



## For discussion

**Title:** Update on Budget Position for 2024/25

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### Purpose

1. This paper sets out the current position of the Park Authority's 2024/25 financial year budget development.
2. The paper provides the Committee with the opportunity to consider the overall budget position together with the impact of any key assumptions made in establishing budget estimates at this point in the 2024/25 budget development process.

### Recommendations

The Resources Committee is invited to review the position achieved in development of the 2024/25 financial year budget and provide any feedback to officers prior to the presentation of the budget proposals to the full board on 22 March 2024.

### Overview of draft 2024/25 budget position

3. The focus of our work to date has been on core resources provided by Scottish Government through the National Parks budget and through other Scottish Government budgets for peatland restoration and nature recovery. Significant other project finances, such as those provided for delivery of the Cairngorms 2030 Programme, Cairngorms Capercaillie Project and Community Led Local Development activities, are not included in our budget analysis to date. Some staff and financial costs from project activities will be met from core resources, and these are provided for in our estimates. Otherwise, externally funded activities are assumed to have no net financial impact.
4. It is recognised, however, that the Cairngorms 2030 project (C2030) will have a significant effect on our delivery during 2024/25. Both staff and systems will be impacted by the volume of work required to deliver the project, and it is likely that our current working practices will need to be honed over the course of the year. Investment has been made during 2023/24 to embed smarter working and achieve



efficiencies through better use of technology, largely through more effective use of the Microsoft products included in our software licences, and this process will continue during the coming year. Work is now underway to prepare a year 1 delivery phase budget for the C2030 Programme as part of our Programme start up processes.

5. The Park Authority has yet to receive a final grant award letter for 2024/25 from Scottish Government. Our sponsorship team at Scottish Government has made us aware that the figures provided may be open to amendment before March because of financial and wider uncertainties. However, currently they provide the best available basis for budget planning, despite uncertainty pending the finalisation and receipt of grant award letters.
6. Grant-in-aid for 2024/25 is set to increase by £0.977 million from £8.144m to £9.121m, a 12% increase in funding allocated to the Cairngorms National Park Authority by Scottish Government for the coming financial year in terms of total cash. This is an exceptional allocation, given the breadth and depth of financial restrictions throughout the public sector.
7. Other sources of income (£0.250m) included in the draft budget position are:
  - Planning fees, and
  - Bank interest (£0.070m)
8. The overview of the draft budget position for 2024/25 is presented in Table 1.



<b>Table 1</b>	<b>2024/25</b>	<b>2023/24</b>		
	<b>Resource Committee budget</b>	<b>Opening budget</b>	<b>Movement</b>	<b>Increase/ (decrease)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Income</b>				
National Parks Grant in Aid - Resource	7,311	7,044	267	4%
National Parks Grant in Aid - Capital	1,810	1,100	710	39%
Peatland grant - capital	4,517	4,143	374	8%
Peatland grant - resource - staff	472	429	43	9%
Peatland grant - resource - non-staff	217	185	32	15%
Nature Challenge grant	300	250	50	17%
Other income	250	182	68	27%
<b>Total income</b>	<b>14,877</b>	<b>13,333</b>	<b>1,544</b>	<b>10%</b>
<b>Expenditure</b>				
Staff salaries	5,697	5,089	608	11%
Estimate of potential vacancy savings	(71)	(248)	177	
Board fees	180	192	(12)	(7%)
Other staff and board	160	164	(4)	(3%)
Facilities	364	520	(156)	(43%)
Professional services	338	261	77	23%
Programme contributions				
Cairngorms 2030	450	285	165	37%
Peatland delivery capital	4,517	4,143	374	8%
Peatland delivery non staff resource	150	185	(35)	(23%)
Visitor Services infrastructure	350	350	0	0%
Nature challenge	300	250	50	17%
Operational plan				
Nature and climate	414	568	(154)	(37%)
People	270	307	(37)	(14%)
Place	468	515	(47)	(10%)
Support and communications	593	591	2	0%
One-off IT/ AV investment		205	(205)	
<b>Total expenditure</b>	<b>14,180</b>	<b>13,377</b>	<b>803</b>	
<b>Net expenditure/ (income)</b>	<b>(697)</b>	<b>44</b>	<b>(741)</b>	

9. Scottish Government is considering the allocation of both capital and resource budgets for peatland restoration. The figures provided above reflect the ask made by our Peatland Team. However, teams across the country have submitted requests for budget that are significantly in excess of available funding (RDEL – 40% greater; CDEL 29% greater) and the distribution of resources across the various delivery partners is under discussion. As such there remains potential for assumed income



figures to vary, which will have follow-on consequences for potential expenditure allocations across both peatland capital and all resource based budgets.

10. Nature Challenge funding has been assumed at the same level as was received this year. The opening budget position for 2023/4 was £0.250m and a further £0.050 was received later in the year.
11. As is clear from the table, the allocation of Grant-in-Aid has increased from £8.144m to £9.121m (£0.977m 12%). However, the increase of close to £1m is weighted towards capital funds (£0.710m). Indeed, capital allocations have increased from £0.600m in 2022/23 to £1.810m in 2024/25. Our ability to take advantage of this funding is key to budget management for 2024/25 and is likely to require some changes in our expenditure emphasis.
12. To date we have used capital (CDEL) allocations to fund the purchase of fixed assets (CDEL-direct), to develop pathways and to support landscape restoration projects, as an intermediary providing grant support to landowners and other public bodies (CDEL-indirect). Typically, projects funded through CDEL-indirect, involve physical alteration of the landscape, such as building or improving pathways, the work involved in restoration of peatland, and the management of catchments. The sums involved, (excluding peatland restoration, which has its own ring-fenced funding allocation) have been around £0.600m per annum.
13. The budget as presented in Table 1 shows an overall position of surplus (underspend) of just under £0.700m. The model assumes a 10% reduction in operational plan expenditure from our Grant in Aid – Resource funding; this is the reduction required to balance spending against our resource budget.
14. Information on the proposed budget for staff salaries is provided in paragraphs 18 to 30 below. Staffing costs for 2024/25 (excluding any potential vacancy savings) account for 38.3% of the total income shown of £14,877. In the budget for 2023/24 staffing costs were 38.2% total budget income.
15. Operational plan spending from the capital budget has been retained at levels similar to those achieved in prior years (£0.660m). In addition, it has been assumed that the contribution of £0.450m we make to C2030 will be allocated to capital activity. The remaining unapplied capital funding (£0.700m) produces the surplus shown in Table 1.



16. It should be noted that for budget control purposes, the operational plan investment in Nature and Climate actions has been split across the operational plan budget line and a separate Nature Challenge line to ensure the appropriate application of the earmarked nature recovery grant. Total investment for Nature and Climate in Table 1 is £0.714m for 2024/25 (Nature challenge £0.300m plus Nature and climate £0.414m) compared with £0.818m in the previous year. Further information on application of the operational plan budget is provided below (paragraphs 36 to 40).
17. The following sections present some specific points of estimate and judgement in the development of these budget estimates for consideration by the Committee.

## Staffing

### Staffing levels

18. The Park Authority's establishment will increase significantly in 2024/25. There will be a need to provide resource to the Cairngorms 2030 project (14 FTE) as highlighted in the paper presented to the board in June 2023 prior to submission of the C2030 bid. However, most of the cost of new posts established will be recoverable through the project. In addition, cost recovery will be available through C2030 for existing posts paid for from core funds during the gap between the end of the development phase of the project, and the start of the delivery phase. The full year cost (including prospective pay award) of new C2030 posts is estimated at £0.568m, with existing C2030 funded posts created in the development phase and continuing into the delivery phase adding a further £0.520m (£1.088m in total). These costs are recoverable from the C2030 programme budget and are reported to Committee for transparency – they do not impact on the resource cover needed to be provided from our grant-in-aid allocations.
19. There are three vacancies (3FTE) that we have modelled at present for recruitment in 2024/25 and provided for within the staffing budget. The full year cost of the provision for recruitment into these vacancies, which support delivery of planning and corporate support services, is estimated at £0.159m. The business case for recruitment into these vacancies will be tested prior to any recruitment as part of our standard processes and any decision not to take forward the recruitment process will allow for reallocation of budgets elsewhere. Commencement of the roles part way through the year will also reduce the budgetary requirements for 2024/25. The position as regards this provision is likely to be clearer at the time of presenting final budget estimates to the board in March.



20. Payroll savings may be available if staff currently in post are appointed to C2030 roles, and their original post is not backfilled. Further consideration will be given to this option and could lead to savings of between £50k and £185k.

### **2024/25 pay considerations**

21. Scottish Government has developed a 2-year approach to its own main award. There is pressure on the Authority to follow suit with awards over two years that, taken together, provide similar compensation levels to the Scottish Government's main award.

22. A key point of estimate and judgement at this phase of budget development therefore concerns the provisions made for the 2024/25 pay award. It is anticipated that the award will vary amongst the salary bandings and will be a combination of fixed sums and percentage increases.

23. The budget includes a pay award impact of £0.333m (excluding costs rechargeable through C2030) which, combined with the award made in 2023/24, is designed to achieve an increase averaging around 10% for staff over the 2 years from April 2023 to March 2025. We are still modelling the potential pay award for 2024/25 and waiting for any follow up pay policy advice from Scottish Government. A more detailed update on the potential pay award for 2024/25 will be presented to the Committee in the coming months prior to commencing consultation on this matter with the staff group, and their staff and union representatives, through our Staff Consultative Forum process.

24. The Park Authority's contracted working hours will reduce from the current year level of 36 hours per week to 35 hours per week as the second phase of the agreed reduction in contracted hours from 37.5 hours per week in place in 2022/23. This reduction in contracted hours is in line with the wider objectives of the Scottish Government's public sector pay policies. The Management Team and Resources Committee agreed that the second phase in implementation of this staged reduction in contracted hours would be implemented subject to review of the impacts of the phase 1 reduction over the first half of 2023/24. There have been no adverse impacts of the phase 1 reduction identified by Management Team, while the initial results of our independent staff survey show a marked improvement in staff feedback across a range of factors including wellbeing. We will be presenting more information on the staff survey results to a future Committee meeting.



<b>Breakdown of total payroll budget 2024/25 including posts recovered from third party income</b>	<b>£m</b>
Full year cost of existing staff pre 2024/25 award	5.770
Increase in employer pension rate	0.077
Award 2024/25	0.333
<b>Cost of existing staff</b>	<b>6.180</b>
Vacancies for recruitment Cairngorms National Park Authority	0.159
New posts C2030	0.568
<b>Total budget estimate 2024/25</b>	<b>6.907</b>

### Payroll recoveries

25. Estimates have been made of the levels of staff payroll recoveries from external funding sources. Current estimates are for recoveries through C2030 of £1.088m in 2024/25. This aspect of estimation and judgement will be reviewed in development of final estimates to be presented to the board on 22 March.

26. A proportion of the salary costs of staff engaged on Community Led Local Development (CLLD) will also be recoverable, assuming that CLLD funding will be awarded in broadly the same amount for the coming year and with the same allowances for administration and animation costs: salary costs of £0.096m are budgeted, of which around £0.067m are expected to be recovered, leaving a cost of around £0.029 to be met by the Authority.

<b>Breakdown of recoverable payroll costs 2024/25</b>	<b>£m</b>
Existing posts C2030	0.520
New posts C2030	0.568
Total C2030	1.088
CLLD posts	0.067
Total recoverable	1.154

### Vacancy savings and recruitment delays

27. In arriving at budget estimates for staffing, we make an estimate of payroll savings that may be achieved over the course of the year from staff turnover and management of vacant posts. The payroll budget is not therefore set to cover full



establishment. Rather, it is adjusted to allow for a level of expected vacancies through turnover and recruitment timetables.

28. The estimates presented at this stage to Committee provide for an estimated 1% saving in payroll for staff costs which are not recoverable from other sources of income. This provides for £0.071m of reduction in the value of payroll which would otherwise be budgeted for. This estimate of possible savings is significantly lower than was applied in 2023/24 (5% of payroll budget, £248k). Vacancy savings have not been realised as anticipated when the 2023/24 budget was set and have been removed from the outturn forecast for 2023/24. Significant staff turnover is not anticipated for 2024/25, given the opportunities provided by C2030 and ongoing Park Partnership Plan activities. This reduction in anticipated vacancy savings has therefore contributed significantly to the increase in staff budget for 2024/25 as compared to the prior year.

29. Recruitment delays are possible, given the amount of recruitment to be completed, and with priority being given to C2030 roles. It has been assumed that the four Cairngorms National Park Authority vacant posts will not be filled until the summer of 2024, saving a quarter of the year's salary costs (£0.056).

30. Using this modelling, the net cost for staff salaries in 2024/25 is therefore £5,626m:

	<b>£m</b>
Total budget estimate 2024/25	6.907
Total recoverable payroll costs	(1.154)
	<b>5.753</b>
Allowance for possible recruitment delays	(0.056)
	<b>5.697</b>
Allowance for vacancy savings	(0.071)
<b>Net cost for staff salaries in 2024/25</b>	<b>5.626</b>



## **Inflationary impacts and running costs**

31. The budget for running costs has been built on the outturn forecast for 2023/24. Inflationary increases of 3% have been applied, reflecting the Bank of England's estimates that inflation will fall from its current level of 4.6% to a target level of 2%. The budget approach represents an expectation of the average rate over the course of the financial year.
32. Over the course of 2023/24 we have experienced noticeable pressure on the budgets for power and mileage. The budget for 2024/25 reflects these increases as well as an inflationary uplift.
33. Software licences are now an essential part of the organisation's infrastructure, with our core programmes available only as Software As A Service (SAAS). The increase in staffing levels and the need for applications with greater functionality (e.g. Microsoft Project for project management) is resulting in higher costs year on year. An additional £0.050m (31%) has been provided to cover the cost of additional Microsoft licences and of new financial software.
34. Legal fees have been increased by £0.015m to provide scope for additional procurement guidance required as a result of the anticipated increase in procurement and contracting.

## **Efficiency savings**

35. It is likely that the requirement to achieve a 3% efficiency saving will be included in grant award letters. Subject to the terms of this requirement being clarified, the current understanding is that the efficiency savings requirements will be met by containing ongoing inflationary increases and managing staff vacancies where this is possible.

## **Operational plan investment**

36. Operational plan priorities were discussed at the Senior Management Team's policy day, held in early December 2023. Despite a 4% increase in Grant in Aid – Resource funding, the increase in payroll costs means that there is less resource funding (RDEL) available for operational plan activities in 2024/25.



37. Savings of 10% across all operational plan areas, together with the removal of one-off items of expenditure incurred in 2023/24 that will not recur, would release in the order of £0.649m. Assuming similar levels of capitalisation as in previous years (around £0.660m) this would balance the resource budget – this is the scenario reflected in Table 1.
38. However, this approach would leave unused CDEL budget of £0.700m. In essence, operational plan expenditure can be maintained at its 2023/24 levels, providing £0.649m of that expenditure can be funded from capital allocations: fixed assets and CDEL-indirect.
39. This paper does not go into the detail of the operational plan delivery proposals as this will be considered in more detail by the full board on 22 March 2024.
40. Table 1 highlights an expected increase in the Park Authority's financial contribution to the C2030 Programme for the coming year to £0.450m from the 2023/24 contribution of £0.285m. We expect partner contributions to the Programme to commence in the 2024/25 financial year. Therefore, we expect the Park Authority will need to provide for start-up finance to cover initial Programme costs in the final quarter of 2024. The full programme contribution to the C2030 programme has been set at £2.250m over the 5 years of the project (£0.450m per annum) and this secures total programme funding of £36m.

## Next steps

41. Priorities for activity to meet the aims of the operational plan are under discussion, with particular consideration of the need to take advantage of the changed distribution of our funding allocation between RDEL and CDEL. Current thoughts around potential application of this additional CDEL funding include:
- Provision for climate change grant funding (£0.300m - £0.400m),
  - Making available additional capital finance to the C2030 project, which will reduce future year contributions and limit future year budget pressures (£0.100 - £0.150).

Any remaining surplus may be needed to compensate for funding uncertainties associated with the peatland restoration and CLLD funding position.



42. The Committee's views on the budget position, and particularly the key assumptions and estimates made as set out in the above sections, are invited at this time. Following the Committee meeting, the budget development process will continue, and the views of Committee reflected on prior to finalisation of the budget paper to be presented to the board at its meeting on 22 March.

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