

Report to	Resources and Performance Committee
Date	8 February 2012
By	Chief Finance Officer
Title of Report	Budget 2012/13 and Medium Term Financial Strategy
Purpose of Report	To recommend to the Authority the 2012/13 Budget and note the Medium Term Financial Strategy

Recommendation: that the Committee recommends that the Authority:

- 1. approves the revenue 2012/13 Budget as detailed in Appendices 1 and 2**
 - 2. approves the use of revenue reserves as set out in section 4.**
 - 3. approves the capital programme as set out in section 5.**
 - 4. notes the Medium Term Financial Strategy and resources projections.**
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1. Introduction

- 1.1 This is the second budget the South Downs National Park Authority (the Authority) has set for undertaking its full operational responsibilities and has built on the experience and information gathered in its first year. It has been prepared in the context of known funding reductions over the period of the Government's Comprehensive Spending Review.

2. Background

- 2.1 This report sets out proposals for:
- Revenue Budget 2012/13;
 - Capital Programme 2012/13;
 - Revenue and capital reserves; and
 - Medium Term Financial Strategy 2012/13 – 2014/15.
- 2.2 The Authority was established on 1 April 2010. Its first year was a transitional year prior to the Authority assuming its full responsibilities from 1 April 2011. The 2012/13 budget will therefore be the Authority's second operational budget and has been developed in accordance with the Budget Framework agreed at the Authority meeting on 17 November 2010 and alongside the Business Plan in order to ensure that the Budget aligns with the Business Plan priorities and objectives.
- 2.3 The Authority is required to set a balanced budget in accordance with legislation. The basis for revenue expenditure is the pursuit of the 'Special Purposes' for which National Parks were designated under the Environment Act 1995. Section 65 of this Act determines the Special Purposes as conserving and enhancing the natural beauty, wildlife and cultural heritage of National Parks, and for promoting opportunities for the understanding and enjoyment of the Parks by the public. In pursuit of these twin purposes, the Authority also has a duty to foster the economic and social well-being of local communities within the National Park.

3 Revenue Budget 2012/13

- 3.1 The 2012/13 Budget is detailed in **Appendix 1** by Directorate and also by expenditure type. **Appendix 2** shows the budget analysis by the functional headings as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Code of

Practice and the Department for Environment, Food and Rural Affairs (Defra) grant application.

Defra Grant Settlement

- 3.2 The 2011/12 Defra grant settlement provided grant allocations for the period 2011/12 to 2014/15 as shown in the table below. In common with other National Park Authorities this announcement resulted in an indicative 21.5% cash reduction over the four year period of the Authority's baseline grant of £7.290 million (the 2010/11 allocation before the transfer of the planning function funding from the Department of Communities and Local Government from 1 April 2011).

Actual 2011/12 £'000		Actual 2012/13 £'000	Indicative 2013/14 £'000	Indicative 2014/15 £'000
7,290	Transition/Base			
4,475	Planning transfer			
11,765	Total grant	11,373	10,981	10,589
(392)	Less cash reductions	(392)	(392)	(391)
11,373	Final Grant	10,981	10,589	10,198

- 3.3 Defra has now confirmed that the 2012/13 grant allocation will be £10.981 million, as announced in the 2011/12 settlement, but that there are likely to be changes in the future years' settlements which are unknown at present.

Budget Proposals

- 3.4 The Authority has continued to adopt a prudent approach to budget setting. It has sought to establish a permanent staffing structure and other ongoing revenue costs which reflect a level of expenditure below its projected grant income as far ahead as the indicative funding in 2014/15. This approach will ensure that the Authority avoids recruiting to posts and other long term commitments that may become unaffordable in the longer term. This creates flexibility in the future to fund new priorities identified in the Management Plan (launched in 2013) or support any further reductions in the Defra grant.
- 3.5 As the Authority is a new organisation, the approach to budget setting has been to use a 'zero based budgeting approach' rather than the usual incremental approach. Therefore, rather than inflate budgets, all budget lines have been reviewed and justified by managers and, subsequently, the Senior Management Team. As the organisation has now been operational for almost a year there is a better understanding of needs and there have been several general changes to the budget to reflect this.
- 3.6 The 2012/13 budget includes a permanent staffing establishment of 80.6 full-time equivalent (fte) posts. In addition there are 11fte temporary posts that will complete the range of projects as outlined above.
- 3.7 The 2011/12 budget included a separate contingency budget of £0.130 million held corporately to cover unforeseen budgetary requirements which may have arisen during the first operational year. It is proposed that this budget is no longer required, but that there are specific contingent amounts included in individual budgets as appropriate and detailed below.
- 3.8 The key changes with each directorate are listed below:

Strategy & Partnerships

- 3.9 The budget for Strategy & Partnerships includes staffing and expenditure to support the gathering of evidence, the production of the State of the National Park Report and Management Plan, communications and stakeholder engagement, the Sustainable

Communities Fund and Major Partnership Fund. In addition the budget includes the final phase of the European funded Collabor8 project which is to support developing business partnerships with the aim of reducing the environmental impact in a nationally protected landscape. This project finishes in June and an estimated £0.050 million of income (offset by associated expenditure) is included in the budget.

- 3.10 The proposed Strategy & Partnerships budget is roughly similar to that for the current financial year, but with the following adjustments:
- A reduction in spend on gathering evidence as much material has been gathered or commissioned this year.
 - A consolidation of all publicity & marketing budgets in the Communications team within this directorate in order to use its expertise to achieve efficiencies and economies of scale.
 - A transfer of all training and office expenses budgets to Corporate Services, again to achieve efficiencies and economies of scale.
 - The Major Partnership Fund recurring budget remains at £0.300 million per annum, but is supplemented with an additional £0.100 million short term funding (providing a £0.100 million increase in short term funding compared to 2011/12).
 - The Sustainable Communities Fund recurring budget has remained £0.200 million per annum, but is supplemented with an additional £0.100 million short term funding (a £0.100 million reduction in short term funding compared to 2011/12).

Planning

- 3.11 The Planning budget includes staffing, other expenditure and income to support the delivery of the development management service and planning policies. This budget includes efficiency savings of £0.375 million in relation to the following areas:
- A reduction of £0.080 in the planning policy budget relating to initial joint Local Development Framework (LDF) work with other authorities and with the Management Plan thereby reducing the need for commissioned evidence base.
 - There are four local authorities that do not wish to continue with the delegated development management agreements in 2012/13. Although the Authority will need to recruit an additional four staff to administer this service there is an estimated net saving of £0.050 million from bringing this service back into the Authority.
 - For those authorities continuing with the delegated agreements, negotiations are progressing to reduce the overall cost by 7%, achieving a saving of £0.220 million. The targeted reductions in the individual agreements will reflect the performance, quality and value for money of each authority and follows a comprehensive programme to monitor and improve efficiency and consistency of the planning service across the Park area. This is consistent with the approach agreed by the Authority when it negotiated the original s101 Planning Agency Agreements.
 - A £0.025 million savings target for additional planning income for pre application advice where it is expected that all local authorities will charge for advice from 2012/13, to ensure that there is a consistent practice across the Authority.
- 3.12 Following the review of the delegated agreements, a sum of £0.080 million has been retained in the recurring budget, as a contingency, to cover any additional marginal costs from any increased planning activity or for any additional on going costs of providing an in house provision.
- 3.13 The planning budget also reflects a reduction of £0.176 million in the need for short term budgets as the IDOX planning system is implemented and interim consultants are no longer required. In addition, there are reductions in staff training and office expenses recurring budgets which have transferred to Corporate Services, in order to achieve efficiencies and economies of scale

- 3.14 Lastly, the planning income budget has been reduced from £1.179 million (budgeted in 2011/12) to £0.836 million. This reduction reflects the projected income levels (as detailed in the Quarter 2 Budget Monitoring Report) adjusted for anticipated additional pre application advice income.

Operations

- 3.15 The Operations budget mainly consists of staffing, volunteer costs and some funding for minor works and running costs. The budget also includes a provisional estimate of £0.139 million funding from Natural England and local highway authorities, plus Sussex Wildlife Trust to support the maintenance of the South Downs Way and the Heathlands project respectively. The main changes to the budget for 2012/13 are:
- A reduction of £0.148 million in short term budgets which were initially required during 2011/12 to fund initial set up costs such as repairs and maintenance to the second hand vehicles acquired and purchase of materials and equipment.
 - A transfer of all training and office expenses budgets to Corporate Services, to achieve efficiencies and economies of scale.
 - A reduction in the staffing budget to reflect 6 vacant posts that are under consideration as part of the Management Plan.

Corporate Services

- 3.16 The Corporate Services budgets include staffing and outsourced services to provide support in areas such as premises, ICT, procurement, legal services, human resources, finance and performance. During 2012/13 the Authority is planning to move from rented local offices to a new headquarters at Capron House. In addition the Authority is procuring new contracts for ICT, finance & procurement and legal services. As a consequence of these priorities short term funding of £0.446 million is included to fund items such as:
- Interim staff to complete refurbishment of Capron House and procurement of support services projects.
 - One off premises costs such as dilapidations, cabling, furniture and temporary office leases.
 - Transitional / set up costs of new support service contracts and the purchase of an Electronic Document Recording Management System.
- 3.17 The 2012/13 recurring budget has been increased to reflect the following:
- An increase in staffing to reflect the need to replace the former role in Corporate Services covering Procurement, ICT and Estates with 3 separate roles to reflect size of the workload in these areas.
 - Due to the uncertainty of the final costs of the new support service contracts currently being procured the budget now includes a contingency of £0.100 million to cover any potential increases.
 - A consolidation of all staff training and office expenses budgets (such as office stationary, postage, furniture and equipment) from other directorates in order to achieve efficiencies and savings in procurement costs through economies of scale.
 - An increase in premises costs reflecting the annual contribution to earmarked reserves for future building repairs and improvements.

4. Reserves

- 4.1 The Authority holds reserves for two main purposes:
- A working balance to temporarily cover major unexpected items of expenditure or emergencies.
 - Earmarked reserves set aside for a wide range of specific purposes such as the insurance fund, planning risk or vehicle replacements.

- 4.2 It is essential that the Authority puts in place appropriate levels of reserves to provide the necessary safety net for risks, unforeseen or other circumstances. Determining the appropriate levels of reserves is not a precise exercise or determined by a formula, but must be a professional judgement based on local circumstances, including the overall budget size, risks, robustness of budgets and assumptions, other reserves and provisions and the Authority's budget management track record.
- 4.3 The working balance, General Reserve, must last the lifetime of the Authority unless contributions are made from future years' revenue budgets and is based on 5% of expected turnover.
- 4.4 A review of reserves has identified that the short term residual set up costs reserve is no longer required and that the planning delivery reserve may be reduced from £0.400 million to £0.280 million. In addition to the reserves released in the review, further one off resources have been generated by projected underspending in the current financial year. These reserves balances are treated as usable reserves and can be used to support one off items of expenditure or temporary shortfalls in income in the revenue budget. In addition these reserves may be used to fund the creation of new reserves.
- 4.5 The Budget Strategy includes a requirement for funding for new reserves to support the refurbishment of area offices and to improve the sustainability and access elements of the Capron House refurbishment.
- 4.6 The table below shows the projected usable reserves assuming 2011/12 spending is in line with current projections:

Usable Reserves (one off resources available)	£'000
Usable reserves from 2010/11 underspend	78
Release of funds from Planning Delivery reserve	120
Release of Residual set up costs reserve	370
Projected underspend in 2011/12	438
Forecast Closing Balance at 31 March 2012	1,006
Applied to:	
Estates Area Offices (earmarked reserve)	(250)
Western Area Barn (contribution to capital programme)	(113)
Capron House Sustainability and Access Fund (earmarked reserve)	(350)
Forecast Balance of Usable Reserves available for allocation	293

- 4.7 A list of all the reserves held by the Authority is shown in **Appendix 3**. The table shows for each reserve the purpose for which it is held, the forecast opening and closing balance and the anticipated movement during the year.
- 4.8 Members should note that the forecast reserves at 1 April 2012 represent the forecast financial position as reported at Quarter 3 for 2011/12. The final 1 April 2012 position will not be known until the completion of the accounts for 2011/12 in June 2012, during which the required level of reserves will be reviewed.

5. Capital Programme 2012/13

- 5.1 The capital programme for 2012/13 includes the following schemes:
- the purchase and refurbishment of Capron House, approved at 29 March 2011 Authority meeting.

- the purchase and installation of Western Area Barn as detailed in a separate report on this agenda.

- 5.2 The table below shows the capital programme for 2012/13. The latest capital re-profiling (taking account of slippage) arising from the 2011/12 capital programme, as at Quarter 3 Budget Monitoring, is incorporated into the 2012/13 programme and will be finalised when the capital accounts are closed in May 2012. The re-profiling is funded from resources carried forward from earlier years. The level of capital reserves relates purely to unspent resources carried forward from previous years that have already been earmarked for these specific schemes.

Capital Programme	Profiled Payments 2012/13 £'000	Total £'000
Capital Expenditure:		
Capron House	2,072	2,072
Western Area Barn	113	113
Total Capital Expenditure	2,185	2,185
Financed by:		
Capital Reserves	2,185	2,185

6. Medium Term Financial Strategy 2012/13 – 2014/15

- 6.1 The Medium Term Financial Strategy is set out in **Appendix 4**. This shows the projected income and expenditure for 2012/13 to 2014/15. The forecasts show the reduction in Defra grant of £0.784 million over the 3 year period. The revenue principles set out in the strategy underpin the approach to budget setting and support the Authority in maintaining financial stability over the period.
- 6.2 As the Authority beds down over the next three years, the way we deploy our resources will shift from analysis and establishment to front-line delivery. Spend on gathering evidence will taper down quite quickly, since this work was front-loaded to underpin various policy documents. Investment in establishing the Authority's various engagement platforms like the South Downs Forum and the South Downs Partnership will need to stay high for another year or so but can then be tapered down as they become self-sustaining. As resources are freed up in these areas the Authority will be able to invest more in front-line areas of our business be it the Operational Teams, the Planning service, the Sustainable Communities Fund or Major Partnerships Fund.
- 6.3 All the projections are based on the best information currently available, however, in the current financial climate there is inevitably significant uncertainty. A detailed risk and opportunity matrix is included in **Appendix 5**, however the main risks for 2012/13 are in relation to the following:
- **Planning** – The reduction in the planning delegation agreement fees are still being negotiated with some local authorities and there is a risk that some may decide to withdraw from this arrangement. This would mean that payments may continue for the following year at 2011/12 price levels, resulting in a budget shortfall for 2012/13. There is some risk associated with uncertainty over volume of applications. This is mitigated by the planning delivery reserve, but it is assumed that overall the risks are lower than they were in 2011/12 because the direct budget has been based on more robust information.
 - **Defra Grant** – Although Defra has advised that it will seek to protect National Park Authorities grant allocations in 2012/13 there is a risk, that if the Department is forced to make further savings during the year that they cannot absorb directly, these allocations may be reduced.

- Delivery of priorities in National Park Management Plan – It is difficult to assess at this stage whether sufficient funding has been allocated to deliver fully the priorities of the National Park Management Plan. This will need to be reviewed as part of the annual budget strategy.

7 Report of the Chief Finance Officer under Section 25 of the Local Government Act 2003

- 7.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates included in the budget and the adequacy of the proposed financial reserves.

Robustness of Estimates

- 7.2 There is inevitably an element of judgement as budget estimates of spending and income are made at a point in time and may change as circumstances change. This budget is for the second operational year of the Authority and has been developed based on the practical experience in 2011/12, including the detailed in-year budget monitoring. Other factors taken into account in determining the budget requirement include pension and national insurance contributions, income assumptions, pay and price increases.
- 7.3 While the level of development management activity is difficult to predict, its effect on the Authority's overall financial position is to an extent being managed through the detailed negotiations on the s101 Planning Agency Agreements. The planning delivery reserve is available to mitigate this risk in the short term. In the longer term further efficiency savings will be required to offset any growth that cannot be covered by fee increases.
- 7.4 In relation to the budget estimates the Chief Finance Officer has examined the budget proposals and believes they are sufficient and robust.

Adequacy of Reserves

- 7.5 The recommendation on the prudent level of working balance has been based on the robustness of estimates information and a risk assessment of the budget.
- 7.6 The earmarked reserves cover a range of areas some of which relate to the risks of establishing a new organisation and are therefore required for the short term. The level of these reserves will be fully reviewed as part of the closure of the 2011/12 accounts. Earmarked reserves in relation to Planning Inquiries provide resources for unexpected expenditure that cannot be funded within the base budget in any particular year.

8 Resources

- 8.1 These are contained in the main body of this report.

9 Risk Management

- 9.1 A risk and opportunity matrix for the medium term financial strategy is included as **Appendix 5**.

10 Human Rights, Equalities, Health and Safety

- 10.1 There are no implications arising from this report.

11 External Consultees

- 11.1 None.

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Appendices 1. Revenue Budget 2012/13 – Analysis by Directorate & Expenditure

	Type
	2. Revenue Budget 2012/13 – Analysed by CIPFA Service Reporting Code of Practice functions
	3. Review of Reserves
	4. Medium Term Financial Strategy 2012/13 to 2014/15
	5. Risk and Opportunities affecting 2012/13 to 2014/15
SDNPA Consultees	Chief Executive Officer, Director of Corporate Services, Chief Finance Officer, Monitoring Officer.

REVENUE BUDGET 2012/13 – ANALYSIS BY DIRECTORATE

2011/12 Total £'000		2012/13 Expenditure £'000	2012/13 Income £'000	2012/13 Total £'000	Description of Service
187	Chief Executive's Service	186	0	186	National Park Officer/ Chief Executive, support to Chair of the Authority and senior managers
2,697	Strategy & Partnerships	2,554	(50)	2,504	Work on the Management Plan. Major Partnerships and Sustainable Communities Funds. Communications.
4,637	Planning	5,086	(836)	4,250	Development management (planning applications) and planning policies.
1,377	Operations	1,344	(139)	1,205	Ranger service work with communities and partners, plus visitor PR and volunteer co-ordination.
280	Governance	258	0	258	Support to the Authority and its committees, members services .
2,265	Corporate Services	2,603	(25)	2,578	Premises, HR, IT, Financial Management, Audit, Legal, Performance and Business Planning
130	Corporate Items	0	0	0	Separate contingency no longer required.
(11,373)	National Park Grant	0	(10,981)	(10,981)	
(200)	Contribution from Reserves	0	0	0	
0	Grand Total	12,031	(12,031)	0	

REVENUE BUDGET 2012/13 – ANALYSIS BY EXPENDITURE TYPE

Budget 2011/12				Budget 2012/13		
Core Budget £'000	Short Term Budget £'000	Whole Budget £'000		Core Budget £'000	Short Term Budget £'000	Whole Budget £'000
3,611	62	3,673	EXPENDITURE:			
194	404	598	Direct Employees	3,805	298	4,103
188	468	656	Indirect Employees	187	0	187
217	37	254	Premises Related	262	114	376
1,819	1,464	3,283	Transport	209	0	209
5,019	140	5,159	Supplies & Services	1,758	718	2,476
			Third Party Payments	4,575	105	4,680
11,048	2,575	13,623	Total Expenditure	10,796	1,235	12,031
			INCOME:			
(9,504)	(1,869)	(11,373)	National Park Grant	(10,336)	(784)	(10,981)
(139)	(195)	(334)	Other Grants	(139)	(50)	(189)
(1,179)	0	(1,179)	Planning Fees Income	(836)	0	(836)
(25)	0	(25)	Investment Interest	(25)	0	(25)
(10,847)	(2,064)	(12,911)	Total Income	(11,197)	(834)	(12,031)
			Net Budget	(401)	401	0
		(712)	Contribution from Reserves			0
		0	Grand Total	0	0	0

Note:

Core Budget – represents the ongoing, recurring items of income and expenditure.

Short Term Budget – represents one off items of expenditure (as detailed in paragraphs 3.9 to 3.16 in the main report) and income.

Whole Budget – is the sum of the core budget and the short term budget.

**REVENUE BUDGET 2012/13 – ANALYSED BY CIPFA SERVICE REPORTING CODE OF PRACTICE (SERCOP) AND THE DEFRA GRANT
MEMORANDUM FUNCTIONS**

2011/12 Net Budget £'000	Functional Area	2012/13 Expenditure £	2012/13 Income £	2012/13 Net Budget £
531	Conservation of the Natural Environment	178	(31)	147
188	Conservation of the Cultural Heritage	283	0	283
596	Recreation, Management & Transport	642	(108)	534
757	Promoting Understanding	884	0	884
2,064	Rangers, Estates & Volunteers	1,704	0	1,704
3,775	Development Control	4,600	(836)	3,764
2,936	Forward Planning & Communities	3,066	(50)	3,016
621	Corporate & Democratic Core	674	0	674
130	Contingency	0	0	0
11,598	Net Cost of Services	12,031	(1,025)	11,006
	Corporate Income and Expenditure			
(200)	Contribution from Reserves			0
(25)	Investment Interest			(25)
11,373	Net Operating Expenditure / Amount to be met from Government Grants			10,981
(11,373)	National Park Grant			(10,981)
0	Grand Total			0

REVIEW OF RESERVES

Revenue and Capital Reserves	Forecast at 1 April 2012 £'000	Planned Usage £'000	Increase in Reserve £'000	Release Funds £'000	Balance 31 March 2013 £'000	Reason for Reserve.
General Revenue Reserves:						
Working Balance	650				650	Working balance 5% of turnover
Unallocated usable reserves	516	(223)			293	Can be used to fund one off items of expenditure or shortfalls in income.
Earmarked Revenue Reserves:						
Planning Risk	600				600	Planning inquiries, high cost decisions, appeals. Long term reserve.
Insurance	50				50	Self insurance fund.
Planning Delivery	400			(120)	280	Risk of delegation agreements and significant reductions in income.
Sustainable Community Fund	0				0	Reserve to carry forward underspendings at year end.
Residual Set up costs	370			(370)	0	Short term reserve to cover any residual costs of establishing SDNPA. No longer required and therefore released.
Repairs & Renewals - Vehicles	60		60		120	Fund to replace vehicles. Reviewed at Budget setting.
Building Maintenance	0		47		47	Fund for future repairs & improvements to Capron House. Reviewed at Budget setting.
Area Offices Refurbishment	0		250		250	Short term reserve to refurbish all area offices
Capron House Sustainability & Access Fund	0		350		350	To fund future sustainable & environmental projects
Capital Reserves	2,072	(2,185)	113		0	Capron House & Western Area Barn
Total reserves	4,718	(2,408)	820	(490)	2,640	

MEDIUM TERM FINANCIAL STRATEGY 2012/13 TO 2014/15

The Medium Term Financial Strategy has been developed in line with the approved Budget Framework. The Authority's financial planning has been directed in accordance with the agreed "Guiding Principles" whereby resource allocation has taken into account 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 outcomes / SMART outcomes
- Maintaining flexibility (e.g. able to change quickly if circumstances alter)

The following rules which promote best practice and comply with relevant financial standards and legislation have been 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

The Authority has continued to adopt a prudent approach to budget setting and has sought to establish a permanent staffing structure and other ongoing revenue costs which reflect a level of expenditure, which is lower than the projected income including the indicative Defra grant funding in 2014/15. This approach will ensure that the Authority avoids recruiting to posts that may become unaffordable in the longer term. In addition this will provide resources in the future to fund new priorities identified in the Management Plan (launched in 2013) or support any further reductions in the Defra grant. The assumptions underpinning the strategy are:

1. Increases of 2% per annum to fund increments, performance pay awards and inflationary increases (frozen for 2012/13, capped at 1% for 2013/14 & 2014/15).
2. Pension and National Insurance contributions are assumed at 20% and 9.1% per annum respectively.
3. Inflation of 2.5% has been applied to transport and premises costs.
4. Inflation of 2.5% for supplies & services is offset by efficiency savings of 2.5%.
5. Delegated Development Management and planning policy budgets are assumed to achieve efficiency savings of £0.630m by 2014/15
6. Reductions in National Park Grant are in line with the settlement as detailed in the report
7. In late 2010, the Government consulted on proposals to set planning fees locally rather than nationally and planned to introduce them during 2011/12. However, no response has yet been forthcoming from the consultation and introduction of locally set fees has inevitably been delayed. The strategy therefore continues to assume no increase in planning fees and will be revised following the outcome of the consultation.

As the Authority is still in its infancy, with 2012/13 being the second operational year and the Management Plan still under development, the MTFS shown below only provides high level summary information. Although the Authority has set the operational budget in the context of known funding reductions it is likely that as the

organisation develops and produces its Management Plan priorities may change which will need addressing in the budget. The high level summary information and associated assumptions are shown below:

Budget 2011/12 £'000		2012/13 £'000	Budget 2013/14 £'000	2014/15 £'000
	EXPENDITURE:			
3,673	Employees (Direct only)	4,103	3,994	3,962
5,159	Third Party Payments	4,680	4,315	4,315
400	Sustainable Communities Fund	300	300	200
300	Major Partnerships Fund	400	500	300
130	Contingency	0	0	0
3,432	Other costs	2,548	2,480	2,421
13,094	Total Expenditure	12,031	11,589	11,198
	INCOME:			
(11,373)	National Park Grant	(10,981)	(10,589)	(10,198)
(1,179)	Planning Income	(836)	(836)	(836)
(342)	Other Income inc grants	(214)	(164)	(164)
(12,894)	Total Income	(12,031)	(11,589)	(11,198)
200	Net Budget	0	0	0
(200)	Contributions from reserves			
0	Grand Total	0	0	0

POTENTIAL RISKS AND OPPORTUNITIES AFFECTING 2012/13 to 2014/15

Risk	Likelihood of Occurrence (L)	Impact (I)	Risk (L) x (I)	Possible Impact on Financial Strategy	Mitigation / Management
Increase in numbers of Planning Applications resulting in increased costs of delegation.	3	3	9	Planning budget includes a small contingency for this. Otherwise this will result in the use of the Planning Delivery reserve.	Effective monitoring of numbers and costs and benchmarking to assist in reducing future costs.
Remaining 11-12 Local Authorities choose not to continue with S101 agreements from 2012/13.	3	3	9	May result in the use of the Planning Delivery reserve.	S101 agreements require 1 year's notice for termination allowing sufficient time to plan for new arrangements.
Unbudgeted priorities are identified during the development of the Management Plan.	3	2	6	Major Partnerships fund should enable the Authority to fund immediate priorities.	Priorities would need to be built into future years' budgets.
Unforeseen budgetary requirements arise during the year.	3	2	6	The 2012/13 budget includes a small contingency of £0.030 million to fund such items. Any items above this amount would need to be funded from compensating savings.	Close monitoring and forecasting of all budgets will assist in identifying such items and compensating savings.
Defra grant for 2012/13 is reduced by Defra during the financial year.	2	3	6	This would create an overspend on the 2012/13 budget and compensating savings would need to be found.	The Strategic Management Team would need to agree compensating savings as part of the budget monitoring process.
Defra grant is reduced from Indicative allocations for 2013/14 and 2014/15.	3	3	9	The strategy has been developed to provide capacity in the future for Management Plan priorities. Additional savings may need to be identified.	The MTFs and budget is reviewed on an annual basis.
Investment rates lower than anticipated.	2	1	2	Minimal impact but would need to identify further savings.	Keep investment strategy under review.
Cost overruns occur on Capron House project in the capital programme.	3	3	9	Reserves or other revenue resources redirected to fund overspend.	Effective cost control and monitoring.

Likelihood:

- 1 Almost impossible
- 2 Unlikely
- 3 Possible
- 4 Likely
- 5 Almost certain

Impact:

- 1 Insignificant
- 2 Minor
- 3 Moderate
- 4 Major
- 5 Catastrophic

Risk:

- 1 -3 Low
- 4-7 Moderate
- 8-14 Significant
- 15 -25 High