

Report to	Policy & Resources Committee
Date	24 May 2018
By	Head of Income Generation and Marketing
Title of Report (Decision)	Options paper for the Sustainable Communities Fund

Recommendation: The Committee is recommended to:

- 1. Consider the options set out in the paper**
- 2. Recommend to the NPA the establishment of an endowment to develop the existing Sustainable Communities Fund (option 3), subject to the agreement of the South Downs National Park Trust providing match funding (as set out in the report)**
- 3. Delegate authority to the Chief Executive to further develop, in conjunction with the South Downs National Park Trust, the necessary agreements required to establish the endowment and bring these back to the Authority for final agreement in due course.**

1. Introduction

- 1.1 Sustainable Development Funds were launched in July 2002 and were originally ring-fenced by DEFRA as a grants programme and administered by National Park Authorities. Originally the funds tended to focus on projects of a capital nature, for example, the installation of solar panels.
- 1.2 In 2010 DEFRA removed this ring-fencing but some national parks continued to operate a Sustainable Development Fund at a smaller scale. A number of other national parks took the opportunity to refocus their funds on community led projects, rebranding it as a “sustainable communities fund”.
- 1.3 The South Downs Sustainable Communities Fund (SCF) was set up in 2011. It has a rolling budget which was allocated £400,000 in 2011/12 and this amount has reduced over subsequent years to £20,000 per annum.
- 1.4 In 2017/18 the SCF committed £76,254.39 to 16 community led projects.
- 1.5 The SCF currently has a balance (funds available to be allocated to projects) of £70,000 and has been allocated £20,000 per annum in the 2018-19 to 2022/23 Medium Term Financial Strategy.

2. Policy Context.

- 2.1 The Sustainable Communities Fund has been a key tool for the SDNPA in progressing the Partnership Management Plan (PMP) and embedding the Shared Identity and National Park ethos. It is listed in the current action plan as delivering across all objectives. Many of the projects funded by the SCF have been hugely successful and have been included in the review of the PMP as examples of good practice.

- 2.2 However, the current level of grants is being maintained by recycling funds from SCF projects that failed to commence and by spending the accumulated balance. This is not sustainable and without action the SCF will be dependent on the annual budget allocated by the Authority. This would reduce the current level of grants available for communities and projects delivering the PMP (or increase the cost to the Authority if the annual budget is increased in line with demand) and raises the risk that future cuts to the central government NPA grant could make it untenable.
- 2.3 At the July NPA Meeting in 2017, the SDNPA put the final governance arrangements in place for the establishment of a Charitable Trust. The relationship between the SDNPA and the Trust is governed by an MOU, Grant Agreement and Licence to use the Shared Identity. These documents are in place until 2020, at which point they will be reviewed. The grant agreement ensures that the Trust's work is aligned to the PMP. The South Downs National Park Trust was registered in October 2017 and at the point of writing this paper has raised just under £130k.

3. Issues for consideration

- 3.1 In recent years the total average grants to projects has been approximately £35,000. Last year this rose to £76,254, showing an increasing demand for funds in the area.
- 3.2 Assuming an average of £35,000 being allocated to projects each year, the balance will be depleted by 2020/21.
- 3.3 This would mean that the fund would be reduced in scope and be dependent on the £20,000 budget allocated to it by the SDNPA. There is also the risk that if the grant awards increase, the fund would be depleted more rapidly. For example, an average grant allocation to projects of £45,000 would see the balance depleted by 2019/20.
- 3.4 Given the forecast and the establishment of the South Downs National Park Trust, there is an opportunity to partner with the newly formed Trust to create an endowment similar in model to those set up by community foundations, which would secure the fund in perpetuity, to deliver funding for communities to support the implementation of the Partnership Management Plan.
- 3.5 Community Foundations are philanthropic vehicles that are established with a geographic remit. In the UK, they are typically county specific, and raise funds from families, individuals and businesses which are then invested. The profits from these investments are distributed through an annual grants programme, to local good causes. This model of investment alongside continued fundraising ensures that the endowment grows over time generating a sustainable, growing, grants fund.
- 3.6 There are currently Community Foundations for Hampshire, Sussex and Surrey which were set up in 2006 and each have now grown their individual endowments to in excess of £11 million. However, their grants programmes do not encompass environmental or cultural heritage causes and very rarely accept donations or grant applications focused in the environmental and heritage areas. This presents a gap in the market for donors wishing to support these areas.
- 3.7 Donors are increasingly using Community Foundations for their giving and research by CAF and 'Community Foundations UK' suggest that donations invested in this way is due to increase from £371 million in 2016/17 to £1 billion in 2025/26.
- 3.8 Alternatives to establishing a Community Foundation model may be to accept a reduction in annual SCF grants, continuing with the status quo or to consider increasing the SCF budget from NPA resources. These options are laid out in more detail below.
- 3.9 This paper and MOU is supported by SDNPT's Trustees and has been developed in consultation with input from a range of members, including the current Chair of the SCF Panel, Doug Jones.




4. Options and Financial Implications

Option 1 - Do nothing (10 year cost - £270,000 in financial commitments and staff costs representing £21,877 per annum)

- 4.1 Maintain the current level of NPA commitment and accept that the resource of the SCF will need to be reviewed in 2019/20 since it will reduce significantly without further intervention.
- Option 2 – Increase the funding of the SCF from the NPA to maintain the current average annual grant allocation (10 year cost - £350,000 in financial commitments and staff costs representing £21,877 per annum)
- 4.2 At the current time, whilst the fund is becoming better known and supporting a high level of successful community led projects its funds are being depleted. A perception that the SCF's funds were running low could negatively impact the number of strong projects that come forward and would reduce the number and/or value of those that could be supported in future.
- 4.3 There is therefore a case to consider an increase in the current allocation of budget to the SCF over a 10 year time period, in order to allow it to continue financing projects at the current average level - approximately £35,000 per annum.
- 4.4 This would need to be considered as part of the next SDNPA budget round.
- 4.5 Option 3 – Work with the Trust to build an endowment for the Sustainable Communities Fund (10 year cost - £190,000 in financial commitments and a in kind contribution of £21,877 per annum)
- 4.6 Through the Trust, the South Downs National Park Authority could establish an endowment (similar in model to those set up by community foundations) for the SCF, within the South Downs National Park Trust. The South Downs National Park Trust would be able to increase the endowment by fundraising from families, individuals, businesses and legacies, thereby enlarging the annual budget available for community grants.
- 4.7 This would evolve the SCF into a long term, sustainable fund specifically for projects in the National Park and grow over time to become a considerable investor in the South Downs.
- 4.8 It would also provide the South Downs National Park Trust with an attractive proposition for potential donors, presenting longer term impact for their support when compared to projects with a finite timeline. A number of donors have already highlighted the attractiveness of such a proposal.
- 4.9 This scenario would involve the SDNPA pledging to match funds raised by the Trust, up to the £70,000 balance currently held by the SCF, to establish an initial endowment. The pledge would only be honoured if the Trust is successful in its fundraising target meaning that there is no financial risk to the Authority as it will only be expected to contribute if there is a proven case for attracting additional philanthropic funds.
- 4.10 In order to maintain the current, average, grants fund level (whilst the endowment grows to the point it can support the fund), the SDNPA would need to supplement the endowment in the first six years. This would not exceed the existing commitments of £20k per annum allocated to the SCF in the medium term financial strategy. At the end of the 6 year period the endowment income would become sustainable and steadily rise over time.
- 4.11 This proposal is not, therefore, asking that any new funds be committed through the SCF or elsewhere during the life of the medium term financial strategy. However, this proposal would commit the SDNPA's External Fundraising Co-ordinator to continue administrating the grants programme, until the point where this could be funded by the Trust. This represents an opportunity cost of £21,877 per annum, as this resource could not be re-deployed to other work-. This reflects 50% of the current post holder (including on costs) This is not the case for Options 1 and 2.
- 4.12 The proposal is that the trust would recognise the South Downs National Park Authority as an equal partner in all grants awarded and related promotion, ensuring the use of the Authority logo would continue alongside that of the Trust (an example can be seen in the table at the end of this paper and as an Appendix within the MOU).
- 4.13 The Trust would adopt the current grants panel model and grants rounds with the addition of two, South Downs National Park Trust Trustees (who not be NPA appointed trustees) . The NPA will reserve the right to appoint two members to the panel. It is also proposed

that a SDNPA Chair be elected for the first two years of the transition period, to support the panel and Trustees in maintaining consistency. In future, the Chair will always be an NPA Member or Trustee as elected by the panel. With the new fund placed within the Trust, this panel would now advise the SDNPT Trustees as opposed to the SDNPA Director of Countryside Policy and Management.

- 4.14 Although the Trust is an independent organisation the common purpose is defined by their shared vision and objective of delivering the Partnership Management Plan.
- 4.15 The fund would continue to support community generated “grassroots” projects. The Trust may in the future establish other endowments to support other types/scales of projects but this will be entirely separate from the SCF endowment which will maintain its “niche” position of support for smaller local projects.
- 4.16 The grant management function will continue to be offered by the Funding Co-ordinator who will remain employed by the SDNPA. This service will be provided pro bono as part of the partnership approach. Longer term, by including a small management fee in future donations (as done by Community Foundations), these costs could be met by the Trust.
- 4.17 The Funding Co-ordinator role will not be changed and they will still provide a funding support service for small community groups operating within the National Park. The Funding Co-ordinator will be employed by the SDNPA and work with the Chair of the Panel on matters related to the SCF.
- 4.18 If agreed, legal advice will need to be sought on the development of an MOU or funding agreement which will need to be structured in a way that is compliant with state aid and detail the specifics around transfer of the fund, provision of Grant Management Resource, makeup of the committee and arrangements for any wind up scenario, and will need to be structured in a way that is compliant with state aid rules would be agreed at NPA (a draft can be seen in **Appendix I**).
- 4.19 It is worth noting that this set up has a number of similarities to the recent arrangements that the New Forest National Park Authority have set up with the New Forest Trust. Like other National Parks, their SCF has reduced over time. They are now working in partnership with the New Forest Trust to distribute monies raised through their fundraising, via the established SCF grant giving infrastructure.

	<u>10 year cost to the Authority</u>	<u>10 year Value of Grants</u>	<u>Endowment invested for future Grants by 2028</u>	<u>Branding</u>	<u>Decision Making Process</u>	<u>Pros for the Authority</u>	<u>Cons for the Authority</u>
Option 1	£270,000 (= 10 x £20K pa plus £70K balance) and staff costs representing £21,877 per annum	£300,000	£0		No change	<ul style="list-style-type: none"> - Sole donor, meaning no reduction in exposure - No change to the longer term financial forecast 	<ul style="list-style-type: none"> - Grant balance could quickly be depleted, meaning the current grant level could reduce by 2020. - No means to attract further donations to the fund - Long term reliance on the SDNPA - Limited scope in how it can invest the current balance.
Option 2	£350,000 (10 x £35k pa - including the balance) and staff costs representing £21,877 per annum	£350,000	£0		No change	<ul style="list-style-type: none"> - Sole donor, meaning no reduction in exposure. - Maintains the current level of grants - Increased goodwill for the SDNPA via the NPA investing more in local communities via the fund. 	<ul style="list-style-type: none"> - Higher, currently unbudgeted cost - No means to attract further donations to the fund - Limited scope in how it can invest the current balance.
Option 3	£190,000 (= 6 X £20k per Annum, plus £70k balance after which the fund is self-sufficient) and gift in kind representing £21,877 per annum	£400,000	£1,040,000		Little change - the current grants process would be maintained, with the addition of two Trustees to the current SCF panel	<ul style="list-style-type: none"> - Reduced costs to the Authority - Increasing annual grants pot post 2025 - Ability to attract additional donations to the fund, including gift aid - Ability to secure a better return from the invested endowment - Increase in exposure, over the long term, through more projects supported - Longer term self-sufficiency, <u>no cost to SDNPA post 2025</u> - Increased goodwill for the SDNPA and the Trust 	<ul style="list-style-type: none"> - Sharing exposure with the Trust on any grants funded - Diluted influence over the fund

5. Next steps

- 5.1 The approved Option will be taken to the next NPA.
- 5.2 If Option 3 were selected, it would be subject to an MOU which lays out the respective responsibilities with regards to the future of the SCF. This would be brought back to a future NPA.
- 5.3 If Option 2 were selected, a proposal would be put to members in the 2019/20 budget round.

6. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	Yes, if approved a paper will be taken to the March NPA for the full Authority approval.
Does the proposal raise any Resource implications?	Assuming consistent costs over 10 years, options 1 and 3 do not present an increase in current financial commitments when compared with the medium term financial strategy. Option 3 does represent an opportunity cost, in respect of the gift in kind provided through the Funding Co-Ordinator (The value of this is equivalent to £21,877). Option 2 presents additional costs of £80,000 over the next 10 years.
How does the proposal represent Value for Money?	After the initial investment, the endowment will become self-sufficient, growing over the coming years, providing a significant return in terms of those projects supported and the exposure secured through this support.
Are there any Social Value implications arising from the proposal?	Yes. The Trust aims to build capacity to deliver against the PMP, particularly in the areas of conservation, engagement and education. This will create huge social value for those who live in and around the National Park.
Have you taken regard of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Applicants have to show how equality and diversity has been taken into account in the design of the project and this is considered when deciding a grant.
Are there any Human Rights implications arising from the proposal?	None directly arising from this report.
Are there any Crime & Disorder implications arising from the proposal?	None directly arising from this report.
Are there any Health & Safety implications arising from the proposal?	None directly arising from this report.
Are there any Data Protection implications?	None directly arising from this report.
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy:	Yes, this project will help deliver against the SDNPA sustainability Strategy through 1, 2 and 4. This would be enhanced through the selection of option 2 or option 3.

7. Risks Associated with the Proposed Decision

Risk	Likelihood	Impact	Mitigation
The SDNPA loses profile from future grants from the fund	Low	Medium	Conditions around the fund can ensure that the any future grantees recognise the SDNPA.
The SDNPA loses influence in approved grants and the projects supported do not meet the PMP	Low	High	Conditions around the fund can ensure that the SDNPA has a key input into all approved grants. The Trust 's work is focussed on raising funds to deliver the PMP.
The Trust is not able to recoup additional funds and the SCF slowly winds down	Low	Low	SDNPA funds would only be donated once matched. The proposed top up means that the Trust has a generous period of time in which to raise funds, with the timescale allowing for potential legacies.
Lack of influence results in projects not delivering the PMP	Low	High	The Trust has signed up to the 2050 vision and is delivering projects against the PMP. In addition, the proposal is to leave the current SCF intact whilst adding in a number of Trustees to the grant panel.
The endowment is inefficiently managed, leading to poor performance and low grant levels	Low	Medium	A group of Trustees with relevant financial experience would be brought together to advice on the endowment. This includes Toni Shaw, who has over 10 years experience working with endowments, (building up over 10 million at the Hampshire and Isle of White Community Foundation) and Greg Mahon the Trust's Treasurer, who is a qualified Investment Manager and the Regional Director at Rathbones.

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Appendices I. Draft MOU

SDNPA Consultees Chief Executive; Director of Countryside Policy and Management; Director of Planning; Monitoring Officer; Legal Services, Business Service Manager. Head of Governance; Chair of the SCF Panel

External Consultees South Downs National Park Trust

Background Documents [Authority Report 11th July 2017](#)
[Authority Presentation 30th March 2017](#)
[Authority Report 30th March 2017](#)