



For Decision

Title: Cairngorms National Park Authority 2023/24 Budget and Operation Plan

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Purpose

1. This paper sets out the proposed Cairngorms NPA 2023/24 financial year budget.
2. The paper provides the board with the opportunity to consider the overall budget position and consider the impact of any key assumptions made in establishing budget estimates at this point in the 2023/24 budget development process.
3. The paper also presents the proposed Operational Plan for 2023/24, the first year of delivery of the new 2023 to 2027 Corporate Plan.

Recommendations

4. The Board is invited to approve the Cairngorms NPA budget and operational plan for 2023/24 as set out in this paper.

Overview of Draft 2023/24 Budget Position

5. The focus of the Cairngorms NPA budget is on the utilisation of “core” resources made available to the Cairngorms NPA by Scottish Government, through the National Parks budget, and also through other Scottish Government budgets for peatland restoration, community led local development (CLLD) and nature recovery. Significant other project finances for delivery of the Heritage Horizons Programme, Cairngorms Capercaillie Project and Community Led Local Development activities amongst other externally funded activities are excluded from this analysis as having no net impact on the Authority’s core budget, other than for staff and financial costs falling on core resources as provided for in these estimates.
6. The Park Authority has yet to receive a final grant award letter for 2023/24 from Scottish Government. We also continue to work from grant allocation figures for peatland restoration circulated in March 2022. Grant allocations for CLLD areas are also to be finalised for 2023/24 at the time of developing this budget paper for board consideration.



7. While the grant allocations are, we understand, relatively final and secure, some income figures forming this budget remain subject to some uncertainty pending finalisation and receipt of grant award letters. This position is relatively common at this point in setting the Park Authority's budget for the year ahead. Monitoring of the income and grant funding position forms part of the ongoing budget monitoring activity through the year, alongside the monitoring and management of expenditure.
8. Total core income for 2023/24 is increasing by £2.447 million from £11.216m to £13.663m, a 21.82% increase in funding allocated to the Cairngorms NPA by Scottish Government for the coming financial year. This is a significant increase in funding for the Park Authority despite widespread financial restrictions across other areas of the public sector. This expected settlement highlights the alignment between the Park Authority's leadership of agreed Cairngorms National Park Partnership Plan priorities and the Scottish Governments ongoing priorities.
9. These funding figures incorporate 'other generated income' such as planning fees and fees for shared services provision at a static position of £0.180m.
10. The overview of the draft budget position for 2023/24 is presented in Table One.



Table One: Overview of 2023/24 Budget Development as at 14 March 2023

2023/24 Budget Proposals Overview			
	2023/24	2022/23	
	Budget	Opening	
	Proposal	Budget	Variance
	£000	£000	£000
Income			
National Parks Grant in Aid - Core	7,044	6,467	577
National Parks Grant in Aid - Visitor Manage	0	500	-500
National Parks Grant in Aid - capital	1,100	600	500
Peatland Grant - capital	4,143	2,962	1,181
Peatland Grant - resource	614	505	109
Nature Challenge Grant	250	0	250
Community Led Local Development	330	0	330
Other Income	182	182	0
Total Income	13,663	11,216	2,447
Expenditure			
Staff Salaries	4,841	4,439	402
Board Fees	192	185	7
Other staff and board	164	177	-13
Facilities	520	407	113
Professional services	261	225	36
Programme Contributions			
Heritage Horizons	285	150	135
Peatland delivery - capital	4,143	2,962	1,181
Peatland delivery non staff	185	200	-15
Visitor Services Infrastructure	350	324	26
Nature challenge	250	30	220
Operational Plan			
Nature and Climate	568	795	-227
People	307	306	1
CLLD Funding	300	0	300
Place	515	425	90
Support and Communications	591	604	-13
One-off IT / AV investment	205	0	205
Sub-total	2,486	2,130	356
Total Expenditure	13,677	11,229	2,448
Net Income (Net Expenditure as -ve)			
	-14	-13	-1



11. As shown in Table One, overall, the current budget development against these resources shows a relatively balanced position, with current expenditure estimates of £13,677m only £0.014m: a variance of only 0.10%.
12. It should be noted that for budget control purposes, the operational plan investment in Nature and Climate actions has been split across the operational plan budget line and separate Nature Challenge line to ensure the appropriate utilisation of earmarked nature recovery grant. Total investment for Nature and Climate in Table One is £0.818m for 2023/24 compared with £0.825m in the previous year.
13. Similarly, investment in the “People” actions of the Corporate and Operational Plans stems from funding through both the core National Parks grant and earmarked Community Led Local Development grants on which the Park Authority partners with the Cairngorms Trust as Accountable Body. Again, for budget control purposes, these two strands of activity have been developed separately in the budget figures. Total investment in the People elements of the Park Authority’s plans total £0.607m for 2023/24.
14. The following sections present some specific points of estimate and judgement in the development of these budget estimates for consideration by the Board. These aspects of estimation and assumption have previously been considered by the Board’s Resources Committee at its meeting on 10 March 2023.



Staffing Investment

Staffing Levels

15. The numbers of staff in the Cairngorms NPA establishment are expected to be broadly static for 2023/24. Should the bid for the Heritage Horizons Cairngorms 2030 Delivery Phase be approved by December 2023, we will expect to commence initial recruitment early in the 2024 calendar year. The recruitment will not impact staffing numbers in the financial year ahead. Any initial staffing impacts likely to arise in 2023/24 will be from renewal of existing contracts or internal recruitment, both of which have no impact on existing staffing levels.
16. The increase in staff payroll levels for 2023/24 represent to some extent the full year consequences of recruitment undertaken over the course of 2022/23 in staffing our increased scale of delivery: Heritage Horizons Cairngorms 2030 (C2030) and Peatland Restoration Programmes each increased in scale over the course of the year.
17. All increase in the scale of the peatland restoration staff team is offset by the increase in the resource funding to the Park Authority from Scottish Government's peatland restoration grant allocation. The increase in scale of the team is also needed to meet the delivery demands of a further increase of £1.181m in peatland restoration capital investment for the Cairngorms National Park.
18. Heritage Horizons staff investment will impact the Park Authority's budget for 2023/24 given the gap between the end of the development and delivery phases. This gap was always recognised as a financial management consequence of this stage of the programme for the Park Authority as lead applicant and employer of many of the staff involved in the programme. Staff contracts have been extended until December to retain knowledge and experience and develop delivery phase programmes many of which will be pressed for time on receipt of the approval to proceed. The Park Authority requires to finance staff contracts over this gap in programme funding. Therefore, the level of payroll cost falling against the Park Authority's core resources will increase temporarily for the 2023/24 financial year.

2023/24 Pay Considerations

19. The budget for 2023/24 is in development in the absence of published Public Sector Pay Policy for the coming year. As the Committee has previously been informed, the Pay Policy which is typically issued alongside the Scottish Government budget proposals in December has been delayed for publication in the context of responses to the cost of living pressures and consequent significant delays in pay settlement within many public bodies.



20. A key point of estimate and judgement at this phase of budget development therefore concerns the provisions made for the 2023/24 pay award. At this stage, a provision of 5.5% of payroll has been allowed to cover all elements of the Park Authority's response to the public sector pay policies once this is finalised and published. Current inflation rates remain well above this level, while interest rates have also continued to rise. There is some financial commentary at present suggesting that inflation may have peaked with some economic forecasts suggesting a decrease to around 2% by autumn of 2023. Nevertheless, management is conscious that it is the inflation indicator in March / April that is typically the key benchmark in dealing with staff pay considerations for the coming financial year.

21. The current provision provides a sum of £0.244m as the value of pay award impacts in the budget.

Payroll Recoveries

22. Estimates have been established of the levels of staff payroll recoveries from external funding sources. Current estimates are for recoveries of £0.472m. I am aware that this aspect of estimation and judgement at this stage in development of the current year budget was under-estimated and this remains a focal point in development of final estimates to be presented to the board on 24 March.

23. I am equally aware of the transitional nature of the year ahead as covered previously, with a gap in C2030 programme funding and also the Cairngorms Capercaillie programme coming to an end.

24. Overall, I suggest a prudent approach to estimates of payroll recoveries continues to be taken at this stage in establishing a financial position for the forthcoming year.

Vacancy Savings

25. In arriving at budget estimates for staffing, we make an estimate of payroll savings which may be achieved over the course of the year from turnover and management of vacant posts. The payroll budget is not therefore set to cover full establishment. Rather, it is adjusted to allow for a level of expected vacancies through turnover and recruitment timetables.

26. The estimates presented at this stage to Committee provide for an estimated 5% saving in payroll for staff costs which are not recoverable from other sources of income. This provides for £0.248m of reduction in the value of payroll which would otherwise be budgeted for.



27. The vacancy saving estimate is 1 percentage point higher than that used for 2022/23, which was based on a 4% vacancy saving. As Committee members will be aware from 2022/23 financial monitoring reports, the paybill budget has been consistently underspent over the course of the year. It therefore seems appropriate to adjust the estimated impacts of turnover and vacancy management upward slightly to budget on a 5% assumption.

Inflationary Impacts And Running Costs

28. The Head of Finance and Corporate Operations has reviewed all areas of running costs: other staff and board, facilities, and professional services from a zero base. This exercise has refreshed and rebased our financial estimates for these areas of the budget in light of changes in operational modes, for example switch of IT services from one-off capital purchases to on-going annual licence fees, and to reflect current levels of costs arising from recent inflation pressures. The adjusted budget estimates for these areas of the Park Authority's cost base are set out in Table One.

29. The work has highlighted a small reduction in budget requirement for other staff and board expenditure, recognising in part the financial efficiencies of new working arrangements adopted.

30. Facilities costs have increased significantly, with an increase in budget provision of £0.113m for 2023/24. Energy costs for building and transport have impacted this significantly. While the Grantown office runs on biomass fuel, energy prices for this fuel source have almost doubled over the course of the current year. Other inflation pressures have also driven the increase in this area of the budget.

31. Professional and IT services have increased by £0.036m (16%). This increase includes the impact of the modal shift to annual licence costs for IT infrastructure. Professional services such as audit are also expected to increase considerably in line with inflation pressures. There are also some step change increases from increased investment in areas such as cyber security measures.

32. At present, there are no provisions for further inflationary increases in these estimates, with budget management action required to contain the impact of any further inflationary increases in 2023/24 within management of the overall budget position.



Efficiency Savings

33. I expect that the requirement to achieve a 3% efficiency saving will be included in grant award letters. Subject to the terms of this requirement being clarified, the current understanding is that the efficiency savings requirements will be met through actions described above on vacancy management and wider budget management in containing ongoing inflationary increases.

Operational Plan Investment

34. Overall investment in operational plan activities has increased by £0.602m compared with the 2022/23 budget approved by the board in March 2022. This increase includes activity funded through Nature Challenge Fund and Visitor Infrastructure funds.
35. The full operational plan, flowing from the core objectives of the Corporate Plan, is set out at Annex One to this paper.
36. There is a one-off increase to the operational plan allocations for support and communications in 2023/24 to deliver redevelopment and modernisation of the website platform, and also to complete investment in audio visual equipment and systems to support revised governance processes and working arrangements.
37. Table One highlights an expected increase in the Park Authority's financial contribution to the C2030 Programme for the coming year to £0.285m from previous annual contributions of £0.150m in the development phase of the Programme. We expect partner contributions to the Programme to typically commence in the 2024/25 financial year, assuming that the delivery phase start will be confirmed around December 2023. Therefore, we expect the Park Authority will need to provide for start up finance to cover initial Programme costs between December 2023 and March 2024. The full year annual contribution to the C2030 programme from 2024/25 financial year is expected to be £0.450m, which will secure annual Programme funding of close to £6m.
38. In line with recent years, the operational plan has been budgeted without "over-programming". The total value of the operational plan is established within the parameters of total income expected to be available at the commencement of the financial year. No additional provision has been made for slippage over the course of the year through budgeting for a greater value of operational plan investments than are capable of being covered by funding levels. This seems the most appropriate approach to budget setting at this stage in the 2023/24 delivery process, given various uncertainties in income levels and expenditure pressures in the coming year.



As slippage or underspend in any projects or budget areas arise, management action can be taken to reallocate available resources to priority areas of investment or to cover other emerging budget pressures.

39. Support for the operational plan in 2023/24 is provided through a combination of resource and capital grants. Table One highlights that the Park Authority's capital grant allocation for the coming year has increased by £0.5m to £1.1m. A further element of the finance team's budget monitoring responsibilities in the early stages of the coming year will be to monitor the evolution of operational plan intentions to ensure an appropriate mix in the value of intended investment between resource and capital activities, which can therefore be supported by the blend of grant funding available. Initial overview of operational plan intentions supports the budget position now presented. This will continue to be monitored as the year progresses.



Leverage

40. The Park Authority continues to secure significant leverage in inward investment to the Cairngorms through its deployment of resources in contributions to partnership projects and in securing grant funding from non-government sources. Significant leverage over 2023/24 will continue to come from the National Heritage Lottery Fund (NLHF) through the Cairngorms Capercaillie Project and Heritage Horizons Cairngorms 2030 Programme. A summary of the leverage position established by the Authority's successful ongoing relationship with NLHF is presented in Table Two.

Table Two: Significant Third Party Project and Programme Contributions

Project / Programme Funding	2023/24 budget proposals	2022/23 Opening budget position	Variance
	£000	£000	£000
Cairngorms Capercaillie Project	556	915	-359
Heritage Horizons	1,365	2,753	-1,388
Other significant income under management	1,921	3,668	-1,747
Scottish Government and other core income	13,663	11,216	2,447
Total income under management	15,584	14,884	700

41. The year ahead represents a transitional year in terms of the Park Authority's leveraged income from the significant projects and programmes supported by NLHF and other partners. The Cairngorms Capercaillie Project will come to an end in the coming year, with leveraged income consequently reducing. The Heritage Horizons Cairngorms 2030 Programme also transitions from the end of the Development Phase, with submission of the bid for commencement of the Delivery Phase in summer 2023 and approval to commence the Delivery phase hoped for by December 2023. As such there is also some transitional reduction in anticipated level of funds under management for the Heritage Horizons Programme in 2023/24.



42. Despite these transitional reductions in leveraged funds from major programmes, total finances under management in 2023/24, prior to consideration of smaller project contributions by partners, shows an overall increase of £0.7m - equivalent to a 4.7% increase in total finances forecast to be under management in the coming year compared with the equivalent point of 2022/23.
43. The Delivery Phase of the Heritage Horizons Programme is estimated at £38m. Very limited financial activity is expected between December 2023 and March 2024, hence Table Two primarily reflects the funds under management for closure of the Development phase of the Programme. A full year of the Delivery phase of this programme will equate to around £7m in funds under management, representing a considerable future step change in the financial and operational scale of the Park Authority to commence from 2024/25.

Next Steps

44. Following board consideration and approval of a budget for 2023/24, budget allocations will be confirmed to budget holders to allow plans for delivery over the coming financial year to commence.
45. We will continue to provide budget monitoring reports to the board's Resources Committee over the course of the year ahead, identifying any significant budget variations and action in managing those variations.