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## CAIRNGORMS NATIONAL PARK AUTHORITY

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### FOR DECISION

**Title: 2019/20 BUDGET AND OPERATIONAL PLAN**

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#### **Purpose**

This paper sets out the Authority's financial position for the 2019/20 financial year. The paper presents the proposed financial allocations for 2019/20 for core income and expenditure, together with intended operational plan investment. The paper seeks Board endorsement of the budget and Operational Plan for 2019/20 as an appropriate deployment of resources to work towards delivery of the Authority's adopted Corporate Plan objectives.

#### **Recommendations**

**The Board is requested to:**

- a) Review the proposed budget and resource allocations for 2019/20;**
- b) Consider whether the proposed deployment of resources poses any perceived risks to the achievement of the Corporate Plan objectives by 2022 and agree any risks posed for subsequent action by the Chief Executive and Management Team;**
- c) Subject to actions that may be required to address any identified risks, endorse the budget and operational plan proposals for 2019/20.**

## 2019/20 BUDGET AND OPERATIONAL PLAN – FOR DECISION

### Strategic Context

1. 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.
2. 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/>
3. Delivery against the Corporate Plan objectives is reported on twice each year, highlighting achievements and exceptions, performance against targets and key performance indicators and wider strategic risk management. The first such delivery report on the current 2018 to 2022 Corporate Plan was presented to the Board at its meeting in December 2018: <https://cairngorms.co.uk/meeting/board-2018-12-07/>
4. 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.
5. 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 twice yearly Corporate Performance report referred to above, complemented by reports on NPPP delivery and regular updates on delivery matters to the Board.

6. 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.
7. 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 a deployment of resources most appropriate to 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.

### **Strategic Policy Considerations**

8. The 2019/20 budget is set within wider public sector financial policy in Scotland, which continues to establish a financial environment in which public finances are relatively restricted. As such, there are clear directions to the Authority to maintain expenditure within available resource levels and deliver a balanced out-turn position.
9. The Authority also continues to adopt the Scottish Government's "No Compulsory Redundancy Policy" which is an element of the wider Public Sector Pay Policy for NDPBs. While the Authority would not wish to use redundancies as a budget management tool, and has positively taken forward the No Compulsory Redundancy (NCR) Policy, this does mean that a long term view must be taken around staff employment levels and the potential impact of recruitment not only in the year of recruitment but also over subsequent years' financial commitment levels and budget and staff deployment flexibilities.
10. Staff are of course a key element in our resource mix. Almost all staff and projects operate across the three areas of our Corporate Plan, Conservation, Visitor Experience and Rural Development, and in turn the Park aims. This also goes for all corporate and communications staff who support across all three.
11. Significant increases to the rates of employers' contributions to the Civil Service Pension Scheme for 2019/20 have also exacerbated the financial impact of recruitment of staff as opposed to other means of delivering strategic objectives.

12. The Authority has sought over recent years to maximise the impact of our available resources through investing funds to secure leverage of external funding into the Cairngorms National Park. Particularly successes have been secured with EU LEADER finance and National Lottery Heritage Funds for The Mountains and The People Project, the Tomintoul and Glenlivet Landscape Partnership, Badenoch Great Place Scheme and more recently the Carrbridge Capercaillie Project. Our analysis in July 2018 indicated that investment of just over £1 million in Cairngorms NPA funding had secured almost £12 million of inward investment to the Cairngorms National Park. The priority to ensure ongoing flexibility in resource deployment to allow financial investment to leverage significant additional inward investment remains a key element of the Management Team's budget and resource planning strategy.

### Strategic Risk Management

13. The Board considered the most recently published version of the strategic risk register at its meeting in December 2018.  
<https://cairngorms.co.uk/resource/docs/boardpapers/07122018/181207CNPABdPaper9Annex3StrategicRiskRegisterV1.0.pdf>
14. Risk A1 - Resources: public sector finances constrain capacity to allocate sufficient resources to deliver corporate plan is seen to be mitigated over 2019/20 on the basis of the proposals set out in this paper.
15. A new risk that "*failure to effectively manage staffing numbers in the long term will reduce the capacity for the Authority to deploy adequate financial investment toward priority projects in the National Park*" has been added to the strategic risk register following consideration of the risks around Workforce Management by the Staffing and Recruitment Committee in February 2019 and the Audit and Risk Committee in March 2019. The paper today highlights awareness, management and mitigation of this risk through management's approach to deferral of two planned recruitments while strategic financial management issues and management of longer term contractual positions is resolved.
16. It is also appropriate to recognise the strategic risk "A3 - Governance: changes to Board membership cause mission drift away from agreed priorities", in the context of this paper, given that budgets and Operational Plans are to deliver against existing, agreed Corporate Plan priorities. Board consideration of matters set out in this paper should lead to mitigation of this strategic risk, which has been set at an escalated or high rating given changes to Board composition over the course of the last 6 months.

## Implications

17. The core budget and Operational Plan proposals set out in this paper present a broadly balanced budget delivering across all three areas of the Corporate Plan, and addressing all strategic priorities. The budget does present a relatively small excess of expenditure over income at the outset of the year. This is a fairly standard opening position for the Authority's budget as experience indicates that there is typically a small amount of slippage in delivery plans.
18. There are no exceptions to highlight – there are no risks anticipated by Management Team that the resource deployment proposed will give rise to shortcomings in achievement of Corporate Plan targets.
19. The budget position is in line with the anticipated resource deployment set out in the Authority's Corporate Plan 2018 -2022 (page 12).

## Delivery of Outcomes

20. The Authority for corporate planning and operational planning reasons divides its work into Conservation, Visitor Experience and Rural Development. This allows us to have a system to manage both staff and resources and give people a clear indication of what the organisation does.
21. However, it is also clear that people sometimes misinterpret this to further certain points of view. Almost all staff and projects operate across these three areas and in turn the Park aims. This also goes for all corporate and communications staff who support across all three.
22. To illustrate this there are 4 examples below linked to lines in the operational plan that show the complexity and delivery across all the outcomes by the work of the CNPA.
  - a) **Tomintoul and Glenlivet Landscape Partnership** – The staff and the funding for this is under Conservation. However, this includes funding and staff time on the upgrade of the Speyside Way extension. That is a visitor experience area of work that also translates into tourism and economic development. The dark skies work is conservation (reducing light pollution), visitor experience (being done mainly by volunteers) and rural development (attracting more people to spend more time in the area with local businesses).
  - b) **Forestry Management** – Forest expansion is a priority for the CNPA and we have a target of 5000ha over 5 years. This is obviously a big conservation area of work for CNPA staff being flagged up in Cairngorms Nature. However, a 200ha

native woodland in our target area would mean the landowner would receive £720,000 in grant payments and other grants are available for deer fencing etc. That woodland as well as delivering our conservation outcomes, is also delivering visitor experience (amenity and recreation) and rural development (wood products, timber etc.).

- c) **Local Development Plan** - The LDP is our main tool for rural development in the National Park. This guides where development goes and sets our housing land supply targets etc. It is also a tool to protect and enhance natural and cultural heritage with policies covering all these areas. The presumption against hilltracks in open moorland is a way to protect landscapes and wild land which are both conservation priorities.
  - d) **Volunteer Rangers** – The Volunteer Rangers programme is part of the visitor experience team. Volunteer rangers deliver conservation projects, access projects, provide great opportunities for people to upskill and help deliver across communities in the Park.
23. The above examples could be done for all the lines in the operational plan. Some projects we lead, some we support and some are partnerships but looking baldly at the figures and comparing spend and staff allocation between Conservation, Visitor Experience & Rural Development does not give the full picture of what is being delivered for conservation, visitor experience and rural development by Park staff and funding. The breadth and depth of what we do can be found in our corporate plan reporting, the CEO Report and the annual NPPP review.

### Success Measures

- 24. The success of 2019/20 budget and Operational Plan proposals in delivering against strategic Corporate Plan objectives will continue to be reported through the twice-yearly Corporate Performance reports to the Board, which include analyses of achievement against Key Performance Indicators.
- 25. Monitoring against the delivery of the 2019/20 budget itself will be undertaken on a regular basis by the Board's Finance and Delivery Committee and also on an ongoing basis by the Management Team.

## Supporting Information

### Background

1. The forthcoming year, 2019/20 represents the second year of the Authority's Corporate Plan for 2018 to 2022. Consequently, there is a degree of continuation of resource allocation and investment across activities in the Operational Plan as we continue to progress existing strategic objectives established by the Corporate Plan.
2. We also continue to work with other organisations to establish alignment of our resource investment against the Scottish Government's wider portfolio outcomes.
3. 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 figures included in the budget submitted to Scottish Parliament.
4. The following sections of the paper go on to discuss the specific issues around income, "core" running costs and Operational Plan investment allocations. The budget estimates have previously been considered by the Finance and Delivery Committee at its meeting in February 2019 and also during development stages by the Board in February 2019. Aspects of the budget provisions as they relate to staff pay and potential awards within the Scottish Government Public Sector Pay Policy for 2019/20 have been considered by the Staffing and Recruitment Committee meeting in February 2019. Underpinning strands of delivery work being undertaken by the Authority and continuing into the coming financial year have been set out in both the Chief Executive's updates to each Board meeting and also in the Corporate and National Park Plan Update reports presented to Board.

### 2019/20 Budget: Income

5. The Authority's expected cash-based income for 2019/20 comprises primarily a revenue grant of £4.565m (prior year £4.564m) and capital grant of £0.240m (prior year £0.200m), giving a total resource allocation totalling £4.805m from Scottish Government.
6. We are also budgeting for a further £0.175 million income from other sources including planning fees, project contributions and other generated income.

7. Total budgeted, cash-based income for the coming year, 2018/19, is therefore £4.980m. 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 and turnover by the end of the coming year is likely to be higher than this estimate. As these financial contributions are typically tied to specific projects, the Park Authority's discretionary income for budget allocation to core and operational plan activities in 2019/20, remains as £4.980m.

### **Wider Funding Context within Cairngorms National Park**

9. As we reported to Board in presenting previous years' budget proposals, the work of staff and organisational support from the Authority over the course of the last years has resulted in some significant successes for the Authority and its partners in securing sizeable levels of third party investment into the National Park.
10. The coming year will involve the Authority in the continued support for delivery of the Tomintoul and Glenlivet Landscape Partnership Project. The Mountains and the People Project (Outdoor Access Trust for Scotland (OATS) as lead delivery organisation) is now near the completion of its fourth year of full delivery with a number of mountain path routes completed in both Cairngorms and Loch Lomond and the completion of two cohorts of training delivery in the Cairngorms, together with delivery of the volunteering programme. Cairngorms LEADER (Cairngorms Trust as lead delivery organisation) has had its third year of funding decisions, issuing grant awards and with the early projects now having completed. Collectively, across key projects, we have estimated that these partnership initiatives will secure total investment in the Cairngorms National Park from these programmes of activity of £12 million over the 5 years from 2015/16 from an investment of £1 million of the Authority's resources. The range of leverage into the Cairngorms National Park is illustrated in Annex 2 to this paper.
11. The Management Team also remains focused on delivery of efficiency savings on expenditure, in line with Scottish Government's budget targets of 3% annual savings. We reported to the Finance and Delivery Committee highlighting our achievement of this target most recently in October 2018. This report can be accessed at: <https://cairngorms.co.uk/resource/docs/boardpapers/12102018/181012FinanceCtteePaper3EfficienciesTargetsV0.1.pdf>



## 2019/20 Expenditure Budget: Core Budget Summary

12. A summary of core budget estimates for the 2019/20 financial year is set out in Table One. This table also presents the proportion of income available to support activities accounted for by each aspect of our core expenditure.

**Table One: 2019/20 Core Budget Summary**

	<b>2019/20 Budget</b>		<b>2018/19 Budget</b>		<b>Change</b>
	<b>Proposals</b>		<b>Proposals</b>		<b>£000</b>
	<b>£000</b>		<b>£000</b>		
Board Fees	158	3.2%	155	3.3%	3
Staff Salaries	2,965	59.5%	2,817	59.1%	148
Other Board and Staff Costs	175	3.5%	200	4.2%	-25
Office Running Costs	354	7.1%	386	8.1%	-32
IT and Professional Support	153	3.1%	178	3.7%	-25
<b>Total “cash” based expenditure</b>	<b>3,805</b>	<b>76.4%</b>	<b>3,736</b>	<b>78.4%</b>	<b>69</b>
Depreciation of fixed assets	110		90		20
<b>Total expenditure</b>	<b>3,915</b>		<b>3,826</b>		<b>89</b>

## 2019/20 Budget and Operational Plan - Staffing

13. The Authority’s staffing levels represents one of the key financial management tasks in balancing financial investment between core areas of expenditure, and project investment through the Operational Plan.
14. Management Team has continued to maintain scrutiny of staffing levels over the course of the last year, and particularly over vacancy management and any proposed recruitment. Our current financial monitoring position presented to Finance Committee in February 2019 indicates that the final outturn position for 2018/19 will be around £120,000 lower on staffing than budgeted as a result of vacancy

management in the year, representing a third year on year reduction in core staffing pay bill against budget over the course of the year. The staff budget figure included in Table One includes an estimate of vacancy savings to be achieved again in 2019/20. Two vacant posts are currently being held, with recruitment deferred, in order to balance the budget for 2019/20 and also as a means of addressing wider long-term workforce management risks. Organisational structures also continue to be reviewed whenever vacancies arise to determine whether there are opportunities to recruit to lower graded posts than previously.

15. The budget estimates provide for the impact of potential pay awards under the parameters of the Scottish Government's Public Sector Pay Policy 2019/20. The Board's Staffing and Recruitment Committee considered the Management Team's proposed pay proposals for the coming year at its meeting in February 2019. Pay proposals seek to implement Scottish Government's public sector pay policy in full, of a 3% increase for all staff earning up to £36,500 and a 2% increase for all other staff. Additionally, a 3% progression for the two-thirds of staff still progressing through their pay bands and a 1% non-consolidated award for those at the top of their pay bands seeks to ensure that all public sector staff achieve an at or above inflation pay award in 2019/20. The progression value for staff moving through pay bands also seeks to respond to the Authority's commitment to achieve target journey times to the top of pay bands for staff, after a number of years of pay awards where progression rates have been restricted and achievement of journey times put at some risk.
  
16. The Authority also plans to extend its No Compulsory Redundancy (NCR) policy for a further year through 2019/20, again in line with Scottish Government guidance. Management team also continues to consider policy development supporting effective organisational operations while affording enhanced work / life balance opportunities for our staff group. The Authority being selected as a finalist in the "Scotland Family Friendly Working" evidences our success in developing the non-pay elements of our staff employment terms and conditions. Our management of the staff resource, in the context of the NCR Policy, does create a complex structure of permanent and fixed term contracts, with some permanent staff seconded into other roles and temporary staff back-filling their permanent roles.
  
17. The significant increase in employers' contributions to the Civil Service Pension Scheme for the 2019/20 financial year has been a significant impact on the budget position for the coming year. Average employers' contributions have risen from 21% of salary in 2018/19 to 27% of salary for 2019/20, with a consequent estimated increase cost of £0.155 million for 2019/20. While notification of an increase was received from UK Treasury in Autumn 2018, the actual scale of the increase was only confirmed in February 2019.

18. Our staff group continues to provide a significant resource investment into delivery of both Corporate and National Park Partnership Plan (NPPP) priorities. The Operational Plan set out in Annex 1 to this paper and considered in more detail in a subsequent section of this paper highlights the amount of staff resource invested in each aspect of our planned activities for 2019/20.
19. The Authority also continues to deliver a key support and facilitation role in major projects, through its willingness to take on the role of lead employer for staff delivering major projects. Hence we act as the employer and Accountable Body for LEADER staff undertaking support to the Cairngorms LAG; we have employed an externally funded Peatlands Project Officer post; and act as the employer for a number of posts engaged in the delivery of the Tomintoul and Glenlivet Landscape Partnership Project. The breadth of our support for NPPP delivery and range of our interactions through direct staff employment, hosting staff on behalf of project partnerships and supporting deployment of resource through third parties is illustrated in Table Two.

**Table Two: Range of Delivery Support at March 2019**

CNPA Corporate Plan area	No of core CNPA staff	No of CNPA project staff	Posts supported by Op Plan
Conservation	12.9	TG&LP - 2.8 FTE Capercaillie - 2 FTE Peatland - 1.9 FTE ECMP - 0.6 FTE	Catchment Partnerships Cairngorms Nature Projects
Visitor Experience	9.6	LDR Officer = 1 FTE	Rangers
Rural Development	14	LEADER - 3.4 FTE	Community Development Officers
Communications	5.2		
Corporate Services	17		LEADER Programme Roles Established

20. It should be noted with regard to workforce management that the operation of the Authority's (and Scottish Government's) no compulsory redundancy policy creates limitations on management of staff numbers, and a dependency on natural turnover to create opportunities to review staff investment. The positive aspects of this policy are of course around enhancements to staff morale through job security over a period of difficult economic circumstances.

## Other Core Costs

21. The finalisation of the office extension project represents a further increase in revenue budgets for 2019/20, as anticipated in our strategic financial planning.
22. The revenue cost impact has been alleviated to some extent through the capacity to allocate some facilities expenditure against the increase in the Authority's capital allocation for the year ahead. We are also seeking to achieve savings in some other areas of facilities expenditure in delivering efficiency targets and managing budget commitment.
23. Similarly, the allocation of £40,000 of capital allocation to support IT renewal and replacement has allowed the overall revenue call for IT and Professional support to reduce compared with last year's initial budget value.

## 2019/20 Expenditure Budget: Operational Plan

24. The Operational Plan for 2019/20 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 £1.213m in investment proposals. This value of investment is slightly above the planned level of investment set out in the Corporate Plan. The Operational Plan also details the major lines of activity that are planned for the year which will require investment of staff resources alone. Proposed areas of investment of both financial and staff resources are set out in Annex I to this paper.
25. Updates on delivery intentions and on the results of activities will continue to be presented to the Board in various policy papers and updates.
26. A summary of the Operational Plan total investment proposals across service areas is set out in Table Three.

**Table Three: Operational Plan Allocations 2016/17 to 2019/20 against Corporate Plan**

Operational Plan	19/20 £000	18/19 £000	17/18 £000
Conservation	203	210	160
Visitor Experience	549	548	400
Rural Development	298	314	301
Corporate Services	102	105	70
Communications	61	66	63
<b>Total Operational Plan Provisions</b>	<b>1,213</b>	<b>1,243</b>	<b>994</b>
<b>(Over) under Programme Level</b>	<b>(32)</b>	<b>(15)</b>	<b>(4)</b>
See Table Four below			

### Operational Plan Commitments

27. As set out in the introduction to this paper, the budget and operational plan follows on from many strands of activity initiated over the last years.
28. Consequently, the level of Operational Plan commitments currently stands at a relatively high proportion of the total planned investment, at £0.604 million (49.8%) of total. This position does represent a reduction in commitment from the 2018/19 level of 58%. The corollary of this level of commitment is the high value of funding levered into the Cairngorms through external funding secured through our commitments. The lines of activity as associated investment committed through previous Board and management action are highlighted in Annex I.

### 2019/20 Budget Summary

29. The summary budget position for 2019/20 is set out in Table Four.

**Table Four: 2019/20 Budget Summary**

	2019/20 Budget Forecast (£m)	2018/19 Budget Forecast (£m)
<b>Total Income</b>	<b>4.980</b>	<b>4.964</b>
Less capital allocations for facilities and IT	0.060	-
<b>Net Income</b>	<b>4.920</b>	<b>4.964</b>
Expenditure		
Core Budgets	3.805	3.736
Operational Plan	1.213	1.243
<b>Total Expenditure</b>	<b>5.018</b>	<b>4.979</b>
Less forward phasing	0.065	-
Expenditure falling against income in year	4.953	4.979
<b>Net Expenditure (negative) / Income (positive)</b>	<b>-0.033</b>	<b>-0.015</b>
Note:		
Sensitivity Analysis - Movement by 1% in:	£000	£000
- Pay awards	35	30
- Inflationary price increases	20	18
- Grant in aid movements	47	47

30. As Operational Plan investment proposals become increasingly certain and require less lead time in reaching agreement with partners, there is less slippage in proposals and financial commitment. There is, however, a slight increase in over-programming at the outset of the 2019/20 budget than in previous years. Operational Plans provide budgeted sums for some investment proposals in the coming year where there is a degree of uncertainty on requirements. The small level of over-programming accommodates some anticipated fluctuation in these requirements in the year. These budget requirements in particular will be monitored closely over the first half of the coming year to ensure we again reach a balanced budget position.
31. Our financial target remains as agreed in previous years – to work toward maximising use of resources available in the year and to deliver a break-even outturn. We have

established a target range of the outturn position falling within the range of +1% to -2% of total income (i.e. 1% over-spend to 2% under-spend) as being a reasonable target range for annual outturn results.

### **Next Steps**

32. The Finance Committee will continue to be presented with regular budget monitoring updates over the course of 2019/20 to highlight any movements in budget position and to agree any significant in-year revisions to budget targets.
33. The Authority's role as lead or accountable body for the Cairngorms LEADER programme and Tomintoul and Glenlivet Landscape Partnership will continue to pose significant pressures on our cash flow management, with both programmes of work requiring the Authority to lead in making payments on behalf of the collective partnerships and subsequently reclaiming these funds. Our treasury management activity over the course of the year will therefore have added focus.
34. 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 an 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.

**David Cameron**

**19 March 2019**

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