

2021/22 Annual Operational Plan and Budget

Agenda Item 7

National Park Authority Board Meeting

15th March 2021

Paper for decision

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1. Purpose

- 1.1. The purpose of this paper is to outline and seek approval of our Annual Operational Plan and budget for the 2021/22 financial year.

2. Recommendation(s)

- 2.1. We recommend that you approve:

- The proposed Annual Operational Plan for 2021/22
- The proposed budget for 2021/22, with recognition that we will return to the Board in June 2021 to finalise the unallocated balance

3. Contribution to National Park Partnership Plan and/or Our 5-year Plan

- 3.1. The Annual Operational Plan at Appendix 1 sets out how our activities for the year will contribute to the National Park Partnership Plan outcomes and Our 5-year Plan priorities. The budget supports the delivery of the Annual Operational Plan and therefore contributes to those same outcomes and priorities.

4. Executive Summary

- 4.1. The COVID-19 pandemic has had an enormous impact on our organisation and the National Park's communities, visitors, and other stakeholders. With the effects of the pandemic likely to continue for some time to come, our 2021/22 Annual Operational Plan focuses on both the short term actions we need to take as a direct result of COVID-19, and our heightened strategic priorities as we address environmental, economic and social realities. These will be approached while keeping focus on our core purpose of protecting the National Park for the present and future.
- 4.2. To reflect this, the plan is centred on four themes. These were developed with consideration of the most pressing priorities from our National Park Partnership Plan, Our 5-year Plan, the impacts of the COVID-19 pandemic, and the relevant Scottish Government priorities from the Programme for Government. Our focus for the year will be on:
- **Theme 1:** Taking and inspiring action to address the global climate emergency
 - **Theme 2:** Restoring and protecting nature in the National Park
 - **Theme 3:** Working collaboratively on positive solutions to growing visitor numbers
 - **Theme 4:** Making our organisation, our people, and the National Park more resilient through a green recovery
- 4.3. This plan has also driven the proposed allocation of our budget for 2021/22. After extensive discussions over recent months and years with the Scottish Government regarding our increasingly constrained funding levels, we have been allocated a significant uplift in the draft budget presented to the Scottish Parliament. The uplift reflects three key drivers: our need to respond to the increased visitor numbers arising from COVID-19; the need to reinforce our organisational resilience following years of flat budget allocations; and our strong performance, and potential to do more, in delivering on our National Park and Scottish Government outcomes and performance.
- 4.4. For 2021/22, our proposed expenditure is £11.88 million, which includes £9.51 million of revenue expenditure and £2.37 million of capital. The table below summarises how our budget compares to 2020/21. Excluding peatland funding, this represents an increase of 26% on our current 2020/21 budget.
- 4.5. Our increase to grant-in-aid was announced in late January. We are working towards three key areas for the use of this funding: (a) our COVID-19 response (we were allocated £500,000 of one-off grant-in-aid specifically for this); (b) our organisational resilience; and (c) our Annual Operational Plan priorities. In doing so we want to ensure we allocate it to priorities that are deliverable, sustainable, and reflect that this an opportunity to achieve step changes in our priorities and outcomes.

- 4.6. In total, the budget proposed in this paper allocates £10.91 million (92%) of our expenditure. Because the funding increase was beyond our planning expectations, we are still working on firm proposals on how we will use all of the additional funding. Therefore we propose that the Board approves the £10.91 million recommended, with a commitment to return to the Board in June to outline our plans for the unallocated £965,000.
- 4.7. Nonetheless, the budget increase is hugely positive and has enabled us to take some immediate decisions to address the challenges that we face. Highlights include:
- 4.7.1. We have allocated significant spend to our COVID-19 response for the upcoming 2021 visitor season. This includes funding for temporary mitigation measures like temporary toilets, increased litter and waste picking, a bigger seasonal staff complement, and sustainable transport trials.
- 4.7.2. We have been managing several capacity and skills gaps in recent years as a result of needing to carry vacancies to balance the budget. These have put unsustainable strains on some of the organisation's basic functions and it is proposed to recruit in these areas to build back our resilience and effectiveness.
- 4.7.3. Our activity budget, which allocates funding primarily to project delivery centred around our Annual Operating Plan themes is already over 45% (£658,000) higher than 2021/22, and we expect this to grow further as we allocate the remaining funding in the coming weeks and months. This includes spending on Mission Zero infrastructure upgrades, strategic nature projects, and grant funding schemes covering a range of outcomes.
- 4.8. In presenting this budget we are mindful of the need to think long term and recognise that this remains a one-year allocation for revenue. However, in addition to our 2021/22 allocation, the Scottish Government has also announced a 5 Year Capital Spending Review which proposes that our uplift to £1.7 million will sustain for a further 3 years to 2024/25, falling back to £1.3 million in 2025/26. While these figures are provisional they will allow us to plan more strategically and ambitiously how we can invest capital resources to achieve a range of positive outcomes in the National Park.
- 4.9. We will also continue leveraging external funding sources and partner projects. A current example is our collaboration with the Countryside Trust to secure external funding to begin a strategic behaviour change project on sustainable transport. While building back our organisational resilience and ensuring capacity to deliver more ambitiously, we will also be cautious in our approach to new staffing, ensuring salary costs do not diminish cash resources needed for delivery or scope for budget flexibility in times of constraint.

5. Annual Operational Plan

- 5.1. The Annual Operational Plan sets out our priorities for delivery for the year. It is a key document for establishing what we aim to accomplish.

- 5.2. This year's plan repeats the structural changes that we implemented last year to improve the effectiveness of the document and make it more easily meaningful for the Board and the organisation. These include focusing on key priorities and set-piece items for the year, and structuring it around themes for the year. The Annual Operational Plan itself sets out how the items within the plan relate to our National Park Partnership Plan outcomes and Our 5-Year Plan priorities.
- 5.3. Below are some highlights of the themes and activities included in this year's plan. Full details are included in the plan attached.

Theme 1: Taking and inspiring action to address the global climate emergency

- 5.4. The effects of the global climate emergency have very real, negative impacts on all our lives, our places and our natural world, and these will increase in the future. In December 2020 we agreed our Mission Zero Route Map, with the aim of the National Park Authority achieving net zero carbon emissions by 2030. Proposed activities include:
 - 5.4.1. Start to implement our Mission Zero Route Map to be a net zero organisation by 2030.
 - 5.4.2. Work with our partners to deliver strategic change across the National Park.
 - 5.4.3. Better integrate land use and development planning to help address climate and nature emergencies.

Theme 2: Restoring and protecting nature in the National Park

- 5.5. Nature's intrinsic value to our society, health, wellbeing, economy and livelihoods is recognised through our primary statutory aim to conserve and enhance the National Park's natural heritage. There is growing momentum nationally and internationally to take action on nature, and in 2020 we signed onto the Edinburgh Declaration as part of our leadership commitment to help tackle the global biodiversity crisis with greater scale and ambition. Proposed activities include:
 - 5.5.1. Develop a future strategy for nature
 - 5.5.2. Deliver nature-based solutions projects
 - 5.5.3. Broaden our engagement to lead diverse groups in valuing and taking action for nature

Theme 3: Working collaboratively on positive solutions to growing visitor numbers

- 5.6. The COVID-19 pandemic has led to unprecedented changes in visitor patterns in the National Park. We are pleased that the National Park has been able to offer the ability for people to get respite from the pandemic and reconnect with the natural environment. At the same time, we must continue to work together with partners to ensure the National Park remains a place for all to enjoy while supporting our communities and business recovery. Proposed activities include:

- 5.6.1. Provide clear, consistent, and accessible visitor information
- 5.6.2. Improve visitor services infrastructure
- 5.6.3. Implement the National Park Litter Prevention Strategy
- 5.6.4. Explore and pilot sustainable visitor transport services

Theme 4: Making our organisation, our people, and the National Park more resilient through a green recovery

- 5.7. The COVID-19 pandemic has had deep and wide-ranging impacts on our daily lives. For the National Park, we have a role to play in helping communities and the economy recovery. Recovery also presents us with an opportunity to consider how we build our organisation and our people to be resilient and focused on our Mission Zero commitments. Proposed activities include:
 - 5.7.1. Support the resilience of communities and the local economy in the National Park
 - 5.7.2. Use local place-making to support a green recovery in the National Park
 - 5.7.3. Implement post-pandemic ways of working for the National Park Authority
 - 5.7.4. Improve the organisation's resilience
- 5.8. The above themes and priorities reflect our main areas of focus for the coming year. They aim to show where our emphasis as an organisation will be and, at a high level, what the main delivery items will be.

6. Budget

- 6.1. The significant increase in our budget has provided welcome financial stability for the organisation, while opening up new opportunity to achieve change and improvement for the National Park's communities and visitors. It gives us increased confidence in being able to achieve the activities set out in the Annual Operational Plan, and allows us to 'think big' about how we achieve our broader goals within the National Park Partnership Plan and Our 5-Year Plan.
- 6.2. Our proposed total income and expenditure for 2021/22 is as follows. Further detail is in Appendix 2.

All figures £'000	20/21 Revised Budget			21/22 Draft Budget		
	Capital	Revenue	Total	Capital	Revenue	Total
Income						
Grant in Aid	1,160	6,678	7,838	1,700	8,239	9,939
Grant in Aid (COVID-19)	0	400	400	0	500	500
Grant in Aid (Peatland)	0		0	672	108	780
Other Income	0	560	560	0	658	658
Total Income	1,160	7,638	8,798	2,372	9,505	11,877
Expenditure						
Operating Salaries	0	5,568	5,568	0	5,902	5,902
Operating Expenditure	0	1,823	1,823	0	2,166	2,166
Net Activity Expenditure (excluding Peatland)	1,160	246	1,406	1,339	725	2,064
Activity Expenditure (Peatland)				672	108	780
Total Expenditure	1,160	7,637	8,787	2,011	8,901	10,912
Surplus / (Deficit)	0	1	1	361	604	965

6.3. As noted above, we have allocated expenditure based on spend that we consider to be more certain and priorities we are confident to proceed with now. This leaves us with a significant but temporary unallocated budget. We have already started a process for identifying priorities for the remaining unallocated amount. As the extent of our uplift was unexpected, we consider it prudent to take the appropriate time to ensure it is spent on areas that will have the best impact on priority areas and can be delivered within the financial year. The 5-year capital spending review settlement also brings greater scope to manage capital spending projects across financial years. At the Board meeting in June, we will present updated spending proposals for the unallocated amount.

COVID-19 revenue spend

6.4. Our draft grant-in-aid allocation includes £500,000 to recognise the specific pressures we face as a result of COVID-19. This follows on from the £400,000 we received in October 2020. This funding is captured separately in our budgeting in order to reflect that it is not necessarily funding that would continue into future years.

6.5. We are not required by the Scottish Government to report separately on this funding. Nonetheless, we have set out below the areas of revenue spend in the current 2021/22 budget that are directly as a result of COVID-19.

Area	Compared to original 2020/21 budget
Income loss	£216,000
Temporary toilet facilities	£150,000
COVID contingency	£20,000
Additional seasonal staff	£156,000
Total	£542,000

6.6. Although this figure is higher than the £500,000 specifically allocated, we consider that this is an appropriate use of some of our remaining budget. It should be noted that the income loss figure is a forecast and will ultimately depend on how our income generation fares over the coming year. Our plans for enhanced and extended seasonal operations are presented in a separate report on this Agenda.

Income

6.7. We are assuming income of £11.88 million in 2021/22. This is an overall increase of £3.08 million from our revised 2020/21 budget. The variances include:

6.7.1. £540,000 of additional capital grant-in-aid, £1.56 million of additional revenue grant-in-aid, and £500,000 of COVID-19 specific funding.

6.7.2. An increase of £98,000 in other income compared to our revised 2020/21 budget, recognising that this still represents a decrease of £216,000 on our original 2020/21 income forecast. We currently expect some of our income generation to recover in 2020/21, but we still expect the impacts of the pandemic and continuation of some restrictions to have an impact on areas such as rent, toilet charges, meeting room rentals, and Planning fees.

6.8. Our non grant-in-aid income remains subject to risk and is heavily influenced by factors outside of our control, including the presence of COVID-19 restrictions. For example, early lifting of restrictions on camping could lead to high levels of income from campsites and permit fees, but an extended lockdown would depress this. Equally, we currently don't charge for our toilets at Luss and Balmaha due to social distancing measures in place. Should these restrictions last through the year our forecast income of £40,000 would not be achieved.

Salaries

6.9. In 2020/21 we have had an average of 135 full-time equivalents (FTE) through the year up to February (noting this varies from summer to winter months due to seasonal staffing). This compares to 143 FTEs over the same period in 2019/20. The difference represents the budget constraints we have faced as a result of COVID-19, and in particular that we reduced our staffing levels by not filling vacancies and taking on fewer seasonal roles.

- 6.10. As we have reported to the Board throughout the year, this has had an impact on our staff welfare, their own resilience, and also that of the organisation. Our increased budget this year represents an opportunity to rebuild our resilience and ensure our staff have the support needed to deliver, including by bringing in additional skills and capacity where needed.
- 6.11. The budget currently includes £5.9 million in expenditure on salaries. This is an increase of £334,000 compared to the revised 2020/21 budget.
- 6.12. The current increase includes the additional seasonal staff referenced above. This increase enables us to ensure more resilient Ranger and Campsite staffing, noting that this was heavily stretched in 2020. It also means we can increase our presence within the National Park with more frequent Ranger patrols in hot spot areas, as well as expanding our Ranger footprint to areas we weren't able to cover in 2020. We are also hiring additional Environment Officers to help manage litter and waste, and bringing in a seasonal Business Support staff member to help with administrative activities associated with high visitor numbers, in particular providing dedicated weekend presence covered by existing staff last year.
- 6.13. The favourable budget settlement has also allowed for the resourcing of more ambitious delivery on key themes. This includes increasing management capacity for visitor operations, reinstating capacity to deliver capital projects, providing a dedicated resource to deliver Mission Zero and climate action and increasing capability to support more ambitious nature projects. It is also important to ensure corporate support capacity is resilient and the salary increase also includes filling of some posts that have been vacant for some time as a result of budget restraint. These are areas where we require additional support in order to ensure the ongoing resilience of teams, systems, and delivery.
- 6.14. Even with filling these posts, vacancies still remain and beyond those there are areas of the organisation that we will likely want to further build our skillset, capacity, and resilience. Decision-making on these will form part of our consideration of the currently unallocated budget. We are mindful of the need to continue to exercise a level of restraint on the salary budget given it is already by far our biggest expenditure area.
- 6.15. The salary budget also includes assumptions for the annual pay uplift as a result of the Scottish Government pay guidance. The amount allocated in the guidance is less than in recent years, with pay increases capped at £750 (minimum of 3%) for those earning up to £25,000 in salary, and 1% above that.
- 6.16. As with recent budgets, we have assumed £150,000 of staff savings resulting from turnover. We prepare the salary budget on a prudent financial basis and expect the actual costs to be lower because of delays in recruitment, and changes in roles, hours or bands as needs arise. Therefore these savings take account of timing and efficiency savings. We have also assumed £175,000 of capitalised salaries. As usual, as part of our Q2 review we will update these assumptions depending on how staffing has progressed, including what type of capital works we are completing.

Operating Costs

- 6.17. Our operating costs for 2021/22 are £2.17 million, an increase of £344,000 compared to our revised 2020/21 budget.
- 6.18. Overall, the increases in operating costs reflect the need for renewal in a number of areas, including areas where costs have remained flat for some time, or where we have been getting by with outdated systems that need to be updated.
- 6.19. £360,000 for non-salary staff costs, up by £81,000. This includes a significant increase in our staff training budget, recognising that some essential staff training was unable to take place in 2020/21, and also includes training for the rollout of the Office 365 platform to better enable digital services and remote working. This budget category includes Board Member fees.
- 6.20. £874,000 for property costs, up by £167,000. Our property cleaning costs are increasing as a result of our previous cleaning contract coming to an end and the need for increased cleaning to address COVID-19 risks, including on our temporary toilets. We are also forecasting that our energy and rates charges will be closer to pre-pandemic levels.
- 6.21. £165,000 for transport costs, up by £51,000. However, £36,000 of this increase is a change in budgeting for lease vehicle costs. We receive grant income for our lease cars and the cost was previously budgeted on a net basis and is now budgeted gross (no net impact). The remainder of the increase is largely due to us assuming that vehicle use will be closer to pre-pandemic levels.
- 6.22. £404,000 for ICT costs, up by £86,000. We have decided to move to the Office 365 platform, which will increase the digital tools available to us, including for remote working. In addition, we are investing in new systems that are coming to the end of life, as well as new measures to support our cyber security resilience.
- 6.23. £362,000 for administration and other costs, down by £42,000. The budget for these areas increased temporarily in 2020/21 as a home for our unallocated COVID-19 costs. Those COVID-19 costs have now been allocated to more appropriate budget lines.

Activity spend

- 6.24. The activity budget represents projects, grants, contributions and capital expenditure. The current budget allocates £725,000 of revenue expenditure to activities, an increase of £479,000. It also allocates £1.34 million of capital, an increase of £179,000.
- 6.25. This spend area is crucial to achieving our Annual Operational Plan objectives. Therefore, it is a key area for us to apply our budget uplift as demonstrated by the figures.
- 6.26. The following sets out how we have allocated the activity budget across the four themes of the Annual Operational Plan, as well as other projects that don't fit

these categories but instead meet broader National Park Partnership Plan or Our 5-Year Plan outcomes. Note that in reality some items would deliver against multiple themes, so the allocation is indicative.

Annual Operational Plan theme	Proposed activity expenditure
1. Taking and inspiring action to address the global climate emergency	£112,000 revenue £144,000 capital Including energy efficiency upgrades on our estate, our tree planting grant scheme, and budget for engagement activity including on COP26.
2. Restoring and protecting nature in the National Park	£135,000 revenue £100,000 capital Including development and delivery of strategic nature projects, funding for projects delivered by the Countryside Trust, and for considering nature as part of our development of the Local Development Plan.
3. Working collaboratively on positive solutions to growing visitor numbers	£120,000 revenue £405,000 capital Including creating and starting to deliver a strategic visitor management investment plan, marine fleet replacements, our contribution to Police Scotland, and sustainable transport trials.
4. Making our organisation, our people, and the National Park more resilient through a green recovery	£85,000 revenue £270,000 capital Including our National Park grant scheme, IT system upgrades, and funding for a new boat registration database.
5. Other NPPP / Our 5-Year Plan outcomes and priorities	£273k revenue £420k capital Including public health and safety related spend (eg piers and pontoons and path maintenance), income generating opportunities (eg West Highland Way business development, further car park charging projects), and education and engagement activities.

Peatland funding

6.27. We receive separate funding directly from the Scottish Government to deliver peatland restoration projects in the National Park. While we treat these as activity costs, they are ring-fenced from the rest of our activity funding because the funding is provided specifically for peatland projects only.

6.28. Last year was the first where we secured Peatland ACTION funding directly from the Scottish Government rather than through individual project funding applications made to NatureScot in previous years. In 2021/22 we have put forward a package of £672,000 in capital and £108,000 in revenue on peatland

restoration projects. We are awaiting confirmation of this allocation and if successful will also fund additional peatland project staffing.

Unallocated Budget

- 6.29. The budget allocations explained above represent those areas we propose to proceed with immediately.
- 6.30. These allocations leave us with a remaining unallocated budget of £361,000 in capital and £604,000 in revenue. Work is ongoing to allocate these funds and we will return to the Board in June with additional spending plans.

7. Risks

- 7.1. The budget underpins a number of risks to the organisation, in that our finances enable delivery as well as risk mitigation across a number of areas.
- 7.2. Budget risk is also tracked in our Corporate Risk Register, which is reported quarterly to the Audit and Risk Committee and we intend to bring to the full Board in June. As a result of the funding uplift we have been able to update the budget risk to no longer reflect budget constraints significantly affecting our resilience.
- 7.3. However, there is still some risk around budget. For 2021/22, the key risk is ensuring that we can deliver positive outcomes from such a significant uplift in a short period of time. We are mitigating this risk by judicious recruitment of additional staff capacity to deliver while progressing our allocation of the budget surplus with a focus on deliverability.
- 7.4. An additional risk is that while we have a very favourable one-year budget allocation on revenue, there remains uncertainty of future years' allocations. The utilisation of the additional one off £500,000 for COVID costs has been reported separately to reflect its temporary nature. To some extent we need to accept this risk, and given that the increase is partly aimed at improving our resilience, it is reasonable to expect that the baseline for next year's Scottish Government budget process is a favourable one. However, we will also plan to mitigate this risk by continuing to demonstrate delivery of effective outcomes with the additional resources including how we are supporting the Scottish Government priorities.

8. Next steps

- 8.1. This year's favourable budget settlement represents a significant opportunity for the National Park Authority. It will allow us to build back lost organisational resilience, be more ambitious in our work to tackle the climate emergency and nature crisis, support a green recovery, and mount a better resourced seasonal operation to welcome back expected large numbers of staycationing visitors.
- 8.2. Following approval of the budget and Annual Operational Plan by the Board we will begin to take forward the detailed activities and deliverables.
- 8.3. We will also continue our process to plan how we will use the unallocated resources and return to the Board in June to set out further spending plans.

- 8.4. As part of our usual annual budget cycle, we will undertake a budget review following Quarter 2 to assess actual versus planned expenditure and adjust accordingly to priorities. This will be reported to the Board in the subsequent management accounts.

7. Appendices

Appendix 1 – Annual Operational Plan 2021/22

Appendix 2 – Budget 2021/22 Summary

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