

SOUTH DOWNS NATIONAL PARK AUTHORITY

RESOURCES & PERFORMANCE COMMITTEE

22 NOVEMBER 2010

BUDGET FRAMEWORK 2011/12

REPORT BY THE INTERIM DIRECTOR OF CORPORATE SERVICES

1. RECOMMENDATIONS

1.1 The Authority is recommended to:

- 1) Note the decisions of the National Park Authority at its meeting of 17 November
- 2) Agree to meet in early March 2011 in order to consider proposals for the core and non-core budget for 2011/12 and make recommendations to the National Park Authority at its meeting of 29 March 2011.

2. INTRODUCTION

2.1 This report considers the role of the Resources & Performance Committee in making recommendations to the National Park Authority on a budget plan for 2011/12, taking into account the report on a budget framework submitted to the National Park Authority for its meeting on 17 November and the decisions of the Authority at that meeting.

3 BACKGROUND

- 3.1 **Appendix 1** contains the report submitted to the National Park Authority meeting of 17 November on Budget Update and Framework 2011/12. In making recommendations for the budget 2011/12, the Resources & Performance Committee will need to take account of this framework and decisions taken on 17 November.
- 3.2 The budget for 2011/12 will include core budget provision and non-core budget provision. Core budget provision will cover inescapable expenditure and expenditure on committed functions or activities. Non core budget provision will cover areas where investment is deemed to be a priority and where it will provide significant added value to the national Park.
- 3.3 The National Park Authority's role is to determine priorities for investment. The role of the Committee is to:
 - a) ensure that core budget proposals are well founded and maximise available resources;
 - b) check that investment proposed against Authority priorities is well researched and evidenced;
 - c) subject to the decisions of the Authority on 17 November, check that the business cases for projects identified for financial support are robust.

4. KEY ISSUES/PROPOSALS

- 4.1 In order to carry out the tasks at paragraph 3.3, it is proposed that the Committee should hold two workshops – one in January 2011 to consider a draft core budget and the second in February 2011 to consider a draft non core budget.
- 4.2 It is proposed that the Committee should schedule a formal meeting in early March 2011 in order to agree budget recommendations to be submitted to the National Park Authority meeting of 29 March 2011.

5. RESOURCES

- 5.1 This report sets out the process and financial framework for the 2011/12 Budget and the medium term for the Authority and therefore there are no resource implications at this stage.

6. RISK MANAGEMENT

- 6.1 The establishment of a budget framework will minimise the financial risk of setting an unbalanced budget and help to ensure that the Authority focuses its spending in the areas that meet the priorities and aspirations of the Park.

7. HUMAN RIGHTS, EQUALITIES, HEALTH & SAFETY

- 7.1 There are no implications arising from this report

8. CONSULTEES

- 8.1 The Acting National Park Officer, Interim Monitoring Officer, Legal Services, Interim Chief Finance Officer

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Appendices:

- 1. Budget Update & Framework 2011/12 Report to Authority meeting on 17 November 2010.

AGENDA ITEM 6 APPENDIX1



SOUTH DOWNS NATIONAL PARK AUTHORITY

**Agenda Item 9
SDNPA 30/10**

17 NOVEMBER 2010

BUDGET UPDATE AND FRAMEWORK 2011/12

REPORT BY THE INTERIM CHIEF FINANCE OFFICER

Purpose of the report - To provide an update on the Comprehensive Spending Review (CSR) and advise the Authority of the budget framework, in advance of receiving confirmation of the budget allocation for the South Downs National Park Authority for 2011/12 and beyond.

Resource implications - there are no resource implications arising from this report at this stage.

1. RECOMMENDATION

1.1 That the Authority :

- 1) Notes the outcome to date of the Comprehensive Spending Review
- 2) Agrees the budget timetable and framework as detailed in this report
- 3) Agrees the criteria for determining short term project funding at paragraph 5.3.8 and asks officers to draw up an initial list of short term projects consistent with these criteria for potential support.

2. INTRODUCTION

2.1 The purpose of this report is to update the Authority on the outcome of the Comprehensive Spending Review and to provide a framework to guide decisions in formulating the Authority's medium term financial plan and annual budget for 2011/12.

3. BUDGET UPDATE

3.1 The grant for the National Park Authorities is allocated through the Department for Environment, Food and Rural Affairs (Defra). The Comprehensive Spending Review (CSR) published on 20 October 2010 which allocated funds to Defra will inform Defra's settlement of National Park grant to the Authority which is likely to be in early December 2010.

3.2 The CSR for Defra stated that revenue spending programmes will fall by 29% by 2014/15, however it is not clear at this stage how the 29% reduction will be allocated across all Defra services including the National Parks. The full CSR statement for Defra is attached at Appendix 1 for information.

4 BUDGET BACKGROUND

- 4.1 The South Downs National Park Authority is currently in a shadow year, preparing for the transfer of its full powers and responsibilities from 1 April 2011. Therefore the revised 2010/11 budget approved on 28 September 2010 is a transitional budget and there is limited historic information to shape the overall 2011/12 budget for the first operational year.
- 4.2 The framework set out in this report is intended to shape resource allocation for 2011/12 and the medium term. It will necessarily need to be informed by the Government grant allocation to the Authority as part of the Spending Review decisions, and further work will need to be carried out once the grant allocation is confirmed. The budget will also be informed by the development of the Authority's Business Plan. The report therefore asks Members to agree an initial framework that sets out considerations.
- 4.3 The expectation is that the information about the Authority's grant will be published for the next four years (2011/12 – 2014/15). In that case the aim will be to formulate a four year Medium Term Financial Plan.

5. BUDGET FRAMEWORK

Guiding principles

- 5.1 The Authority's financial planning should be directed in accordance with the agreed "Guiding Principles". Resource allocation should take account of the following:
- Being a lean efficient organisation (e.g. willing to buy in services)
 - Working with others – stakeholders and partners. Using limited contributions to activities to encourage and lever greater contributions from others.
 - The need for clear and SMART outcomes
 - Maintaining flexibility (e.g. the ability to change quickly if circumstances alter)

Simple rules

- 5.2 The following rules which promote best practice and comply with relevant financial standards and legislation will be applied. The Authority:
- Must set a balanced budget and maintain adequate reserves
 - Should avoid aspirations or commitments which are ultimately unaffordable and avoid making ongoing commitments unless they are essential
 - Will seek to secure efficiency gains and improvements in value for money
 - Will seek to maximise income taking into account any related additional costs
 - Will not incorporate contingencies into individual budgets but will retain an overall contingency corporately because of the risks and because this will be the first fully operational year.

Approach

5.3 The Authority will adopt the following approach in determining its budget. A budget will be allocated to costs occurring in the following priority order:

5.3.1 **INESCAPABLE** - There is a need to cover inescapable costs, which will include:

- Governance costs
- Statutory roles, including Planning and the Local Access Forum
- Core support costs (e.g. for premises, ICT, service level agreements)
- Premises costs
- Agreed projects funded by external funding
- Core staffing (as at 30 July 2010)
- Sustainable Development Fund

5.3.2 **SAVINGS & EFFICIENCIES** - In order to maximise the resources available, opportunities for securing savings and efficiencies need to be factored in including:

- Energy savings measures
- The convergence of the costs and quality of planning across the local authorities acting as agents for the National Park Authority in development management

5.3.3 **SPECIFIC ISSUES** - There will also be specific issues to consider, including:

- The purchase and refurbishment costs of Capron House and other impacts of the Authority's estates strategy
- Potential staff harmonisation of pay and conditions
- Transitional costs relating to the establishment of the new Authority in 2011-12 (and possibly beyond)

5.3.4 Beyond these largely unavoidable costs, there are other areas of potential expenditure where investment has the potential to add significant value to the South Downs National Park. Further work should be carried out to identify the benefits and costs of the options below and for these to be evaluated in the context of the Authority's confirmed grant allocation from Government.

5.3.5. **AUTHORITY FUNCTIONS** - There is a need to provide for the committed costs of agreed functions that the Authority is required, or has decided, to undertake, including :

- Planning work – development management and policy development
- Preparation of the South Downs National Park Management Plan
- Operational delivery

5.3.6 However, while a core minimum of resource will be necessary to support these functions, the Authority could potentially choose to strengthen them where this would provide extra value to the South Downs and help achieve strategic objectives. For example, extra resource could help the Planning function to provide a better quality of service that at present or to add value to the built environment of the National Park. Additional resource to support the Management Plan could help strengthen the evidence base that needs to underpin it. Increased resource for operational delivery,

beyond a core minimum, could help attract more Higher Level Stewardship funding to the South Downs. An evaluation of the costs and benefits of these options needs to be made to inform Authority decisions on its eventual budget for 2011/12.

- 5.3.7. **PROGRAMME FUNDING** – The Authority may choose to invest funding through strategies and programmes that help achieve National Park Purposes. As the South Downs National Park Management Plan develops over the coming months, and priorities for action are agreed with partner organisations, it will become clear that investment in certain strategic programmes is highly desirable in order to help achieve priority outcomes. Some of these priorities are likely to become emerge over the next few months, either before or shortly after the start of the new financial years 2011/12.
- 5.3.8. For example, there is a widely held view that a strategy should be developed to promote and maintain the South Downs Way, which runs the full length of the National Park from Winchester to Eastbourne. Similarly, the Authority has committed in its Guiding Principles to encourage volunteering in the National Park, and a strategy will need to be developed to support this. These and other strategies may well lead the Authority to conclude that some investment is justified to help achieve their objectives and would add value to the South Downs National Park.
- 5.3.9. In preparing a budget for 2011/12, therefore, it will be advisable to allow some flexibility to allow for investment in programmes and strategies as these develop during 2011/12.
- 5.3.10. **PROJECT FUNDING** - The Authority has already decided to administer two funding schemes to support projects within the South Downs. Under the Sustainable Development Fund projects will be able to bid to the Authority for small scale grants that promote sustainable development in the National Park. The Authority has also set aside £200,000 in an earmarked reserve to provide Community Grant funding in support of local community projects. Terms of reference for this latter fund need to be developed to provide a framework for bids.
- 5.3.11 There is also a case for the Authority to initiate or support projects that can be implemented within the next 18-24 months, to develop a sense of momentum and to demonstrate some of the ways in which communities can benefit from National Park status. These could be projects that are more strategic or of greater scale than may be possible under the Sustainable Development Fund or Community Grant Scheme. And while the support of partners or stakeholders would be important, some projects may benefit from for more initiative and leadership from the Authority itself. It is proposed that the following criteria should be used to evaluate these potential projects:
- a) Delivers National Park Purposes and/or the Authority's Duty
 - b) Consistent with the Authority's Guiding Principles, notably enabling partners rather than duplicating effort, and supporting community initiative
 - c) Evidence of demand and support from partners and stakeholders
 - d) Low risk or where inaction would carry high risk
 - e) Value for money
 - f) Positive benefits for the profile of the National Park
 - g) A good geographic spread and a combination of local and Park-wide projects

- 5.3.12 It is proposed that officers should be asked to review potential projects and prepare an initial list of priority projects that meet the above criteria and could be supported and delivered in the short term. A group of Authority Members, comprising the Authority Chair and Vice Chair, and the Chairs of Planning Committee, Audit Committee and Resources & Performance Committee, should consider these proposals and refer them to the Resources & Performance Committee to review their business cases. The intention would be to confirm support for the projects by April 2011.

6. TIMETABLE

- 6.1 The timetable for the 2011/12 Budget is as follows:

Defra Finance Settlement	early December 2010
Report to the National Park Authority on the grant settlement and budget implications	9 December 2010
-	
Authority	
Report to the National Park Authority seeking approval of the budget and business plan for 2011/12	March 2011

7. RESOURCES

- 7.1 This report sets out the financial framework for the 2011/12 Budget and the medium term for the Authority and therefore there are no resource implications at this stage.

8. RISK MANAGEMENT

- 8.1 The establishment of a budget framework will minimise the financial risk of setting an unbalanced budget and help to ensure that the Authority focuses its spending in the areas that meet the priorities and aspirations of the Park.

9. HUMAN RIGHTS, EQUALITIES, HEALTH & SAFETY

- 9.1 There are no implications arising from this report.

10. CONSULTEES

The Acting National Park Officer,
Interim Monitoring Officer,
Legal Services
Interim Chief Finance Officer

Appendices:

Appendix 1 – Comprehensive Spending Review Statement - Defra

Comprehensive Spending Review - Department for Environment, Food and Rural Affairs (Defra).

Published on Wednesday 20 October 2010 at 2:06pm

Over the course of the Spending Review period, the Department for Environment, Food and Rural Affairs will reduce resource spending by 29% and capital spending by 34%. The Department's Administration budget will be reduced by 33%.

Departmental Expenditure Limit (DEL)

£ billion

	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL	2.3	2.2	2.1	2.0	1.8
Capital DEL	0.6	0.4	0.4	0.4	0.4
TOTAL DEL	2.9	2.6	2.5	2.3	2.2

In this table Resource DEL excludes depreciation

Defra will reprioritise its spending, focusing tax payer's money on British farming and food production; enhancing the environment and biodiversity; and supporting a green economy resilient to climate change.

The Department will manage its reductions by:

Maximising the use of matched European funding for the Rural Development Programme for England, enabling a £66m reduction in domestic contributions. This will allow environmental stewardship schemes to remain open to all farmers. Defra will prioritise schemes that will be most beneficial to the environment, increasing the Higher Level Stewardship Scheme by 80%.

- An expected 15% efficiency saving will be made in the procurement strategy for flood and coastal defences. Savings achieved from this will be reinvested into safeguarding and enhancing protection for people and properties. It is estimated that by March 2015, better levels of protection can be expected for 145,000 households in England.
- Making more efficient use of resources for animal welfare and disease prevention and control, by taking forward proposals to involve the industry in sharing the responsibility and cost of disease control.
- Abolishing British Waterways as a public corporation in England and Wales; a new waterways charity will be created.
- Funding will be stopped for 7 waste PFI projects, saving £3 million by 2014-15 and more in the longer term.

Reducing waste and bureaucracy:

- Reducing the number of quangos Defra funds from 92 to 39.
- Reducing red tape and unnecessary burdens on farmers and food producers, without compromising standards. The task force on Farming Regulation will report by early 2011.

Making efficiencies:

- Reducing administration costs by £174m through reductions in staff numbers, more efficient IT and procurement practices; increased use of shared services across Government; reducing the size and cost of Defra's corporate estate.

In addition to the above, the Department will be adopting the following idea, suggested through the Spending Challenge process:

- Reforming the Environment Agency's staff lease car scheme – saving up to £3m per year.

Environment Secretary Caroline Spelman said:

"Our strategic aim is to deliver on the Prime Minister's pledge that the Coalition will be the greenest Government ever, whilst playing our part in tackling the economic deficit that we have inherited.

"This settlement reflects the need to make significant savings alongside meeting the priorities we have set and maintaining important frontline services in respect of flood defences, environmental protection and animal health monitoring."