

CAIRNGORMS NATIONAL PARK AUTHORITY

FOR DECISION

Title: 2017/18 BUDGET AND OPERATIONAL PLAN

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Purpose

This paper sets out the Authority's financial position for the 2017/18 financial year. The paper presents the proposed financial allocations for 2017/18 for core income and expenditure, together with intended operational plan investment, and seeks Board's approval to the budget and Operational Plan for 2017/18.

Recommendations

The Board is requested to:

- a) Consider the budget proposals for 2017/18 presented in this paper;**
- b) Subject to any suggested amendments, approve financial allocations for 2017/18.**

Executive Summary

This paper sets out an overview of the Authority's financial position for the 2017/18 financial and operational year – the final year of the Authority's Corporate Plan 2015 to 2018, agreed by the Board in March 2015 and subsequently approved by Scottish Ministers.

The Authority has received a static resource allocation from Scottish Government, with 2017/18 grant in aid provided at the same level as 2016/17. The Authority's total resources at the outset of the 2017/18 financial year are therefore broadly level with the resource available at the commencement of 2016/17.

The paper highlights the main areas of resource deployment, including the significant value of staff time, for inclusion in the Operational Plan for 2017/18.

2017/18 BUDGET AND OPERATIONAL PLAN - FOR DECISION

Background

1. The forthcoming year, 2017/18 represents the final year of the Authority's Corporate Plan 2015 to 2018 agreed by the Board in March 2015 and subsequently approved by Scottish Ministers.
2. There have been no changes in the Authority's Corporate Plan objectives over the course of the last year, therefore the budget and operational plan proposals very much represent a continuation of resource allocation and investment across activities primarily initiated over the last two years toward the outcomes set out in the agreed Corporate Plan. Over the course of 2016/17 we have also continued to work with other organisations to establish alignment of our resource investment against the Scottish Government's wider portfolio outcomes.
3. 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.
4. 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 February 2017. Underpinning strands of delivery work being undertaken by the Authority 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 in June and December of each year.

2017/18 Budget: Income

5. The Authority's expected cash-based income for 2017/18 comprises primarily a revenue and capital resource allocation totalling £4.315m from Scottish Government.
6. We are also budgeting for a further £0.25 million income from other sources including planning fees, project contributions and other generated income.
7. Total budgeted, cash-based income for the coming year, 2017/18, is therefore £4.565m. This represents funding available to the Authority to support its on-going activities and Operational Plan spending plans.
8. 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 2017/18, remains as £4.565m.

9. Additionally, the Scottish Government has made a capital funding allocation to the Authority for 2017/18 to cover the Authority's fit out costs for the office extension. As these funds are tied into this specific project, they have been excluded from further consideration in this report, which focuses on the general funding at the Authority's disposal to allocate against Corporate and National Park Partnership Plan priorities.

Wider Funding Context within Cairngorms National Park

10. As we reported to Board in presenting the 2015/16 and 2016/17 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 second year of full delivery with a number of mountain path routes completed in both Cairngorms and Loch Lomond and the completion of the first cohort of training delivery in the Cairngorms, together with instigation of the volunteering programme. Cairngorms LEADER (Cairngorms Trust as lead delivery organisation) has had its first 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.

2017/18 Expenditure Budget: Core Budget Summary

12. A summary of core budget estimates for the 2017/18 financial year is set out in Table One.

Table One: 2017/18 Core Budget Summary

	2017/18 Budget Proposals £000		2016/17 Outturn Estimates £000	Change £000
Board Salaries	155		165	-10
Staff Salaries	2,740		2,811	-71
Other Board and Staff Costs	206		201	+5
Office Running Costs	296		264	+32
IT and Professional Support	178		162	+16
Total “cash” based expenditure	3,575		3,603	-28
Depreciation of fixed assets	55		55	0
Total expenditure	3,630		3,658	-28

2017/18 Budget and Operational Plan - Staffing

13. 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.
14. 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 2016 indicates that the final outturn position for 2016/17 will be some £24,000 lower on staffing than budgeted as a result of vacancy management in the year, representing a second 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.
15. The Board’s Staffing and Recruitment Committee has agreed to Management Team pursuing a pay award for staff for 2017/18 of 1% “basic award” increase to all staff,

plus 2.0% progression award to those staff progressing through their salary band. The basic award for all staff will be supplemented for any staff earning below £22,000 to ensure a minimum basic award salary increase of £400 with effect from 1 April 2017, while progression at the lower salary bands A and B will also be augmented to 3.5% to support low pay objectives at a time when inflationary pressures are increasing. These proposed salary awards are all in line with the Scottish Government's published public sector pay guidance for 2017/18.

16. The Authority also plans to extend its No Compulsory Redundancy policy for a further year through 2017/18, again in line with Scottish Government guidance.
17. Our staff and pay modelling indicates that the full year impact of staff savings and efficiencies made over the course of 2016/17 will more than offset these pay pressures. The Management Team are also targeting further savings in staff pay bill over the course of 2017/18 from vacancy and establishment management. Hence the initial budget figures set out in Table One highlights a forecast year-on-year reduction in staff pay of around £71,000 (2.5% net reduction) as compared with 2016/17 projected outturn.
18. 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 2017/18.
19. The Authority also continues to take up 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. We expect to continue to fulfil this key role in facilitating the delivery of priority NPPP projects.
20. 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 very difficult economic circumstances.

Board Fees

21. The Board has agreed in principle to adopt a policy implementing a change to payment of Board fees, whereby fees will be paid on the basis of attendance at key meetings. The supporting procedures are yet to be drafted and agreed. However, in accordance with the decision in principle, a saving of £10,000 has been incorporated into budget estimates for 2017/18.

Office Running Costs

22. The finalisation of the office extension project represents a further change in the planning base for the 2017/18 budget. While there are some final legal points to agree with the developer at the time of writing and a delay in progress for the relocation of data cables, there is some potential that the extension will complete prior to the end of this financial year with some rental payments therefore due. We have therefore included a quarter year's rental for the extension to be prudent in development of these budget estimates.

2017/18 Expenditure Budget: Operational Plan

23. The Operational Plan for 2017/18 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 £0.994m 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 1 to this paper.
24. Our resource management process and consequent budget proposals set out in this paper therefore result in a small increase in proposed Operational Plan investments, with the total of £0.994m being an increase of £0.031m compared with 2016/17 initial budget proposals.
25. Updates on delivery intentions and on the results of activities will continue to be presented to the Board in various policy papers and updates.
26. A summary of the Operational Plan total investment proposals across service areas is set out in Table Two.

Table Two: Operational Plan Allocations 2017/18 and 2016/17

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

Operational Plan Commitments

27. 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, given in particular that the current year represents the final of the current three year Corporate Plan.
28. Consequently, the level of Operational Plan commitments currently stands at a relatively high proportion of the total planned investment, at £0.587 million (59%) of total. The lines of activity committed through previous Board and management action are highlighted in Annex I. Some of these commitments are covered by three year agreements spanning the Corporate Plan period, while some such as those to The Mountains and The People Project, the Cairngorms LEADER programme and the Tomintoul and Glenlivet Landscape Partnership Project are longer term reflecting the nature of these long term programmes of activity.

2017/18 Budget Summary

29. The summary budget position for 2017/18 is set out in Table Three.

Table Three: 2017/18 Budget Summary

	2017/18 Budget forecast (£m)	2016/17 Budget forecast (£m)
Total Income	4.565	4.565
Expenditure		
Core Budgets	3.575	3.603
Operational Plan	0.994	0.963
Total Expenditure	4.569	4.566
Net Expenditure (negative) / Income (positive)	-0.004	-0.001
Note:		
Sensitivity Analysis - Movement by 1% in:	£000	£000
- Pay awards	27	28
- Inflationary price increases	7	6
- Grant in aid movements	43	43

30. 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. We have therefore taken the decision for 2017/18 not to over-programme the budget and Operational Plan and have sought, as illustrated in Table Three, to deliver a balanced budget.

31. 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

32. The Finance Committee will continue to be presented with regular budget monitoring updates over the course of 2017/18 to highlight any movements in budget position and to agree any significant in-year revisions to budget targets.
33. 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.
34. The Authority's role as lead or accountable body for the Cairngorms LEADER programme and Tomintoul and Glenlivet Landscape Partnership will also 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.
35. 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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