

CAIRNGORMS NATIONAL PARK AUTHORITY

FOR DECISION

Title: 2015/16 BUDGET AND OPERATIONAL PLAN

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Purpose

This paper sets out the Authority's financial position for the 2015/16 financial year. The paper presents the proposed financial allocations for 2015/16 for core income and expenditure and for operational plan investment and seeks Board's approval to the budget and Operational Plan for 2015/16.

Recommendations

The Board is requested to:

- i. Consider the budget proposals for 2015/16 presented in this paper;**
- ii. Subject to any suggested amendments, approve financial allocations for 2015/16.**

Executive Summary

This paper sets out an overview of the Authority's financial position for the 2015/16 financial and operational year – the first year of the new three year corporate plan to be considered elsewhere on the Board's agenda. 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. At this point in time, the Authority also again has no additional capital grant funding available to it with capital funding having been secured between 2011/12 and 2013/14.

The Authority and its partners have been successful in securing significant levels of third party investment into the National Park, which we expect to commence in 2015/16. The Tomintoul and Glenlivet Landscape Partnership Project (Tomintoul and Glenlivet Community Trust Company), The Mountains and the People Project (Cairngorms Outdoor Access Trust) and LEADER (Cairngorms Local Action Group) will collectively secure investment in the Cairngorms National Park in excess of £10 million over the coming 5 years. All of these significant programmes of activity involve the Authority to a significant degree in providing organisational, service and governance support, some direct financial investment and staff knowledge and expertise.

The paper highlights the main areas of expenditure proposed for inclusion in the Operational Plan for 2015/16, noting that the Management Team has sought as far as possible to control budgeted expenditure on "core" areas of staffing and running costs in

order to protect the levels of Operational Plan investment as far as possible in this period of declining direct funding. 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.

2015/16 BUDGET AND OPERATIONAL PLAN - FOR DECISION

Background

1. The forthcoming year, 2015/16 represents the first year of the new three year corporate plan to be considered elsewhere on the Board's agenda.
2. 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 the draft budget published in October 2014.
3. The following sections of the paper go on to discuss the specific issues around income, "core" running costs and Operational Plan investment proposals.

2015/16 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 2015/16 are as follows:
 - a) Delivery of Capercaillie Framework
 - b) Delivery of Sustainable Moorland Management and of Catchment Management Projects
 - c) Ongoing oversight of An Camas Mòr proposal
 - d) Development of Cairngorm and Glenmore strategy and delivery of actions
 - e) Development and delivery of LEADER programme
 - f) Supporting final agreement to and commencement of delivery of Tomintoul and Glenlivet Landscape Partnership Project and The Mountains and The People Project
 - g) Active Cairngorms and supporting access infrastructure improvements
 - h) Work to ensure smooth progress of A9 enhancements within the National Park taking into account the Park's special qualities.
 - i) Implementation of Speyside Way extension
 - j) Implementation of the Cairngorms Economic Strategy, specifically on Tourism
5. The main internal priorities for 2015/16 are as follows:
 - a) Second year implementation of our Organisational Development Strategy
 - b) Implementation of our Planning Service improvements as part of significant change management process within the Service
 - c) Delivery of our agreed accommodation preferred options.

2015/16 Budget: Income

6. The Authority's expected cash-based income for 2015/16 comprises primarily a resource allocation of £4.30m from Scottish Government.
7. We are also budgeting for a further £0.25 million income from other sources including planning fees, project contributions and other generated income.

8. Total budgeted, cash-based income for the coming year, 2015/16, is therefore £4.55m. This represents funding available to the Authority to support its on-going activities and Operational Plan spending plans. This compares with £4.69m estimated total income presented to Board at this time last year for commencement of the 2014/15 budget.
9. 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 tied to specific projects, the Park Authority's discretionary income for budget allocation to core and operational plan activities in 2015/16, remains as £4.55m.
10. At this point in time, the Authority also again has no additional capital grant funding available to it with around £3.5 million in capital funding having been secured between 2011/12 and 2013/14.

Wider Funding Context Within Cairngorms National Park

11. The work of staff and organisational support from the Authority over the course of the last two years has, however, resulted in some significant successes for the Authority and its partners in securing sizeable levels of third party investment into the National Park, which we expect to commence in 2015/16. The Tomintoul and Glenlivet Landscape Partnership Project (Tomintoul and Glenlivet Community Trust Company as lead delivery organisation), The Mountains and the People Project (Cairngorms Outdoor Access Trust as lead delivery organisation) and LEADER (Cairngorms Local Action Group as lead delivery organisation) will collectively secure total investment in the Cairngorms National Park from these programmes of activity in excess of £10 million over the coming 5 years.
12. All of these significant programmes of activity involve the Authority to a significant degree in providing organisational, service and governance support, some direct financial investment and staff knowledge and expertise. From a financial perspective, the Authority's contributions to these projects and associated total levels of investment to be secured within the National Park are summarised in Table One.

Table One: Significant Externally Funded Investment Programmes

| Work Programme | Operational Duration | CNPA Total Financial Contribution | Total Expected Investment |
|---|-----------------------------|--|--|
| Tomintoul and Glenlivet Landscape Partnership Project | 5 years | £250,000 | £3,000,000 |
| The Mountains and the People Project | 5 years | £275,000 | £2,200,000 estimate within Cairngorms NP of £6,250,000 total project |
| LEADER | 5 years | £350,000 | Estimated £6,000,000 |

2015/16 Expenditure Budget: Core Budget Summary

13. A summary of core budget estimates for the 2015/16 financial year is set out in Table Two.

Table Two: 2015/16 Core Budget Summary

| | 2014/15 Budget Proposals £000 | 2015/16 Budget Proposals £000 | Change £000 |
|---------------------------------------|--|--|------------------------|
| Board Salaries | 160 | 163 | +3 |
| Staff Salaries | 2,881 | 2,861 | -20 |
| Other Board and Staff Costs | 215 | 215 | 0 |
| Office Running Costs | 247 | 214 | -33 |
| IT and Professional Support | 159 | 179 | +20 |
| Total “cash” based expenditure | 3,662 | 3,632 | -30 |
| Depreciation of fixed assets | 36 | 33 | -3 |
| Total expenditure | 3,698 | 3,665 | -33 |

2015/16 Budget and Operational Plan - Staffing

14. The Authority’s staffing levels represents one of the key financial management issues in balancing financial investment between core areas of expenditure, and project investment through the Operational Plan.
15. We presented a full rationale at the time of presenting the 2014/15 budget for a planned increase in staffing numbers over 2013/14 and 2014/15. The Board accepted and agreed this position when considering and approving the budget for 2014/15. The Board also resolved that the Management Team should manage the forward budgets over 2014 to 2017 in such a way as to secure maximum possible flexibility for the Board in considering the priority allocation of resources around the next National Park Partnership Plan to commence from April 2017.
16. Consequently, Management Team has maintained a scrutiny of staffing levels over the course of the year, and particularly over any proposed recruitment. Our current financial monitoring position presented to Finance Committee in February 2015

indicates that the final outturn position for 2014/15 will be some £125,000 lower on staffing than budgeted as a result of vacancy management in the year.

17. Our aim is to retain these financial savings from 2014/15 into 2015/16 and hence absorb increased payroll costs arising from national changes in levels of employers' pension and national insurance contributions and also local cost increased from the agreed staff pay award for 2015/16. We have also made a switch in provision of aspects of our GIS services, with a reduction of 0.4FTE staffing offset by establishment of an outsourced call-off contract for GIS service provision to be drawn on as required. Therefore, the staffing budget for the coming financial year is slightly lower than at the start of 2014/15, despite these underlying cost increase pressures.
18. The updated trend of our organisational staffing levels, previously presented in March 2014, is set out at Table Three.

Table Three: Cairngorms NPA Staffing 2006/07 to 2015/16

| Year end 31 March | Headcount | FTE |
|------------------------------|------------------|------------|
| 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 |
| 2014 | 67 | 60.6 |
| 2015est | 69 | 62.4 |
| 2016est | 68 | 61.4 |

19. As Table Three indicates, the staffing trend and underlying staffing requirements of the Authority 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 numbers build 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 ongoing vacancy management processes which support the reallocation of staff to changing priority areas of the Authority's operations.
20. 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. 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.

21. In reviewing budget proposals, the Finance and Delivery Committee requested that we consider our staffing position in light of other similar organisations' positions on staffing as proportions of their expenditure. We have therefore undertaken a brief review of some organisations' published financial accounts for 2014/15, the result of which is set out at Table Four. Overall, despite the increase in the Authority's staffing at this mid-term period of NPPP delivery, our levels of staffing as a proportion of expenditure is still well below that of other comparable organisations.

Table Four: Comparative Analysis of Staffing Levels at 31 March 2014

| Organisation | Staff Expenditure £000 | Total Expenditure £000 | Staff Proportion % |
|---------------------------------------|---------------------------|---------------------------|-----------------------|
| Cairngorms NPA | 2,324 | 6,850 | 33.9 |
| Loch Lomond and the Trossachs NPA | 4,467 | 8,137 | 54.9 |
| Scottish Natural Heritage | 26,208 | 51,779 | 50.6 |
| Cairngorms NPA 14/15 Outturn Estimate | 2,636 | 5,091 | 51.8 |

Other Non-Staff Core Expenditure

22. As with staffing budgets, our aim with other areas of core expenditure in 2015/16 is to maintain these budgets as far as possible at or below the budget levels for 2014/15. This recognises the desire to maintain Operational Plan investment levels as far as possible, and also to achieve further targeted efficiency savings.
23. The increase shown against IT and Professional Support costs recognises the operational shift made in the current year for provision of GIS services, whereby 0.4 FTE of staff resource was removed from our establishment and replaced with provision for an outsourced, call-off GIS contractor. Other than this switch in expenditure profile, non-staff core expenditure is budgeted to be held at or below 2014/15 levels.

2015/16 Expenditure Budget: Operational Plan

24. The Operational Plan for 2015/16 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 £0.95m 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.
25. While Annex I highlights the range of financial and staff resourcing provisions made for the coming year, the following sections set out some brief commentary on the main areas of financial investment in 2015/16 and the intention underpinning them.

Communications: Website Provision (£20k)

26. The contractual arrangements for hosting and maintaining the Cairngorms and CNPA website has been awarded to a new supplier called Reading Room. Work is under way to revise our website so that it is strongly focused on the user journey and their needs and the new website will be launched in the summer 2015. The ongoing budget of £20K per annum is to ensure we continue to deliver a reliable and secure website for the Park and Park Authority, improve the user experience by navigation and design improvements and develop our capabilities to provide online services.

Conservation and Land Management: Habitat Restoration (£44k)

27. This package includes provision for land management support (£15k), training (£15k), supporting woodland expansion objectives (£10k), wetland enhancement (£5k) and sustainable deer management (£12k), landscape toolkit and monitoring (£9k). This includes a significant staff time commitment to facilitate projects and collaborate with partners.

Conservation and Land Management: Priority Species and Engagement (£76k)

28. The priority species and engagement budget includes provision for the Cairngorms Nature Campaign and communications (£20k) and citizen science (£11k). The remaining funds are dedicated to delivering the Cairngorms Nature Action Plan including projects such as the Capercaillie Framework and Pearls in Peril.

Conservation and Land Management: Moorland Management (£7k)

29. Budget for moorland management includes support for developing a collaborative initiative (£7k), delivering Peatland Action Programme projects (externally funded) and raptor conservation. Although a low cash commitment, there is significant staff time allocation including a dedicated peatland project officer (externally funded).

Land Management and Conservation: Catchment Management (£20k)

30. Budget specifically directed towards supporting for catchment management partnerships continues (£20k).

Rural Development: Local Development Plan (£10k)

31. The Scottish Government have now confirmed, subject to one modification relating to a housing allocation at Carr-Bridge, that we can now adopt the LDP. The focus of our policy work will now move towards adoption of our associated Supplementary Guidance (programmed for April 2015), and to the preparation of an Action Programme that will set out how we intend to implement the LDP. This will be brought back to the Planning Committee in June.

Rural Development: Planning Service Improvement (£5k)

32. A range of initiatives are programmed, including a further series of customer advice notes to go on our website, RTPI Awards for Planning Excellence entries, a review of our internal consultee response templates, all contributing to the Scottish Government's Planning Performance Framework (PPF) and Benchmarking initiatives. This will be brought to Planning Committee in April.

Rural Development: Cairngorms Economic Strategy (£58k)

33. The Economic Strategy has been approved by the CNPA Board, the Board of the Cairngorms Business Partnership and endorsed by most of the significant stakeholders around the Park. This package of work sets out CNPA's resources towards implementation the Strategy, including a contribution towards Cairngorms Business Partnership. CBP have a new business plan and are recruiting a new Chief Executive so we expect their leadership role in delivery of the Strategy, and their coordination of the Economic Forum, to increase significantly in coming months. The package also includes work on visitor marketing the Park and implementation of the Tourism Action Plan under the oversight of the Cairngorms Tourism Partnership.

Rural Development: Tomintoul and Glenlivet (£70k)

34. This package of work draws together CNPA's contributions towards activity on the Tomintoul and Glenlivet area – one of the two spatial priorities in the Park Partnership Plan. It covers the work of the Transform Team, made up of the public agencies and partners who provide oversight of delivery of the Regeneration Strategy, the contribution to the Landscape Partnership Project and the work of the Tomintoul and Glenlivet Development Trust.

Rural Development: Community Development (£58k)

35. In December 2014, CNPA Board approved a new approach to community engagement and development work in the National Park and in February 2015 the Finance and Delivery Committee approved the agreement of Memorandums of Agreement with two key agencies. Financial resource has been provided to support this activity over 2015-16, with agreement in principle to support this activity for a further two financial years, subject to budget availability. The situation in Tomintoul and Glenlivet is different, with activities there funded until November 2015. Finances have been provided to secure the ongoing delivery of that activity for the remainder of the financial year and again in principle for the following two years, subject to budget availability.
36. The activities to be delivered through these grants are central to the success of ongoing community engagement and development activity in the National Park. These activities also have the support of key public sector colleagues:
- a) Provide capacity building support to community organisations, in terms of governance, finance, and building partnerships;
 - b) Undertake the organisation, facilitation, and administration of specific community consultation exercises, with the objective of ensuring that communities take ownership of, and are actively involved in the process;

- c) Provide a key local contact with the community, providing an ongoing community engagement and information sharing role and promoting understanding of the role of CNPA and its work;
- d) Facilitate the process of Community Action Planning (including reviews) in National Park communities and promote links with relevant strategies such as the National Park Partnership Plan, Cairngorms LEADER, Cairngorms Nature, and Active Cairngorms;
- e) Support appropriate community organisations to become increasingly sustainable through income generation; and,
- f) Raise awareness of the Cairngorms National Park brand and brand values with community organisations and projects.

Visitor Services: Tourism (£39k)

- 37. The package covers our statutory work on outdoor access, our work on learning and inclusion (covered in detail in a separate paper) and the final elements of 2014/15 visitor survey.

Visitor Services: Active Cairngorms (£194k)

- 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 although the figure drops this year because Highland Council has reduced their service by one post.
- 39. This also covers the final year of our joint project with Sustrans to develop cycling across CNP.

Visitor Services: Access Infrastructure (£145k)

- 40. This package of funding includes the CNPA's £55k annual contribution to The Mountains and The People Project, with the £265k total CNPA investment in that project over five years delivering a £6.25million gross value project, of which we expect around one-third of value to be invested in mountain paths in the Cairngorms (Perthshire, Aberdeenshire and Angus), training, volunteering activity and promotions.
- 41. The remainder of the CNPA funding to COAT helps sustain project development, funding bidding and project delivery particularly on Speyside Way and Speyside Way Extension. COAT's annual turnover has now typically reached about £1.4 million, providing the CNPA with significant levels of financial leverage in attracting other organisations' finances into access and path projects within the National Park.

Visitor Services: Glenmore and Cairngorm (£10k)

42. On-going development of the Cairngorm and Glenmore Strategy, and support for the Glenmore Visitor Improvement Plan.

2015/16 Budget Summary

43. The summary budget position for 2015/16 is set out in Table Five.
44. 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. While we have successfully managed the 2014/15 budget toward a break even outturn position from a start point some £0.3m over-programmed, there is ever increasing clarity of intent around Operational Plan expenditure between the Authority and our delivery partners and associated reduction in risk of slippage or postponement of projects. Therefore, the decision has been taken by Management Team in producing these budget estimates to substantially reduce levels of over-programming for 2015/16 to £0.05m or less.

Table Five: 2015/16 Budget Summary

| | 2014/15 Budget forecast (£m) | 2015/16 Budget forecast (£m) |
|---|---|---|
| Grant and Fee Income | 4.686 | 4.550 |
| Expenditure | | |
| Core Budgets | 3.662 | 3.632 |
| Operational Plan | 1.328 | 0.951 |
| Total Expenditure | 4.990 | 4.583 |
| Net Expenditure | -0.304 | -0.033 |
| Note: | | |
| Sensitivity Analysis - Movement by 1% in: | | £000 |
| - Pay awards | | 28 |
| - Inflationary price increases | | 4 |
| - Grant in aid movements | | 42 |
| | | |

Next Steps

45. The Finance Committee will continue to be presented with regular budget monitoring updates over the course of 2015/16 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 2013 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 further presentation to the Finance and Delivery Committee to consider investment plans and delivery proposals in more detail prior to financial commitments being entered into.
47. 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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