

Report to	<b>South Downs National Park Authority</b>
Date	<b>30 March 2017</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Budget 2017/18 and Medium Term Financial Strategy</b>

**Recommendation: The Authority is recommended to:**

- 1) Approve the 2017/18 Revenue Budget as detailed in Section 2 and Appendices 1, 2 & 3 of this report**
- 2) Approve the Capital Programme as set out in Section 3 and Appendix 4 of this report**
- 3) Approve the use of Reserves as set out in Section 4 and Appendix 5 of this report**
- 4) Note the Medium Term Financial Strategy and resource projections as set out in Section 5 and Appendix 6 of this report**
- 5) Note the Supplementary Budget Information since Policy & Programme Committee as set out in Appendix 7 of this report**

**I. Summary and Background**

- I.1 The Authority is required to set a balance budget before the start of the new financial year in accordance with legislation. This report sets out the South Downs National Park Authority's (the Authority) budget for the 2017/18 financial year and the Medium Term Financial Strategy for the period 2017/18 to 2021/22.
- I.2 The budget has been developed in accordance with the Authority's agreed Budget Framework alongside the Corporate Plan and the Partnership Management Plan (PMP) in order to ensure that the budget aligns with the Authority's priorities and objectives.
- I.3 The budget has been developed in the context of priorities further informed by a Members Awayday and a Members Budget Working Group and to align with the Corporate Plan and the PMP, as well as developing a more pro-active approach to alternative income generating opportunities to provide greater financial stability for medium term planning.
- I.4 The basis for the revenue expenditure is the pursuit of the statutory purposes for which the National Parks were designated under the Environment Act 1995. Section 65 of the Act determines the purposes as conserving and enhancing the natural beauty, wildlife and cultural heritage of National Parks, and of promoting opportunities for the understanding and enjoyment of the special qualities of those 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.
- I.5 The report sets out the proposals for:
  - Revenue Budget 2017/18
  - Capital Programme 2017/18 to 2021/22
  - Review of Revenue and Capital Reserves 2017/18

- Medium Term Financial Strategy 2017/18 to 2021/22

## 2. Revenue Budget 2017/18

- 2.1 The 2017/18 Revenue Budget is detailed in **Appendix 1** by Directorate, **Appendix 2** by expenditure type and **Appendix 3** by functional heading 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 applications.

### DEFRA National Park Authorities Grant

- 2.2 DEFRA have confirmed the National Park Authorities grant allocations up to the 2019/20 financial year, which includes an allocation of £10,134,574 to the Authority in 2017/18. The approved allocations reflect annual increases of 1.7% per annum between 2015/16 and 2019/20. The 2017/18 budget and Medium Term Financial Strategy has therefore been prepared in the context of the confirmed grant allocations up to 2019/20 and forecasts thereafter as shown in the table below.

	Confirmed 2017/18 £'000	Confirmed 2018/19 £'000	Confirmed 2019/20 £'000	Forecast 2020/21 £'000	Forecast 2021/22 £'000
National Park Authorities grant	10,135	10,309	10,486	10,486	10,486

- 2.3 Although DEFRA have provided confirmation of grant allocations up to 2019/20, there is still a risk that assumptions of grant income may need to be revised, especially in later years, if notification of allocations is reduced. In such cases, compensating budget savings or contributions from reserves would be required to balance the budget position.

### Budget Proposals

- 2.4 The Authority has a 'best value duty' to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness. The Authority therefore continues to adopt a prudent approach to budget setting and cost savings have been reflected in the budget proposals where appropriate.
- 2.5 Due to the size and nature of the budgets, The Authority continues to maintain some flexibility to fund one-off projects and unexpected costs. All budgets have been reviewed with regards to the extent to which they are currently committed and the recurring requirement over the medium term. This identified the requirement for short term funding for one-off proposals and permanent budget amendments, which have been reflected in the budget proposals
- 2.6 The 2017/18 budget includes a permanent staffing establishment of 111 full time equivalent posts. In addition, the budget also accommodates 4.2 full time equivalent posts which are externally funded to support one-off projects.
- 2.7 Volunteering time is recognised as a valuable resource to the Authority and it is estimated that in 2017/18 this will provide approximately 5,700 days with an estimated value of £315,000. This is based on 5,400 days of basic skill valued at a notional £50 per day plus 300 days specialist skills valued at a notional £150 per day. There are variety of different ways in which the value of volunteer time could be measured and this is simply an indicative calculation to provide Members with context of the contribution to meeting the Authority's priorities and objectives.
- 2.8 In advance of the triennial review of the West Sussex pension scheme, it has been assumed that the Authority's employer contributions rate will increase by 0.5% each year, which has been treated as commitment within the MTFS.
- 2.9 The Apprenticeship Levy is due to come into force on 1st April 2017. The levy is calculated at 0.5% of pay, less a levy allowance of £15,000 per year, and it is estimated to be £10,000 for the Authority per year. This sum has been assumed to be a net increase in costs,

however, the Authority is reviewing apprenticeships and training to ensure it takes advantage of the resources available through central government apprenticeship funding. A separate sum has been allocated within the budget for an Apprenticeship Fund to support apprenticeships and training over the MTFS period.

#### Countryside Policy and Management

2.10 The proposed 2017/18 net budget for the Countryside and Management service is £2.928m. The service priorities for 2017/18 are focused on the development of strategies for the continued delivery of the PMP. They also include the rollout of the Shared Visual Identity and the creation of communication platforms and behaviour change campaigns in support of the Authority as a whole. Other priorities include the continuation of delivering the Ranger service and hands-on conservation of the Park, working with partners, farmers and landowners, user groups and others, as well as funding contributions for the Heathland Project and the South Downs Way National Trail.

2.11 The service priorities have resulted in the following budget proposals for 2017/18:

- Various core budget increases to allow area offices and strategy leads to implement initiatives (£18,000), provide permanent budget for the South Downs View publication (£10,000), allow for external Rights of Way access advice (£8,000), consultants budgets for Chalk & Water Leads (£6,000), South Downs Counters (£4,000), and other project budgets (£5,000).
- The Strategic Fund will be allocated £220,000, which has been reflected as a core annual budget contribution, to meet existing and future project commitments. An additional allocation of £75,000 has been provided in 2017/18 to fund the Centurion Way project as approved at Policy & Programme Committee.
- Additional income from Souths Downs Way map sales (£3,000) and expected increases in donations for use of the South Downs Way for events (£5,000).

#### Planning Services

2.12 The proposed 2017/18 net budget for the Planning Service is £3.689m which includes staffing, payment to Local Authorities for the delivery of the planning function and other expenditure and income to support the delivery of the development management service and planning policy (including Local Plans, duty to cooperate, and community led plans), the Community Infrastructure Levy (CIL) and the duty on social and economic wellbeing (through the Sustainable Futures Team).

2.13 The proposed planning income budget is £1,000,000 in 2017/18. This takes into account £100,000 pressure funding to set a more prudent budget following a forecasted adverse variance in the 2016/17 financial year. Income levels are demand led and dependant on the number of applications and major developments within the Souths Downs region, and therefore largely dependant on the prevailing economic conditions.

2.14 Service priorities for 2017/18 include continuing to develop the single Local Plan, developing the Development Management Service to deliver sound planning decisions in a timely fashion, building up corporate experience and memory, enforcement work and maintaining an impressive appeal record. An Area Action Plan for Shoreham Cement works will be developed.

2.15 The service priorities have resulted in the following proposed budget changes in the 2017/18 financial year:

- An additional £10,000 core funding commitment for legal advice for mineral and waste planning.
- A £5,000 core funding commitment for training workshops for parish councils such as local plan and other planning queries.
- An £88,000 budget saving relating to reduction in payment to Local Authorities for discontinuing host authority arrangements with Hampshire and East Sussex.

### Corporate Services

- 2.16 The proposed 2017/18 net revenue budget for Corporate Services is £3.267m. The budget for Corporate Functions includes the Chief Executive budget, staffing, premises costs and contract costs for outsourced services such as ICT, legal services, monitoring officer and financial services. The budget reflects savings associated with reduced contract costs and increased investment income.
- 2.17 Service priorities for 2017/18 include developing capability for increased income generation and establishing the appropriate vehicles to deliver this.

### **3. Capital Programme 2017/18 to 2021/22**

- 3.1 The capital programme supports priorities informed by the Members Awayday and Members Budget Working Group and outcomes identified in the PMP. The detailed capital programme 2017/18 to 2021/22 is detailed at **Appendix 4**.
- 3.2 The key priorities for capital expenditure over the medium to long term include a vehicle replacement schedule, the development of potential schemes for Area Offices and a signage project. It is anticipated that a more detailed 10 year capital programme will be developed over the next twelve months to support the Authority's PMP.
- 3.3 The 2017/18 capital programme includes additional investment of £0.260m for a National Park Signage project and £0.045m for a new events vehicle. The financial implications of new projects are set out in the appendix to allow full consideration of the proposed projects. Full provision for the revenue implications arising from the proposed Capital Programme has been made in the proposed revenue budget.

### **4. Review of Reserve and Capital**

- 4.1 The Authority holds reserves for two main purposes:
- (i) A working balance to temporarily cover major unexpected items of expenditure on emergencies
  - (ii) Earmarked reserves set aside for a wide range of specific purposes such as mitigating planning risks, future one-off events and funding the capital programme
- 4.2 It is essential that the Authority puts in place appropriate levels of reserves to provide the necessary safety net for risks, unforeseen issues or other circumstances. Determining the appropriate levels of reserves is not a precise exercise nor determined by formula, but must be a professional judgement based on local circumstances, including the overall budget size, assessed risk in the 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 approximately 5% of expected DERFA National Park Authority Grant and planning income. Additional and ad-hoc grant income is not included due to the potential uncertainty of this type of funding and that to set aside 5% of any additional income secured would have a detrimental impact on the funds available to deliver outcomes. Is it considered by the Chief Finance Officer that a working balance of £595,000 for the 2017/18 financial year therefore remains prudent and reasonable.
- 4.4 The table below shows the projected useable reserves assuming the 2016/17 outturn is as forecast at month 8 (being an £0.060m overspend) and all budgeted contributions to Reserves are made in the 2016/17 financial year:

<b>Unallocated Usable Reserves</b>	<b>£'000</b>
<b>Usable reserves from 1 April 2016</b>	<b>525</b>
Allocation to consultancy costs for National Park Signage project as approved at South Downs National Park Authority in November 2016	(25)
Projected Outturn as per 2016/17 Month 8 Budget Monitoring Report	(60)
<b>Forecast Closing Balance as 31 March 2017</b>	<b>440</b>
Applied to:	
Support the 2017/18 Revenue Budget	(64)
Strategic Fund (to repay the 2016/17 contribution made to the Centurion Way Project)	(75)
Remaining Balance transferred to new earmarked reserve for Partnership Management Plan Delivery	(301)
<b>Forecast Balance of Usable Reserve available for allocation</b>	<b>0</b>

- 4.5 A schedule of all the reserves held by the Authority is shown in **Appendix 5**. The table shows for each reserve the approved purpose for which it is held, the forecast opening balance, anticipated movement during the year and forecast closing balance.
- 4.6 Members should note that the forecast reserves at 1 April 2017 represents the forecast financial position assuming an overspend of £0.060m for the current financial year. The actual 1 April 2017 position will not be known until the completion of the accounts for the 2016/17 financial year. The table in 4.4 above fully allocates any usable revenue reserves.
- 4.7 It is proposed to create a new earmarked reserve for the delivery of future Partnership Management Plan priorities. It is anticipated that reports will be presented to Policy & Programme Committee at a future date for approval to allocate this funding to deliver specific PMP outcomes.
- 4.8 It is proposed to make various movements between reserves as follows:
- Transfer the available balance of the General Reserve to the new Partnership Management Plan Reserve
  - Transfer the available balance of the Redundancy Reserve to the new Partnership Management Plan Reserve following completion of the Authority restructure.
  - Transfer the available balance of the South Downs Centre reserve to the existing Estates Management Reserve to allow greater flexibility for the use of available funds.
  - Transfer £75,000 from the General Reserve to the Strategic Fund to fund the Centurion Way project approved at Policy & Programme Committee in May 2016.
- 5. Medium Term Financial Strategy 2017/18 to 2021/22**
- 5.1 The Medium Term Financial Strategy (MTFS) is set out in **Appendix 6** and shows projected income and expenditure for 2017/18 to 2021/22. Following discussions at the Members budget away day, the MTFS period has been extended from a 3 to 5 year period to give a longer term vision of the budget in light of current planned activities.
- 5.2 The forecasts in the MTFS reflect the confirmed and forecast DEFRA National Park Authority grant and also assumptions made for other expenditure and income over the period.
- 5.3 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.
- 5.4 The medium term budget strategy will continue to seek flexibility within the overall budget whilst continuing to fund short term and one-off projects, identify savings, maximise potential income opportunities and provide flexibility for PMP priorities. The MTFS includes indicative allocations for ongoing investment in projects and contributions to strategic priorities; this includes the minimum contribution for major projects each year to meet

existing commitments.

- 5.5 The MTFS reflects a number of initiatives and efficiency savings including:
- An annual £100,000 allocation to support the Affordable Housing options being considered by the Authority.
  - An annual £50,000 allocation for a Farm Pilots scheme (post Brexit).
  - Proactive approach to maximising income opportunities including potential income from corporate sponsorship and donations, and setting aside funding to explore the costs and benefits of setting up a charitable arm of the Authority to maximise fundraising opportunities. An annual sum of £50,000 has been allocated to support this.
  - Funding to support Local Plan studies and Examination.
  - Additional one-off planning income in 2019/20 expected following the planned introduction of the Local Plan.
  - Ongoing review of the performance and value for money provided under corporate contracts, including printing, scanning, GIS, financial and insurance services.
  - Maximise the opportunity to bid for external funding sources, in line with the Authority's duty and purpose.

## **6. Report of the Chief Finance Officer under Section 25 of the Local Government Act 2003**

- 6.1 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

- 6.2 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 seventh operational year of the Authority and has been developed based on the practical experience and track record over the last six 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, and pay and price increases.
- 6.3 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. In addition, the planning reserve is available to mitigate this risk in the short term. In the longer term efficiency savings or increased income from discretionary fees will be required to offset any growth that cannot be covered by fee increases.
- 6.4 In relation to budget estimates, the Chief Finance Officer has examined the budget proposals and believes that they are sufficient and robust.

### Adequacy of Reserves

- 6.5 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.
- 6.6 The earmarked reserves cover a range of areas and have been reviewed to ensure they are set at appropriate levels for the requirements of the organisation. For example, earmarked reserves in relation to Planning provide resources for unexpected expenditure that cannot be funded within the base budget in any particular year. Reserves will be reviewed again as part of the closure of the 2016/17 accounts.

## **7. Governance Committee/P&P Committee /NPA Considerations**

- 7.1 Annual detailed revenue and capital budgets and a Medium Term Financial Strategy (MTFS) require consideration and approval by the Authority following consultation with the Policy & Programme Committee and Directors. The Authority's projected income and expenditure

compared with the approved budgets is reported at least quarterly to the Governance Committee.

- 7.2 **Appendix 7** to this report sets out supplementary budget information that has become available since Policy & Programme Committee considered the contents of this report on 26th January 2017.

## 8. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any Resource implications?	Resource implications are contained in the main body of the report
How does the proposal represent Value for Money?	Internal controls and governance are in place to ensure the economical, efficient and effective use of resources.
Are there any Social Value implications arising from the proposal?	Not directly applicable to decisions in this report, however, the requirements of the Public Services (Social Value) Act 2012 will be considered for appropriate expenditure and programmes undertaken by the National Park Authority.
Has due regard has been taken of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Not directly applicable to decisions in this report, however, all expenditure and programmes undertaken by the National Park Authority are compliant with the Equality Act.
Are there any Human Rights implications arising from the proposal?	Not directly applicable to decisions in this report, however, Human Right implications relating to all expenditure and programmes undertaken by the National Park Authority should be considered.
Are there any Crime & Disorder implications arising from the proposal?	No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy: 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly	Sustainability issues have been considered in the development of the outcomes included within the Corporate Plan and PMP and these proposals identify the resources available to deliver those outcomes.

## 9. Risks Associated with the Proposed Decision

- 9.1 All of the projections within the report and appendices are based on the best information currently available, however, there is inevitably some uncertainty. The robustness of estimates and the adequacy of reserves are described within the report.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
DEFRA grant for 2017/18 is reduced by DEFRA during the financial year resulting in overspend on the 2017/18 budget	1	3	Close budget monitoring and forecasting of all budgets will assist in identifying compensating expenditure reductions. Senior Management Team would need to agree compensating savings as part of the budget monitoring process and consider whether or not member approval is required in accordance with regulations.
DEFRA grant is reduced from notified and forecasted allocations for 2018/19 to 2021/22	2	3	Review of the Medium Term Financial Strategy on an annual basis.
Unforeseen budgetary requirements arise during the financial year	3	2	Close budget monitoring and forecasting of all budgets will assist in identifying compensating expenditure reductions.
Unbudgeted priorities identified as the implementation of the PMP is undertaken	3	3	Priorities are considered as part of the Medium Term Financial Strategy. Creation of a new earmarked reserve for the delivery of future Partnership Management Plan priorities.
Increase in the number of Planning Applications resulting in increased costs of delegation	3	3	Effective monitoring of numbers and costs and benchmarking to assist in ensuring value for money. Earmarked Planning Reserve available to fund unforeseen changes to delegation agreements.
Remaining Local Authorities choose not to continue with S101 agreements	3	3	S101 agreements require 1 year notice period for termination allowing sufficient time to plan for new arrangements. Earmarked Planning Reserve available to fund unforeseen changes to delegation agreements.
Potential planning enquiries	3	3	Delegated Agreements have provision for certain costs to be met by each Authority reducing the risk of costs to the Authority. Earmarked Planning Reserve available to fund unforeseen costs of planning enquiries.
Slippage to the Local Plan timetable resulting in increased costs of extension of temporary posts	3	2	Close monitoring of delivery of Local Plan. Senior Management Team would need to agree compensating savings as part of the budget monitoring process.



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Appendices	<ol style="list-style-type: none"><li>1. Revenue Budget 2017/18 – Analysis by Directorate</li><li>2. Revenue Budget 2017/18 – Analysis by Subjective</li><li>3. Revenue Budget 2017/18 – Analysis by CIPFA Service Reporting Code of Practice</li><li>4. Capital Programme 2017/18 to 2021/22</li><li>5. Review of Reserves</li><li>6. Medium Term Financial Strategy 2017/18 to 2021/22</li><li>7. Supplementary Budget Information since Policy &amp; Programme Committee</li></ol>
SDNPA Consultees	Chief Executive; Director of Countryside Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Business Service Manager
External Consultees	None
Background Documents	This report is presented in accordance with the Authority's Financial Regulations and Standard Financial Procedures.



# Agenda Item 10 Report 07/17 Appendix I

## Revenue Budget 2017/18 – Analysis by Directorate

Original Budget 2016/17  Net £'000	Directorate	Original Budget 2017/18		
		Expenditure £'000	Income £'000	Net £'000
2,807	Countryside Policy and Management	3,243	-315	2,928
240	Strategy and Sustainable Communities Fund	315	0	315
3,700	Planning	4,689	-1,000	3,689
2,691	Corporate Services	3,323	-56	3,267
-9,963	National Park Grant	0	-10,135	-10,135
525	Contribution to / (from) Reserves	0	-64	-64
<b>0</b>	<b>Total</b>	<b>11,570</b>	<b>11,570</b>	<b>0</b>



Revenue Budget 2017/18 – Analysis by Subjective

Original Budget 2016/17	Subjective	Original Budget 2017/18
Net £'000		Net £'000
	<b>Expenditure</b>	
5,053	Direct Employees	5,405
188	Indirect Employees	198
279	Premises Related	282
158	Transport Related	150
1,913	Supplies & Service	2,318
3,221	Third Party Payments	3,057
0	Capital Financing Costs	160
<b>10,812</b>	<b>Total Expenditure</b>	<b>11,570</b>
	<b>Income</b>	
-9,963	DEFRA National Parks Grant	-10,135
-177	Other Grants	-312
-1,100	Planning Fee Income	-1,000
-77	Other Income	-19
-20	Investment Income	-40
<b>-11,337</b>	<b>Total Income</b>	<b>-11,506</b>
-525	<b>Net Department Budget</b>	64
525	<b>Contribution to / (from) Reserves</b>	(64)
<b>0</b>	<b>Net Authority Budget</b>	<b>0</b>



## Agenda Item 10 Report 07/17 Appendix 3

### Revenue Budget 2017/18 – Analysis by CIPFA Service Reporting Code of Practice\*

Original Budget 2016/17 Net £'000	Directorate	Original Budget 2017/18		
		Expenditure £'000	Income £'000	Net £'000
501	Conservation of the Natural Environment	651	-207	444
0	Conservation of the Cultural Heritage	0	0	0
351	Recreation, Management & Transport	301	-108	193
627	Promoting Understanding	902	0	902
2,120	Rangers, Estates & Volunteers	2,453	0	2,453
2,949	Development Control	4,959	-1,000	3,959
1,988	Forward Planning & Communities	1,626	0	1,626
923	Corporate & Democratic Core	662	0	662
0	Contingency	0	0	0
<b>9,458</b>	<b>Net Cost of Services</b>	<b>11,554</b>	<b>-1,315</b>	<b>10,239</b>
	<b>Corporate Income and Expenditure</b>			
525	Contribution to / (from) Reserves			-64
-20	Investment Income			-40
<b>9,963</b>	<b>Net Operating Expenditure / Amount to be met from Government Grant</b>			<b>10,135</b>
-9,963	<b>DEFRA National Park Grant</b>			-10,135
<b>0</b>	<b>Net Total</b>			<b>0</b>
Added Value of Volunteers**		<b>315</b>	<b>0</b>	<b>315</b>

\*Note that the budget is prepared on an estimated basis which is therefore subject to refinement at outturn.

\*\* The Added Value of Volunteers is an estimated figure and given for information only. This is based on 5,400 days of basic skills valued at a notional £50 per day plus 300 days specialist skills valued at £150 per day. There are a variety of different ways in which the value of volunteer time could be measured and this is simply an indicative calculation to provide Members with context about their important contribution.





## Capital Programme 2017/18 to 2021/22

### Capital Investment Programme 2017/18 to 2021/22

	<b>Budget 2017/18 £'000</b>	<b>Budget 2018/19 £'000</b>	<b>Budget 2019/20 £'000</b>	<b>Budget 2020/21 £'000</b>	<b>Budget 2021/22 £'000</b>
<b>Capital Projects</b>					
<u>New Schemes:</u>					
National Park Signage Project	160	50	50	0	0
Events Vehicle	45	0	0	0	0
<b>Total Capital Budget</b>	<b>205</b>	<b>50</b>	<b>50</b>	<b>0</b>	<b>0</b>
<b>Funded by:</b>					
Direct Revenue Funding	160	50	50	0	0
Reserve Funding	45	0	0	0	0
<b>Total Funding</b>	<b>205</b>	<b>50</b>	<b>50</b>	<b>0</b>	<b>0</b>

New Schemes to be added to the Capital Programme in 2017/18 to be approved

New Capital Project Approval Request:					
Directorate:	Corporate Services				
Project Title:	National Park Signage Project				
Total Project Costs:	£260,000				
Project Purpose, Benefits and Risks:					
The project involves placing a limited number of National Park signs at appropriate entry sites to the National Park. The aims of the project are to raise the profile of the National Park, add value to local businesses, enhance the sense of place, encourage behaviour change and support income generation.					
A number of risks have been identified, including the limited deployment leading to demand for a proliferation of sites, and separately, increasing clutter through additional signage. Mitigations for each of these are included within the project planning.					
Capital Expenditure Profile (£'000):					
Year	2017/18	2018/19	2019/20	2020/21	2021/22
Direct Revenue Funding	160	50	50	0	0
<b>Total Estimated Project Costs</b>	<b>160</b>	<b>50</b>	<b>50</b>	<b>0</b>	<b>0</b>
Financial Implications:					
The capital costs will be funded from Direct Revenue Funding. Funding for the project has been identified and allocated as part of the Medium Term Financial Strategy. It is anticipated that any ongoing costs associated to the maintenance of signs will be funded from approved revenue budgets.					

<b>New Capital Project Approval Request:</b>					
Directorate:	Corporate Services				
Project Title:	Events Vehicle				
Total Project Costs:	£45,000				
<b>Project Purpose, Benefits and Risks:</b>					
The purchase of a new events van will allow a vehicle to be allocated to both sides of the National Park to cover more events each year within existing resources. This would add to existing resource and it does not create any new risks to service provision.					
<b>Capital Expenditure Profile (£'000):</b>					
<b>Year</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Reserve Funding	45	0	0	0	0
<b>Total Estimated Project Costs</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Financial Implications:</b>					
The capital costs will be funded from the capital receipts reserve. It is anticipated that the ongoing cost of a new events van will be met from existing revenue budgets.					

Review of Reserves

Reserve Type and Title	Purpose of Reserve	Forecast 1 Apr 2017 £'000	Planned Transfer to/from Reserves 2017/18 £'000	Movement Between Reserves 2017/18 £'000	Planned Usage 2017/18 £'000	Forecast 31 Mar 2018 £'000
<b>General Reserves:</b>						
Working Balance	Working Balance	595				595
General Reserve	Contribution of £64k to balance 2017/18 revenue budget requirement. Movement of £75k to Strategic Fund for Centurion Way project. Transfer remaining balance to new Partnership Management Plan Reserve	440	-64	-376		0
<b>Earmarked Reserves:</b>						
Partnership Management Plan Reserve	To fund outcomes identified in the Partnership Management Plan	0		341		341
Planning Reserve	To fund unforeseen planning inquiries, changes to future delegation arrangements, significant income falls and support for neighbourhood plans	580				580
Redundancy Reserve	To fund redundancy costs associated to the organisation restructure. Transfer remaining balance to Partnership Management Plan Reserve	40		-40		0
Strategic Fund	Reserves to carry forward underspends at year end. £75k transfer from General reserve b/f to fund Centurion Way project	168		75		243
South Downs Way	Funding transferred from South Downs Joint Committee	20				20
Volunteer Ranger Service	Funding transferred from South Downs Joint Committee	31				31
Section 106 Receipts Reserve	Receipts primarily used to develop infrastructure within the National Park	1,007				1,007
Section 106 Interest on		24				24

<b>Reserve Type and Title</b>	<b>Purpose of Reserve</b>	<b>Forecast 1 Apr 2017 £'000</b>	<b>Planned Transfer to/from Reserves 2017/18 £'000</b>	<b>Movement Between Reserves 2017/18 £'000</b>	<b>Planned Usage 2017/18 £'000</b>	<b>Forecast 31 Mar 2018 £'000</b>
Statutory Receipts						
<b>Capital Reserves:</b>						
Capital Receipts	Proceeds from disposal of assets available for use on capital expenditure	<b>63</b>			-45	<b>18</b>
Estates Management Reserve	To support the refurbishment of are officers, including Stanmer Park and Queen Elizabeth Country Park	<b>597</b>		2		<b>599</b>
South Downs Centre	Residual balance of funding for South Downs Centre capital scheme	<b>2</b>		-2		<b>0</b>
Vehicle Repairs and Renewals	To fund the purchase of replacement vehicles	<b>34</b>				<b>34</b>
<b>Total Reserves Balance</b>		<b>3,601</b>	<b>-64</b>	<b>0</b>	<b>-45</b>	<b>3,492</b>

**Medium Term Financial Strategy 2017/18 to 2021/22**

The Medium Term Financial Strategy has been developed in line with the approved Budget Framework. The Authority's financial planning and resource allocation has taken into account the following assumptions:

- To be a lean, efficient organisation.
- To work with others – stakeholder and partners.
- To use limited contributions to activities to encourage and lever greater contributions from others.
- The need for clear, SMART outcomes.
- Maintain 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.
- Avoid aspirations or commitments which are ultimately unaffordable and avoid making ongoing commitments unless they are essential.
- Seek to secure efficiency gains and improvements in value for money.
- Seek to maximise income taking into account any related additional costs.
- Not incorporate contingencies into individual budgets, but will retain an overall contingency corporately because of potential risks.

The Authority has continued to adopt a prudent approach to budget setting with an established permanent staffing structure following a recent restructure, and temporary posts for short term projects. This approach will ensure that the Authority does not recruit to posts that become unaffordable in the longer term and will provide some flexibility in resources to fund priorities identified in the PMP. The assumptions underpinning the Medium Term Financial Strategy are:

- DEFRA National Park Grant estimates based on approved allocations up to 2019/20, and no annual changes thereafter.
- Allocation of 2% per annum to fund performance pay awards and inflationary increases.
- Assumed 0.5% annual increase in the Authority's employer contributions rate.
- Zero inflation has been applied to all other budgets. It is assumed that any inflationary cost increases will be offset by efficiency savings.
- Delivery of the Local Plan in accordance with the latest timetable.
- Delivery of Partnership Management Plan outcomes through various short term and additional core budget allocations.
- Planning income assumed at £1,000,000 per annum, with a short term income of £1,200,000 in 2019/20 following the planned introduction of the Local Plan. This is based on current year estimates and giving consideration that income is difficult to forecast as it is largely dependant on the prevailing economic conditions.

The planned introduction of a Community Infrastructure Levy (CIL) will potentially provide further funding opportunities, however, further work is required to determine how this will be allocated, recognising the significant call on infrastructure that Authorities would previously have used Section 106 receipts to fund. The costs associated with the introduction of CIL will be funded from the approved revenue budget, but note that income has not yet been assumed within the MTFS.

The Authority will explore new external funding opportunities including Local Enterprise Partnership funding as well as considering the benefits of charitable status.

The MTFS shown below only provides a high level summary for information.

	<b>Budget 2017/18 £'000</b>	<b>Projection 2018/19 £'000</b>	<b>Projection 2019/20 £'000</b>	<b>Projection 2020/21 £'000</b>	<b>Projection 2021/22 £'000</b>
<b>Departmental Budget b/f</b>	<b>9,438</b>	<b>10,199</b>	<b>10,109</b>	<b>9,942</b>	<b>10,227</b>
<u>Core Commitments and Pressure Funding:</u>					
Increment and Salary Changes	246	105	129	129	129
Employer Pension Contributions	19	20	21	21	21
Apprenticeship Levy	10				
Planning Income	100				
Affordable Housing	100				
Strategic Investment Fund	95				
Farm Pilots	50				
Income Generation Fund	50				
Other Service Commitments	104	28	20	15	
<u>Savings:</u>					
Delegated Agreements	-88				
Financial Service Contract	-20				
Investment Income	-20				
Other Savings	-8	-10			
<u>Short Term Commitments</u>					
Signage Project	160	-110		-50	
Centurion Way Project	75	-75			
Local Plan Studies and Examination and	55	9	-64		
Citizens Panel	40	-40			
Planning Policy Minerals and Waste	30	-30			
Evidence Based Research (PMP)	30			-30	
Landscape Planning Advise	25	-25			
Planning Income			-200	200	
Other Net Short Term Commitments	-292	38	-73		
<b>Total Departmental Budget</b>	<b>10,199</b>	<b>10,109</b>	<b>9,942</b>	<b>10,227</b>	<b>10,377</b>
<b>Contribution to / (from) Reserves</b>	<b>-64</b>	<b>200</b>	<b>544</b>	<b>259</b>	<b>109</b>
<b>DEFRA National Park Grant</b>	<b>-10,135</b>	<b>-10,309</b>	<b>-10,486</b>	<b>-10,486</b>	<b>-10,486</b>
<b>Total Authority Net Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **Supplementary Budget Information since Policy & Programme Committee**

This appendix is to update the Authority with further budget information since Policy & Programme Committee recommended that the Authority approve the 2017/18 Revenue Budget, Capital Programme, use of Reserves and Medium Term Financial Strategy as set out in the previous report on report on 26<sup>th</sup> January 2017.

#### 2016/17 Projected Outturn

The report assumes an outturn position of an £0.060m overspend as projected at month 8. The most recent forecast position of an £0.017m underspend at month 10 represents a favourable movement since Policy & Programme Committee, which would result in an increase to the available useable reserves. It is proposed that the balance of useable reserves will be transferred to the new Partnership Management Plan Reserve and therefore any movement in the outturn position will increase/decrease the transfer to the reserve.

#### Farm Pilots Commitment

Appendix I (Revenue Budget 2017/18 - Analysis by Directorate) assumes that the £0.050m annual commitment for the post Brexit Farms Pilot scheme would be allocated to the Corporate Service budget. It is now proposed to allocate this commitment to the Countryside Policy and Management directorate budget. This does not change the total net budget.

#### Use of Estate Management Reserve

There has been a transfer of £5,500 from the Estates Management reserve in the 2016/17 financial year to fund an approved contribution to the Stammer Park Project. This was carried out after the report was presented Policy & Programme Committee and is therefore not shown in Appendix 5 (Review of Reserves).

#### Change in Planning Application Fees

The Government has proposed to increase nationally set planning fees following a recent '*Fixing our broken housing market*' white paper published on 7<sup>th</sup> February 2017. Planning authorities will be able to increase fees by 20% from July 2017 if they commit to invest the additional fee income in their planning department. The Authority has confirmed its intention to increase fees to the Department for Communities and Local Government. It is estimated that this increase could result in approximately £0.140m additional planning fee income in 2017/18 and £0.185m annually thereafter; however, income levels are demand led and dependant on the number of applications and major developments in the National Park. Any resulting increase in expenditure and income will be incorporated into future years' budgets and the Medium Term Financial Strategy once information becomes more robust.

