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# CAIRNGORMS NATIONAL PARK AUTHORITY

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## FOR DECISION

**Title: 2022/23 BUDGET DEVELOPMENT**

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### **Purpose**

This paper presents the Cairngorms NPA's proposed budget for the 2022/23 financial year.

The paper presents the Cairngorms NPA's expected income for the year from core sources, comprising Scottish Government resource and capital grants together with generated income. The paper sets out the planned deployment of those resources across "core" organisational investment on staff and support services together with operational plan investment on project delivery.

The paper also presents the transitional investment plan for 2022/23, setting out the strategic objectives and work packages delivering against those strategic objectives in the coming year. This approach accords with the transitional arrangements in developing corporate plans agreed by the board in December 2021.

### **Recommendations**

**The board is asked to:**

- a) Agree the proposed budget allocations for 2022/23;**
- b) Consider the proposed transitional investment plan for 2022/23;**
- c) Subject to any agreed changes, agree the transitional investment plan for 2022/23;**
- d) Identify any strategic risks or implications posed for the Board's delivery of its strategic objectives which may require additional management action.**

### **Overview**

1. The Board agreed a transitional budget and strategic planning process for 2022/23 at its meeting in December 2021, recognising the need to establish an appropriate strategic delivery base over the course of the coming year while the next National Park Partnership Plan (NPPP) is finalised. This paper presents the proposed budget and transitional strategic plan for 2022/23 in line with that agreed process.
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. The Scottish Government team responsible for the peatland restoration budget line have also confirmed, on 16 March 2022, the resource and capital allocations for the Cairngorms Peatland Restoration Programme in 2022/23. Resource allocation has been provided to meet our request in full, of £505,000. The capital allocation has also been augmented to provide some carry over of the underspend from 2021/22 to assist in project delivery for 2022/23, supporting the Authority's request to put in place this facility.
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 have been developed and agreed through the Resources Committee in February 2022, and remain subject to approval by Scottish Government's Finance Pay Policy Team and subject to consultation and agreement with the staff group.
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 adverse impacts on 2022/23 financial year from 2021/22 delivery plans.

### **Strategic Context**

7. The Authority, as a Non-Departmental Public Body (NDPB), operates within the context of a Management Statement established by Scottish Government. The Management Statement sets out the respective responsibilities of Scottish Ministers, the Scottish Government Portfolio Accountable Officer, the Scottish Government Sponsor Team, the Convener and Depute Convener of the Board, the Board as a whole and the Chief Executive as Accountable Officer as they relate to the strategic direction, operation and financial accountability of the Authority.
8. The Board is responsible within the terms of the Management Statement for establishing the overall strategic direction of the NDPB within the policy, planning and resources framework determined by the Scottish Ministers. The Board achieves this aim through determining the direction and content of the National Park Partnership Plan (NPPP) and thereafter the Authority's own Corporate Plan which sets out the CNPA's direct contributions to delivery of NPPP objectives. The Authority's current Corporate Plan was approved by the Board and Scottish Ministers in March 2018: <https://cairngorms.co.uk/authority/corporate-plans/corporate-plan/>
9. Delivery against the Corporate Plan objectives is reported on each year, highlighting achievements and exceptions, performance against targets and key performance indicators and wider strategic risk management. The fourth such delivery report on the current 2018 to 2022 Corporate Plan was presented to the Board at its meeting in September 2020:

<https://cairngorms.co.uk/working-together/meetings/meeting/board-2020-09-11/>

10. In terms of annual budgeting, the Management Statement sets out the role for the Board as having corporate responsibility for promoting the efficient and effective use of staff and other resources by the NDPB, and ensuring that any statutory or administrative requirements for the funds falling within the stewardship of the NDPB are complied with.
11. The Chief Executive, as Accountable Officer, is personally responsible for establishing the Authority's Corporate and Operational Plans in the light of Scottish Minister's wider strategic aims. The Chief Executive is also responsible under the terms of the Management Statement for establishing a robust performance management framework which supports the achievement of the NDPB's aims and objectives as set out in the corporate and operational plans; and which enables full performance reporting to the Board, the sponsor Directorate and the wider public. This latter responsibility is given effect by the regular Corporate Performance report referred to above, complemented by reports on NPPP delivery and regular updates on delivery matters to the Board.
12. Overall, the budget developed must of course be capable of having proposed expenditure financed by available income in the year with a balanced year-end outturn targeted.
13. As such, the exercise of annual budget and operational plan establishment in the Authority as an NDPB is one of:
  - a) The Chief Executive, supported by the Management Team and wider staff group, establishing the most appropriate deployment of resources to support delivery over the course of the year toward achieving the strategic objectives set by the Board in the Corporate Plan;
  - b) Review by the Board to ensure that the proposed deployment of resources appears appropriate as a means of achieving strategic objectives.
14. The paper therefore covers the following aspects of development of Board strategy, scrutiny of planning and assurance:
  - a. Strategic risk management and risk appetite: do the budget plans, financial objectives set and any risks and judgements taken on estimates and provisions establish an appropriate platform for the Authority's budget setting and financial management processes for the coming financial year?
  - b. Delivering strategic objectives: do the financial plans, at this stage in their evolution, establish an appropriate resource allocation base from which to deliver approved strategic objectives?
  - c. Assurance: are there any aspects of budget allocation and deployment that merit specific attention by the Board or its Committee in conducting the assurance and scrutiny role during 2021/22?

## **Analysis of Budget Position**

### Income

15. 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
Resource: Visitor Management Support	-	-	500	+500
Capital	240	600	600	0
<b>Total grant in aid allocations</b>	<b>5,019</b>	<b>6,930</b>	<b>7,567</b>	<b>+637</b>
Specific Programmes				
Peatland Restoration Resource funding	246	440	505	+65
Peatland Restoration Capital Funding	-	1,850	2,962	+1,112
SG Biodiversity Funding	-	196	0 To be confirmed	-196 To be confirmed
Other generated income	125	174	182	+8
<b>Total Income from Scottish Government and generated from operations</b>	<b>5,390</b>	<b>9,590</b>	<b>11,216</b> tbc	<b>+1,626</b> tbc
Funding under management within significant ongoing projects				
Cairngorms Capercaillie Project		610	915	+305
Heritage Horizons (estimated split)		100	2,753	+2,653
Funds under management before specific project contributions		10,300	14,884 tbc	+4,584 tbc

16. An allocation of £500,000 has been secured for visitor management activity, which secures expenditure on rangers, seasonal rangers, grants to partner ranger services and some equipment and expenses for ranger services. This grant must be deployed on these items of expenditure. Therefore any decision to reduce expenditure in this aspect of the budget is likely to result in an equivalent loss of income to the Authority.

#### Expenditure

17. High level expenditure estimates falling against these resources are set out in Table Two.
18. Table Two covers our investment in staff, board fees, and operational running costs; investment in specific programmes of work; and our investment proposals for 2022/23 which form the transitional plan for the year ahead. As approved by the board in December, the single year transitional plan is intended to direct the Authority's activities and prioritise investment while the organisation moves from the current Corporate and NPPP delivery period into the first year of the 2022 to 2027 NPPP and develops its future Corporate Plan which is likely to span 2023 to 2027.
19. The proposed transitional investment plan for 2022/23 supported by operational plan investment is set out in Annex I to this paper.
20. In order to show the full scale of funds under management by the Authority, with significant external investment being made by the National Lottery Heritage Fund (NLHF), both income (Table One above) and expenditure (Table Two below) reflect the levels of financial activity covered by the Cairngorms Capercaillie Project and Heritage Horizons: Cairngorms 2030 Programme.

Table Two: Initial Expenditure Projections 2022/23

Budget	2021/22 £000	2022/23 £000	22/23 Change from prior year £000
Staffing	4,102	4,439	+337
Board fees	180	185	+5
Other staff and board costs	177	177	0
Facilities	377	407	+30
IT and Professional Services	156	225	+69
<b>Sub-total core expenditure</b>	<b>4,992</b>	<b>5,433</b>	<b>+441</b>
Programme Investment			
Heritage Horizons	150	150	0
Peatland capital investment	1,972	2,962	+990
Peatland service support	0	200	+200
Strategic Visitor Infrastructure Improvement Programme	324	324	0
Nature Challenge and Green Recovery Grants	446	0	-446
COVID Organisational and community response	220	30	-190
<b>Sub-total Programme Investment</b>	<b>3,112</b>	<b>3,666</b>	<b>+554</b>
Operational Plan			
Conservation and Land Management	406		See para 21
Nature and Climate Investment		795	See para 21
Visitor Services	512		See para 21
Place		306	See para 21
Strategic Planning and Rural Development	310		See para 21
People		425	See para 21
Corporate	160		See para 21
Communications	101		See para 21
Support and Facilitating Delivery across all NPPP and corporate areas		604	See para 21
<b>Sub-total Operational Plan</b>	<b>1,489</b>	<b>2,130</b>	<b>+641</b>
<b>Total investment funded from Scottish Government grant and generated income</b>	<b>9,593</b>	<b>11,229</b>	<b>+1,636</b>
Investment funded by other sums under management	710	3,668	+2,958
<b>Total investment under management</b>	<b>10,303</b>	<b>14,897</b>	<b>+4,594</b>

21. The budget presented is therefore a broadly balanced position, seeking to again deliver a “break-even” outturn position whereby the Authority maximises use of financial resources available in year. Total resource available from Scottish Government and

from locally generated sources are £11.216 million with budgeted expenditure financed by that income of £11.229 million. A slight opening excess of expenditure over income of £0.013 million.

22. Externally funded project and programme income is budgeted to fully offset expenditure of a further £3.668 million.
23. Total funds under management for the 2022/23 financial year are projected at £14.897 million, as compared with £10.303 million in the current year (although this figure excludes the final year of LEADER funds under management to provide a like for like comparison).

### **Transitional Investment Plan** (see Annex I for detail)

24. The expenditure and investment proposals developed 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.
25. Overall, investment into operational plan projects has increased by £641,000 (43% of 2021/22 budget level). This increase relates to the Authority's own, directly led project investment in the Cairngorms. This investment is also likely to lever in further external funds from partners. The additional levered in partner investment is not factored into the budget figures presented in this paper.
26. 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**

27. There are two key assumptions underpinning development of the budget estimates presented at this time to board: levels of vacancy savings which may be achieved over the course of the year; and the degree to which the budget should be over-programmed. The budget now presented follows previous decisions on these assumptions by the board for the 2021/22 financial year. Consideration of both assumptions is set out in the following sections for transparency and to allow the board to review the appropriateness of assumptions for the 2022/23 financial year.

#### Vacancy Savings

28. 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.
29. As the 2021/22 budget monitoring reported to Resources Committee has shown over the course of the year, our staff budgets including these vacancy assumptions have been underspent. This validates the assumption made in setting the 2021/22 budget and suggests a higher level of vacancy saving may have been appropriate.
30. 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

31. 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.
32. The rationale for the removal of an over-programming allowance is 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.
33. 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. However, for the purpose of budget estimates now presented to the board, we have adopted a balanced budget position as set out at paragraph 21.

## **Wider Financial Analysis**

### Staffing

34. Level of investment in our staff team increases by £337,000 in current projections for the 2022/23 year compared with the 2021/22 base provision, an increase of 8%. 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 6 full time equivalent posts).

35. While increasing on the 2021/22 level, the investment in the staff team for 2022/23 represents a decrease in the deployment of Scottish Government grant and generated income, with 39.6% of this income invested in the staff team as opposed to 42.8% in the previous year.
36. 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. Our staff investment for 2022/23 represents 29.8% of total resources currently forecast for 2022/23 compared with 39.8% in the prior year.

#### IT and Professional Support

37. The budget for 2022/23 highlights a significant increase of £69,000 in the IT and Professional Support budget line. Over the course of the current year, the staff group has been working to deliver against our approved IT Strategy and Scottish Government's Digital Strategy to move more of our IT systems into cloud-based services. The consequence of such a move is to transfer expenditure from sporadic capital expenditure on servers and multi-year software contracts into annual user licences. As such, this change in delivery pattern is reflected in a transfer within the budget to reflect increased annual resource costs in the IT and Professional Services budget line, and contributes to a reduction in the Corporate operational plan budget lines where capital investment requirements were previously contained.

#### Operational Plan Delivery

38. Operational Plan investment over the transitional planning period and first (part) year of the NPPP has increased significantly from the prior year position to £2.130 million.
39. This investment is augmented by a range of programme investments which are disclosed separately in Table Two 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

40. There are no current cash management issues to highlight. The scale of externally funded programmes under management, and typical delay between incurring expenditure and recovering funds through claims will put increased pressure on the Authority's cash flow management. We have developed a detailed cash flow forecast

for the Heritage Horizons: Cairngorms 2030 Programme and we will continue to monitor and adapt that as necessary.

41. There is some flexibility in our capacity to draw down grant support from Scottish Government. This flexibility is expected to provide sufficient cover to allow for cash flow management over the course of the year ahead. As further mitigation, the finance team will also work closely with Heads of Service to establish a detailed expenditure and cash flow profile for delivery of their transitional investment plans at an early point in the year.

**David Cameron**

**16 March 2022**

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