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# CAIRNGORMS NATIONAL PARK AUTHORITY

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## FOR DECISION

**Title: 2014/15 BUDGET AND OPERATIONAL PLAN**

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### **Purpose**

This paper sets out the Authority's financial position for the 2014/15 financial year. The paper presents the proposed financial allocations for 2014/15 for core income and expenditure and for operational plan investment and seeks Board's approval to the budget and Operational Plan for 2014/15.

### **Recommendations**

The Board is requested to:

- a) Consider the budget proposals for 2014/15 presented in this paper;
- b) Note the analysis of staffing level changes set out in paragraphs 12 to 20 together with the current and proposed staff management actions set out in paragraphs 21 to 26;
- c) Subject to any suggested amendments, approve financial allocations for 2014/15.

### **Executive Summary**

This paper sets out an overview of the Authority's financial position for the 2014/15 financial and operational year – the final year of the current three year corporate plan. The paper also sets out the detailed core income and expenditure estimates and proposed operational plan investments for the year ahead.

The paper highlights that the Authority remains in a period of declining grant in aid and also in a transition year in terms of other funding, such as LEADER funding, for which the organisation has acted as lead partner over the last six years. At this point in time, the Authority also has no additional capital grant funding available to it for the first time since 2010/11. As such, total income is at a cyclical low point.

Staffing levels have increased over the last two years, again in keeping with the previous 5 year National Park and Corporate Planning cycle. Although staffing levels remain broadly commensurate with 2009/10 levels, the declining income levels and increase in pay levels since that time results in an increase in staff related expenditure as a percentage of total income.

The paper highlights the main areas of expenditure proposed for inclusion in the Operational Plan for 2014/15, noting that the proposed Operational Plan for 2014/15 provides for a number of one-off items of expenditure as a consequence of the Authority's

current operational cycle. Board elections, the Reporters' review of the Local Development Plan, provision for the legal challenge to the Local Plan and the 5-yearly Cairngorms Visitor Survey collectively require around £190,000 of the Operational Plan provisions for 2014/15. These items therefore represent specific "spikes" in demand for financial resource cover in the coming year.

The paper highlights the ongoing role for the Board's Finance and Delivery Committee in reviewing the Authority's design of key projects and also in monitoring overall performance against budgets.

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## 2014/15 BUDGET AND OPERATIONAL PLAN - FOR DECISION

### Background

1. The forthcoming year, 2014/15 represents the final of the three-year Corporate Plan for 2012 to 2015, the approval of the Corporate Plan having been given by the Board in May 2012.
2. At the time of writing this paper, the Scottish Parliament has still to approve final budget figures for 2014/15 and provide final confirmation of recurrent grant to the Authority for the year ahead. All grant figures are therefore based on the draft budget published in November 2012.
3. Details of budget proposals for 2014/15 are set out in the Annex I to this paper. The following sections of the paper go on to discuss in some detail the specific issues around income, “core” running costs and Operational Plan investment proposals.

### 2014/15 Overview – Priorities for the Year

4. The NPA is involved in a number of highly complex and resource intensive areas of work. The main project priorities for 2014/15 are as follows:
  - a) Development of Caper Framework
  - b) Ongoing development of An Camas Mòr proposal
  - c) Development of Glenmore/Cairngorm Mountain masterplan and delivery of actions
  - d) Development and delivery of LEADER programme
  - e) Input into development of SRDP that meets the priorities of the Park
  - f) Work to ensure smooth progress of A9 enhancements within the National Park taking into account the Parks special qualities.
  - g) Economic Development and Diversification Strategy Implementation
5. The main internal priorities for 2014/15 are as follows:
  - a) Development and delivery of Organisational Development Strategy
  - b) Focus on key services through embedding of organisational restructure
  - c) Development and delivery of accommodation options.

### 2014/15 Budget: Income

6. The Authority’s expected cash-based income for 2014/15 comprises primarily a resource allocation of £4.54m from Scottish Government. We are also budgeting for:
  - a) An estimated £0.06m in income from planning fees and charges;
  - b) A LEADER administration grant of £0.07m to support the administration costs of closing the current programme and develop the Local Development Strategy for the new programme; and
  - c) £0.02m in income from commercial and merchandising activity.
7. Total budgeted, cash-based income for the coming year, 2013/14, is therefore £4.69m. 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 is likely to be higher than this estimate. As these financial contributions are tied to specific projects, the Park Authority's discretionary income for budget allocation to core and operational plan activities, remains as £4.69m.
9. There are no additional capital allocations made available to the Authority for 2014/15. The Authority has benefited from additional capital allocations in each of the last three financial years, totalling around £3.5 million over this period. At present, as there have been no additional allocations made available to the Authority, the £4.69m grant and other income represents the only financial resources available for deployment in 2014/15.

### 2014/15 Expenditure Budget: Core Budget Summary

10. A summary of core budget estimates for the 2013/14 financial year is set out in Table One.

**Table One: 2014/15 Core Budget Summary**

	<b>2013/14 Budget Proposals £000</b>	<b>2013/14 Revised Budget £000</b>	<b>2014/15 Budget Proposals £000</b>	<b>14/15 Change v. 13/14 rev £000</b>
Board Salaries	161	161	160	-1
Staff Salaries	2,326	2,439	2,881	442
Other Board and Staff Costs	202	222	215	-7
Office Running Costs	241	243	247	4
IT and Professional Support	150	150	159	9
<b>Total "cash" based expenditure</b>	<b>3,080</b>	<b>3,215</b>	<b>3,662</b>	<b>447</b>
Depreciation of fixed assets	78	99	36	-63
<b>Total expenditure</b>	<b>3,158</b>	<b>3,314</b>	<b>3,698</b>	<b>384</b>

## 2014/15 Budget and Operational Plan - Staffing

11. The Authority's staffing levels represents one of the key issues in financial management of the balance of financial investment between core areas of expenditure, and project investment through the Operational Plan. The following sections of this paper consider the evolution of the current position as regards staffing positions within the Authority's budgets for 2014/15.

### Staffing Levels - Background

12. The Corporate Plan paper presented to Board in May 2012 highlighted that, at that point in time, the Authority's staffing had fallen to a historic low as the previous 5 year Corporate Plan programmes spanning 2007 to 2012 were brought to a close. The Authority had been working to a guideline for a staff budget control figure of 53% of total income. Outturn staffing expenditure in 2011/12 was £2.1 million within total income of £5.4 million, giving staff costs of only 39% of total income.
13. In presenting the Corporate Plan in May 2012, we highlighted the need to begin to move the organisation's staffing levels upward again to deliver the programmes of activity set out in the new plans. At that time, an addition of 5 FTE staff was anticipated, with staffing payroll projected to increase to 50% of total income by 2014/15, the final of the three years covered in the plan.
14. The 2013/14 Budget and Operational Plan approved by the Finance Committee and Board in February 2013 highlighted a further movement in the Authority's required staff base, with an increase in total paybill to £2.326m. These further increases in staffing pre-dated the appointment of the Authority's new Chief Executive.
15. The new Chief Executive consulted with Board and staff during 2013/14 prior to implementing changes to management and organisational staffing structures. A number of factors influenced views on a need to further increase the Authority's total staffing, key amongst which were:
  - a) A requirement to dedicate some staff resource to major project initiatives such as An Camas Mòr, A9 etc;
  - b) Need to invest additional staff time to support and deliver Planning Service Improvement Plans and hence to improve service standards;
  - c) Need to invest staff time in resourcing key internal systems improvements, such as records and document management systems, in order to meet changing regulatory and statutory requirements;
  - d) Wider investment in staff time required to deliver the improvements identified in the Authority's Best Value action plan, as considered by the Audit Committee in July 2013.
16. In addition to these service priorities, the Authority's staff survey has continued to show a deteriorating picture in terms of staff views of acceptability of workloads and impact on their morale and well-being. There is now a clear negative trend since 2010 in staff view of the workload levels being asked of them as unreasonable.
17. Further adjustments in staffing over the course of 2013/14 gives a projected outturn figure for staffing of £2.520m, compared with an outturn total income of £6.926m.

Staffing expenditure in 2013/14 is therefore projected to equate to 36% of total income in the year, or to 46% of “underlying” income when the Authority’s additional capital funding allocations are excluded.

18. Our budget proposals for 2014/15 show a proposed staffing budget of £2.881m for the coming year – an increase over the forecast outturn for 2013/14 of £0.361m. This impact is primarily the full year effect of the recruitment that has taken place over the course of 2013/14 in finalising the revised organisational structure. Assuming a total income figure for 2014/15 of around £5.1million after receipt of project contributions from third parties, budgeted staffing levels for 2014/15 represents some 56.5% of income. This assumes relatively low third party income levels for the year ahead as we do not have any additional capital allocations available to the Authority at this point, while the LEADER funding programme is in transition from the 2007-2013 programme to the 2014-2020 programme.
19. With the recruitment programme to support implementation of the new structure near completion, the Authority’s staffing position has returned to near its 2010 levels – like now the point broadly mid-term of the original 2007 to 2012 National Park Plan. The Authority’s staffing position over time is set out in Table Two.

**Table Two: Cairngorms NPA Staffing 2006/07 to 2013/14 (estimated)**

<b>Year end 31 March</b>	<b>Headcount</b>	<b>FTE</b>
2007	59	55.8
2008	60	57.4
2009	62	59.0
2010	65	60.3
2011	58	51.3
2012	58	51.1
2013	60	53.9
<b>2014 (est)</b>	<b>64</b>	<b>58.1</b>

20. As Table Two indicates, the staffing trend and underlying staffing requirements of the is following a very similar trend over the current 5 year NPPP and Corporate Plan cycle as that seen in the previous 5 year cycle. Staff is built up as additional delivery needs are identified over the first half of the planning cycle. As with the previous 5 year cycle, the Management Team anticipates total numbers will begin to decline again through vacancy management processes which support the reallocation of staff to changing priority areas of the Authority’s operations. It should be noted in this regard that the operation of the Authority’s (and Scottish Government’s) no compulsory redundancy policy does tend to create something of a time delay in staff management impacting on staff numbers. While staff are recruited to address operational priorities, there tends to be a time delay, other than through successful internal recruitment, in having staff turnover create potential vacancies which management can utilise to redress staffing levels.

## **Staff Management**

21. The staffing and management restructure over the course of 2013/14 has reduced the number of senior posts in the organisation: the number of Directors has reduced from 4 to 3, with Heads of Service equivalent posts also reducing from 9 to 7.
22. Overall, therefore, the investment in staff time has been at the “delivery” oriented areas of the Authority’s structures and away from management levels. This seeks to address both the key service priorities and also the workload issues identified within the staff surveys over the last 5 years.

## **Staffing: Future Management Action**

23. The Authority’s ongoing commitment to the No Compulsory Redundancy policy has been reiterated in principle by the Staffing and Recruitment Committee as part of the consideration of pay policy for 2014 to 2016. This is likely to continue to result in some time delays between prioritised staff investment and managing vacancies in other areas of the organisation. Therefore, while staff investment has focused on adding staff resource into key areas of the organisation, Management Team will continue to review any vacant posts to determine whether these can be held vacant or deleted from the structure in order to manage forward financial commitment levels. At the time of writing, 1.8 FTE of staff provision, accounting for £0.061m is being held vacant with the potential for these sums to be reallocated into Operational Plan provisions for 2014/15 and consequently reducing budgeted staff expenditure.
24. Management Team also continues to use fixed term contracts for recruitment to some posts where appropriate in order to manage forward financial commitment levels.
25. Over the course of 2014/15, we will also be considering future potential income levels as an element of our Corporate Planning processes.
26. Other than for any additional, fully funded posts which the Authority agrees to “host” as the employing organisation, and a small number of admin posts yet to be finally resolved in the new structure, we expect the current staffing levels to have broadly peaked for the current 5 year cycle. The expected direction of travel is once again for the total of staffing to decline somewhat as the current activities focused on delivery of the NPPP to 2017 begin to come to a conclusion. This position is of course also dependent on external factors – for example the Management Team hope that it can once again be successful in attracting significant additional capital funding investment into the National Park, which is likely to require additional staff resources to support effective project management and stakeholder influencing.

## **2014/15 Expenditure Budget: Operational Plan**

27. The Operational Plan for 2014/15 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 £1.33m in investment proposals. The Operational Plan also details the major lines of activity that are planned for the year

which will require primarily staff time and effort. Proposed areas of investment of both financial and staff resources are set out in Annex I to this paper.

28. The Operational Plan for 2014/15 provides for a number of one-off items of expenditure as a consequence of the Authority's current operational cycle: Board elections, the Reporters' review of the Local Development Plan, provision for the legal challenge to the Local Plan and the 5-yearly Cairngorms Visitor Survey collectively require around £190,000 of the Operational Plan provisions for 2014/15. These items therefore represent specific "spikes" in demand for financial resource cover in the coming year.
29. While Annex I highlights the range of financial provisions made for the coming year, the following sections set out some brief commentary on the main areas of financial investment in 2014/15 and the intention underpinning them.

#### **Communications: Website Provision (£65k)**

30. The contractual arrangements for hosting and maintaining the Cairngorms and CNPA website is to be tendered over the course of the next few months. The aim of the tender provision is to continue to deliver a reliable and secure website for the Park and Park Authority and to improve the user experience by navigation and design improvements and to develop our capabilities to provide online services.

#### **Land Management and Conservation: Cairngorms Nature (£85k)**

31. Provision for Cairngorms Nature in 2014/15 includes £25k for a communications and promotions campaign together with a £60k allocation to help finance joint project initiatives in the year. These include compiling Capercaillie Framework, supporting raptor track, montane woodlands and a follow up to the Rare Plants Project.

#### **Planning Services: Local Development Plan (£75k)**

32. The Scottish Government Reporters Unit have commenced their review of the Cairngorms Local Development Plan (LDP) and will finalise this review in 2014/15. This financial allocation covers the likely time-based cost of the three appointed Reporters in their Examination of the Finalised LDP, the printing costs of the approved document and all relevant advertising.

#### **Planning Services: Legal and Professional Support (75k)**

33. In addition to drawing in specific legal and other specialist advice for certain planning applications which involve specific legal and technical matters requiring detailed consideration, we have also provided cover for the potential costs of dealing with the court action on the Local Plan.

#### **Rural Development: Community Development (£72k)**

34. Board members highlighted the importance of maintaining the support of Community Development Officers (CDO) to the local communities in the National Park at our informal discussion on LEADER, community led local development and the Economic



Development and Diversification Strategy in November 2013. We have therefore provided financial resource to continue to support the CDO network during 2014/15 recognising that other sources of funding such as LEADER will not be available to the CDO's employers over the coming year.

35. The CDO network has been in place in the Park for a number of years. Their initial role was to work with communities to carry out Community Action Planning across the Park. Blair Atholl and Strathdon are two of the key communities who have still to undertake their community action plans and these will be undertaken in 2014. For those communities who have had action plans in place for a while, the CDOs are now working with them to review delivery and prioritise future action. The CDOs also provide support and advice to assist communities in developing and delivering their projects. Finally, the CDOs are working with communities to build their capacity including training initiatives and working with communities to establish long term income streams. CNPA funding support will be provided to support four CDO posts including the Deeside Donside Development Project, Voluntary Action Badenoch and Strathspey, the Strengthening Communities Project and the Tomintoul and Glenlivet Development Trust. During 2014 CNPA will be working with this CDO network to establish future funding options.

#### **Rural Development: Cairngorms Business Partnership (£60k)**

36. The ongoing growth of a business network spanning the National Park remains a crucial factor for the delivery of a number of priorities within the National Park Partnership Plan. We therefore propose to continue to fund the Cairngorms Business Partnership (CBP) as an organisation representing business interests within the National Park. We are very mindful of the review of tourism oriented activities and state aid implications which took place over the course of 2013/14 and will ensure for 2014/15, as we did for 2013/14, that the public funding to the CBP from CNPA will deliver a range of activities.
37. The CBP 3 year Business Plan covers four main areas of work: Marketing and PR; Destination Development; Advocacy; and, Organisational Development. A key feature of the Business Plan is the exploration of new funding structures for the CBP, including the opportunity for a Tourism BID and a potential trading arm. Activities around future funding, Destination and business development, improving customer experience, the Economic Forum and Strategy, and a range of local and national advocacy work with key groups and forums will be the key focus of the CNPA Grant Offer. Given the resignation of the CEO of the CBP in early March, the CNPA is in discussions about the impact of this and will work closely with CBP to support them in the transition and identify an appropriate and deliverable funding package.

#### **Visitor Services: Co-ordinating Ranger Services (£195k)**

38. The Authority received around £185k in funding transferred into its Core Grant from SNH in 2009, in order that it could take on the totality of funding for ranger service activities in the National Park, and hence use this funding in order to influence and coordinate ranger service provision within the National Park. The approach to grant funding of ranger services seeks to give some consistency in prioritisation of work and presentation of ranger services across the National Park, without the Authority taking

on the various responsibilities and potential liabilities of employing ranger staff. The grant supports the activities of 15 full time equivalent rangers, the total cost of whom exceed £600,000. We have continued to provide a broadly consistent amount of funding to support ranger services coordination as in previous years.

### **Visitor Services: Access and Active Cairngorms (£230k)**

39. The great majority of this financial allocation for access and funding the Active Cairngorms strategy relates to the final year of the three year funding package for Cairngorms Outdoor Access Trust (COAT) agreed by the Board in May 2012. This package of funding includes the CNPA's £50k annual contribution to the Cairngorms Mountain Heritage project, with the £200k total CNPA investment in that project over four years delivering a £2million gross value project.
40. The 2014/15 contribution also provides for £15k support to the COAT ESF Environmental Skills training project.
41. The remainder of the CNPA funding to COAT helps sustain project development, funding bidding and project delivery. COAT's annual turnover has now reached about £1.4 million, providing the NPA with significant levels of financial leverage in attracting other organisations' finances into access and path projects within the National Park.

### **2014/15 Budget Summary**

42. The summary budget position for 2014/15 is set out in Table Three.
43. In line with standard practice for the Authority over the course of the last five years, the total expenditure provision at the commencement of the financial year has been over-programmed to allow for some slippage in activity plans and also to enable investment to proceed quickly as and when additional resources are secured.

**Table Three: 2014/15 Budget Summary**

	2013/14 Budget forecast (£m)	2014/15 Budget forecast (£m)
<b>Grant and Fee Income</b>	<b>4.601</b>	<b>4.686</b>
Expenditure		
Core Budgets	3.158	3.662
Operational Plan	1.540	1.328
<b>Total Expenditure</b>	<b>4.698</b>	<b>4.990</b>
<b>Net Expenditure</b>	<b>-0.097</b>	<b>-0.304</b>
Note:		
Sensitivity Analysis - Movement by 1% in:		£000
- Pay awards		30
- Inflationary price increases		4
- Grant in aid movements		45

## Next Steps

44. As table three highlights, the level of financial over-programming at the commencement of 2014/15 financial year is some £0.3 million. The budget proposals presented in this paper present the best estimates of income and proposed utilisation of that income at this point in time for the year ahead. It is normal for those income estimates and expenditure provisions to vary as the year progresses, particularly as new project income contributions are identified and associated expenditure is added. Table One in this paper illustrates the movement in expenditure over the course of 2013/14, with £0.135million added to total cash based expenditure proposals over the course of the year, matched by additional grant and income contributions and /or adjustments in expenditure areas to maintain a targeted balanced outturn position. Some expenditure proposals included in the original plans will also not proceed in the year, or have a delayed start which will reduce financial contributions made, as a consequence of variances in partners' delivery plans or delays in agreeing project plans.
45. The Finance Committee will continue to be presented with regular budget monitoring updates over the course of 2014/15 to highlight any movements in budget position and to agree any significant in-year revisions to budget targets.
46. The terms of reference of the Finance and Delivery Committee considered by the Board at its meeting in September 2012 also made clear that a role of this Committee is to review the initial design and planned outcomes of key projects, ensuring that project initiation plans are appropriate and are designed to contribute effectively to the Authority's corporate objectives. While main areas of proposed financial

investment have been highlighted in this paper, many of these aspects of investment will require to come back to the Finance and Delivery Committee to consider more detailed investment plans and delivery proposals in more detail prior to financial commitments being entered into.

47. We also need to prepare an efficiency savings plan for 2014/15 to meet Scottish Government budget targets. The efficiency savings target is likely to be 3% of grant funding – equivalent to £0.135m. Release of budget provision through securing efficiencies may in turn help address the over-programming position, where cash releasing efficiencies in the core budget areas can be released to cover Operational Plan investment proposals. Should we be able to find all £0.135m in cash releasing savings, the residual over-programming level is £0.169m.
48. There is certainly a higher risk with over-programming as the organisation continues to mature, project delivery arrangements become more embedded and require less annual negotiation. Therefore the risk of slippage in expenditure plans reduces and the associated risk of over-spending increases. We require to mitigate the risk of over-spending by setting initial commitment thresholds at levels which can be sustained given initial financial resources at the start point of the year, and vary these commitment thresholds as movement in income available to support activities is identified. These thresholds will be put in place once the final budget allocations have been agreed by the Board in March.
49. 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 Committee, and to monitor patterns of financial commitment by the Authority.

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**March 2014**

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