

National Park Board Meeting

Agenda Item 10



2016/17 Draft Budget

Paper for decision

1. Purpose

To present the draft budget for 2016/17 for approval.

2. Recommendation

It is recommended that members note the information contained within this report and **Appendix 1** with a view to approval of the 2016/17 budget.

3. Overview

As part of the Scottish Government spending review our Revenue Grant in Aid was cut by 2% (£128k) to £6.27m and Capital Grant in Aid remained at the 2015-16 level of £1.0m. This represents significant recognition of the work that we deliver and the achievements made by the organisation as other public bodies were subject to higher cuts in funding.

However because our salary costs are a significant proportion of our overall costs, increasing annually because of pay/progression awards, the reduction in revenue grant in aid has a significant impact on the remainder of our operational costs and revenue project expenditure.

The budgets submitted by individual teams were reasonable and pragmatic but significant savings were required to balance the budget. The Executive team have carried out two reviews of the budget with excellent buy-in and support from managers.

Members may recall that historically we present an over-programmed budget from a capital perspective and a balanced budget from a revenue perspective. This has been successful in the past as traditionally some capital work has been delayed.

Given the significance of the Your Park project in 2016/17, with an operational start date of 1st March 2017, it is deemed not appropriate to over-programme on a capital basis as that may create additional risk to the successful delivery of the project by end of February 2017. Therefore the capital element of the budget shows only a marginal over-programming of £7k which is manageable in-year.

Creating a balanced budget at this point in relation to revenue costs has been challenging. The budget presented shows a revenue over-spend of £49k.

Underlying this are challenging income and organisational cost savings targets of £255k together with operational cost savings of £235k. To achieve a slight over-budgeting of £49k revenue we have made the following assumptions totalling £490k:

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- Operational cost savings of £235k
- Income stretch targets of £100k
- VAT recovery targeted increase of £35k
- Staff vacancy management target of £120k

There is undoubtedly a more significant challenge than in previous years for the organisation to achieve the delivery of a balanced budget for 2016/17.

This is fully understood by the Executive team and the on-going management of 2016/17 budget, as well as strategic budget planning for future years, will be a top priority from April 2016. Further detailed work will be carried out during the course of the year in order to create a balanced budget and progress towards this will be managed as part of the monthly Executive team meetings and reported quarterly to the Board.

4. Income

Operating income is £114k higher than 2015/16 which offsets the reduction in Grant in Aid of £128k.

Included within income are the following points to highlight:

- Income from Public Bodies includes £39k from Heritage Lottery Fund to fund the Callander Landscape Project role (offset by the salary costs) and £41k for recharges to CNPA for shared services. We have also shown £35k of increased VAT recovery here; this will be realised as a reduction in costs and is subject to further investigation. This amount is referenced above as part of the overall risk context.
- Generated Income and Property Rental Income have increased by £65k from 2015/16. **This includes underlying stretch targets of ~£100k in relation to e.g.**
 - Launch fees (assume better season weather)
 - Car parking income
 - Sponsorship, advertising and merchandising
 - Corporate volunteering income
 - Pop up events at Gateway centre
 - Leasing/Subleasing of our properties
 - Asset management income targets
 - Piers & pontoons income

5. Salaries

Salary costs have increased by £309k as compared with 2015/16. This includes:

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- £100k for pay/progression award
- £90k impact of employers national insurance increases
- £175k impact of full year posts (2015/16 had significant cost savings arising from vacancies that recruited later than anticipated)
- £40k New Callander Landscape Post (HLF funded)
- £120k vacancy management savings target (including maternity/paternity/overtime)

This results in staff salary costs being 80.7% of revenue grant in aid which is higher than is sustainable on a long term basis.

The plan for 2016/17 is that every vacancy, as it arises during the course of the year, will be scrutinised in the context of making savings to the total salary budget for the organisation.

This is likely to result in some difficult decisions in relation to the priorities we can deliver against as an organisation. However there are a number of potential vacancies that are likely to arise over the course of the year so we are confident that the £120k vacancy management target is achievable.

6. Other Operating Costs

Other operating costs have decreased by £235k as compared with 2015/16. This has been achieved by stripping out all non-essential expenditure and making some risk-based decisions.

- £42k saving by stripping out all but absolutely essential training costs
- £31k saving in other staff costs
- £4.5k savings target on staff and volunteer travel
- £15k reduction in spend on uniforms
- £19k of property maintenance to be delivered within the current year
- £32k saving by assuming that the Gateway Centre costs are recovered in the last 6 months of the year
- £55k of savings on cleaning and property maintenance
- £4k of rent savings
- £5k savings target on fuel costs (aligns with our carbon management targets)
- £12k savings on ICT costs
- £2.5k savings on catering and hospitality
- £12k savings by reducing consultancy support
- £7.5k savings on postage and stationery
- £45k saving on professional fees

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There are also a number of cost increases and changes from 2015/16 that have not been itemised because it seems more important to highlight the operational changes that are required in 2016/17.

7. Capital Project Expenditure

Capital expenditure on projects for 2016/17 is planned at £965k.

Your Park is our most significant area of expenditure for 2016/17 and there is a total of £580k expenditure requested in the budgets to deliver this project: £505k capital and £75k revenue.

Mountains & The People £105k is committed for 2016/17.

Conservation and Land Use includes £5k capital for NNR and £45k capital for the Natural Heritage Grant Scheme. There is no associated revenue expenditure with these projects. The NHGS, Community Grant Scheme and Built Heritage Grant Schemes will be amalgamated with a total capital grants budget of £70k and a revenue budget of £10k. Further work is necessary to progress this.

Visitor Operations includes £29.5k of capital for the Outdoor Recreation Plan and £16k of revenue expenditure associated with this project.

The **Estates** team includes £41.5k of capital budget for WHW upgrades, site improvements and the estates asset project. The latter has £2k of revenue costs associated with it.

Visitor Experience:

- £7.5k capital for signage which has no associated revenue costs.
- £15k capital in relation to signature events: Year of Innovation, Architecture & Design; and the Island Drift project

Commercial Development projects

- £22k of capital budget is for commercial development project costs for general capital improvement works across Luss, Milarrochy and Rowardennan.
- There is an additional £12.5k of revenue expenditure requested to assist in the commercial development of our estate.

Rural Development £29k for capital projects: £10k for Community Grant Scheme (with £10k associated revenue budget), £15k for the Built Heritage Grant Scheme (see above these are be amalgamated with the NHGS) and £4k for Paths in the Park. The Community Partnership contribution has been funded from the 2015/16 budget.

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Communications includes £1k capital to complete website development with £1.5k of associated revenue expenditure.

Capitalised Salaries of £200k is estimated as appropriate for the capital projects planned for the year given the amount of staff time to be spent on the capital development associated with Your Park.

8. Revenue Project Expenditure

Included in the £397k of net revenue expenditure on projects is ~£120k of costs which are associated with capital projects. These items have been mentioned above at section 7 so this section will focus on the £280k of revenue only project costs.

Payments to others total £113.5k. During 2016/17 the executive team will consider the long term funding situation so that any potential risk can be highlighted to the relevant organisations in a timely manner.

- £11.5k Countryside Trust (£15k funded March 2016)
- £65k Police Scotland
- £20k Signature Event (Great Scottish Swim)
- £2k Signature Event (Competition)
- £nil Community Partnership (£40k funded March 2016)
- £10k Community Action Plans
- £5k Charrette Delivery

The remaining ~£165k of revenue budget relates to:

- Conservation & Land Use projects e.g. Wild Park, Land Management
- Education Development
- Tourism Visitor Strategy & Strategic Projects
- Live Park and TPO reviews
- Gaelic Language
- NPPP

9. Summary

Members will note the significant challenges being faced by the organisation in relation to the 2016/17 budget and every attempt will be made to deliver a balanced budget over the course of the year. Progress towards this will be managed on a monthly basis by the executive team and will be reported quarterly to the Board. This includes measures to find an additional £49k of savings to balance the budget.

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Members are asked to approve this budget and in particular note the following:

- The commercial approach being taken to maximise income, together with the associated risk.
- The priorities for capital and revenue project expenditure for the year ahead.
- The approach proposed to manage the salary costs across the year, noting that this may affect what can be delivered.
- The cost savings planned.

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