

CAIRNGORMS NATIONAL PARK AUTHORITY RESOURCES COMMITTEE

FOR DISCUSSION

Title: 2022/23 BUDGET DEVELOPMENT

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Purpose

This paper presents an overview of the Cairngorms NPA's budget position for the 2022/23 financial year.

The paper seeks the Committee's views on the budget position and any strategic risks or implications to be considered in the finalisation of the budget prior to presentation of financial proposals for 2022/23 to the board at its meeting in March.

Recommendations

The Resources Committee is asked to:

- a) Consider the budget position for 22/23 ;**
- b) Identify any strategic risks or implications posed for the Board's delivery of its strategic objectives which may require additional management action;**
- c) Identify any specific budget issues to be considered in development of final 2022/23 budget proposals to be presented to the board in March 2022.**

Overview

1. The Board agreed a transitional budget and strategic planning process for 2022/23 while the next National Park Partnership Plan (NPPP) is finalised. The packages of work proposed for 2022/23 and their linkages to strategic outcomes are still in development by the Senior Management Team and will be presented to the Board in March. The intent for the Resources Committee at this point in the development of the 2022/23 budget is to consider the overview of the Authority's financial position for the coming year and to test any key budgeting assumptions or estimates.
2. Scottish Government published its budget for 2022/23 in December 2021. The Authority has confirmed resource and capital grant in aid allocations within the National Parks line of that budget.
3. There remains uncertainty at this point about the final resource allocation for peatland restoration in 2022/23. The Scottish Government team responsible for this budget

line are reviewing the position in the context of a national budget allocation which is insufficient to cover all peatland action areas requested allocations. The capital allocations for the coming year to cover peatland restoration works are understood to be fixed and in line with expectations. However, there is some risk around the potential to deploy the capital resources available in delivery of restoration works if the resource funding is insufficient to support the staff time and wider support required to enable the capital funded works.

4. The estimated financial impact of staff pay proposals for 2022/23 are included in the figures presented in this paper. The staff pay proposals are themselves covered by a separate paper covered elsewhere on the agenda for this committee meeting.
5. There are no unanticipated impacts from programme and project delivery on the Authority's forward budget position. All programme and project expenditure has been recovered from planned funding sources, including Cairngorms NPA budgeted financial contributions where applicable, in developing the 2022/23 forward financial plan.
6. Operational Plan investment, as is common in the Authority's expenditure profile, is heavily weighted toward completion of planned investment in the final quarter of the financial year. At present, we continue to work on the assumption that we will deliver the 2021/22 commitments in full in that financial year and there will be no impacts on 2022/23 financial year from 2021/22 delivery plans.

Analysis of Budget Position

Income

7. A summary of the Authority's current income expectations for 2022/23 is set out in Table One.

Table One: Scottish Government Funding Allocations

	2020/21 £000	2021/22 £000	2022/23 £000	22/23 Change from prior year £000
Resource main allocation	4,779	5,830	6,467	+637
Resource COVID Response	-	500	-	-500
Capital	240	600	600	0
Total grant in aid allocations	5,019	6,930	7,067	+137
Specific Programmes				
Peatland Restoration Resource funding	246	440	440 To be confirmed	tbc

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Peatland Restoration Capital Funding	-	1,850	2,780	+930
SG Biodiversity Funding	-	196	To be confirmed	To be confirmed
Other generated income	125	174	182	-24
Total Income from Scottish Government and generated from operations	5,390	9,590	10,469 tbc	+879 tbc
Funding under management within significant ongoing projects				
Cairngorms Capercaillie Project		610	915	+315
Heritage Horizons (estimated split)		100	2,753	+2,653
Funds under management before specific project contributions		10,300	13,665 tbc	+3,365 tbc

8. At this stage in the budget development process, confirmation of final allocations for the resource support to the Cairngorms Peatland Restoration Programme is still to be received as is information on any replacement for the biodiversity challenge funding received in 2021/22. The peatland resource funding position in particular creates significant budget uncertainty for the Authority at this stage in the process. A spending review is currently being undertaken by the team responsible for management of this budget within Scottish Government and we expect the outcome of this process to be known in advance of the budget submission to the board in March.

Expenditure

9. High level expenditure estimates falling against these resources are set out in Table Two.

Table Two: Initial Expenditure Projections 2022/23

Budget	2021/22 £000	2022/23 £000	22/23 Change from prior year £000
Staffing	4,102	4,434	+332
Board fees	180	183	+3
Other staff and board costs	177	177	0
Facilities	377	377	0
IT and Professional Services	156	226	+70
Sub-total core expenditure	4,992	5,397	+405
Programme Investment			
Heritage Horizons	150	150	0
Peatland capital investment	1,972	2,780	+808
Peatland service support	0	219	+219
Strategic Visitor Infrastructure Improvement Programme	324	324	0
Nature Challenge and Green Recovery Grants	446	0	-446
COVID Organisational and community response	220	84	-136
Sub-total Programme Investment	3,112	3,557	+435
Operational Plan			
Conservation and Land Management	406		See para 10
Nature and Climate Investment		365	See para 10
Visitor Services	512		See para 10
Place		205	See para 10
Strategic Planning and Rural Development	310		See para 10
People		425	See para 10
Corporate	160		See para 10
Communications	101		See para 10
Support and Facilitating Delivery across all NPPP and corporate areas		520	See para 10
Sub-total Operational Plan	1,489	1,515	
Total investment funded from Scottish Government grant and generated income	9,593	10,469	
Investment funded by other sums under management	710	3,668	
Total investment under management	10,303	14,137	

10. The expenditure and investment proposals in development for the transitional plan 2022/23 follow the new National Park Partnership Plan (NPPP) structure and therefore move away from the categorisation used in previous years which follows the

current Corporate Plan 2018 to 2022 structure. Year on year variations are not presented in Table Two. While there may be perceived to be some commonality between old and new categorisations, in reality there is more blurring between the impacts of investment between nature, climate, people, place, corporate and communications investment plans. Year on year comparisons would not therefore be appropriate nor robust.

11. The Heritage Horizons: Cairngorms 2030 Programme will also make considerable contributions across all areas of the new NPPP over the course of its Development Phase in 2022/23. The Operational Plan and Programme Investment contributions set out in Table Two are in addition and complimentary to the Heritage Horizons work programme.

Key Assumptions

12. At this stage of budget development, the Executive Management Team is considering two key elements of the budget establishment process which are considered here. The Committee's view of these assumptions in light of the strategic considerations set out at the start of this paper is invited to inform further development of the budget estimates prior to the Board meeting.

Vacancy Savings

13. Our budget development process for 21/22 recognised the increase in staff levels to deliver new programmes of activity. We anticipated that some delays in recruitment and increased levels of turnover would impact on budgets. As such, we increased the vacancy savings assumption to £171,600, or 3.9% of the revised staff budget of £4,455,600. Staffing for 2021/22 represented 47.5% of available resources for the year, the significant reduction as a percentage of income reflecting the increase in peatland programme and capital allocations to the Authority for 2021/22.
14. As the 2021/22 budget monitoring has shown, our staff budgets including these vacancy assumptions have been underspent in the year. For 2022/23, we have again set budget assumptions on an expectation of realising savings from vacancy management and some delays in recruitment between expected and actual start dates. Budgets are therefore being developed once again with a vacancy saving assumption of around 4% of full establishment costs.

Over-programming

15. Over the last two to three years, the Authority has gradually eliminated the practice of "over-programming" as an element of its budget setting. Over-programming allowed for some expectation of slippage in expenditure plans over the course of the year by budgeting for a greater level of expenditure than could be supported by the funds available in the year. Management of slippage through over-programming helped

ensure that the Authority could maximise use of resources and come as close to a target break-even outturn position at the end of the year as possible. A key advantage of the over-programming approach is that the Authority also minimised risk of funds being clawed back if not fully committed during the year. The disadvantage of the approach is the heightened risk of over-spending if the levels of commitment are not adequately managed.

16. The rationale for the removal of an over-programming allowance linked to the increasing certainty of project managers on their spending plans as our partnerships and operational agreements matured, and consequently reduced expectation of significant slippage in plans.
17. It may be appropriate to budget on the basis of some increase in over-programming to ensure the Authority is able to maximise deployment of resources available in the year ahead, given this is a transitional year with the potential for partnership programmes of work to take some time to mature to a point of committing funds.

Wider Financial Analysis

Staffing

18. Level of investment in our staff team increases by £332,000 in current projections for the 2022/23 year compared with the 2021/22 base provision, and increase of 8.1%. This increase covers the full year consequences of recruitment undertaken in 2021/22; increase of 1.5% in employers' national insurance contributions implemented as part of the UK Government's budget; provision for the pay award for staff in 2022/23 within the public sector pay policy for the year; and the modelled consequences of a small level of recruitment expected in 2022/23 (around 5 posts).
19. While increasing on the 2021/22 level, the level of investment in the staff team for 2022/23 represents a small decrease in the deployment of Scottish Government grant and generated income, with 42.4% of this income invested in the staff team as opposed to 42.8% in the previous year.
20. Given the scale of total financial resources now under management by the Authority, a better measure of the scale of the level of staff investment is given in comparing staff levels with this total financial investment under management. Out staff investment for 2022/23 represents 32.4% of total resources currently forecast for 2022/23 compared with 39.8% in the prior year.

Operational Plan Delivery

21. Operational Plan investment over the transitional planning period and first (part) year of the NPPP has increased slightly from the prior year position to £1.515 million.

22. This investment is augmented by a range of programme investments which are disclosed separately in this paper for added transparency on the financial plans, covering the peatland programme; strategic visitor infrastructure improvement plan (capital investment plans); the Authority's cash contribution to the Heritage Horizons programme; and we expect final year of investment in the organisations internal and external work on movement out of COVID19 business continuity and lockdown operations.

Cash Management

23. There are no current cash management issues to highlight.

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