

Report to	Resources & Performance Committee
Date	13 February 2013
By	Chief Finance Officer
Title of Report	Budget 2013/14 and Medium Term Financial Strategy
Purpose of Report	To recommend to the Authority the 2013/14 Budget and note the Medium Term Financial Strategy

Recommendation: That the Committee recommends that the Authority:

- 1) approves the revenue 2013/14 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; and**
 - 4) notes the Medium Term Financial Strategy and resources projections.**
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1. Introduction

- 1.1 This report sets out the South Downs National Park Authority's (the Authority) budget for 2013/14. 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 2013/14;
 - Capital Programme 2013/14;
 - Revenue and capital reserves;
 - Medium Term Financial Strategy 2013/14 – 2015/16.
- 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 2013/14 budget will therefore be the Authority's third operational budget. It has been developed in accordance with the Budget Framework agreed at the Authority meeting on 17 November 2010 and alongside the Corporate Plan in order to ensure that the Budget aligns with the Corporate 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 2013/14

- 3.1 The 2013/14 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.

Actual 2011/12 £'000		Actual 2012/13 £'000	Actual 2013/14 £'000	Indicative 2014/15 £'000
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 2013/14 grant allocation will be £10.589 million, as announced in the 2011/12 settlement, but that there is likely to be a further reduction in the 2014/15 settlements which will be announced during 2013.

Budget Proposals

- 3.4 The Authority has continued to adopt a prudent approach to budget setting. The Authority has been aware for the last two years of the reducing grant funding by 2014/15. Therefore it has established 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 South Downs National Park Management Plan (launched in 2013) and support any further reductions in the Defra grant.
- 3.5 Due to the size and nature of the budgets the Authority will always need to maintain some flexibility to fund short term and unexpected projects. All budgets have therefore been identified as either 'core' (permanent ongoing expenditure/income) or 'short term' (one off expenditure/income).
- 3.6 The approach to budget setting has been to continue 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 continues to develop there is a better understanding of actual needs and ability to spend and there have been several general changes to the budget to reflect this.
- 3.7 The 2013/14 budget includes a core staffing establishment of 90.6 full-time equivalent (fte) posts, which represent 37% of grant. In addition, the budget accommodates over the entire year 17.5 fte short term temporary posts (11 of which are externally funded) that will complete the range of short term projects. Together this equates to an fte complement for the start of 2013/14 of 96 posts.
- 3.8 The key changes within each directorate are listed below:
- Strategy & Partnerships
- 3.9 The budget for Strategy & Partnerships includes staffing and expenditure to build the research programme, support the production of the Management Plan and secure strong delivery partnerships around it, develop communications and stakeholder engagement, create and support new projects through the Sustainable Communities Fund and Major Partnership Fund. In addition, the team support the delivery of milestones for existing partnerships such as the Nature Improvement Areas, Wooded Heaths, LIDAR, LSTF project etc.
- 3.10 The 2013/14 budget for Major Partnerships Fund is £300,000 (excluding any carry forwards from 2012/13) and is shown on a separate line in **Appendix I** with the detail for approved

projects shown in **Appendix 3**. Appendix 3 details the approved projects to date for 2013/14, which shows that £302,000 of Major Partnerships funding from within the Authority (excluding matched funding) has brought in £564,000 of additional income.

- 3.11 The Strategy & Partnerships Budget also 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 July 2013 and an estimated £8,000 of income (offset by associated expenditure) is included in the budget.
- 3.12 The proposed Strategy & Partnerships core budget has increased by £41,000 compared to the current financial year, with the following adjustments:
- An increase in staffing during the year to reflect the need for a part time GIS officer and additional communications support.
 - A reduction in spend on gathering evidence offset by spend in building a research programme to underpin the decisions taken by the Authority. Overall resources will start to move by the end of 2013/14 from planning and building evidence to further delivery on the ground. In addition stakeholder engagement work will continue to take considerable time and cost alongside branding, development of communications literature and investment in a new website.
 - A transfer of all venue hire budgets to Corporate Services, to achieve efficiencies and economies of scale by maximising the use of the South Downs Centre.
 - The Sustainable Communities Fund budget has remained at £200,000 per annum, and continues to be supplemented with an additional £100,000 short term funding.
- 3.13 The short term 2013/14 budget is £340,000 and provides one off funding for:
- Continuation of short-term staffing from the last financial year to deliver task and finish projects and provide maternity cover
 - £95,000 for the implementation of the first stages of the Communications and Engagement strategy, including the creation of a strong shared identity for the National Park and the relaunch of the internet
 - Additional short term funding for the Sustainable Communities Fund of £60,000 supplemented by a further £40,000 from the Local Sustainable Transport Budget
 - Short term projects of £58,000 in Evidence to provide underpinning data for the Management Plan and the Local Plan

Planning

- 3.14 The Planning budget includes staffing, other expenditure and income to support the delivery of the development management service and planning policies. Priorities for 2013/14 include producing the Management Plan alongside Strategy & Partnerships and producing the evidence base, progressing the Joint Core Strategy working, Single Local Plan, enforcement work and developing the Development Management Service.
- 3.15 The overall core budget has reduced by £449,000 from the following adjustments:
- A review of the core budget requirements for planning policy has resulted in net reduction of £247,000 in the planning policy budget relating to joint Local Development Framework (LDF) work with other authorities thereby reducing the need for commissioned evidence base partly offset by an increase in internal resources with an additional Minerals and Waste Policy Officer and Landscape Officer. As a significant amount of Local Plan work will continue through 2013/14 a sum of £80,000 has been provided in the short term budget.
 - An investment in ICT of £152,000 for the Idox and GIS systems. The 2012/13 budget only provided short term one off funding for the GIS system and this budget now provides ongoing core funding for the provision of the system.

- A saving of £219,000 from the delegated development management agreements due to a reduction in the contingency, and from anticipated reductions of 5% for those authorities continuing with the delegated agreements.
 - An increase in planning fees and pre application advice income of £135,000 from the national increase in planning fees of 15% from January 2013 and also the Authority's decision (on 11 December 2012) to apply a consistent charging policy for pre application advice from January 2013.
- 3.16 Following the review of the delegated agreements budget a small contingency of £30,000 has been retained in the core budget, to cover any additional marginal costs from any increased planning activity.
- 3.17 The planning budget includes short term budgets totalling £378,000 for the Community Infrastructure Levy set up costs and temporary staffing to provide support on Neighbourhood Plans and the Local Plan.

Operations

- 3.18 The Operations budget mainly consists of staffing, volunteer costs and funding for minor works and running costs. The budget also includes a provisional estimate of £127,000 funding from Natural England and local highway authorities, to support the maintenance of the South Downs Way National Trail, plus Natural England (Higher Level Scheme) and Sussex Wildlife Trust (SWT) for heathland management. The overall core budget has increased by £135,000 and the main changes are:
- An increase in the staffing budget to fund an additional 0.4 fte South Downs Way assistant increasing resources on the ground.
 - An increase of £116,000 for minor works, reflecting the emerging priorities of the Management Plan and providing more delivery on the ground
 - A transfer of all venue hire and print design fees budgets to Corporate Services and Strategy & Partnerships respectively to achieve efficiencies and economies of scale.
- 3.19 The short term budget provides £40,000 for pump-priming works associated with undergrounding electric cables and encouraging more sensitive highways schemes in the Park.

Corporate Services

- 3.20 The Corporate Services budgets include the Chief Executive, staffing, premises costs and contract costs for outsourced services such as ICT, legal services, human resources, and finance. Service priorities for 2013/14 include the relocation of staff to the new headquarters, continued development of all HR policies, building and delivering a continuous improvement plan and performance management system and feasibility studies into new area offices. The overall core budget has reduced by £4,000 and the main changes are:
- A reduction in staff advertising, relocation and training budgets of £47,000 recognising that the majority of posts are now filled
 - A consolidation (and reduction) of all venue hire budgets totalling £11,000 from other directorates in order to achieve efficiencies by ensuring that the South Downs Centre is used as venue for meetings/conferences wherever possible
 - An increase in premises costs reflecting the estimated costs of utilities and repairs at the South Downs Centre partly offset by a reduction in the telephony, furniture and computer lines budgets, totalling £48,000
 - Additional income from investment interest on balances, venue hire and Feed in Tariff income from South Downs Centre totalling £23,000
- 3.21 The short term 2013/14 budget includes funding of £312,000 to meet the following one off projects:

- Relocation costs, premises costs such as dilapidations, computer lines and temporary office leases and interim support for the South Downs Centre
- Feasibility studies for area offices at Stanmer Park and Queen Elizabeth Country Park
- A transfer of £30,000 training budget from core funding to short term funding recognising that the majority of general training needs will be met by the end of the financial year.

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 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 Insurance Fund reserve is no longer required as the Authority has no requirements for self insurance as all items are covered within insurance policies with low excesses. Resulting from an evaluation of the financial risks (as shown in **Appendix 6**) it is proposed to merge together the Planning Risk and Planning Delivery reserves to create one long term reserve covering potential costs resulting from planning inquiries, changes to future delegation agreements, significant falls in planning income and support for Neighbourhood Plans. The new earmarked Planning reserve will be held at £580,000, releasing £300,000. In addition to the reserves released in the review, further one off resources have been generated in the current financial year to be placed into reserves to cover known expenditure. 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 a new reserve to support the refurbishment of area offices and to maintain and refurbish the South Downs Centre in the future.

4.6 The table below shows the projected usable reserves assuming 2012/13 spending is in line with current projections:

Usable Reserves (one off resources available)	£'000
Usable reserves from 1 April 2012	364
Release of Insurance Fund reserve	50
Release of funds from Planning Delivery & Risk reserves	300
Projected underspend in 2012/13	60
Forecast Closing Balance at 31 March 2013	774
Applied to:	
Offices Maintenance & Refurbishment (earmarked reserve)	(774)
Forecast Balance of Usable Reserves available for allocation	0

- 4.7 A list of all the reserves held by the Authority is shown in **Appendix 4**. 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 2013 represent the forecast financial position as reported at Quarter 3 for 2012/13. The final 1 April 2013 position will not be known until the completion of the accounts for 2012/13 in June 2013, during which the required level of reserves will be reviewed.

5. Capital Programme 2013/14

- 5.1 The capital programme for 2013/14 includes the purchase and refurbishment of South Downs Centre, approved at 29 March 2011 Authority meeting, and the purchase of two new Landrovers for use by the Operations Directorate. These vehicles will replace used vehicles and any capital receipt from the sale of the used vehicles will be transferred to the Vehicles renewals reserve to fund future replacements.
- 5.2 The table below shows the capital programme for 2013/14. The latest capital re-profiling (taking account of slippage) arising from the 2012/13 capital programme, as at Quarter 3 Budget Monitoring, is incorporated into the 2013/14 programme and will be finalised when the capital accounts are closed in May 2013. 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	Re-profiling at Q3 2012/13 £'000	New / Continued Schemes 2013/14 £'000	Total 2013/14 £'000
Capital Expenditure:			
South Downs Centre	1,678	133	1,811
Vehicles	0	56	56
Total Capital Expenditure	1,678	189	1,866
Financed by:			
Capital reserves	1,678	133	1,811
Vehicles renewals reserve	0	56	56

6. Medium Term Financial Strategy 2013/14 – 2015/16

- 6.1 The Medium Term Financial Strategy (MTFS) is set out in **Appendix 5** which shows the projected income and expenditure for 2013/14 to 2015/16. The forecasts show the reduction in Defra grant over the 2 year period. Although the Chancellor's Autumn Statement 2012 announced an additional 2% reduction to Defra's budget for 2014/15 and indicated that budgets for 2015/16 are likely to be on the same trajectory as this Spending Review period, it is not clear at this stage what additional reductions in grant would result for the Authority. An exercise to set budgets for 2015/16 will be carried out across government in the first half of 2013 against which Defra have advised that it would be prudent to retain some flexibility in spending plans to deal with potential reductions. The letter from Defra confirming the allocation for 2013/14 warned that this exercise will require a response from them that is "more fundamental than incremental". The MTFS projections will be revised once the Defra grant allocations are known.
- 6.2 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.
- 6.3 The medium term budget strategy will continue to seek flexibility within the overall budget to continue to fund short term projects, identify savings, maximise potential income opportunities and provide flexibility for Management Plan priorities and reductions in Defra grant. The Authority has now finished its major programme of recruitment and with the

production of the State of the Park report and the launch of the Management Plan due at the end of 2013 is moving from evidence gathering and data analysis to increased front-line delivery. The 2013/14 Budget provides increased investment in minor works and ongoing investment in the Sustainable Communities Fund and Major Partnerships Funds.

- 6.4 In relation to maximising income opportunities, the MTFs includes set up costs for establishing Community Infrastructure Levy charges which are anticipated to be received from 2016. Officers are also investigating use of Charitable trusts and charitable donations mechanisms.
- 6.5 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 6**, however the main risks for 2013/14 are in relation to the following:
- Planning – The reduction in the planning delegation agreement fees are still being negotiated with one local authority and there is a risk that it may decide to withdraw from this arrangement. This would mean that payments may continue for the following year at 2012/13 price levels, resulting in a small budget shortfall for 2013/14. There is always some risk associated with uncertainty over volume of applications but this is mitigated by the planning reserve
 - Defra Grant – Although Defra has advised that it will seek to protect National Park Authorities grant allocations in 2013/14 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
 - GIS – the GIS budget has been estimated based on soft market testing. However there is always a risk that costs are greater in a competitive tendering exercise

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 third operational year of the Authority and has been developed based on the practical experience in the last two years, 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 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 2012/13 accounts. Earmarked reserves in relation to Planning 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 6**.

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 2013/14 – Analysis by Directorate & Expenditure Type
2. Revenue Budget 2013/14 – Analysed by CIPFA Service Reporting Code of Practice functions
3. Major Partnerships Projects
4. Review of Reserves
5. Medium Term Financial Strategy 2013/14 to 2015/16
6. Risk and Opportunities affecting 2013/14 to 2015/16

SDNPA Consultees

Chief Executive Officer, Director of Corporate Services, Chief Finance Officer, Monitoring Officer.

REVENUE BUDGET 2013/14 – ANALYSIS BY DIRECTORATE

Adjusted Budget 2012/13 Total £'000		Original Budget 2013/14			Original Budget 2013/14		
		Expenditure £'000	Income £'000	Total £'000	Core Budget £'000	Short Term Budget £'000	Whole Budget £'000
2,412	Strategy & Partnerships	2,105	(8)	2,097	1,757	340	2,097
688	Major Projects Fund	864	(564)	300	200	100	300
4,436	Planning	4,976	(971)	4,005	3,627	378	4,005
1,343	Operations	1,500	(127)	1,373	1,333	40	1,373
3,095	Corporate Services	2,862	(48)	2,814	2,502	312	2,814
(10,981)	National Park Grant	0	(10,589)	(10,589)	(9,419)	(1,170)	(10,589)
(993)	Contribution from Reserves	0	0	0	0	0	0
0	Grand Total	12,307	(12,307)	0	0	0	0

Note:

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

Short Term Budget – represents one off items of expenditure and income.

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

REVENUE BUDGET 2013/14 – ANALYSIS BY EXPENDITURE TYPE

Adjusted Budget 2012/13				Original Budget 2013/14		
Core Budget £'000	Short Term Budget £'000	Whole Budget £'000		Core Budget £'000	Short Term Budget £'000	Whole Budget £'000
3,819	450	4,269	EXPENDITURE:			
207	6	213	Direct Employees	3,981	560	4,541
266	114	380	Indirect Employees	181	32	213
213	3	216	Premises Related	366	70	436
2,235	1,939	4,174	Transport	236	5	241
4,044	218	4,262	Supplies & Services	2,248	1,020	3,268
			Third Party Payments	3,553	55	3,608
10,784	2,730	13,514	Total Expenditure	10,565	1,742	12,307
			INCOME:			
(9,796)	(1,185)	(10,981)	National Park Grant	(9,419)	(1,170)	(10,589)
(127)	(552)	(679)	Other Grants	(145)	(572)	(717)
(836)	0	(836)	Planning Fees Income	(971)	0	(971)
(25)	0	(25)	Investment Interest	(30)	0	(30)
(10,784)	(1,737)	(12,521)	Total Income	(10,565)	(1,742)	(12,307)
0	993	993	Net Budget	0	0	0
0	(993)	(993)	Contribution from Reserves	0	0	0
0	0	0	Grand Total	0	0	0

Note:

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

Short Term Budget – represents one off items of expenditure and income.

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

REVENUE BUDGET 2013/14 – ANALYSED BY CIPFA SERVICE REPORTING CODE OF PRACTICE (SERCOP) AND THE DEFRA GRANT MEMORANDUM FUNCTIONS

2012/13 Net Adjusted Budget £'000	Functional Area	2013/14 Expenditure £'000	2013/14 Income £'000	2013/14 Net Original Budget £'000
367	Conservation of the Natural Environment	179	(31)	148
114	Conservation of the Cultural Heritage	151	0	151
437	Recreation, Management & Transport	665	(96)	569
1,007	Promoting Understanding	935	0	935
1,759	Rangers, Estates & Volunteers	1,748	0	1,748
3,646	Development Control	4,384	(971)	3,413
3,996	Forward Planning & Communities	4,526	(1,512)	3,014
673	Corporate & Democratic Core	641	0	641
11,999	Net Cost of Services	13,229	(2,610)	10,619
	Corporate Income and Expenditure			
(993)	Contribution from Reserves			0
(25)	Investment Interest			(30)
10,981	Net Operating Expenditure / Amount to be met from Government Grants			10,589
(10,981)	National Park Grant			(10,589)
0	Grand Total			0

Note: The budget is prepared on an estimated basis which is therefore subject to refinement at outturn.

REVENUE BUDGET 2013/14 – MAJOR PARTNERSHIPS FUND – APPROVED PROJECTS TO DATE

	Expenditure			Income			SDNPA Funding £
	Employees £	Other costs £	Total £	Gov'ment Grants £	Other Grants £	Total £	
Wooded Heaths Landscapes Partnership	38,580	1,420	40,000			0	40,000
Local Sustainable Transport Fund	134,970	146,530	281,500		(231,500)	(231,500)	50,000
Our South Downs Learning thru Landscapes		66,390	66,390			0	66,390
In the High Woods (LIDAR) Arch. Project	15,800	161,800	177,600		(154,700)	(154,700)	22,900
Nature Improvement Areas	20,020	207,700	227,720	(123,340)	(54,380)	(177,720)	50,000
Forestry Partnership (PAWS) Wood fuel initiative	31,610	910	32,520			0	32,520
Alice Holt (Forest Enterprise)		40,000	40,000			0	40,000
Total Planned Budget	240,980	624,750	865,730	(123,340)	(440,580)	(563,920)	301,810

REVIEW OF RESERVES

Revenue and Capital Reserves	Forecast at 1 April 2013 £'000	Planned Usage £'000	Increase in Reserve £'000	Release Funds £'000	Balance 31 March 2014 £'000	Reason for Reserve.
General Revenue Reserves:						
Working Balance	650				650	Working balance approximately 5% of turnover
Unallocated usable reserves	424			(424)	0	Can be used to fund one off items of expenditure or shortfalls in income.
Earmarked Revenue Reserves:						
Planning Risk	600			(600)	0	Planning inquiries, high cost decisions, appeals.
Planning Delivery	280			(280)	0	Risk of delegation agreements and material reductions in income.
Planning	0			580	580	Merge planning reserves
Insurance	50			(50)	0	
Sustainable Community Fund	0				0	Reserve to carry forward underspendings at year end.
Major Partnerships Fund	308	(309)	300		299	Reserve to carry forward underspendings at year end.
South Downs Way	22				22	Transfer of balances from South Downs Joint Committee
Vehicles Renewals	123	(56)	60		127	Fund to replace vehicles. Reviewed at Budget setting.
Offices Maintenance & Refurbishment	410		715	131	1,256	Fund for future repairs & improvements to all offices. Reviewed at Budget setting.
Capital Reserves	1,811	(1,811)		0	0	South Downs Centre
Total reserves	4,678	(2,176)	1,075	(643)	2,934	

MEDIUM TERM FINANCIAL STRATEGY 2013/14 TO 2015/16

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 performance pay awards and inflationary increases (capped at 1% for 2013/14 & 2014/15).
2. Pension contributions are assumed at 20%. National Insurance contributions are based on actual payments and range from 3.9% to 11.4%.
3. No Inflation has been applied except to pay. It is assumed that any inflation will be offset by efficiency savings.
4. Reductions in National Park Grant are in line with the 2014/15 settlement as detailed in the report plus an additional 2% reduction for 2014/15 and a further 2% reduction for 2015/16.
5. Known approved Major Partnerships projects budgets are included where possible.
6. Planning fees increase by 15% for 2013/14. Community Infrastructure set up costs are included in expenditure but income is not expected until late 2016.

As the Management Plan is 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 unknown by how much the funding reductions will increase during 2014/15 and 2015/16. This

plan now reflects emerging Management Plan priorities but following consultation and launch, priorities may change which will need addressing in the budget. The high level summary information and associated assumptions are shown below:

Adjusted Budget 2012/13 £'000		Original Budget 2013/14 £'000	Original Budget 2014/15 £'000	Original Budget 2015/16 £'000
	EXPENDITURE:			
4,208	Employees (Direct only)	4,541	4,419	4,278
4,346	Third Party Payments	3,608	3,608	3,552
486	Sustainable Communities Fund	300	300	300
677	Major Partnerships Fund	300	500	300
3,592	Other costs	3,558	2,649	2,713
13,309	Total Expenditure	12,307	11,476	11,343
	INCOME:			
(10,981)	National Park Grant	(10,589)	(10,198)	(10,198)
(836)	Planning Income	(971)	(971)	(971)
(499)	Other Income inc grants	(747)	(307)	(174)
(12,316)	Total Income	(12,307)	(11,476)	(11,343)
993	Net Budget	0	0	0
(993)	Contributions from reserves	0	0	0
0	Grand Total	0	0	0

POTENTIAL RISKS AND OPPORTUNITIES AFFECTING 2013/14 TO 2015/16

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. (Planning Register)	3	3	9	May result in the use of the Planning reserve.	Effective monitoring of numbers and costs and benchmarking to assist in reducing future costs. Planning budget includes a small contingency for this.
Remaining 11 Local Authorities choose not to continue with S101 agreements. (Planning Register)	3	3	9	May result in the use of the Planning 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. (S & P Register)	3	2	6	Use of Major Partnerships Fund Reduced capacity to lever in external funds Any such items would need to be funded from compensating savings.	Priorities built into future years' budgets. Major Partnerships fund should enable the Authority to fund immediate priorities.
Unforeseen budgetary requirements arise during the year. (Corporate Register)	3	2	6	Any such items would need to be funded from compensating savings.	Close monitoring and forecasting of all budgets will assist in identifying such items and compensating savings.
IDOX system as implemented not delivering improvements to service delivery. (Corporate Register)	3	3	9	Any additional expenditure 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 2013/14 is reduced by Defra during the financial year. (Corporate Register)	2	3	6	This would create an overspend on the 2013/14 budget. Compensating savings would need to be found.	Close monitoring and forecasting of all budgets will assist in identifying such items and compensating savings. Strategic Management Team would need to agree

					compensating savings as part of the budget monitoring process.
Defra grant is reduced from Indicative allocation for 2014/15. (Corporate Register)	4	3	12	The strategy provides 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.
South Downs Centre refurbishment and moves not completed on time or within budget. (Corporate Register)	4	3	12	Reserves or other revenue resources redirected to fund overspend in capital programme.	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