



# Budget 2021/22

## Agenda Item 7

### National Park Authority Board Meeting

14<sup>th</sup> June 2021

#### Paper for decision

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#### 1. Purpose

- 1.1. The purpose of this paper is to outline and seek approval of the updated budget for 2021/22.
- 1.2. It follows on from the Board's approval at the March 2021 Board meeting of the 2021/22 Annual Operational Plan and Budget which included a commitment to return to the Board to outline the use of the remaining unallocated amounts.

#### 2. Recommendation

- 2.1. We recommend that you approve the updated Budget for 2021/22 as set out in this paper and at Appendix 1.

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

- 3.1. The Annual Operational Plan presented in March 2021 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. Budget Summary

4.1. We have now completed our work on the Budget for 2021/22. Overall, our spend will be £12.1 million, split across £9.6 million of revenue and £2.5 million of capital. This includes ring-fenced Peatland funding of £108,000 revenue and £672,000 capital.

All figures '000	20/21 Revised Budget			21/22 Draft Budget		
	Capital	Revenue	Total	Capital	Revenue	Total
<b>Income</b>						
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)	173	49	222	672	108	780
Other Income	0	560	560	0	628	628
<b>Total Income</b>	<b>1,333</b>	<b>7,687</b>	<b>9,020</b>	<b>2,372</b>	<b>9,475</b>	<b>11,847</b>
<b>Expenditure</b>						
Operating Salaries	0	5,568	5,568	0	6,014	6,014
Operating Expenditure	0	1,823	1,823	0	2,405	2,405
Net Activity Expenditure (excluding Peatland)	1,160	246	1,406	1,783	1,063	2,846
Activity Expenditure (Peatland)	173	49	222	672	108	780
<b>Total Expenditure</b>	<b>1,333</b>	<b>7,686</b>	<b>9,019</b>	<b>2,455</b>	<b>9,590</b>	<b>12,045</b>
<b>Surplus / (Deficit)</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>(83)</b>	<b>(115)</b>	<b>(198)</b>

### Three priorities for using our uplift

4.2. Our uplift from the Scottish Government this year as set out in our March Board paper has given us a level of budget flexibility we haven't experienced for some time. It has given us the ability to address three key overlapping areas: our COVID-19 response, our organisational resilience, and our Annual Operational Plan priorities. The detailed sections of this paper explain how the budget allocations touch on these areas.



### Movement through the year

- 4.3. The budget approved by the Board in March 2021 had £604,000 of revenue and £361,000 of capital unallocated. This has now been allocated into the final budget. We have not sought to repeat the content included in the March paper. However, to enable clarity and a broader picture, the full budget figures are presented within this paper and at Appendix 1.
- 4.4. Given how much we need to transition, scale-up, and develop new work through this year to deliver on our ambitions, we expect that some items within the budget will face unavoidable slippage. To help mitigate the risk of underspend, we have included a deficit of £115,000 in revenue and £83,000 in capital that will be reduced through the year. This is effectively 'over-programming' the budget with the assumption that there will be delays in one area or another. As with previous years, we aim to achieve a balanced position on both revenue and capital by year-end.
- 4.5. In addition, a number of areas continue to be scoped and developed and the precise delivery approaches are still under consideration. Within the budget we have allocated significant amounts to the Activity budget for certain areas, for example Nature and Land Use, and Visitor Management. As the delivery methods are firmed up, this budget may be reallocated from Activity to staffing or operational costs (eg consultancy), depending on the approach taken to develop and implement the work.

### Medium-term projections

- 4.6. We have undertaken some medium-term (5-year) projections of our budget using reasonable assumptions about possible growth in income and expenditure. These projections show that if our Grant-in-Aid remains flat at its 2021/22 levels, we expect our budget to become increasingly constrained again over subsequent years, and to be back to a difficult budget position by about 2025/26.
- 4.7. These medium-term projections confirm that we need to continue to pursue our longer-term strategic budget mitigations, including:

- Continued strong engagement and relationship-building with the Scottish Government to demonstrate the value of our work
- Identifying and seeking new ways to supplement our Grant-in-Aid including revenue generation and third party fundraising
- Exercising caution on staffing to ensure our pay bill remains sustainable

## 5. Recap – timeline for Budget 2021/22

5.1. The process and timeline for Budget 2021/22 has been unusual due to external timings and events. The following timeline recaps the main steps we have taken to reach this point:

September 2020	Submission to Scottish Government requesting £1.3 million (revenue) to balance the 2021/22 budget and address unavoidable (eg COVID-19) pressures. Costs were spread across all budget categories (ie income, salary, operating, and activity costs).
November 2020 to January 2021	Preparation in anticipation of difficult budget
January 2021	Scottish Government budget provides £1.66 million uplift in revenue and £540,000 uplift in capital Grant-in-Aid
February 2021	Work begins on revising budget in light of uplift. Discussion with Chairs & Executive Group
March 2021	92% of budget approved by the Board. £604,000 of revenue and £361,000 of capital remaining unallocated
March 2021 to May 2021	Work continues of revised budget
May 2021	Discussion with Chairs & Executive Group
June 2021	Final budget presented to Board for approval
June 2021 to March 2022	Monitoring, forecasting, and re-prioritising as needed, including Quarter 2 review in autumn

## 6. Income

6.1. We are assuming income of £11.85 million in 2021/22. This is an overall increase of £2.83 million from our revised 2020/21 budget. The variances include:

6.1.1. £540,000 of additional capital grant-in-aid, £1.66 million of additional revenue grant-in-aid, including £500,000 of COVID-19 specific funding.

6.1.2. An increase of £68,000 in other income compared to our revised 2020/21 budget, recognising that this still represents a decrease of £246,000 on our original (pre-pandemic) 2020/21 income forecast. We still expect the impacts of the pandemic and continuation of some restrictions to have an impact on areas such as rent, toilet charges, and meeting room rentals.

## 7. Salaries

7.1. The budget currently includes £6.01 million in expenditure on salaries. This is an increase of £446,000 compared to the revised 2020/21 budget. We have also assumed £175,000 of capitalised salaries which is included in the Activity rather than Salary budget category.

Salary summary	C-19	Resilience	AOP
• £197,000 pay award based on SG guidance		X	
• 9 new seasonal roles	X	X	X
• 10 new/vacant roles filled in other areas		X	X
• Confirmation of contracts	X	X	X
• Assumption of £200,000 staff savings through turnover			

7.2. The increase includes the additional seasonal staff set out in our March 2021 Board paper, which enables us to ensure more resilient and increased Ranger, Campsite, and Environment Officer staffing, noting that this was heavily stretched in 2020.

7.3. Also as set out in March 2021 the staffing uplift allows for the resourcing of more ambitious delivery on our key themes while also ensuring our corporate support capacity is resilient. 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.

7.4. Whilst exercising caution in doing so, we are continuing to consider further roles that could reallocate Activity spend to salaries, depending on our delivery model. For example, as our Place programme ramps up to deliver our capital plans, we envisage some of the development work currently budgeted for under the Activity spend could become either staff or consultancy costs.

7.5. The salary budget also includes £197,000 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 £800 (minimum of 3%) for those earning up to £25,000 in salary, 2% for those earning £25,000 to £40,000, and 1% above that.

7.6. We have assumed £200,000 of staff savings resulting from turnover, which is an increase on previous years given the lead time required in recruiting the number of new roles we have. 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.

## 8. Operating Costs

8.1. Our operating costs for 2021/22 are £2.41 million, an increase of £582,000 compared to our revised 2020/21 budget.

<b>Includes</b>	<b>C-19</b>	<b>Resilience</b>	<b>AOP</b>
• Staff training increases		X	X
• Property cost increases (eg cleaning, repairs)	X	X	
• ICT cost increases (eg remote working, cyber security)	X	X	X
• Lower savings from 2020 lockdowns (eg energy, rates)	X		
• Increased consultancy (eg LDP)		X	X

8.2. As reported to the Board in March, 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. The largest changes are in property, ICT, staff costs, and administration. Since the March Board we have further supplemented our operating budgets, particularly in ICT to help address cyber security risk and new challenges from remote working, as well as in property repairs to ensure we can improve the standard of our estate.

## 9. Activity spend

9.1. The activity budget represents projects, grants, contributions and capital expenditure. The current budget allocates £1.06 million of revenue expenditure to activities, an increase of £817,000. It also allocates £1.78 million of capital, an increase of £623,000.

9.2. As reported to the March Board, 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.

9.3. The following sets out an updated position of 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	£187,000 revenue £214,000 capital Including energy efficiency upgrades on our estate, our tree planting grant scheme, new electric vehicles, and budget for engagement activity including on COP26.
2. Restoring and protecting nature in the National Park	£210,000 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. This includes expected income from NatureScot's Biodiversity Challenge Fund.
3. Working collaboratively on positive solutions to growing visitor numbers	£202,000 revenue £606,000 capital Including creating and starting to deliver a strategic visitor management investment plan, marine fleet replacements, cycle paths, car park sensors, 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	£134,000 revenue £284,000 capital Including our Green Recovery Fund, IT system upgrades, and funding for a new boat registration database.
5. Other NPPP / Our 5-Year Plan outcomes and priorities	£327k revenue £640k capital Including public health and safety related spend (eg piers and pontoons and path maintenance), income generating opportunities (eg West Highland Way business development, car park charging projects), and education and engagement activities.

### Place Programme

- 9.4. One of the key new areas of activity is the development and delivery of a 5 year capital investment programme, to ensure the full benefits of the Government's multi-year capital budget allocation can be realised. For this new programme it is intended to take a 'Place' based approach, one that seeks to respond to the issues, opportunities and sensitivities of sites or an area which reflects Park Authority, stakeholders and partners, existing or emerging strategies or plans for the Park area.
- 9.5. The intention is to deliver improvements on our own strategically significant sites or other locations outwith our ownership where a partnership approach can deliver

positive solutions for our communities and visitors. Initial priorities will be on areas that are experiencing the most visitor pressures but there is a need to look more broadly across the Park over time. Taking this work forward will include our direct delivery of projects, partnerships with other public bodies and project funding support to others through our expanded grant scheme – our new Green Recovery Fund.

- 9.6. The initial focus is establishing internal capacity and access to the appropriate skills, with recruitment of a new team underway to expand our capital project capacity. There is a need to progress this new area of work on multiple aspects at the same time; assembling and developing a new multi-year programme, which will require development and some stakeholder engagement, while putting the resources in place and supporting this year's established capital projects. It will be a formative year for this area of work, which is key to establish a pipeline of projects and a multi-year programme. Members will receive updates at future meetings.

#### Peatland funding

- 9.7. The separate funding we receive from the Scottish Government for peatland restoration has now been approved for 2021/22 at £672,000 of capital and £108,000 of revenue. We are also delighted to report that multi-year funding on peatland out to 2024/25 has been confirmed for capital, and we are continuing discussions for multi-year funding on revenue. This gives us certainty to continue to build a pipeline of projects and develop the capacity needed to continue to deliver.

### **10. Risks**

- 10.1. The same risks reported to the Board in March remain. In particular, for 2021/22, we need to ensure that we can deliver positive outcomes from such a significant uplift in a short period of time. Associated this is a risk of underspend if we are not able to ramp up our capacity quickly enough to achieve our ambitions. We are mitigating this risk by over-programming both the revenue and capital budgets, aiming to begin delivery as early as possible (balanced against the challenges of the visitor season and staff capacity), and enabling more frequent in-year reallocation of funds to new opportunities that arise through the year.
- 10.2. We also continue to face the medium-term budget risk of increasingly constrained budgets, and section 4 above sets out our mitigations to this risk.

### **11. Next steps**

- 11.1. 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.



- 11.2. 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.

## **12. Appendices**

Appendix 1 – Budget 2021/22 Summary

**Author:** Pete Wightman, Director of Corporate Services  
**Executive Sponsor:** Gordon Watson, CEO