



Cairngorms National Park Authority

Internal Audit Report 2024/25

Operational and Financial Planning

August 2024



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Audit Sponsor	Key Contacts	Audit team
<i>David Cameron, Deputy Chief Executive</i>	<i>Louise Allen, Head of Finance and Corporate Operations</i>	<i>Elizabeth Young, Partner</i> <i>Stephanie Hume, Director</i> <i>Kathryn Daley, Internal Auditor</i>

Executive Summary

Conclusion

Cairngorms National Park Authority (CNPA) has clear processes in place for financial and operational planning that ensure approved plans are in place prior to the start of the financial year. We confirmed that financial and operational plans reference the relevant Corporate Plan objectives and that the financial and staffing requirements of objectives has been assessed.

We also confirmed that annual scenario planning is performed at the request of the Scottish Government based on expected budgets, with three separate scenarios considered. We noted however that these are not reported internally to those charged with governance and CNPA does not regularly update forward-looking financial projections for longer term objectives to reflect the Corporate Plan 2023-27 and National Park Partnership Plan 2022-27.

Regular updates on progress and performance against operational and financial objectives are provided to Board and Committees. CNPA could strengthen arrangements in this area by putting in place action logs to track actions until complete.

Background and scope

Effective financial and operational planning is important to ensuring Cairngorms National Park Authority (CNPA) delivers its overarching objectives, whilst remaining financially sustainable.

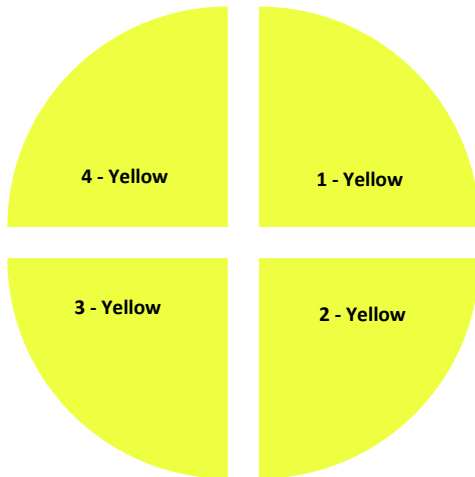
The organisation sets direction through its corporate strategy, that in turn is supported by costed annual plans outlining the actions and milestones that will be delivered in the year in question. As such, it is vital that these are robustly developed and clearly aligned.

Effective planning and reporting is particularly important in the current financial climate, and the increase in scale of delivery being required of CNPA for example Cairngorms 2030.

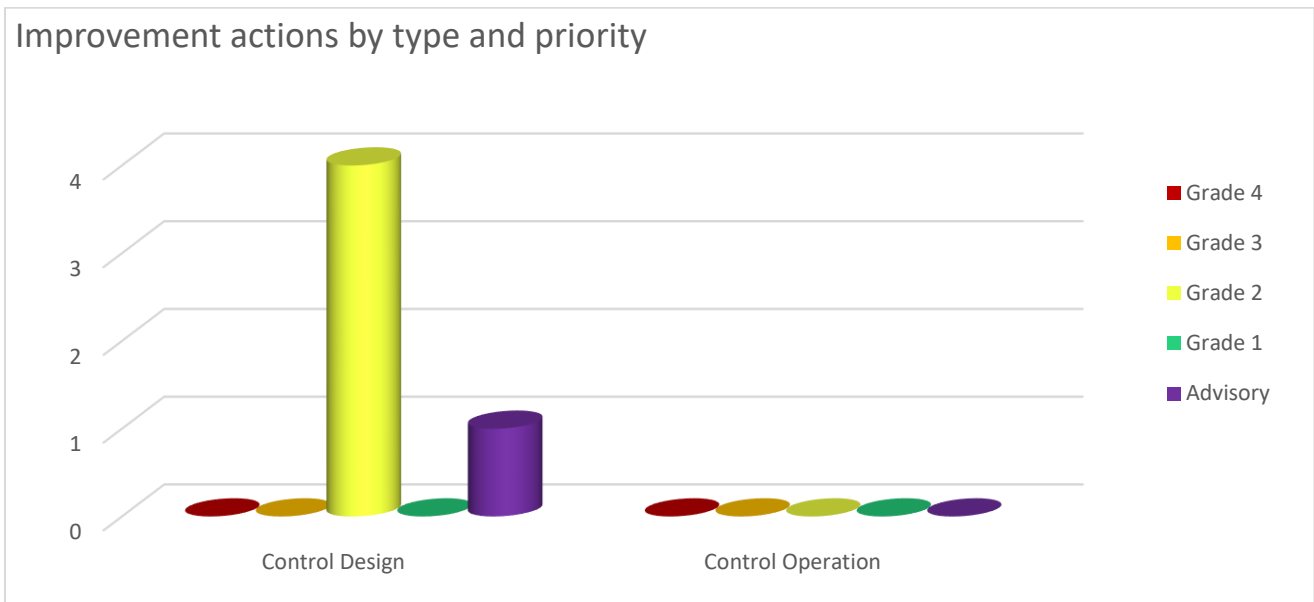
In accordance with the 2024/25 Internal Audit Plan, we reviewed the annual operational planning process including how operational plans are developed and the extent to which they are integrated within the annual financial plan. This considered the cycle of spending and monitoring of spend throughout the year to achieve the operational plan and the link to the delivery of corporate outcomes, including the use of scenario planning.

Control assessment

- 1. Operational planning and financial planning processes are in place that are clearly aligned and adequately reflect the structure and operations of CNPA.
- 2. The operational plans are supported by a financial plan that ensures that adequate resources are in place to support the delivery and achievement of strategic objectives.
- 3. The financial plan includes scenario planning on the possible outcomes for delivery of the operational plans throughout the year.
- 4. There is regular reporting to management and the Board on delivery against the operational and financial plans, including any interdependencies, and implications for delivery of corporate outcomes.



Improvement actions by type and priority



We have identified five improvement actions from this review, all of which relate to the design of controls in place. See Appendix A for definitions of colour coding.

Key findings

Good practice

- CNPA has clear operational and financial planning processes in place, which we confirmed operate in line with expected timescales. We confirmed there is a Budget Monitoring and Management document in place to support these processes which sets out these processes, including those involved in preparation and review.
- We confirmed CNPA's operational and financial plans are approved by the Board prior to the start of the financial year. We reviewed Board Meeting minutes and confirmed that approval of the Operational Plan and Budget was provided in March of each year.
- From our review of the Cairngorms National Park Authority 2024/25 Budget and Operational Plan, we confirmed that this contains reference to strategic and corporate objectives, including the required financial and workforce resources and related risks.
- We confirmed CNPA performs scenario planning based on various budget scenarios as commissioned by the Scottish Government each year. We reviewed the Budget Model 24/25 and confirmed it contains movement scenarios for three different budget reduction projections 0%, 10% and 20%.
- We confirmed management provide regular updates to the Resources Committee and Performance Committee of performance against financial and operational objectives, respectively. We have confirmed through review of meeting minutes from March 2023 to May 2024 that progress updates are provided on budget position, project delivery and strategic expectations.

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen CNPA's control framework. These include:

- Updating the Budget Management and Monitoring document to include roles, responsibilities, timescales, and documentation requirements.
- Developing scenario plans for all future years of the Corporate Plan 2023-27.
- Ensuring that scenario plans are reported to relevant committees at least annually as part of the financial planning process.
- Creating and maintaining a log of actions arising from meetings, to assist in monitoring and reporting on progress.

These are further discussed in the Management Action Plan below.

Impact on risk register

The Cairngorms National Park Authority corporate risk register (dated April 2024) included the following risks relevant to this review:

- Risk A1: Public Sector finances constrain capacity to allocate sufficient resources to deliver corporate plan.

The conclusions from this review highlight control improvements which – if made – will support the above risks around financial constraints faced by public sector organisations and their ability to deliver corporate objectives. Regular monitoring, scenario planning and clear roles and responsibilities will help CNPA to more effectively mitigate the challenges faced in financial and operational planning.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Operational planning and financial planning processes are in place that are clearly aligned and adequately reflect the structure and operations of CNPA.



Yellow

1.1 Operational and Financial Planning Process Documentation

We confirmed through our discussions with management and review of the Operational and Financial Planning cycle documentation that the operational and financial processes are suitably aligned with regards to timescales, those involved and reporting through the governance structure.

CNPA creates annual operational plans by prioritising objectives included within the Corporate Plan 2023-27 and National Park Partnership Plan 2022-27, which were produced in consultation with Scottish Government. Once CNPA receives confirmation of its budget allocation from Scottish Government in December of each year the Heads of Service produce draft operational and financial plans for the year ahead, which are reviewed and approved by the Board in March in advance of the start of the financial year.

In addition, we reviewed the Budget Management and Monitoring document which was written by the Head of Finance and Corporate Operations and reviewed by Director of Corporate Services and Deputy Chief Executive in November 2023. This document sets out at a high level the above annual budget and operational process. However, the document does not clearly dictate the timelines for completion, roles and responsibilities of all parties involved, and expected documentation to be produced at each stage of the process.

Risk

There is a risk operational and financial planning processes do not operate in line with expectations, due to a lack of clarity around roles, responsibilities and deadlines, leading to delays in review, approval and implementation of plans, and impacting performance against objectives.

Recommendation

CNPA should ensure that operational and financial planning process documentation clearly defines the roles and responsibilities of those involved, including timelines for completion and documentation requirements.

Management Action

Development of the 2024/25 budget represented the first full delivery year of the Cairngorms 2030 Programme and its integration into the Park Authority's budget setting processes. This period also represented the first full budget cycle delivered under our new Corporate Management structure, including a Head of Finance and Operations. As such the budget development was evolutionary and roles not fully embedded.

We will incorporate roles, responsibilities and timelines into our budget planning and development documentation as recommended.

It is worth noting however that timelines will need to adapt to Scottish Government budget timetables which are not always consistent each year. Variability in national budget timetables will impact on the value of having timetables set out for development of the Park Authority's budget.

Action owner: Head of Finance and Corporate Operations

Due date: 31 March 2025

Control Objective 2: The operational plans are supported by a financial plan that ensures that adequate resources are in place to support delivery and the achievement of strategic objectives.



Yellow

2.1 Forward-looking financial plans

We confirmed the Corporate Plan 2023-27 sets out the outline budget and forward financial projections for its objectives, including operational areas, specific projects and staffing resources. However, through discussions with management and review of the financial planning process, we noted that as CNPA receives an annual budget from Scottish Government management only create detailed financial plans on an annual basis and the forward financial projections included within the Corporate Plan have not been updated since its development to take account of any known changes.

Further, we confirmed that as part of the financial planning process, CNPA is required to produce financial plans for a range of budget scenarios for the Scottish Government. We reviewed the Budget Model 24/25 workpaper and confirmed that it sets out three budget movement scenarios, considering the impact of a 0%, 10% and 20% reduction in budget. However, the scenario plans are only developed for the forthcoming year and have not been created for the lifetime of the Corporate Plan 2023-27.

It is considered good practice to develop medium to long term financial plans that outline a range of clear assumptions and the implications of these on future activities.

Risk

There is a risk that CNPA does not have forward-looking financial projections, leading to inability to achieve operational plan objectives and delivery against the Corporate and National Park Partnership Plan.

Recommendation

CNPA should consider developing scenario plans for all future years of the Corporate Plan 2023-27 objectives and reviewing these as part of financial planning processes to ensure continued relevance. This could include utilising key assumptions and adjusting these to account for different scenarios, this may also assist in advancing planning processes and improving the spending cycle.

Management Action

As discussed with the Resources Committee in August, we plan to bring forward some high-level forward budget scenarios for 2025/26 to help illustrate the financial issues that the following budget may need to address and to allow early conversation with members on approaches to managing future budget decisions.

We will develop longer term financial projections over a 3 to 4 year period to help understand and guide strategic direction while recognising the limitations of any assumptions while within a strictly annualised funding environment.

Action owner: Head of Finance and Corporate Operations

Due date: 30 November 2024

Control Objective 3: The financial plan includes scenario planning on the possible outcomes for delivery of the operational plans throughout the year.

Yellow

3.1 Reporting and review of scenario plans

We confirmed with management that at present there is no reporting of scenario plans against CNPA's future financial projections to the Board and Governance Committees. This is due to the sensitive, hypothetical nature of the projections which management feel may unnecessarily raise concerns due to CNPA's business being conducted in the public domain.

Management noted that where a scenario becomes realised it will be reported within the governance structure. We confirmed that reporting to the Resources Committee on forward scenario plans that became realised in terms of a 2% expected reduction in original grant-in-aid funding took place in June 2022. This paper contained an outline of the financial position and quantified the reduction in funding.

It is good practice however to ensure that the Board and Governance Committees are clear as to the impact of potential changes to income and both pay/non-pay expenditure on the achievement of corporate objectives. Scenarios should be produced to illustrate potential outcomes, with clearly articulated assumptions around key areas such as inflation, pay settlements and funding, and the range of decisions that may have to be made in response. This should allow those charged with governance to have more informed and strategic discussions around budgets and any longer-term commitments that may be entered into throughout the year.

Risk

There is a risk the Board does not have sufficient oversight of scenario planning and is unable to quickly respond to changes in funding, due to a lack of reporting arrangements in place, leading to potentially non-achievement of corporate, strategic and financial objectives.

Recommendation

CNPA should ensure that scenario plans are reported to relevant committees at least annually as part of the financial planning process. Management should consider the sensitivity of discussions and take appropriate action to protect information which is of a commercially sensitive nature.

Management Action

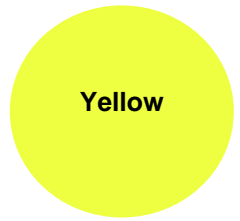
Recommendation not agreed. No action proposed. This recommendation presents a very high risk of adverse public reaction to scenarios that are very unlikely to happen, as such scenario plans cannot be restricted from being put into the public domain. Overall this recommendation adds little control value while posing significant additional reputational risk to the Park Authority.

The report recognises elsewhere the work undertaken by the Executive in scenario planning as part of the wider assurance framework. We also report any variations in current or anticipated future year budget positions to the Resources Committee and present actions to address these variations as scenarios crystallise.

The oversight of strategic risk management and mitigation also covers much of the risk inherent in this area.

Arrangements have worked well to maintain balanced budget and outturn over uncertain financial funding environments during the last 20 years. This recommendation is assessed as posing higher new risk around reputational management and damage than is offered by any limited additional value of acting on this recommendation.

Control Objective 4: There is regular reporting to management and the Board on delivery against the operational and financial plans, including any interdependencies, and implications for delivery of corporate outcomes.



4.1 Action tracking and resolution

We reviewed meeting minutes across the Board, Resources and Performance Committees and confirmed that regular discussion and challenge of progress against financial and operational objectives takes place. We confirmed that where actions are proposed, these are noted and taken forward to form initial discussions at subsequent meetings where updates can be provided.

We noted that there are no clear action logs maintained where actions arising from discussions are documented and tracked to ensure that these are completed in a timely manner. With reference to Board Meeting Minutes from 14th March 2023, we identified that there were long-term outstanding actions from June 2022 and January 2023 which had not yet been completed.

Risk

There is a risk action points arising from discussions in meetings are not completed in a timely manner, due to a lack of monitoring and review, impacting CNPA's ability to resolve issues identified and deliver against its corporate outcomes.

Recommendation

Management should consider creating action logs, which are updated following the various committee meetings where progress updates are provided. These should include action owners, status indicators and targeted timescales for completion.

Management Action

**Grade 2
(Design)**

Agreed. Action logs are being added as a standard element to all board and committee minutes to enhance control over agreed actions.

Action owner: Executive Support Manager

Due date: 31 December 2024

4.2 Spending Cycle

Management confirmed that at present the spending cycle is skewed towards the end of the financial year. This is due to the annual nature of the budget which CNPA receives from Scottish Government, meaning that projects cannot be initiated until funding is in place. Additionally, procurement and project planning processes can be time consuming to manage and gain approval for.

We note that the Visitor Infrastructure Improvement Programme, presented to Senior Management Team in June 2024, outlined that CNPA are taking steps to improve the spending cycle, as discussions are taking place related to seeking applications in the final quarter of the year to allow awards to be made in the first quarter of the following year. This will help to increase opportunities for project and objective delivery within the financial year.

Risk

There is a risk CNPA's current spending cycle does not allow for efficient delivery of projects, due to the time taken to initiate projects, leading to non-achievement of operational and financial objectives, impacting project delivery.

Recommendation

We support management reviewing the actions which can be taken to spread spend more evenly across the financial year and recommend this is ongoing. We also note the development of the Procurement Manager post creates an opportunity to ensure procurement activity is as efficient as possible and consideration should be given to how this post can be utilised to support early planning within the operational and financial planning cycle.

Management Action

Advisory
(Design)

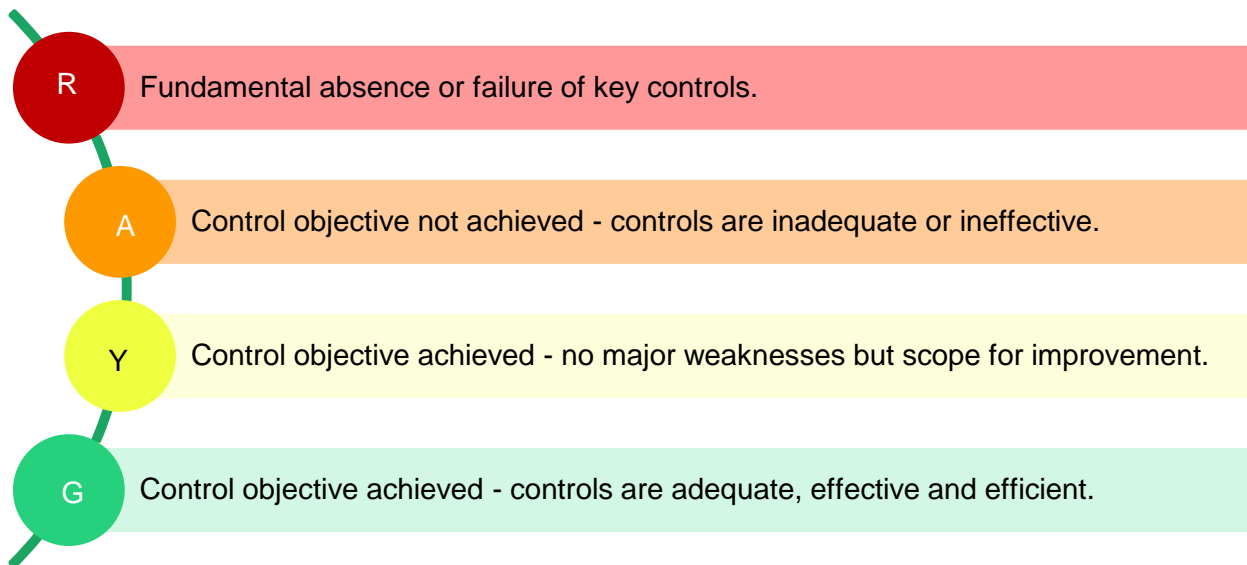
We welcome this recognition of these changes implemented by management. We will continue to roll out changes to working practices which help bring forward the commitment of activities and spread financial impacts more evenly across the financial year, where permitted by governance considerations.

Action owner: N/a

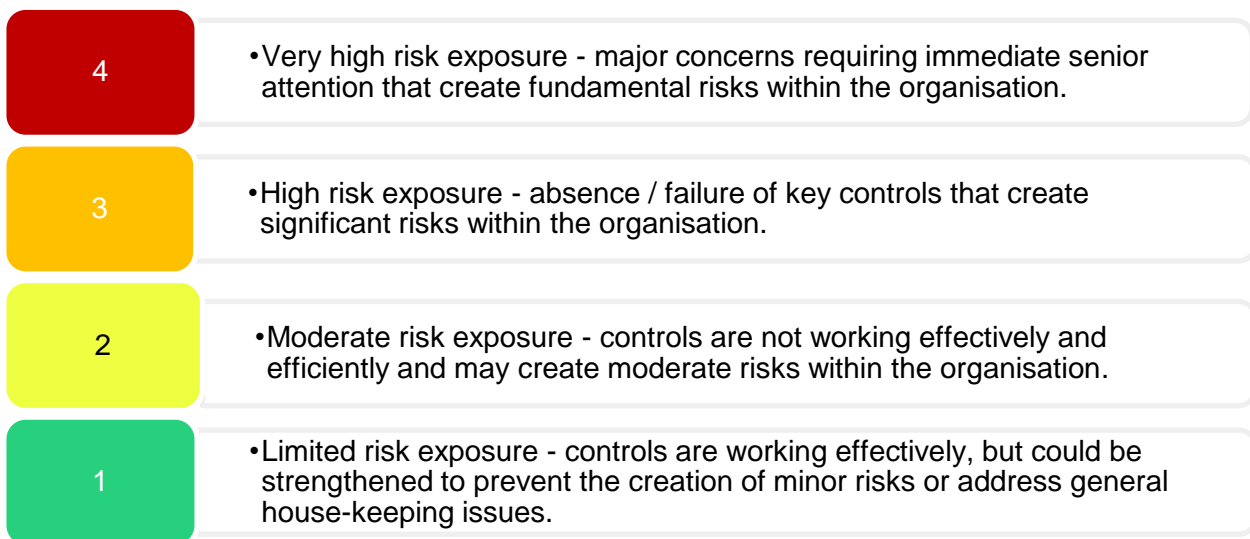
Due date: Already underway

Appendix A – Definitions

Control assessments



Management action grades



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