposals.
27. Updates on delivery intentions and on the results of activities will continue to be presented to the Board in various policy papers and updates.
28. A summary of the Operational Plan total investment proposals across service areas is set out in Table Two.

Table Two: Operational Plan Allocations 2016/17 to 2018/19

Operational Plan	18/19 £000	17/18 £000	16/17 £000
Land Management and Conservation	210	160	142
Visitor Experience	548	400	384
Planning	160	112	111
Rural Development	154	189	198
Corporate Services	105	70	65
Communications	66	63	63
Total Operational Plan Provisions	1,243	994	963
(Over) under Programme Level See Table Three below	(15)	(4)	(1)

Operational Plan Commitments

29. As set out in the introduction to this paper, the budget and operational plan follows on from many strands of activity initiated over the last years.
30. Consequently, as discussed previously with the Board, the level of Operational Plan commitments currently stands at a relatively high proportion of the total planned

investment, at £0.725 million (58%) of total. The corollary of this level of commitment is the high value of funding levered into the Cairngorms through external funding secured through our commitments. The lines of activity committed through previous Board and management action are highlighted in Annex I.

Operational Plan Investment Highlights

31. There are three significant work areas under the conservation side of the CNPA. This includes the East Cairngorms Moorland Partnership, the development of the next Cairngorms Nature Strategy and its associated work programme and the Capercaillie Framework (hopefully supported through HLF).
32. Under Visitor Experience there are a number of ongoing areas of work including support for Ranger Services, marketing with VisitScotland and path maintenance. There is one area of new additional spend and that is the £65k for the Speyside Way extension. This would be our contribution to an ERDF bid that would help us fund the completion of the Speyside Way extension.
33. The Rural Development budget includes support for community development through Voluntary Action Badenoch and Strathspey (VABS - £35K), Marr Area Partnership (Map - £15k) and the Tomintoul and Glenlivet Development Trust (TGDT - £12k). The allocation to TGDT is smaller than previous years and is projected to drop over the following two years as a new spatial priority area project in Badenoch is identified. The budget also contains the support for our two HLF programmes at Tomintoul and Badenoch.
34. The Planning Service budget is higher in 2018/19 to reflect the resource needed to support the development of the next Local Development Plan and includes provision for a detailed recreational survey around Aviemore.
35. The main highlight from the Corporate Services is the completion of the extension at the Granttown office and the delivery of the Europarc 2018 conference. The Comms and Engagement work will support delivery of the Comms and Engagement Strategy and priorities across the organisation.

2018/19 Budget Summary

36. The summary budget position for 2018/19 is set out in Table Three.

Table Three: 2018/19 Budget Summary

	2018/19 Budget Forecast (£m)	2017/18 Budget forecast (£m)
Total Income	4.964	4.565
Expenditure		
Core Budgets	3.736	3.575
Operational Plan	1.243	0.994
Total Expenditure	4.979	4.569
Net Expenditure (negative) / Income (positive)	-0.015	-0.004
Note:		
Sensitivity Analysis - Movement by 1% in:	£000	£000
- Pay awards	30	28
- Inflationary price increases	8	7
- Grant in aid movements	47	43

37. As Operational Plan investment proposals become increasingly certain and require less lead time in reaching agreement with partners, there is less slippage in proposals and financial commitment. There is, however, a slight increase in over-programming at the outset of the 2018/19 budget than in previous years. Operational Plans provide budgeted sums for some investment proposals in the coming year where there is a degree of uncertainty on requirements, for example our contributions to new access infrastructure projects that we are still bidding for, together with the final contribution for the Europarc 2018 Conference. The small level of over-programming accommodates some anticipated fluctuation in these requirements in the year. These budget requirements in particular will be monitored closely over the first half of the coming year to ensure we again reach a balanced budget position.
38. Our financial target remains as agreed in previous years – to work toward maximising use of resources available in the year and to deliver a break-even outturn. We have established a target range of the outturn position falling within the range of +1% to -2% of total income (i.e. 1% over-spend to 2% under-spend) as being a reasonable target range for annual outturn results.

Next Steps

39. The Finance Committee will continue to be presented with regular budget monitoring updates over the course of 2018/19 to highlight any movements in budget position and to agree any significant in-year revisions to budget targets.

40. The potential variability in staff and Board fee costs and rentals due from the office extension will pose particular points for monitoring focus over the course of the year ahead.
41. The Authority's role as lead or accountable body for the Cairngorms LEADER programme and Tomintoul and Glenlivet Landscape Partnership will continue to pose significant pressures on our cash flow management, with both programmes of work requiring the Authority to lead in making payments on behalf of the collective partnerships and subsequently reclaiming these funds. Our treasury management activity over the course of the year will therefore have added focus.
42. The Finance Manager has also worked with colleagues to establish budget profiles for the year and determine a monitoring and review process in order that we are able to detect any slippage or alterations in expenditure intentions at as early a point in the process as possible. These profiles will be adapted for any changes made in the current budget proposals following on from consideration of the position by the Committee, management and Board. Budget profiles developed for final approved budget allocations will be used to present future monitoring reports to Finance and Delivery Committee and to monitor patterns of financial commitment by the Authority.

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