Public Document Pack

Peak District National Park Authority
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Aldern House, Baslow Road, Bakewell, Derbyshire. DE45 1AE

Our Ref: A.1142/1677

Date: 9 March 2017

NOTICE OF MEETING

Meeting: **National Park Authority**

Date: **Friday 17 March 2017**

Time: **10.00 am**

Venue: **The Board Room, Aldern House, Baslow Road, Bakewell**

SARAH FOWLER
CHIEF EXECUTIVE

AGENDA

1. **Apologies for Absence**

2. **Chair's Announcements**

3. **Minutes of Previous Meeting 3 February 2017** *(Pages 5 - 8)* 10 mins

4. **Urgent Business**

5. **Members Declarations of Interest**
   Members are asked to declare any disclosable pecuniary, personal or prejudicial interests they may have in relation to items on the agenda for this meeting.

6. **Public Participation**
   To note any questions or to receive any statements, representations, deputations and petitions which relate to the published reports on Part A of the Agenda.

7.	**Budget 2017/18 (A137/PN)** *(Pages 9 - 32)* Appendix 1 Appendix 2 Appendix 3 Appendix 4 Appendix 5	30 mins
8.	**Treasury Management Policy Statement and Annual Treasury Management and Investment Strategy (A1327/PN)** *(Pages 33 - 68)* Appendix 1 Appendix 2 Appendix 3	20 mins
9.	**Peak District National Park Charity (SM/SS)** *(Pages 69 - 76)*	30 mins
10.	**Submission To The Discover England Fund By The 10 English National Parks (SF)** *(Pages 77 - 88)* Appendix 1	20 mins
11.	**National Parks England Working Group On The Future Of Farming (SF)** *(Pages 89 - 96)* Appendix 1	10 mins
12.	**Exempt Information S100 (A) Local Government Act 1972** **The Authority is asked to consider, in respect of the exempt item, whether the public should be excluded from the meeting to avoid the disclosure of Exempt Information.** **Draft Motion:** **That the public be excluded from the meeting during consideration of Agenda Item No 13 to avoid the disclosure of Exempt Information under S100 (A)(4) Local Government Act 1972, Schedule 12A, Paragraph 1: "Information relating to any individual. "**	
13.	**Appointment Of Director Of Corporate Strategy And Development (SF)** *(Pages 97 - 98)*	

Duration of Meeting

In the event of not completing its business within 3 hours of the start of the meeting, in accordance with the Authority's Standing Orders, the Authority will decide whether or not to continue the meeting. If the Authority decides not to continue the meeting it will be adjourned and the remaining business considered at the next scheduled meeting.

If the Authority has not completed its business by 1.00pm and decides to continue the meeting the Chair will exercise discretion to adjourn the meeting at a suitable point for a 30 minute lunch break after which the committee will re-convene.

ACCESS TO INFORMATION - LOCAL GOVERNMENT ACT 1972 (as amended)

Agendas and reports

Copies of the Agenda and Part A reports are available for members of the public before and during the meeting. These are also available on the website www.peakdistrict.gov.uk .

Background Papers

The Local Government Act 1972 requires that the Authority shall list any unpublished Background Papers necessarily used in the preparation of the Reports. The Background Papers referred to in each report, PART A, excluding those papers that contain Exempt or Confidential Information, PART B, can be inspected by appointment at the National Park Office, Bakewell. Contact Democratic Services on 01629 816200, ext 362/382. E-mail address: democraticservices@peakdistrict.gov.uk.

Public Participation and Other Representations from third parties

Anyone wishing to participate at the meeting under the Authority's Public Participation Scheme is required to give notice to the Director of Corporate Strategy and Development to be received not later than 12.00 noon on the Wednesday preceding the Friday meeting. The Scheme is available on the website www.peakdistrict.gov.uk or on request from Democratic Services 01629 816362, email address: democraticservices@peakdistrict.gov.uk.

Written Representations

Other written representations on items on the agenda, except those from formal consultees, will not be reported to the meeting if received after 12noon on the Wednesday preceding the Friday meeting.

Recording of Meetings

In accordance with the Local Audit and Accountability Act 2014 members of the public may record and report on our open meetings using sound, video, film, photograph or any other means this includes blogging or tweeting, posts on social media sites or publishing on video sharing sites. If you intend to record or report on one of our meetings you are asked to contact the Democratic and Legal Support Team in advance of the meeting so we can make sure it will not disrupt the meeting and is carried out in accordance with any published protocols and guidance.

The Authority uses an audio sound system to make it easier to hear public speakers and discussions during the meeting and to make a digital sound recording available after the meeting. From 3 February 2017 the recordings will be retained for three years after the date of the meeting.

General Information for Members of the Public Attending Meetings

Aldern House is situated on the A619 Bakewell to Baslow Road, the entrance to the drive is opposite the Ambulance Station. Car parking is available. Local Bus Services from Bakewell centre and from Chesterfield and Sheffield pick up and set down near Aldern House. Further information on Public transport from surrounding areas can be obtained from Traveline on 0871 200 2233 or on the Traveline website at www.travelineeastmidlands.co.uk.

Please note that there is no catering provision for members of the public during meal breaks. However, there are cafes, pubs and shops in Bakewell town centre, approximately 15 minutes walk away.

To: National Park Authority Members

Constituent Authorities
Secretary of State for the Environment
Natural England

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MINUTES

Meeting:	**National Park Authority**
Date:	Friday 3 February 2017 at 10.00 am
Venue:	The Board Room, Aldern House, Baslow Road, Bakewell
Chair:	Cllr Mrs L C Roberts
Present:	Mr P Ancell, Mrs P Anderson, Cllr D Birkinshaw, Cllr P Brady, Cllr C Carr, Cllr D Chapman, Cllr A R Favell, Cllr C Furness, Cllr N Gibson, Cllr A Hart, Mr R Helliwell, Cllr H Laws, Cllr Mrs C Howe, Ms S Leckie, Cllr J Macrae, Cllr A McCloy, Ms S McGuire, Cllr C McLaren, Cllr Mrs K Potter, Cllr Mrs N Turner, Cllr Mrs J A Twigg and Cllr D Williams
Apologies for absence:	Mrs F Beatty, Cllr D Greenhalgh, Mr Z Hamid, Cllr Mrs G Heath, Cllr S Marshall-Clarke and Cllr F J Walton.

1/17 CHAIR'S ANNOUNCEMENTS

The Chair announced that the Head of Law, Andrea McCaskie would be the interim Director of Corporate Strategy and Development from the 8 February 2017 until the appointment of the new Director commenced.

2/17 MINUTES OF PREVIOUS MEETING OF 2 DECEMBER 2016

The minutes of the meeting of the Authority held on 2 December 2016 were approved as a correct record.

Cllr J Macrae asked that his abstention from voting on the minutes be recorded.

3/17 MEMBERS DECLARATIONS OF INTEREST

There were no Member declarations.

4/17 NOTICE OF MOTION - AMENDMENT TO STANDING ORDERS - RECORDING OF MEETINGS (JS)

At the meeting of the Authority held on 2 December 2016, Cllr C Furness moved a motion, seconded by Cllr A McCloy, proposing that all Authority and Committee meeting recordings be archived and made accessible for at least 3 years from the date of the meeting. As the motion would require an amendment to Standing Order 1.5(8), if approved, discussion on the matter was adjourned until this meeting.

The Authority considered a report from Officers commenting on the implications of approving the motion and suggesting amendments to Standing Order 1.5(8), should the Authority be minded to approve the motion.

The motion was moved, seconded, put to the vote and carried, subject to an additional resolution to amend Standing Order 1.5(8) to reflect the agreed change.

RESOLVED:

1. **That all Authority and Committee meeting recordings be archived and made accessible for at least 3 years from the date of the recording.**

2. **That Standing Order 1.5(8) be amended to read as follows:**

   "While the Local Government Act 1972 does not require an authority to record its meetings, subject to the availability of suitable recording equipment, the Authority will make and publish a digital audio recording of all Part A discussions and decisions at meetings of the Authority and its Committees. The recordings will be held by the Monitoring Officer for a period of three years from the date of the meeting and then deleted. However the Chair of the meeting or the Monitoring Officer may agree that the recording may be retained for a longer period if required."

Cllr N Gibson arrived at 10.08am during consideration of this item.

5/17 CODE OF CORPORATE GOVERNANCE (JS)

The Head of Law introduced a report setting out proposals to adopt a new Code of Corporate Governance to reflect the new framework issued by CIPFA/SOLACE. The Authority's existing code had to be replaced to reflect a shift in emphasis on the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance processes and structures.

It was noted that the new Code would be used to prepare the Annual Governance Statement by examining how the Authority had performed against the Code. It was confirmed that the Chair of the Audit, Resources and Performance Committee was actively involved in the annual review due to take place in May and the review process would help to identify any gaps in the Authority's governance arrangements for the new Code.

As before, it was proposed that the Monitoring Officer be given delegated authority to make minor amendments to the Code following the annual review.

During the discussion, the following issues were suggested as amendments to the Code:

- A review of the document to remove acronyms
- Clarification that exemptions under Schedule 12 of the Local Government Act would only be used where justified
- Clarification that the Authority would engage with bodies representative of different voices inside and outside of the National Park
- Recording the Authority's commitment to using plain English

The officer recommendation was moved, seconded, put to the vote and carried.

Resolved:

1. **To approve the Code of Corporate Governance set out in Appendix 1 of the report.**

2. **To authorise the Monitoring Officer, following consultation with the Chair of Audit, Resources and Performance Committee to make minor changes to the code each year following the publication of the Annual Governance Statement.**

The meeting ended at 11.00 am

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7. BUDGET 2017/18 (A137/PN)

Purpose of the Report

1. This report presents the formal budget approval for 2017/18 following approval of the approach to investing in delivery of the Authority's Corporate Strategy presented to Members on May 27th 2016, and the Member Workshops in October and November 2016.

Recommendations

2. **That:**

1. the base budget for the 2017/18 financial year shown in Appendix 1 and 2 be approved, which incorporate the investment allocations shown in paragraph 9 of the report.

2. the additional baseline allocation of £15,000 per annum and the one-off allocation of £180,000 in paragraph 10 of the report be added to the existing delegations (Authority Minute 20/16) to the Leadership Team, working with the Chief Finance Officer.

3. the financial position of the Authority in the period up to March 2020 be noted as explained in paragraph 11 of the report.

How does this Contribute to our Policies and legal obligations?

3. The Authority is required to set a balanced revenue budget for the 2017/18 financial year. This year will be the fourteenth year that National Park Grant has been funded directly at the 100% level from central government. In previous years, 25% of the Grant was financed from a levy on constituent councils, although the funding was still provided centrally by the Department of Environment, Food and Rural Affairs (Defra) to Local Authorities. The Authority's levying powers remain and are in theory capable of being used in the future, although in the past they have always been used by way of joint agreement between Defra and the Department of Communities and Local Government, with a corresponding mutual funding arrangement so that the cost of National Parks was not borne by local taxpayers. Although they remain unused, it is considered that retaining levying powers is an important consideration in terms of the Authority's ability to recover VAT as a Section 33 body, within the same VAT regime as other Local Authorities, as well as its utility as a funding mechanism being preserved in statute.

Background

4. The 2017-18 budget year forms the second year of the new Spending Review period of 4 years up to March 2020.

The 2017/18 Settlement

5. The previous Chancellor's Autumn Statement on the 25th November 2015 confirmed that resource savings of 15% in real terms would be achieved by the Department of Environment, Food and Rural Affairs over the next Spending Review period, however within this announcement there were a number of commitments to investment, amongst which was a welcome headline announcement that there would be "protection" of over £350m funding for public forests, National Parks and Areas of Outstanding Natural Beauty over the Spending Review period.

As a consequence of this announcement Defra issued a settlement letter on 21st January 2016 giving a four year settlement figure for National Park Grant showing that the Grant would be protected in real terms over the Spending Review period (see table below). The inflation measure used to calculate the real terms protection is an annual increase of 1.72% over the period.

	2015-16	2016-17	2017-18	2018-19	2019-20
	£	£	£	£	£
National Park Grant	**6,257,122**	**6,364,744**	**6,474,218**	**6,585,575**	**6,698,847**
Increase - £	-	107,622	109,474	111,357	113,272
Increase - %	-	1.72	1.72	1.72	1.72

In the Autumn 2016 Statement the new Chancellor confirmed his expectation that departmental spending plans set out in the 2015 Spending Review would continue to be delivered.

Defra have re-confirmed in December 2016 that the settlement letter can be relied upon for financial planning during the whole period, unless "exceptionally, there is another Spending Review for some unforeseen reason".

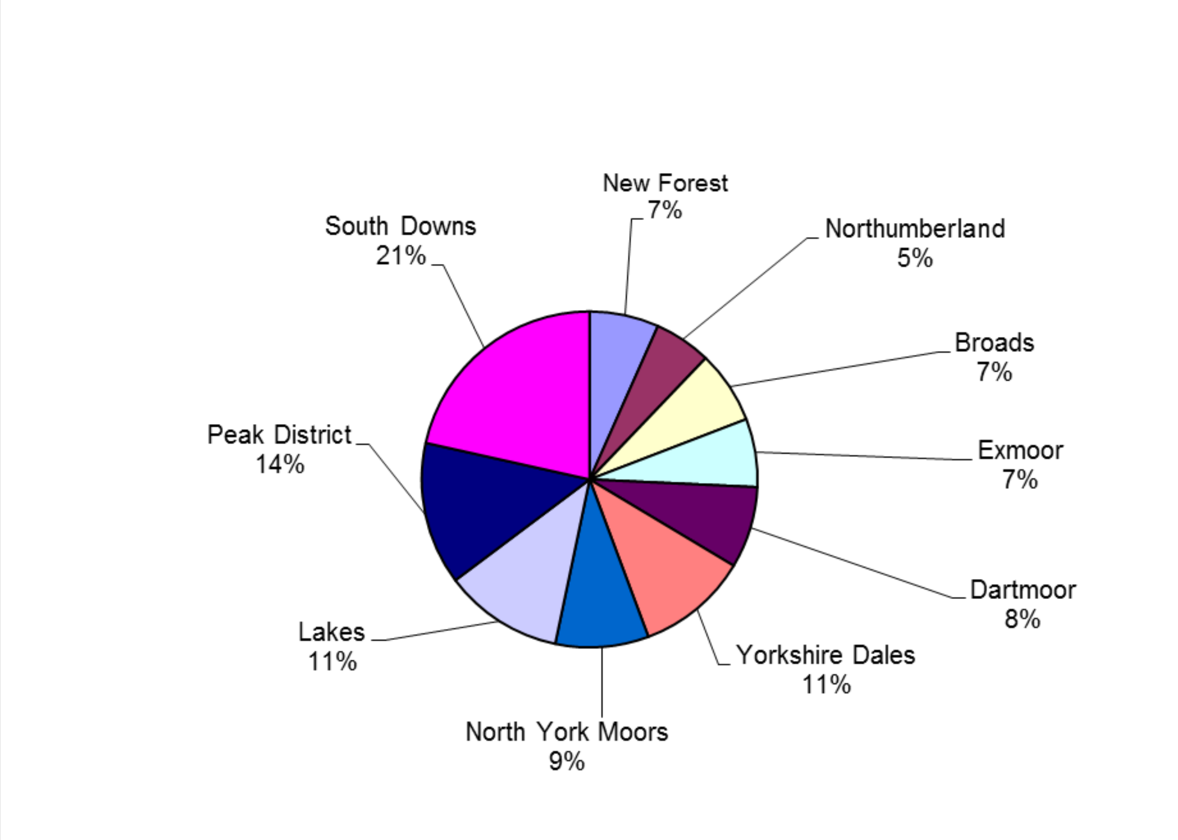
The original settlement letter contained a number of key points:-

- That the protection referred to in the Chancellor's *[George Osborne's]* statement is in real, not cash, terms, and includes an allowance for inflation
- The *[ex]* Minister, Rory Stewart, states in the letter that "this settlement reflects the huge value the Secretary of State and I attach to the National Parks and how impressed we have been by the impact that the Authorities are having across a whole range of important issues, including: natural capital, ecosystem services, water catchment, rural business and food production, and community engagement"
- That Defra "very much look forward to working with Members and Chief Executives in the delivery of Defra's priorities and in particular the 25 Environment Plan and a new Plan for the National Parks".
- In previous settlements caution has been expressed about future years being "indicative" figures, with the possibility of being changed, but the letter does not contain any provisos of this nature.

The figure quoted for 2017/18 is therefore the basis on which the budget has been set.

The welcome protection in the new Spending Review settlement follows a period of year on year reductions in National Park Grant from 2010-11 up to 2015/16, leaving our National Park Grant in 2017/18 at a cash level £1.8m below its 2010/11 figure, or in real terms, taking account of inflation over the period, a £3.6m cut, with the Grant now at approximately 65% of its previous spending power in 2010/11.

6. The Yorkshire Dales and Lake District boundary extensions have resulted in their 2017/18 grants being further increased by 11.32% and 2.2% respectively, with the other English Parks increases being capped at the chosen inflation rate of 1.72% - the boundary extension elements being about £436,000 for the Dales and £27,000 for the Lakes in cash terms. The % distribution of £47.1m of National Park Grant between English Parks has very slightly changed as a result:-



Financial Planning for 2017/18: Setting a Balanced Budget – Revenue

7. As a consequence of the four year settlement, and confirmation that proposed reductions in the 2016/17 baseline would be achieved, Members were appraised in the Chief Executive's report of May 2016 of the investment opportunities in support of the Authority's strategic framework. These comprised the possibility of a baseline allocation amounting in total to £320,000 per annum for the four year period (and continuing beyond), and the availability of one off investment sums of £595,000; the total investment within the four year period being £1,875,000. In May 2016 the Audit, Resources & Performance Committee approved a further one off investment sum of up to £200,000 subject to finalisation of the figure in the outturn; the final figure subsequently being confirmed at £176,000. The final one-off allocation figure is also affected by when the baseline allocations are implemented, so the total available is also supplemented by approximately £379,300 based on current proposals. The total one–off allocation figure for financial planning purposes is therefore £1,150,300.

8. In May 2016 Members approved one off immediate allocations of £269,500 and baseline allocations of £236,500 (Table 4 of the May report: Authority Minute 20/16) and in Table 5 of the same report approved the basis on which further investment proposals would be developed for the remaining sums, delegating the detail to the Leadership Team working with the Chief Finance Officer, with the proposals to be incorporated into the annual Budget approval process. Members received details of the proposed allocations at Strategic Advisory Group meetings and were invited to comment on proposals as part of the two workshops in October and November.

A summary of the proposals is shown in the table below and the individual allocations are presented in Appendix 5 of this report, should Members have any questions about their nature.

9.

Baseline £,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Total**
Immediate allocations Minute 20/16	102.5	48.5	28.5	57	**236.5**
Developing Knowledge & Expertise	15.5	51.4	-	-	**66.9**
Developing the Commercial Programme	-	-	-	-	**-**
Developing and enhancing the way we work with communities and partners	-	-	-	-	**-**
Ensure our asset portfolio is at a standard fit for the Corporate Strategy	-	5	-	-	**5**
Annual Total	**118**	**104.9**	**28.5**	**57**	**308.4**
Remainder to allocate (i.e. from the £320,000 available)					**11.6**

One-off allocations £,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Total**
Immediate allocations Minute 20/16	114	53.5	34	68	**269.5**
Developing Knowledge & Expertise	16	165	33.2	21	**235.2**
Developing the Commercial Programme	-	87	75	-	**162**
Developing and enhancing the way we work with communities and partners	-	45	45	25	**115**
Ensure our asset portfolio is at a standard fit for the Corporate Strategy	-	148	135	-	**283**
Annual Total	**130**	**498.5**	**322.2**	**114**	**1,064.7**
Remainder to allocate (i.e. from the £1,150,300 available)					**85.6**

10. Members will be aware from the workshops that the 2017/18 budget forecasts were influenced by a number of assumptions which had to be made, dependant on future announcements:-

a) That National Park Grant remains as allocated in the Defra letter.
b) That normal incremental progression is assumed for staff and incorporates an estimated pay award of 1%.
c) That the actuarial valuation of the pension scheme would result in an increased employer superannuation cost of £100,000 per annum.
d) That interest rate assumptions are assumed to remain at low levels but an increase of £10,000 is assumed arising from higher cash holdings.
e) Revised income targets and savings are achieved.
f) An apprenticeship levy of £25,000 was assumed based on current pay levels

With the exceptions of c) and f) the assumptions have been proved to be sound. In respect of c) we received confirmation in January that the pension cost increase was less than feared, with the pension fund deemed to be 92% funded compared to the 88% of three years ago, and as a result the employers' superannuation costs will only be increased by £40,000 p.a., saving £60,000 per annum compared to the original assumption. Because the fund is not yet 100% funded there is a likelihood of further increases at the next valuation in 2020, although much depends on the performance of the underlying assets and discount rates used to determine the liabilities. For purposes of financial sustainability it is proposed to retain the capability to finance any future increases from this £60,000 baseline allocation, but despite this it does mean that there is a three year one-off allocation figure of £60,000 x 3 = £180,000 available for adding to the one-off allocation total.

Similarly, in respect of f) the apprenticeship levy has a levy-free employers allowance of £15,000 which was not anticipated, adding a further £15,000 p.a. to the baseline figure available.

It is proposed therefore that these additional sums are added into the investment proposal totals if Members support Recommendation 2; the totals now being:-

One – off allocations remaining*	**265,600**
Baseline allocations remaining (per annum)	**26,600**

*The precise amount of the one-off allocation remaining will however depend on when the baseline allocation is made.

It is also possible that the 2016/17 outturn may allow additional allocations to be considered and Members will decide their approach to these in the May Audit and Resources Committee outturn report.

11. **The Financial Position up to March 2020**

	£,000	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Net Baseline Budget (after all external income is accounted for)	5,911	6,020	6,110	6,192
	Financed by:-				
	National Park Grant	(6,365)	(6,474)	(6,586)	(6,699)
	Interest Receipts	(30)	(40)	(50)	(65)
	Funds (from) to Reserves	(32)	0	0	0
A	**(Surplus) Deficit**	**(516)**	**(494)**	**(526)**	**(572)**
	Baseline Allocations	118	223	252	309
B	**Baseline Budget**	**(398)**	**(271)**	**(274)**	**(263)**
	One – off Allocations	130	499	322	114
C	**Financial Planning Budget (Surplus) Deficit**	**(268)**	**228**	**48**	**(149)**
	2016/17 Outturn reserve	(176)	-	-	-
D	Reserve Balances – investment allocation remaining	(444)	(216)	(168)	(317)

The table above shows the underlying current baseline budget at row A, and the new Baseline Budget at B arising from the new baseline allocations. It can be seen that in 2019/20 the baseline budget is still in surplus, giving an initial resilience if there is a non inflation protected settlement in the next Spending Review. This positive position is mainly the result of the decision to continue with the planned baseline reductions in 2016/17. The actual budget position is now reflected at Row C, taking account of the impact of the one off allocations. The phasing is such that the budget can be demonstrated to be balanced over the current Spending Review period by carrying forward the unused surpluses from reserves. Row D shows the reserves position, but is likely to be less than these sums, as the sums include the remaining one-off and baseline allocations yet to be determined mentioned in paragraph 10 above.

In approving the 2017/18 budget members will be approving a budget which shows that the deficit of £228,000 in row C is fully financed from part of the £444,000 surplus carried forward from 2016/17.

12. In respect of the 2017/18 budget, Members may wish to note the following:-

The budget headings contained within Appendix 1 may change slightly in future as final budget structures for the new Heads of Service are confirmed. The changes will not be significant, as the budget is structured and reported according to business units/activities and the agreed functional headings for National Parks, but there may be amalgations in the budgets currently showing in their “old” structure format, which will be finalised during 2017/18.

The budgets which may be presented differently are likely to be:-

- An amalgamation of the “Rural Economy” and “Natural Environment” budgets
- The allocation of estates-related woodlands to the respective estate budgets
- An amalgamation of the Outreach development and Ranger budgets
- Finalising the precise split in the new areas of marketing communications and fundraising development

13. In line with previous committee resolutions, understanding the full cost of our individual properties is an important aspect of Local Authority governance and property management and the recent improvements in accounting for these properties as business units will continue. Some re-calculations may be necessary as a result of the different management inputs into the properties, and the full cost of the properties also depends on a complex support service recharge model, the calculations for which were made in 2013 and may also need to be updated in due course: the calculations are sufficient for current purposes.

A number of properties and business units have financial objectives expressed in terms of the extent to which they cover their costs, and the objectives set and incorporated into the budget for these activities are shown in the table below.

Service	Financial Objective	Minute Reference
Warslow Estate	100% Full Cost Recovery	Authority 57/14
North Lees Estate	93% Full Cost Recovery	ARP 16/15 and 53/15
Minor Properties	Break – even on direct costs	Authority 57/14
Cycle Hire	94% Full Cost Recovery	ARP 16/15 and 54/15
Footpaths team	Break – even on direct costs	Approved Budget
Visitor Centres	70% Full Cost Recovery	ARP 16/15

The Authority depends on some £2.2m of externally generated income (fees and charges) to balance its revenue budget, principally to maintain its Recreation Management and Promoting Understanding outcomes, but increasingly also to sustain its core services. Services with income targets are expected to increase targets routinely to cope with pay and non-pay inflationary increases in order to maintain margins and stay within established financial objectives, as well as accommodate additional targets approved as part of coping with reduced grant levels. The following considerations were made in reviewing the principal areas of income risk:-

- Learning Team. Now forming the new Outreach Development service, the income targets for the Learning & Discovery team are set to achieve a net budget of £145,000 p.a. which is consistent with the decision by Members when Losehill Hall was sold, indexed by inflation, but with some small savings through relocation to Aldern House and relinquishing of a dedicated vehicle.

- Visitor Centres. The budget for 2016/17 was increased by a target of £30,000 as part of seeking to achieve a higher percentage of cost recovery of the service against its full cost. The service has found savings and additional income totalling £130,000 over the last four years. With estimated corporate support service costs of £110,000 the gross expenditure budget is £836,000 of which income is estimated to be £583,000, representing 70% of the full cost of the service. The Castleton project will be operational in 2017/18.

- Cycle Hire. The financial objective for the service to work towards full cost recovery requires the service to make a surplus above its direct costs, in order to cover the estimated corporate support service costs of £58,000. Total expenditure for the service of £323,000, and an income target of £304,000, leads to a budget achieving 94% of the full cost of the service; leaving an additional £19,000 to find to achieve 100% full cost recovery. The approach to Cycle Hire in 2016/17 and 2017/18 will be to consider at outturn stage whether the service, if it achieves a budget surplus at year end, should make the £19,000 contribution to full cost at that stage; and consideration will be given in the commercial plan to moving to a 100% full cost target at the budget approval stage.

- Planning Fees. The level of pre-planning charges is estimated to remain at £50,000. In relation to planning fees, on the 21st February 2017 notice was received from the Department for Communities and Local Government that the Authority may increase its fee charges by 20% from July 2017 providing it commits to invest the additional fee income in the planning department. The fee increase, assuming estimated volumes of applications prevail, could be in the region of £50,000. Acceptance of national planning fee structures is delegated to the Director of Conservation and Planning and the Chief Finance Officer and the Director will report to Members on the obligations arising from acceptance of the increase in due course. The fee increase is not therefore shown in Appendix 1 at this stage.

- Footpaths team. The Footpaths team budget has been set to recover in full its direct costs, with the team tasked with finding £106,000 income. There is some risk mitigation in the ability to flex labour costs, because the team is carrying vacancies, but the target remains ambitious in the context of less favourable Local Authority settlements, on which a majority of the income is based.

- Countryside Volunteers team. The team retains its income target of £24,000, although benefitting from the sponsorhip by Tarmac plc in the medium term which allows for additional staffing and vehicle running costs.

- Warslow Estate The Warslow Estate maintains its commitment to achieve full cost recovery, requiring a contribution to the estimated corporate support service costs of £55,000. The total cost of the estate is estimated to be £327,000 and the income estimate therefore is £327,000, representing 100% cost recovery.

- North Lees Estate The North Lees estate has an increased income / cost reduction target in line with the objective to recover the full cost of the estate, requiring a contribution to the estimated corporate support service costs of £38,000. The total cost of the estate is estimated to be £211,000 and the income estimate is £196,000, representing 93% cost recovery.

- Moors for the Future The Authority's allocation of £91,000 does not meet the full cost of the core staff within the partnership and the business plan is reliant upon other external contracts and agreements for funding the core team and the team's activities into the future (as reported to Audit Resources and Peformance Committee). The Authority's allocation represents approximately 29% of the running costs of the team, and the cash sum allocated therefore forms the basis of the financial objective for the team under the current business plan. The significant expenditure shown under the Moors for the Future projects heading reflects the approximate total value of contracts reported in the Operational Plan seen by Members in the separate Audit Resources and Performance report. There is an additional allocation of £5,000 p.a. which represents the Authority's small cash contribution to the Moorlife 2020 proposal. Following a request from the PDNPA's Chief Executive for specific assurance about the funding status of the Moorlife 2020 project a letter has been received on the 9th February from the Permanent Secretary of Defra stating that this project is underwritten by HM Treasury, in line with a more general undertaking by the Chief Secretary to the Treasury issued in 2016. This means that the project can proceed to conclusion with the significant level of European debt the Authority will carry on its balance sheet underwritten by the UK government.

- Car Parking income A revised approach to ensuring that users of our car parks have paid correctly for their usage of our facilities will be in place in 2017/18. This is expected to increase the Authority's car parking income at all sites. The budget has not been increased however, with 2017/18 being regarded as a pilot year, after which our experience of the new initiative will help to inform next year's budget. Any additional income received in 2017/18 will be used to carry out backlog maintenance on the car parks and associated facilities.

- Income levels from trading and fees are monitored by the Budget Monitoring group through the year.

14. (a) The usual small non-pay inflation provision of £15,000 is proposed. This allocation is a very small sum representing 0.5% of the Authority's overall non-pay expenditure and is therefore precisely targeted largely at unavoidable expenditure increases (e.g. utilities bills, audit fees, licences etc) – it does not offer protection from the effects of inflation for the majority of budgets. Bidding for the funds is done at the Midyear Review stage (November).

(b) In addition to the amount paid to an employee, 28% of salary on average is paid as an additional cost to support employer payments to the pension fund (18.57%), and also for employers' statutory National Insurance contributions (varies around 7-14%). Derbyshire County Council Pension fund requires the Authority to pay employers' contributions towards employee pensions of 14% of current employees' total superannuable pay, plus £219,000 p.a. which represents a deficit recovery sum determined by the actuary to ensure the scheme is able to meet its future pension payments to staff. In order to achieve the latter service budgets are charged a combined rate of 15.87% of their employees' gross costs. The 2017 actuarial revaluation means that the employers' pension contributions will increase by £40,000 from 2017/18, with the pension fund considered to be 92% funded. National Insurance payments are based on earnings thresholds and are revised annually by government, and the 2017/18 rates have not changed significantly (last year because of the removal of rebates for contracted-out employees, there was an increase of £115,000).

(c) In respect of estimated pay awards, and increments, a 1% pay award assumption has been incorporated into budgets, as well as incremental progressions due to staff.

(d) For 2017/18 interest receipt expectations are assumed to remain the same, however the estimate has been increased by £10,000 reflecting higher average cash balances. This is not expected to be a high risk increase as 2016/17 levels are already at this figure, although it does depend on cash balances remaining higher than usual. Sums are invested with North Yorkshire County Council (as per the Authority report on Treasury Management).

(e) The new apprenticeship levy is a charge of 0.5% of "National Insurance'able" pay and is considered to be in the region of £10,000 per annum, which has been incorporated into the baseline.

Financial Planning for 2017/18: Capital

15. The Chief Finance Officer's report on application of the Prudential Code for Capital Finance is reported to this Authority meeting, and his day to day responsibility for Treasury Mgt is set within the constraints of the Treasury Management Policy, which forms part of the same report.

16. In December 2015 the Authority approved a revised Capital Strategy paper covering key principles and working assumptions over the next corporate strategy period, and a prospective Capital Programme financed from a combination of borrowing and capital receipts.

17. Following this report the Resource Management Team has delegation to approve projects under £150,000 within the Capital Programme, financed from either borrowing or the Capital Fund. Projects above that sum will require further committee approval. Members have therefore approved borrowing of up to £330,000 for the Castleton Visitor Centre project (ARP Minute 18/16) and £600,000 from the Capital Fund for Trails infrastructure (ARP Minute 51/16), consistent with this Programme. The outturn report to Audit Resources and Performance committee in May contains a summary of all delegated borrowing approvals.

18. Following accounting convention and the introduction of the prudential code for capital finance all capital expenditure is separated from the revenue budget in Appendix 1, and is shown in the capital budget in Appendix 2. The only capital items shown in the Revenue Budget are the debt charges and revenue financing of capital expenditure. Appendix 2 only shows capital expenditure which has been approved.

Financial Planning for 2017/18 – Financial Position - Reserves

19. Clause 25 of Part 2 of the Local Government Act 2003 requires the Chief Finance Officer to report to Members, when calculating the net budget requirement, on the level and adequacy of cash reserves. The full level of reserves is reported to Members in the outturn report in May and the financial accounts to the same meeting. The level of cash

backed reserves are carefully managed and the situation at the end of 2017/18 is envisaged to be:-

£,000	**Actuals at 31/03/16**	**Estimates at 31/03/18**
General Reserve	318	260
Minerals & Legal Reserve	436	400
Restructuring Reserve	242	100
Capital Reserve	1,012	375
Matched Funding Reserve	523	900
Carry forward Surplus	304	0
Slippage	882	900
Specific Reserves	787	375
Total	**4,504**	**3,310**

20. The General Reserve has traditionally been calculated on the basis of a minimum recommended level which is 2% of net expenditure (c. £130,000), with a trading contingency of £75,000, giving a base level of £205,000. The current level is considered to be satisfactory given the current complex mix of activities within the revenue budget. The level of the reserve is reviewed annually to take account of the availability of other reserves, the degree of income risk, the degree of risk underlying budget assumptions, and the availability of other contingencies.

21. The Minerals & Legal Reserve contains funds anticipated to be required to handle a number of minerals cases over the spending review period and the levels potentially required are kept under regular review by Resource Management Team. The impact of other legal cases pursued by the Authority (eg Rights of Way and Compulsory Purchase Orders) has been added to the scope of this reserve. The reserve needs to be maintained at a level which allows a degree of financial resilience in handling a number of cases without immediate recourse to re-allocation of baseline resources which would disrupt other priorities.

22. The Restructuring Reserve is used for statutory redundancy and superannuation fund shortfall payments and was essential in providing the one-off resources needed to support the transition to a lower baseline and restructuring. The future of the reserve will be considered once the current structure review has been completed.

23. The Capital Reserve is only available to support capital expenditure, although the previous Chancellor's 2015 Autumn statement announced that some revenue expenditure could be eligible for financing revenue reform projects, on request to the Department of Communities and Local Government. The ability of Local Authorities to use capital funds in this way is called a Section 16 2 (b) Capitalisation Direction, and is a discretion granted to the Secretary of State, usually confined to strict criteria controlled by DCLG. It is not considered necessary for this Authority to seek an application. The level of the reserve has increased following the sale of a number of woodlands, Warren Lodge and Losehill Hall bungalow. The Capital Strategy estimated capital receipts of up to £1.7m could be available for allocation to the Capital Programme in the period up to 2019, and the estimated reserve level shown is based on a balance between receipts estimated to be received by 31/03/2018, and capital expenditure proposed to have been spent. A base level of £50,000 is considered to be an acceptable minimum allowing a small cash reserve for emergency capital expenditure; it is also desirable to maintain the capability to

substitute some of the reserve (e.g. £100,000 p.a.) to replace revenue financed capital in order to allow some flexibility for emergency revenue sums.

24. The Matched Funding Reserve is used to earmark funds for commitments already made for matched funding payments to external funding projects, and has also been used as the temporary home for one-off sums requiring agreement on allocation against priorities. The timing of expenditure for the approved allocations varies, with the earmarked sums for future years retained in the reserve. The reserve will increase in size over the medium term period, mainly because of the investment sums reported in paragraph 8 to 10 above, but also taking account of the fact that there are some large matched funding requirements over this period as well.

The Carry Forward Surplus is not a separate reserve but is a sum retained within the General Reserve; these were the funds earmarked specifically to be used as a contingency against the ability for the Authority to balance the revenue budget in any one year, in the context of year on year reductions in core grant and correspondingly higher risk budget assumptions. Following the Spending Review the Carry Forward Surplus was not considered to be required as a contingency and was therefore incorporated into the investment allocation sums in paragraph 8 to 10 above. It will therefore be incorporated into the Matched Funding Reserve level and not reported separately, until spent.

25. The Slippage Reserve is a temporary year-end balance arising from the deferral of expenditure between financial years. The funds are all committed and are allocated into budgets in the next financial year, once slippage requests have been approved at the May Audit, Resources and Performance (ARP) committee. The level is expected to remain about the same.

26. The Specific Reserves are used to support individual service areas and each reserve's objective and planned usage is reported to the ARP committee in May. Specific reserves, although earmarked for specific purposes, are available to support any Authority priorities as required in an emergency, subject to any commitments already made from them. As tighter financial objectives are set for the property portfolio and other business units, it is considered important that the property managers have access to and from a specific reserve, to allow them to manage and achieve their financial objective between financial years without impacting on corporate reserves.

27. Under the circumstances prevailing in the last Spending Review, and until recently as forecast in the next Spending Review, the Chief Finance Officer was of the opinion that these reserves were essential to give confidence that budgets could be balanced in future years, in the context of continuing revenue grant cuts; noting a greater dependency on variable income sources, and also the fact that the cumulative impact of savings made decreased the resilience of the remaining budgets and therefore increased overall risk. Higher than usual reserve levels were a necessary consequence of future uncertainty over resource provision, and Defra acknowledged the challenging nature of these reductions and the Authority's efforts in dealing with them.

Because of the welcome 4 year settlement announcement, the Authority has shifted the emphasis of its reserves from supporting the transition to a newer smaller baseline, to supporting the new corporate strategy priorities and managing any temporary earmarked funds through the reserves until they are deployed on achieving National Park purposes. The settlement allows us to build on the valued government grant to achieve one of the Authority's directional shifts, which is to grow income and diversify our funding, to try and regain some of our lost spending power. It will be some time before "normal" reserve levels are achieved, and there will always be a need to ensure that reserve levels are strong when public funding rounds are heavily influenced by cyclical economic circumstances. Reserve levels are only available as one-off sources of finance and cannot be relied upon to balance future budgets except on a temporary basis.

The Authority's ability to make use of the Prudential Borrowing powers is also significantly helpful in achieving invest-to-save proposals, ensuring that access to capital finance allows sensible investment decisions to proceed.

Are there any corporate implications Members should be concerned about?

28. The financial, property, sustainability and human resource implications of the budget are integrated and planned by the Resource Management Team and the budget for 2017/18 includes all relevant matters arising from these plans, as well as all previous Member resolutions.

Risk Management

29. Clause 25 of Part 2 of the Local Government Act 2003 also requires the Chief Finance officer to report to Members, when calculating the net budget requirement, to advise on the robustness of the estimates made. Relevant factors include the previous year's outturn; pay & price increases; pension contributions; the revenue impact of capital investment; realistic income assumptions; the internal financial control environment; audit conclusions; and the overall public sector financing climate. Part of this assurance is gained from the Annual Governance Statement, the Risk Register reported quarterly to Management Team, the Head of Finance's involvement in all financial planning matters, and other relevant discussions with Management Team.

30. The Authority's reliance on external income targets and estimates always remains a key risk area and as is usual, is carefully monitored by the Budget Monitoring Group during the year, especially where additional savings targets have been identified. The Moors for the Future team's continuing ability to handle very significant project expenditure remains important.

31. The Spending Review period has allowed a welcome period of consolidation following some severe reductions, and as a consequence the 2017/18 budget is robust, and can be recommended as such to Members. The medium term outlook is also stable as shown in the report above.

32. **Background Papers** (not previously published)
Defra Settlement Letter 21st January 2016
Letter of Permanent Secretary Defra re Moorlife 2020 project 9th February 2017

Appendices -
Appendix 1 Revenue Budget
Appendix 2 Capital Budget
Appendix 3 Breakdown of baseline budgets
Appendix 4 Explanation of Appendix 1
Appendix 5 Investment Allocations

Report Author, Job Title and Publication Date

Philip Naylor, Chief Finance Officer, 9 March 2017

2017/18 REVENUE BUDGET

NB there will be small rounding errors in totals

APPENDIX 1

Director	Mgr		A Permanent Staff - not directly linked to income	B Permanent Staff - directly linked to income	C Fixed Term Staff - not income linked	D Fixed Term Staff - income linked	E Total Pay	F Travel / Transport	G Premises related - fixed costs	H Office/field running costs	I PDNPA contributions to projects/ project expenditure	J Costs securing income streams	K Existing Commitments	L Other available funds	M Total Non Pay	N Sales fees charges rents	O Other income	P Total Income	Q Net Budget
		Conservation Natural Environment																	
JS	SF	Rural Economy	158	-	-	-	**158**	4	-	7	-	-	100	29	**140**	(11)		**(11)**	**286**
SM	CBM	Woodlands	19	-	-	-	**19**	3	-	2	-	-	-	33	**37**	(9)		**(9)**	**48**
JS	RT	Natural Environment	201	-	-	-	**201**	4	-	2	-	-	5	-	**10**	-	(12)	**(12)**	**200**
SM	CBM	Warslow Estate	61	-	-	-	**61**	3	5	12	-	-	7	185	**212**	(202)	(125)	**(327)**	**(55)**
SM	ES	Eastern Moors Estate	-	-	-	-	**0**	-	2	-	-	-	44		**46**	(21)	-	**(21)**	**25**
SM	ES	North Lees Estate	34	14	-	8	**56**	5	14	10	-	2	5	39	**74**	(171)	(25)	**(196)**	**(66)**
SM	ES	Minor Properties	-	-	-	-	**0**	-	1	5	-	-	-	13	**19**	(19)	-	**(19)**	**0**
		Projects																	
JS	CD	Moors for the Future projects	-	-	-	569	**569**	-	-	-	-	5,461	-	-	**5,461**	-	(6,030)	**(6,030)**	**0**
	PN	Moors for the Future Centre	-	-	-	-	**0**	-	30	17	-	-	-	-	**48**	-	-	**0**	**48**
JS	KSJ	South West Peak Project	-	-	-	183	**183**	-	-	-	-	395	-	-	**395**	-	(579)	**(579)**	**0**
JS	CD	Moors for the Future core team	-	203	-	58	**261**	3	-	50	5	-	-	-	**58**	-	(223)	**(223)**	**96**
			473	**217**	**0**	**818**	**1,509**	**21**	**53**	**105**	**5**	**5,858**	**161**	**298**	**6,500**	**(434)**	**(6,993)**	**(7,427)**	**582**
		Conservation Cultural Heritage																	
JS	KRS	Cultural Heritage	129	-	-	-	**129**	3	-	2	-	-	3	-	**8**	-	-	**0**	**137**
JS	KRS	Archaeology	36	-	12	-	**48**	2	-	3	-	-	-	-	**5**	-	-	**0**	**52**
		Projects																	
			-	-	-	-	**0**	-	-	-	-	-	-	-	**0**	-	-	**0**	**0**
			165	**0**	**12**	**0**	**177**	**5**	**0**	**5**	**0**	**0**	**3**	**0**	**12**	**0**	**0**	**0**	**189**
		Recreation Mgt & Transport																	
SM	HB	Cycle Hire	-	188	-	-	**188**	1	16	20	-	40	-		**77**	(304)	-	**(304)**	**(39)**
SM	MJR	Footpaths	-	89	-	-	**89**	2	-	-	-	15	-	-	**17**	-	(106)	**(106)**	**0**
SM	MJR	Pennine Way	-	23	-	-	**23**	-	2	8	-	-	-	-	**10**	-	(33)	**(33)**	**0**
SM	MJR	Access & Rights of Way	96	-	-	-	**96**	-	-	5	-	-	2	11	**17**	-	-	**0**	**113**
SM	ES	Trails	115	-	43	-	**158**	12	33	15	-	2	-	103	**165**	(192)	-	**(192)**	**132**
SM	ES	Visitor Experience	46	-	-	-	**46**	-	-	-	-	-	-	-	**0**	-	-	**0**	**46**
SM	ES	non-Estate Car Parks	-	-	-	-	**0**	-	21	2	-	2	-	14	**38**	(108)	-	**(108)**	**(70)**
SM	ES	non-Estate Concessions	-	-	-	-	**0**	-	-	-	-	2	-	-	**2**	(6)	-	**(6)**	**(3)**
SM	ES	non-Estate Toilets	44	-	22	-	**66**	-	13	16	-	-	-	31	**60**	(20)	(8)	**(28)**	**97**
SM	ES/JG	Recreation Minor Properties	-	-	-	-	**0**	-	11	2	-	-	-	-	**12**	(14)	-	**(14)**	**(2)**
		Projects																	
SM	SW/SF	Field Service: Area Projects	-	-	-	33	**33**	-	-	-	13	80	40	-	**132**	(50)	(109)	**(159)**	**7**
			301	**300**	**65**	**33**	**699**	**15**	**95**	**68**	**13**	**141**	**42**	**158**	**531**	**(693)**	**(256)**	**(949)**	**281**
		Promoting Understanding																	
SM	SB	Visitor Centres	72	232	-		**304**	2	60	50	-	290	21	-	**422**	(564)	(19)	**(583)**	**143**
SM	Vac	Communications: Design	15	-	-	27	**42**	-	-	1	-	-	1		**2**	-	(26)	**(26)**	**17**
SM	SW	Outreach Development	-	123	-	74	**196**	5	0	-	-	22		-	**27**	(78)	-	**(78)**	**145**
SM	Vac	Interpretation	23	-	-	-	**23**	1	-	-	-	-	-	-	**1**	-	-	**0**	**24**
SM	SS	Fundraising Development	43	-	20	-	**63**	-	-	1	70	-	-	-	**71**	-	-	**0**	**133**
SM	Vac	Marketing Communications	163	-	-	-	**163**	1	-	6	87	-	7	19	**121**	-	-	**0**	**284**
		Projects																	
			-	-	-	-	**0**	-	-	-	-	-	-	-	**0**	-	-	**0**	**0**
			317	**355**	**20**	**100**	**791**	**8**	**60**	**57**	**157**	**312**	**29**	**19**	**643**	**(642)**	**(45)**	**(687)**	**746**

Director	Head		Permanent Staff - not directly linked to income	Permanent Staff - directly linked to income	Fixed Term Staff - not income linked	Fixed Term Staff - income linked	Total Pay	Travel / Transport	Premises related - fixed costs	Office/field running costs	PDNPA contributions to projects/ project expenditure	Costs securing income streams	Existing Commitments	Other available funds	Total Non Pay	Sales fees charges rents	Other income	Total Income	Net Budget
		Rangers, Estates Service, Vols																	
SM	AF/Vac	Rangers - Area Teams	540	-	-	-	**540**	8	39	19	-	-	67	5	**138**	-	(167)	**(167)**	**511**
SM	AF/Vac	Estate Workers	50	-	-	-	**50**	0	-	3	-	-	-	-	**3**	-	(10)	**(10)**	**44**
SM	AF/Vac	Rangers - Transport	-	-	-	-	**0**	138	-	-	-	-	-	-	**138**	-	(30)	**(30)**	**108**
SM	SW	Volunteers Development	-	-	39	-	**39**	-	-	-	-	-	-	-	**0**	-	-	**0**	**39**
SM	AF/Vac	Countryside Volunteers	63	-	-	-	**63**	5	-	3	-	-	6	8	**22**	(22)	(22)	**(44)**	**41**
			654	**0**	**39**	**0**	**693**	**151**	**39**	**25**	**0**	**0**	**73**	**13**	**301**	**(22)**	**(229)**	**(251)**	**743**
		Development Control																	
Vac	DB	Planning Service: Admin	54	13	-	-	**67**	-	-	2	-		-	-	**2**	(14)	-	**(14)**	**54**
JS		Planning Service: Area Planners	396	-	-	-	**396**	14	-	6	-	56	1	-	**76**	(271)	-	**(271)**	**201**
JS		P.S: Monitoring & Enforcement	136	-	-	-	**136**	3	-	1	-	-	-	-	**4**	-	-	**0**	**139**
JS		Planning Service: Minerals	244	-	-	-	**244**	2	-	1	-	-	-	-	**3**	(40)	-	**(40)**	**207**
			830	**13**	**0**	**0**	**842**	**19**	**0**	**9**	**0**	**56**	**1**	**0**	**84**	**(324)**	**0**	**(324)**	**602**
		Forward Planning & Communities																	
JS	BT	Planning Policy	100	-	-	-	**100**	3	-	2	5	-	6	22	**37**	-	-	**0**	**137**
JS	BT	Transport Policy	72	-	-	-	**72**	3	-	5	-	-	-	7	**15**	-	-	**0**	**86**
RMM	EF	Corporate Strategy	217	-	10	-	**227**	5	-	2	15	-	2	10	**34**	-	-	**0**	**261**
JS	BT	Community Village Officer	27	12	-	-	**39**	1	-	-	-	-	-	-	**1**	-	(12)	**(12)**	**28**
			416	**12**	**10**	**0**	**438**	**11**	**0**	**9**	**20**	**0**	**7**	**39**	**86**	**0**	**(12)**	**(12)**	**513**
		Corporate and Democratic Core																	
DH	JG/Vac	Property Support Team	114	-	35	-	**149**	7	-	7	118	-	-	2	**135**	-	-	**0**	**283**
SM	Vac	Strategic Property	48	-	39	-	**87**	1	-	3	-	-	3	-	**7**	-	-	**0**	**94**
DH	JG/Vac	Property: Aldern House HQ	20	-	-	-	**20**	-	88	74	30	12	-	37	**241**	(30)	(20)	**(50)**	**211**
DH	AM	Legal Services	209	-	-	-	**209**	1	-	5	-	-	6	50	**61**	(7)	-	**(7)**	**263**
DH	AM	Democratic Services & Members	121	-	-	-	**121**	2	-	9	-	-	89	4	**104**	-	-	**0**	**225**
DH	DB	Information Mgt	293	-	-	-	**293**	2	-	10	65	-	254	-	**331**	-	-	**0**	**624**
DH	LD	Customer & Business Support Team	319	-	-	-	**319**	1	-	54	40	(20)	-	-	**75**	(1)	-	**(1)**	**393**
DH	PN	Finance	178	-	-	-	**178**	0	-	14	-	-	75	-	**90**	-	-	**0**	**268**
-	PN	Contingency/ inflation costs	0	-	-	-	**0**	-	15		-	-	29	-	**44**	-	-	**0**	**44**
SF	PN	Corporate Management	353	-	-	-	**353**	1	-	7	4	-	70	41	**123**	-	-	**0**	**476**
DH		Corporate overhead fund	-	-	-	-	**0**	-	-	-	-	-	95	-	**95**	-	(151)	**(151)**	**(56)**
DH	TR	Human Resources	111	-	22	6	**139**	0	-	14	5	-	-	55	**75**	(6)	-	**(6)**	**207**
		Projects																	
-	-		-	-	-	-	**0**	-	-	-	-	-	-	-	**0**	-	-	**0**	**0**
			1,767	**0**	**96**	**6**	**1,869**	**16**	**103**	**197**	**262**	**(8)**	**621**	**187**	**1,378**	**(44)**	**(171)**	**(215)**	**3,032**
		Total	**4,922**	**896**	**241**	**958**	**7,017**	**246**	**350**	**475**	**457**	**6,358**	**936**	**715**	**9,536**	**(2,159)**	**(7,706)**	**(9,865)**	**6,688**

Financing

Net Cost of Services	**6,688**
Central Debt Charges	54
Net Revenue Expenditure	**6,742**
Funded by:-	
NPG @ 1.7% increase	**6,474**
Other Reserves	**228**
Interest on balances	**40**
Total	**6,742**
Surplus to /(deficit from) general reserve	**0**

CAPITAL BUDGET 2017/18 APPENDIX 2

Capital expenditure is expenditure over £10,000 on the acquisition or improvement of assets of the Authority which have a useful life of more than one year. All assets are shown on the Authority's balance sheet in the Statement of Accounts. Assets are depreciated over their useful life and this depreciation is charged in the Statement of Accounts to the Revenue Account, in order to show the annual cost of the use of assets by services. The depreciation charge is subsequently reversed out and the cost which is charged against National Park Grant is either the actual expenditure paid (if financed from revenue), or the amount of debt interest and a statutory Minimum Revenue Provision sum, representing the setting aside of a fixed amount of loan principal each year (if financed from borrowing). This means that the depreciation charge is shown in the accounts as a notional charge only.

The Capital Budget is financed from a number of sources:-
-capital grants: specific grants received towards the expenditure.
-capital receipts reserve: a cash reserve holding the sale proceeds of any asset sold previously.
-borrowing: within the borrowing limits set out in the Prudential Code (March 2017 report).
-financed from Revenue: monies towards capital expenditure, if available from revenue budgets.

Column A shows the amount of new capital expenditure which will take place in 2017/18 approved by this report. Column B shows the amount estimated to take place in the year arising from previously approved expenditure. Capital expenditure not yet approved (whether delegated or not) is not shown.

£,000 2017/18 Budget

	A New	**B Approved**	**Total**
Acquisition of Land and Existing Buildings			
	0	0	**0**
New Construction, conversion and Renovation			
Conservation Properties (RMT 19/13)	0	90	**90**
Field Sites (Authority 58/11 and ARP 51/16)	0	773	**773**
Headquarters (Authority 58/11)	0	13	**13**
Vehicles, Plant, Equipment and Machinery			
Computer purchases	65	0	**65**
Vehicle purchases (RMT 42/16)	0	35	**35**
Intangible Fixed Assets	0	0	**0**
Total Capital Expenditure	**65**	**911**	**976**

Financed by

Capital Grants	0	20	**20**
Borrowing			
Public Works Loan Board / Internal Borrowing	0	118	**118**
Capital Receipts Reserve	0	773	**773**
Financed from Revenue Account	65	0	**65**
Total Financing	**65**	**911**	**976**

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APPENDIX 3

2017/18 Breakdown of baseline budgets

NB non-pay only. Col I, K, L of Appendix 1	*(rounding errors may occur)*	**Col L** **Discretionary**	**Cols I, K** **Commitments**
Conservation Natural Environment		**£,000**	**£,000**
Rural Economy	Farm annual payments & grants	19	100
	Conservation Projects	10	
Woodlands	Forestry Mgt contractors & supplies	33	
Natural Environment Team	pension payment		5
Properties - Warslow	Tenanted building repairs & Estates works (NB higher amount funded by HLS grant & required as condition of grant)	185	7
Properties - Eastern Moors	sum for lease payment to lessee		44
Properties - North Lees	Miscellaneous Estate works – some arising from grant requirements; maintenance of car parks & campsite	39	5
Properties – Minor Properties	Miscellaneous	13	
Moorlife 2020 support (direct cash)			5
		298	**166**
Conservation Cultural Heritage			
Cultural Heritage Team	pension payment		3
		0	**3**
Recreation Mgt & Transport			
Field Services: Rights of Way & Access	Pathworks on Access land Restrictions casework system Access payments – remaining agreements	4 7	2
Properties - Trails	Surfacing Structures & Maintenance @ engineer's rolling programme Surveys	10 25 15	
	Additional running & maintenance costs – tunnels & Cycling route	25	
	Trails Car Parks and toilets maintenance	28	
Properties: non–Estate Car Parks	basic maintenance, plus any trading surpluses above budget	14	
Properties: - non-EstateToilets	Repairs, maintenance, decoration, plumbing, electrical works at all toilets	31	

Field Services: Area projects	Projects within the Derwent and Goyt area funded from shared car park income		40
	Pedal Peak project matched funding		13
		158	**55**
Promoting Understanding			
Visitor Centres	Debt repayment for Castleton centre project		21
Fundraising Development	Giving Strategy		70
Marketing Communications	Park Life twice yearly (reduced winter edition)	19	
	Promotions (one-off)		75
	Contribution to tourism joint working (one-off)		12
	Pension payment		8
		19	**186**
Rangers, Estates Service, Vols			
Rangers - Area	Volunteer Patrol Rangers - duty expenses & travel		62
	pension payment	5	5
	Ranger training		
Rangers - Volunteers	Volunteer Patrol Rangers - duty expenses & travel		6
	Tarmac sponsorship	8	
		13	**73**
Planning Service			
	pension payment		1
		0	**1**
Forward Planning			
Planning Policy	Statutory plans	22	
	Facilitation funds (1 of 3 years)		5
	pension payment		6
Policy: Transport Policy	Contributions to projects	7	
Corporate Strategy	Statutory Plans	10	
	pension payment		2
	Specific research projects		15
		39	**28**
Corporate and Democratic Core			
Property Support Team	Programme of property condition surveys (one off)		18
	Equipment & Materials / pension	2	3

Strategic Property	Contribution to maintenance backlog on properties (one-off)		100
Aldern House HQ	Minor repairs, maintenance	37	
	Accommodation changes supporting better working (one-off)		30
Legal Services	Minerals/consultancy budget/fund	40	
	pension payment		6
	Legal updates & library	10	
Democratic Services & Members	Member activities	4	89
I.T. Services	telephones		68
	Networks		186
	Capital replacements		65
Customer & Business Support Team	Integration and cleansing of data to improve ease of access (1 of 3 years)		40
Financial Services	Bank fees & software licences;		18
	DCC SLAs for insurance, payroll, plus Internal Audit		44
	External Audit		13
Corporate Management	Support for misc. corporate activities		4
	insurances		51
	Apprenticeship levy		10
	Minimum wage contingency		29
	Pension payments		9
	Subscriptions	41	
Corporate overhead	South West Peak business support costs		95
Human Resources	Workforce plan measures; Field H&S; safeguarding	8	
	E – recruit system running costs		5
	Leadership Group training (one off)	20	
	Corporate Training	27	
		189	**883**
Total		**715**	**1,393**

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Explanation of Baseline spreadsheet (Appendix 1) APPENDIX 4

Income and Expenditure

Only revenue income & expenditure passing through the Authority's accounts is shown here. Therefore, leverage of others' funds (eg economic income) and capital items are not shown. Capital income & expenditure is covered separately in Appendix 2.

Rows

These represent each service broken down into its principal activity (department on the accounting system). The services are grouped into the relevant Business Plan heading, except that the full apportionments required by the annual accounts – for example recharges of Support Services directorate expenditure and Area Rangers – are not shown in the budget approval papers – to do so would complicate the allocation of budgetary responsibilities unnecessarily for the purposes of this report. Initials of the accountable officers are shown.

Columns

The columns are provided to help understand how costs are allocated within each activity area. The breakdown of non-pay figures (Cols F to L) is indicative only.

<u>Pay</u>

A Establishment pay shows the full salary cost of permanent staff
B This column shows the cost of permanent staff linked to income generating activities
C The cost of fixed term contracts not linked to external income
D The cost of fixed term contracts linked to external income
E Total pay (sum of A to D)

<u>Expenditure</u>
F The cost of travel claims and transport costs for vehicles
G The cost of premises related items (eg utilities, some supplies etc judged to be fixed for the duration of occupation of those premises)
H Office/field running costs are general running costs of each service (eg photocopying, misc supplies and equipment, printing, stationery etc) and are judged to be fixed as long as the underlying activity continues.
I Cash contributions to existing projects shows the amount of Authority matched funding required to support externally funded projects or partnerships, or specific project allocations.
J Costs directly related to the securing of income are shown here (eg cost of sales, expenditure on projects levered by the PDNPA cash contribution, planning fee advertising etc)
K Fixed commitments tend to be the longer term commitments, some of which are contractual (eg Rural Economy annual payments, pension payments)
L Other available funds represent the remainder of the non-pay budget – some commitments may have been made from these already – but the basis of this column is that services have some discretion over their incidence.
M Total non pay (sum of F to L)

A breakdown of the amounts shown in columns I, K and L is shown in Appendix 3.

<u>Income</u>
N Charge-driven income
O Other income (eg recurring grants, partnership contributions, external grant aid)
P Total income (sum of N to O)

<u>Net Budget</u>
Q The net service baseline budget; consequently a cost supported by National Park Grant.

<u>Financing</u>

This shows the planned surplus or deficit to the General Reserve, after application of the National Park Grant, interest receipts and any reserve contributions. For convenience any central debt charges not allocated to services are shown here.

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Investment Allocations

APPENDIX 5

Baseline	**2016/17**	**2017/18**	**2017/18**	**2019/20**
	£,000	**£,000**	**£,000**	**£,000**
Immediate allocations Minute 20/16				
Access and Rights of Way staff resource	-	20	20	20
Legal resource – supporting Access & Rights of Way	6	6	6	6
Safeguarding costs	3.5	3.5	3.5	3.5
Aldern House maintenance	5	5	5	5
South West Peak business support costs (not financed by Heritage Lottery Fund) / Corporate Projects matched funding	50	50	50	50
Contingency Living Wage		28.5	57	114
Rural Surveyor post 1 FTE	38	38	38	38
	102.5	**151**	**179.5**	**236.5**
Further Allocations				
A. Developing knowledge & Expertise				
Strategy and Performance - professional lead research	0.9	3.7	3.7	3.7
Conservation and Planning - proactive development mgt voice incl enforcement	5.0	20.0	20.0	20.0
Commercial Development and Outreach - growing engagement and support	9.6	38.2	38.2	38.2
E-recruit system supporting effective recruitment of staff		5.0	5.0	5.0
B. Developing the commercial programme	-	-	-	-
C. Develop and Enhance the way we work with communites & partners	-	-	-	-
D. Ensure our Asset Portfolio is at a standard fit for the Corporate Strategy				
Impact of greater need to accommodate PDNPA staff on tenant income	-	5.0	5.0	5.0
	15.5	**71.9**	**71.9**	**71.9**
TOTAL BASELINE ALLOCATION	**118**	**222.9**	**251.4**	**308.4**

One – Off	**2016/17**	**2017/18**	**2017/18**	**2019/20**
	£,000	**£,000**	**£,000**	**£,000**
Immediate allocations Minute 20/16				
Human Resources pay policy implications	30.5			
South West Peak Business Support Costs	34	34	34	89
Tree Health & Safety Surveys	5			
External Funding Staff capacity	19.5	19.5		
Special Qualities Insight	15			
Aldern House grounds maintenance backlog	10			
	114	**53.5**	**34**	**89**
A. Developing knowledge & Expertise				
Corporate Strategy and Development - impact of climate change on special qualities		10.0		
South West Peak business support costs – additional required	11	11	11	21
Commercial Development and Outreach- volunteer development		39.0		
Leadership Team development	5.0			
Leadership Group development		20.0		
Supporting national expertise		4.0		
Human Resources capacity		7.0	22.2	
Facilities Manager		34.9		
Rural Surveyor		39.0		
B. Developing the commercial programme				
Promotional spend		75.0	75.0	
Contribution to DMO		12.0		
C. Develop and Enhance the way we work with communites & partners				
Facilitation fund for working with communities		5.0	5.0	5.0
Integration and cleansing of data to improve ease of access and use by different audiences		40.0	40.0	20.0
D. Ensure our Asset Portfolio is at a standard fit for the Corporate Strategy				
Programme of conditions surveys and managing implementation of priorities		18.0	35.0	
Contribution to cost of maintenance works backlog		100.0	100.0	
AH accommodation changes to support culture		30.0		
TOTAL ONE-OFF ALLOCATION	**130**	**498.5**	**322.2**	**114**

TOTAL ONE-OFF ALLOCATION				**1,064.7**

8. TREASURY MANAGEMENT POLICY STATEMENT AND ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY (A1327/PN)

Purpose of the report

1. The purpose of this report is to meet the necessary statutory requirements governing Treasury Management functions by asking Members to approve:-

1) An over-arching Treasury Management Policy Statement. (Appendix 1)
2) An Annual Treasury Management and Investment Strategy. (Appendix 2)

Incorporated into 2) above is the requirement to set appropriate Prudential Code indicators and limits, and approve a Minimum Revenue Provision policy.

Key Issues

2. Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:-

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".

Because we are able to draw down National Park Grant in advance to meet our expenditure obligations when they arise, in practice this Authority has relatively uncomplicated requirements. They are predominantly the need to invest securely temporary cash balances until they are required, in exchange for a reasonable rate of return, and also to arrange appropriate loans for our limited borrowing exposure.

This document therefore asks Members to approve the framework, and limits, within which these arrangements are carried out by the Chief Finance Officer.

Our temporary cash balances are invested on our behalf by North Yorkshire County Council, which relies upon the Annual Investment Strategy of North Yorkshire County Council (Appendix 3) which was approved by their full Authority Meeting on 15 February 2017 – and which Members are asked to adopt.

The 3 year Service Level Agreement with North Yorkshire County Council ends on 6th April 2017 and the County is happy to agree a new three year contract with the Authority. The Chief Finance Officer is also happy that this arrangement is the best option for the Authority to safeguard its surplus funds with the required security and in compliance with current legislation and guidance for Local Authorities, and proposes to conclude a new contract before the current contract expires.

Recommendations

3. **1. That the Authority approves the Treasury Management Policy Statement in Appendix 1.**

2. That the Authority approves the Annual Treasury Management and Investment Strategy in Appendix 2, with specific approval of the Prudential Indicators and borrowing limits (paragraphs 5-13), and the policy on Minimum Revenue Provision (paragraphs 14-15), and adopts the Investment Strategy of North Yorkshire County Council (Appendix 3).

How does this contribute to our policies and legal obligations?

4. This report is produced in order to comply with the requirements of:-
   - The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services
   - The CIPFA Prudential Code for Capital Finance in Local Authorities
   - The Department of Communities and Local Government (DCLG) Guidance on Local Government Investments and Minimum Revenue Provision

Proposals

5. Borrowing

The Authority finances its overall capital expenditure from a combination of use of capital receipts, capital grants from external bodies, direct revenue contributions, and borrowing. The ability to finance capital expenditure directly from revenue contributions has considerably reduced, so in the medium term the Authority is looking to maximise capital grant opportunities if they are available, and use a combination of capital receipts (from asset disposals) and borrowing to meet some of the capital investment challenges. Borrowing is only practical if the debt repayments can be achieved safely from income arising from the capital investments themselves.

The Authority approved a new Capital Programme and Capital Strategy in December 2015, with estimates of possible capital expenditure in the next Spending Review period of up to £3.6m, of which approximately £2.5m was estimated to be from borrowing, subject to individual business cases.

Borrowing therefore remains an important tool to allow the Authority to consider vital expenditure investments, in particular those invest-to-save or invest-to-income proposals which could comfortably repay debt charges, and the Prudential Code indicators have been set at levels which are mindful of the need to accommodate this higher level of potential expenditure.

A decision to borrow leads to what is called a "Capital Financing Requirement (C.F.R)" which is the underlying need for the Authority to borrow to support the capital expenditure, assuming it is not financed by other means. The actual borrowing may or may not be taken out at the same time – currently it is more cost effective to use temporary cash funds because investment returns are so low, compared to the interest payment on an external loan. At March 31st 2016 the Authority's C.F.R was £770,299 of which £559,170 was a Public Works Loan and the remainder, £211,129, is financed temporarily from internal cash funds.

One consideration in the use of Capital and Revenue funds might be a decision to reduce debt by repaying outstanding loan principals. This might be an option if the alternative capital expenditure proposals are not considered to produce a reasonable rate of return on capital. There is however a penalty in early repayment of Public Works Loan board debt, over and above the principal outstanding, as the repayment amount is calculated on current market rates. There is no such penalty where internal cash funds are used and this might be an option to consider.

Capital resources can be used for revenue purposes only if agreed by the Secretary of State (for Communities and Local Government - DCLG) by way of a Capitalisation Direction, which must be bid for.

6. For any extension of borrowing the Prudential Code requires that explicit regard must be taken of option appraisal, asset management planning, and strategic planning. Capital expenditure and associated borrowing has a long term impact and therefore it is important to ensure that strategic plans have a longevity matching these underlying financial commitments. Some of the decision making methods which are used to help support these decisions are common accounting decision making tools such as net present value, profitability indices and Interest cover ratios. Another test is the "exit" value of any investment proposal; these tests are intended to reduce the risk of the debt being a future burden on the Authority's revenue budget.

7. Investing

Assuming the Investment Strategy is approved (Appendix 2 & 3) in this report, the Authority will invest its surplus cash resources with North Yorkshire County Council on a shared risk, and shared return basis. The 2017/18 budget has assumed that a rate of return of approximately 0.6% p.a. will be achieved, based on an assumption that base rates will remain at 0.5% for the majority, if not all, of the next financial year (i.e interest receipts of £40,000 p.a.).

Are there any corporate implications members should be concerned about?

8. **Financial:** Financial issues are covered by virtue of the nature of the report

9. **Risk Management:** The Prudential Code indicators help to manage risks inherent in borrowing for capital expenditure. The Treasury Management and Investment Strategy manages and minimises the risks inherent in the Authority's investing activities.

10. **Sustainability:** The indicators include consideration of the sustainability of capital borrowing.

Background papers

North Yorkshire County Council Treasury Management Report (relevant extracts of full report 15/02/17)

Appendices

Appendix 1 – Treasury Management Policy Statement
Appendix 2 – Annual Treasury Management and Investment Strategy
Appendix 3 – North Yorkshire County Council Investment Stragegy

Report Author, Job Title and Publication Date

Philip Naylor, Chief Finance Officer, 9 March 2017

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APPENDIX 1 TREASURY MANAGEMENT POLICY STATEMENT

1. The Authority defines its Treasury Management activities as "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".

2. The identification, monitoring and control of risk is the primary criterion by which the effectiveness of Treasury Management activities will be measured, with value for money an important but secondary objective.

3. The Annual Treasury Management and Investment Strategy sets out the means by which the above objectives will be achieved.

4. The Peak District National Park Authority has determined responsibilities for Treasury Management within its Standing Orders as follows:-

K. INVESTMENTS AND BORROWING

K1 The Authority maintains a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and adopts suitable Treasury Management Practices, setting out the manner in which the organisation will manage and achieve those policies and objectives.

K2 The Authority receives reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close.

K3 The Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Budget Monitoring Group, and for the execution and administration of treasury management decisions to its Chief Finance Officer, who will act in accordance with the organisation's policy statement and Treasury Management Practices, and CIPFA's Standard of Professional Practice on Treasury Management.

K4 The Authority nominates its Audit Resources and Performance Committee to be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.

K5 The Authority's borrowing limits will be approved annually at an Authority meeting based on the advice of the Chief Finance Officer.

Treasury Management Practices

The Authority's Chief Finance Officer will design, implement and monitor arrangements for the proper control of Treasury Management activities, within the constraints of the Annual Treasury Management and Investment Strategy approved by Members, categorised into the 12 "practices", or subject areas, defined by the Code:-

1 Risk Management

Credit & Counter-party risk – The security of sums invested

Liquidity Risk Management – working capital requirements
Interest Rate Risk – exposure to fluctuations in interest rates (costs or revenues)
Exchange rate risk – fluctuations in exchange rates
Re-financing risk – terms of renewal
Legal and Regulatory risk – compliance
Fraud, error, corruption – suitable systems and procedures
Market Risk – protection of principal sums invested

2 Performance Measurement

Consideration of alternative methods of delivery and performance indicators

3 Decision Making & Analysis

Maintenance of records of decisions

4 Approved Instruments, Methods & Techniques

Subject to those approved in the Annual Strategy, or by specific resolution of committee

5 Organisation, Clarity and Segregation of Responsibilities and dealing Arrangements

Responsibilities and procedures for transactions and staff handling of financial transactions

6 Reporting Arrangements

Standing Orders Section K above sets out the respective Member and Officer responsibilities

7 Budgeting, Accounting and Audit Arrangements

The cost of, and income arising from, Treasury Management activities will be reported in the annual Outturn report and to the Budget Monitoring Group

8 Cashflow Management

Central control and aggregation of all cash flows to ensure liquidity

9 Money Laundering

Verifying and recording the identity of counterparties

10 Training and Qualifications

Experience and training in Treasury Management activities

11 Use of External Service Providers

Monitoring and procurement of external advice

12 Corporate Governance

Assessment of effectiveness of Treasury Management activities

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Appendix 2 Annual Treasury Management and Investment Strategy

1. Borrowing

The Authority may borrow for two reasons:

(i) To fund its capital programme within the Prudential Code limits,

and

(ii) temporarily pending the receipt of revenue monies.

2. The main source of any new long term borrowing will be from the Public Works Loans Board (PWLB). No other form of borrowing will be used except for "operating leases" approved mainly for the provision of vehicles and plant, if considered to be cost effective.

3. Where the Authority is financing capital expenditure over a long term period (up to 25 years) the policy will be to seek fixed interest rate borrowing over the same time period in order to reduce overall interest rate risk in future budgets.

4. The Prudential Code requires the Authority to agree and monitor a number of prudential indicators with the objective of controlling and managing the Authority's overall debt exposure. These indicators are mandatory, but can be supplemented with local indicators if this aids interpretation; no local indicators are currently used. The indicators cover affordability, prudence, capital expenditure and debt levels. The main benefit to the Authority is that there remains no external restriction on capital investment, subject to Government reserve powers to restrict borrowing for national economic reasons.

5. Overview

Members approved the Authority's Capital Strategy in December 2015 and a Capital Programme (Appendix 2 of that report) was approved listing potential capital projects. The Capital Strategy outlined a number of principles and working assumptions which set out the approach to capital expenditure, and how it should be financed, of which borrowing was one component.

Members have delegated to officers decisions to borrow for capital projects under £150,000, subject to the Authorised Limit and an annual analysis of these decisions in this report. There have been three approvals this year.

Minute	Date	Approval	Reason	Amount financed from internal funds	Amount Borrowed from PWLB	Annual charge to budget	Ending
RMT 17/16	09/05/2016	£40,000	Camping Pods	£40,000	£0	£3,058	2031/2
RMT 42/16	01/11/2016	£21,000	Replacement vehicle for volunteer service	£21,000	£0	£2,650	2023/4
RMT 01/17	10/01/2017	£90,000	Tenancy Refurb. - 2 properties	£90,000	£0	£7,110	2031/2

6. **Actual and Estimate of Total Capital Expenditure to be incurred** – these figures represent best estimates. As the title suggests, the figures include total expenditure on capital items, including assets financed from revenue, capital grants or use of capital receipts, as well as borrowing. The estimates for future capital expenditure tend to be aggregations of a number of capital projects already delegated to officers (e.g. refurbishment of tenanted properties, ICT expenditure etc) projects already approved by Members (e.g. the Castleton Refurbishment of £330,000, Trails infrastructure of £600,000, and environmental improvements of £250,000), plus the estimated impact of other projects in the recently approved Capital Programme.

	Actual 2015/16 £	**Estimate 2016/17 £**	**Estimate 2017/18 £**	**Estimate 2018/19 £**	**Estimate 2019/20 £**
Total Capital Expenditure	**267,640**	**613,000**	**918,000**	**3,097,000**	**848,000**
Financed from Grants	(2,418)	(0)	(60,000)	(1,400,000)	(0)
Financed from revenue	(79,557)	(427,000)	(65,000)	(42,000)	(53,000)
Financed from capital receipts	(127,779)	(25,000)	(423,000)	(575,000)	(200,000)
Net Total (financed from borrowing)	**57,886**	**161,000**	**370,000**	**1,080,000**	**595,000**

Under current economic circumstances it is likely that a high proportion of the total to be financed from borrowing will be temporarily financed from cashflow as this is likely to be more cost effective in the short to medium term, as loan interest rates remain higher than interest received on cashflow surpluses.

7. **Actual and Estimate of Capital Financing Requirement (C.F.R) –** The underlying need to borrow for capital purposes, after all other sources of capital financing available in each year are taken into account (i.e. after direct support of capital expenditure from revenue, capital grants or use of capital receipts). The CFR rises from 2016/17 onwards reflecting actual and potential Capital Programme projects.

	Actual 2015/16 £	**Estimate 2016/17 £**	**Estimate 2017/18 £**	**Estimate 2018/19 £**	**Estimate 2019/20 £**
C.F.R	770,299	828,634	1,146,369	2,156,304	2,597,034

Affordability

8. **The ratio of financing costs to overall net revenue stream** – These indicators identify the proportion of financing costs measured against overall net revenue. Financing costs are the annual principal and interest payments on the estimated debt outstanding. Overall net

revenue is the core National Park Grant.

	Actual 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £	Estimate 2018/19 £	Estimate 2019/20 £
Borrowing Costs	144,645	127,524	86,656	134,754	232,181
Net Revenue	6,257,122	6,364,744	6,474,218	6,585,575	6,698,847
Percentage	2.31%	2.00%	1.34%	2.05%	3.47%

The ratio increases in the later periods reflecting the possible increase in capital investments mentioned above. The amounts are still considered to be affordable as the borrowing costs will be met largely from additional income sources and not National Park Grant.

Prudence

9. **Net Borrowing and the Capital Financing Requirement** – This indicates the net long term debt outstanding for the Authority, after accounting for the availability of any temporary invested sums, in the previous, current and next three financial years.

	Actual 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £	Estimate 2018/19 £	Estimate 2019/20 £
Capital Financing Requirement	770,299	828,634	1,146,369	2,156,304	2,597,034
Temporary investments	(6,212,446)	(5,000,000)	(4,500,000)	(3,000,000)	(2,500,000)
Net External Borrowing	(5,442,147)	(4,171,366)	(3,353,631)	(843,696)	97,034

The excess of investments over capital borrowing mainly reflect the quarterly claims of National Park Grant drawn down in advance of expenditure, to meet working capital needs, plus recent capital receipts, reserve levels, and grant income received in advance of expenditure. The level of borrowing is considered to be prudent.

10. **The Authorised Limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised if necessary by members. It is recommended that the limit is set at the following levels to reflect the Capital Financing Requirement, plus a margin to allow some flexibility within the estimated levels of capital expenditure. The limits have not needed to be revised.

	2017/18 £m	2018/19 £m	2019/20 £m
Borrowing	2.0	2.5	3.0
Other Long Term Liabilities	NIL	NIL	NIL
Total	**2.0**	**2.5**	**3.0**

11. **The Operational Boundary** – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year.

	2017/18	**2018/19**	**2019/20**
	£m	**£m**	**£m**
Borrowing	1.2	1.5	2.0
Other Long Term Liabilities	NIL	NIL	NIL
Total	**1.2**	**1.5**	**2.0**

Actual External Debt – This is actual borrowing plus actual other long-term liabilities at a certain point in time.

	Actual	**Actual**	**Estimate**
	2015/16	**2016/17**	**2017/18**
	£	**£**	**£**
External Debt	559,170	497,306	1,000,000

12. The Chief Finance Officer will monitor the application of these prudential indicators, as required by the Code, and will bring forward to the Authority any significant deviation. The CFO is required to bring a report specifically to the Authority if the Authorised Limit is likely to be breached, for the Authority to determine whether the limit should be raised, or whether alternative procedures to keep within the existing limit are appropriate.

13. **Fixed and Variable Rate Exposures, Maturity Structures, Longer Term Investments**

(i) **Interest Rate Exposures - Fixed Rate** – The Authority should set an upper limit on its fixed interest rate exposures for 2017/18, 2018/19 and 2019/20 of 100% of its net outstanding principal sums.

(ii) **Interest Rate Exposures – Variable Rates** – The Authority should set an upper limit on its variable rate interest rate exposures for 2017/18, 2018/19 and 2019/20 of 100% of its net outstanding principal sums.

(iii) **Maturity Structure of Borrowing – Upper and Lower Limits for Maturity Structure –** The Authority is likely to have most new debt at a maximum of 25 years, although in circumstances when the life of an asset is less the period may be shorter; to allow maximum flexibility there are no restrictions proposed on the maturity structure of debt.

(iv) **Total Principal Sum Invested for Period Longer than 364 Days**
Investment of sums for periods longer than 364 days is restricted to the limits set out in NYCC's Investment Strategy, the exposure of the Authority being a pro-rata share of any risk arising as a result.

Minimum Revenue Provision

14. The Minimum Revenue Provision is the amount Local Authorities are required to set aside each year from their revenue account, in order to ensure that provision is made annually for the repayment of outstanding loan principal as well as interest charges. The broad aim of this is to ensure that debt is repaid over a period reasonably commensurate with the period over which the capital expenditure provides benefits.

15. The Peak District National Park Authority has adopted the <u>Asset Life Method,</u> which ensures that the Revenue Provision is calculated based on the estimated useful life of the underlying asset. This method should help to ensure that budgetary provision for debt repayments is linked to the life of assets purchased, ensuring that funds are available for replacement of assets when the end of their useful life is reached. The actual MRP calculation is based on

the annuity option so the MRP increases over the life of the underlying asset supported by the debt (the interest charge correspondingly decreasing, leaving the debt repayment value constant).

16. Investing

This relates to the temporary loan of revenue funds/capital receipts pending their use. The timing of the main sources of the Authority's income are agreed with the Government with the aim of broadly matching expenditure, however, it is anticipated that the Authority will have surplus cash to lend.

17. Interest receipts are very sensitive to changes in interest rates and cash flows. Although cashflows are not expected to be affected significantly in 2017/18, base interest rates are currently 0.5% and the 2017/18 budget assumes base rates will remain at this level, although there is an expectation that the actual investment rate achieved will be slightly higher than this.

18. It is recommended that surplus funds are invested only North Yorkshire County Council who will pay interest at an appropriate money market rate on this cash. This policy meets the Authority’s objectives of ensuring a return on its surplus funds while minimising risk, and is consistent with DCLG guidelines on investment strategy.

19. The Authority’s funds available for investment represent an average of about £5m during the year, whereas the investment framework for North Yorkshire County Council’s portfolio encompasses nearly £700m of investment, supported by their in-house professional team and professional investment advice. The Authority’s investments with North Yorkshire County Council are managed by way of a three year Service Level Agreement, subject to a six month notice period. This contract will be renewed in March 2017 for a further three years.

20. In order to ensure that investments made by NYCC on behalf of the Authority adhere to our own Investment Strategy, the Authority is required to adopt/adhere to the NYCC Investment Strategy and the approved 2017 NYCC Investment Strategy is appended, for adoption by this Authority, in Appendix 3. If Members wish to see the full NYCC Treasury Management report, a copy is available from the Head of Finance; the report contains economic data and forecasts which may be of interest.

21. The Treasury Management Services to be provided by NYCC include, but is not limited, to the following:

(i) A daily sweep of the Authority’s bank accounts will be made to transfer the credit/debit balance on the accounts to/from NYCC

(ii) Funds transferred through the daily sweep facility will be invested together with funds of NYCC and those of other organisations for whom it provides a Treasury Management Service

(iii) Investment of sums in accordance with the agreed Treasury Management Strategy including the adherence to any procedures specified in the statement

(iv) The calculation of interest due to the Authority at a daily rate

(v) The transfer of interest earned to the Authority on a quarterly basis

(vi) Provision of quarterly details of interest earned to the Authority

(vii) Support and information on investment reporting as required

22. The Authority's funds are pooled with those of other bodies, and the arrangement therefore requires a joint sharing in the rates of return, but also a shared risk. The precise arrangements are as follows:-

(i) NYCC collects all available balances from the Authority and other organisations using the NYCC Treasury Management service and pools with NYCC funds. These aggregated balances are then invested in accordance with the agreed Investment Strategy.

(ii) For practical purposes therefore every investment contains an element of each organisation's balances and no individual loan is earmarked as solely the funds of one particular organisation.

(iii) In the event of a default of an individual loan, each organisation using the NYCC Treasury Management service shall bear a consequential loss. The extent of that loss for the Authority and other organisations will be calculated based on the balances of the Authority and other organisations on the day of default. For example:

£1m defaulted loan

	Daily Balance £k	*%*	*Share of Loss £k*
NYCC	175,000	86.5	865
PDNPA	5,000	2.5	25
Authority A	9,000	4.5	45
Authority B	3,000	1.5	15
Authority C	3,000	1.5	15
Authority D	7,000	3.5	35
Total	202,000	100.0	1,000

In addition, NYCC agrees that the Default Loan procedure will *not* apply if the actions of NYCC in the money market are clearly proven to have been contributory to any loss(es) of the Authority's funds managed under the terms of the Agreement.

23. NYCC calculates an average rate of interest earned on the total pooled investment on a monthly basis.

24. Interest Rate Strategy

Short term interest rates will impact on the interest earned by the Authority on its deposits with the County Council. The Authority has reduced the risk considerably in its revised approved 2017/18 Budget, with a low assumption of 0.6% for the year ahead.

Longer term interest rates are more relevant for the funding of the capital programme.

Any new longer term borrowing will be determined according to its availability and interest rate levels, within the authorised limits approved.

APPENDIX 3 NORTH YORKSHIRE COUNTY COUNCIL INVESTMENT STRATEGY

N.B Items not relevant to the Peak District National Park Authority have been removed

NORTH YORKSHIRE COUNTY COUNCIL

ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2017/18

1.0 INTRODUCTION

1.1 Treasury Management is defined as

"The management of the County Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks".

1.2 The Local Government Act 2003, and supporting regulations, require the County Council to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential Indicators for the next three years to ensure that the County Council's capital investment plans are affordable, prudent and sustainable.

1.3 The Act also requires the County Council to set out its **Annual Treasury Management Strategy** for borrowing and to prepare an **Annual Investment Strategy** (as required by Investment Guidance issued subsequent to the Act) which sets out the County Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. For practical purposes these two strategies are combined in this document.

1.4 This Strategy document for 2017/18 therefore covers the following

- treasury limits in force which will limit the treasury risk and activities of the County Council (**Section 2**)
- Prudential indicators (**Section 3**)
- current treasury position (**Section 4**)
- borrowing requirement and borrowing limits (**Section 5**)
- borrowing policy (**Section 6**)
- prospects for interest rates (**Section 7**)
- borrowing strategy (**Section 8**)
- capping of capital financing costs (**Section 9**)
- review of long term debt and debt rescheduling (**Section 10**)

- minimum revenue provision policy (**Section 11**)
- annual investment strategy (**Section 12**)
- other treasury management issues (**Section 13**)
- arrangements for monitoring/reporting to Members (**Section 14**)
- specified investments (**Schedule A**)
- non-specified investments (**Schedule B**)
- approved lending list (**Schedule C**)
- approved countries for investments (**Schedule D**)

1.5-1.6

1.7 This Strategy document was approved by the County Council on 15 February 2017.

2.0 **TREASURY LIMITS FOR 2017/18 TO 2019/20**

2.1-3.4

4.0 **CURRENT TREASURY POSITION**

5.0 **BORROWING REQUIREMENT AND BORROWING LIMITS**

5.1-5.7

6.0 **BORROWING POLICY**

6.1-6.10

7.0 **PROSPECTS FOR INTEREST RATES**

7.1-7.5

8.0 **BORROWING STRATEGY 2017/18**

8.1-8.15

9.0 **CAPPING OF CAPITAL FINANCING COSTS**

9.1

10.0 **REVIEW OF LONG TERM DEBT AND DEBT RESCHEDULING**

10.1-10.7

11.0 **MINIMUM REVENUE PROVISION (MRP) POLICY 2017/18**
11.1-11.9

12.0 ANNUAL INVESTMENT STRATEGY

Background

12.1 Under the Local Government Act 2003 the County Council is required to have regard to Government Guidance in respect of the investment of its cash funds. This Guidance was revised with effect from 1 April 2010. The Guidance leaves local authorities free to make their own investment decisions, subject to the fundamental requirement of an Annual Investment Strategy being approved by the County Council before the start of the financial year.

12.2 This Annual Investment Strategy must define the investments the County Council has approved for prudent management of its cash balances during the financial year under the headings of **specified investments** and **non specified investments**.

12.3 This Annual Investment Strategy therefore sets out

- revisions to the Annual Investment Strategy;
- the Investment Policy;
- the policy regarding loans to companies in which the County Council has an interest;
- specified and non specified investments;
- Creditworthiness Policy - security of capital and the use of credit ratings;
- the Investment Strategy to be followed for 2017/18;
- investment reports to members;
- investment of money borrowed in advance of need;
- investment (and Treasury Management) training;

Revisions to the Annual Investment Strategy

12.4 In addition to this updated **Investment Strategy,** which requires approval before the start of the financial year, a revised Strategy will be submitted to County Council for consideration and approval under the following circumstances:

(a) significant changes in the risk assessment of a significant proportion of the County Council's investments;

(b) any other significant development(s) that might impact on the County Council's investments and the existing strategy for managing those investments during 2017/18.

Investment Policy

12.5 The parameters of the Policy are as follows:

(a) the County Council will have regard to the Government's Guidance on Local Government Investments as revised with effect from 1 April 2010, and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes;

(b) the County Council's investment policy has two fundamental objectives;

- the security of capital (protecting the capital sum from loss); and then

- the liquidity of its investments (keeping the money readily available for expenditure when needed)

(c) the County Council will also aim to seek the highest return (yield) on its investments provided that proper levels of security and liquidity are achieved. The risk appetite of the County Council is low in order to give priority to the security of its investments;

(d) the borrowing of monies purely to invest or lend and make a return is unlawful and the County Council will not engage in such activity;

(e) investment instruments for use in the financial year listed under **specified** and **non-specified investment** categories; and

(f) counterparty limits will be set through the County Council's Treasury Management Practices Schedules.

Policy regarding loans to companies in which the County Council has an interest

12.6 The County Council has made a number of loans in recent years for policy reasons and will continue to monitor and review this position.

(a) the County Council's general investment powers under this Annual Treasury Management and Investment Strategy come from the Local Government Act 2003 (Section 12). Under this Act a local authority has the power to invest for any purpose relevant to its functions or for the purpose of the prudent management of its financial affairs;

(b) in addition to investment, the County Council has the power to provide loans and financial assistance to Limited Companies under the Localisation Act 2011 (and also formally under the general power of wellbeing in the Local Government Act 2000) which introduced a general power of competence for authorities (to be exercised in accordance with their general public law duties);

(c) any such loans to limited companies by the County Council, will therefore be made under these powers. They will not however be classed as investments made by the County Council and will not impact on this Investment Strategy. Instead they will be classed as capital expenditure by the County Council under the Local Authorities (Capital Finance and Accounting) Regulations 2003, and will be approved, financed and accounted for accordingly;

(d) at present the County Council has made loans to two companies in which it has an equity investment (ie Yorwaste and NYnet). In both cases loan limits are set, and reviewed periodically, by the Executive; and

(e) the County Council is in the process of setting up a number of additional limited companies and consideration will be given to provide loans under this policy should there be the requirement to do so.

Specified and non-specified Investments

12.7 Based on Government Guidance as updated from 1 April 2010.

(a) investment Instruments identified for use in the forthcoming financial year are listed in the Schedules attached to this Strategy under the **specified** and **non-specified** Investment categories;

(b) all **specified** Investments (see **Schedule A**) are defined by the Government as options with "relatively high security and high liquidity" requiring minimal reference in investment strategies. In this context, the County Council has defined Specified Investments as being sterling denominated, with maturities up to a maximum of 1 year meeting the minimum high credit quality;

(c) **Non-specified** investments (see **Schedule B**) attract a greater potential of risk. As a result, a maximum local limit of 20% of "core cash" funds available for investment has been set which can be held in aggregate in such investments;

(d) for both **specified** and **non-specified** investments, the attached Schedules indicate for each type of investment:-

- the investment category
- minimum credit criteria
- circumstances of use
- why use the investment and associated risks
- maximum % age of total investments
- maximum maturity period

(Non-Specified only)

(e) there are other instruments available as Specified and Non-Specified investments that are not currently included. Examples of such investments are:-

Specified Investments	- Commercial Paper - Gilt funds and other Bond Funds - Treasury Bills
Non-Specified Investments	- Sovereign Bond issues - Corporate Bonds

- Floating Rate notes
- Equities
- Open Ended Investment Companies
- Derivatives

A proposal to use any of these instruments would require detailed assessment and be subject to approval by Members as part of this Strategy. Under existing scrutiny arrangements, the County Council's Audit Committee will also look at any proposals to use the instruments referred to above.

Creditworthiness Policy – Security of Capital and the use of credit ratings

12.8 The financial markets have experienced a period of considerable turmoil since 2008 and as a result attention has been focused on credit standings of counterparties with whom the County Council can invest funds.

It is paramount that the County Council's money is managed in a way that balances risk with return, but with the overriding consideration being given to the security of the invested capital sum followed by the liquidity of the investment. The Approved Lending List will therefore reflect a prudent attitude towards organisations with whom funds may be deposited.

The rationale and purpose of distinguishing specified and non-specified investments is detailed above. Part of the definition for a Specified investment is that it is an investment made with a body which has been awarded a high credit rating with maturities of no longer than 364 days.

It is, therefore, necessary to define what the County Council considers to be a "high" credit rating in order to maintain the security of the invested capital sum.

The methodology and its application in practice will, therefore, be as follows:-

(a) the County Council will rely on credit ratings published by the three credit rating agencies (Fitch, Moody's and Standard & Poor's) to establish the credit quality (ability to meet financial commitments) of counterparties (to whom the County Council lends) and investment schemes. Each agency has its own credit rating components to complete their rating assessments. These are as follows:

Fitch Ratings

Long Term - generally cover maturities of over five years and acts as a measure of the capacity to service and repay debt obligations punctually. Ratings range from AAA (highest credit quality) to D (indicating an entity has defaulted on all of its financial obligations)

Short Term - cover obligations which have an original maturity not exceeding one year and place greater emphasis on the liquidity necessary to meet financial commitments. The ratings range from F1+ (the highest credit quality) to D

(indicating an entity has defaulted on all of its financial obligations)

Moody's Ratings

Long Term - an opinion of the relative credit risk of obligations with an original maturity of one year or more. They reflect both the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Ratings range from Aaa (highest quality, with minimal credit risk) to C (typically in default, with little prospect for recovery of principal or interest)

Short Term - an opinion of the likelihood of a default on contractually promised payments with an original maturity of 13 months or less. Ratings range from P-1 (a superior ability to repay short-term debt obligations) to P-3 (an acceptable ability to repay short-term obligations)

Standard & Poor's Ratings

Long Term - considers the likelihood of payment. Ratings range from AAA (best quality borrowers, reliable and stable) to D (has defaulted on obligations)

Short Term - generally assigned to those obligations considered short-term in the relevant market. Ratings range from A-1 (capacity to meet financial commitment is strong) to D (used upon the filing of a bankruptcy petition).

In addition, all three credit rating agencies produce a Sovereign Rating to select counterparties from only the most creditworthy countries. The ratings are the same as those used to measure long term credit.

(b) the County Council will review the "ratings watch" and "outlook" notices issued by all three credit rating agencies referred to above. An agency will issue a "watch", (notification of likely change), or "outlook", (notification of a possible longer term change), when it anticipates that a change to a credit rating may occur in the forthcoming 6 to 24 months. The "watch" or "outlook" could reflect either a positive (increase in credit rating), negative (decrease in credit rating) or developing (uncertain whether a rating may go up or down) outcome;

(c) no combination of ratings can be viewed as entirely fail safe and all credit ratings, watches and outlooks are monitored on a daily basis. This is achieved through the use of Capita Asset Services creditworthiness service. This employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies. The credit ratings of counterparties are then supplemented with the following overlays;

- credit watches and credit outlooks from credit rating agencies

- CDS spreads to give early warning of likely changes in credit ratings

- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the County Council to determine the duration for investments. The County Council will therefore use counterparties within the following durational bands:-

Colour	**Maximum Investment Duration**
Yellow	5 Years
Purple	2 Years
Orange	1 Year
Blue	1 Year (UK nationalised / semi nationalised banks only)
Red	6 Months
Green	100 Days
No Colour	No investment to be made

(d) given that a number of central banks/government have supported or are still supporting their banking industries in some way, the importance of the credit strength of the sovereign has become more important. The County Council will therefore also take into account the Sovereign Rating for the country in which an organisation is domiciled. As a result, only an institution which is domiciled in a country with a minimum Sovereign Rating of AA- from Fitch or equivalent would be considered for inclusion on the County Council's Approved Lending List (subject to them meeting the criteria above). Organisations which are domiciled in a Country whose Sovereign Rating has fallen below the minimum criteria will be suspended, regardless of their own individual score/colour. The list of countries that currently qualify using this credit criteria are shown in **Schedule D**. This list will be amended should ratings change, in accordance with this policy;

(e) in order to reflect current market sentiment regarding the credit worthiness of an institution the County Council will also take into account current trends within the Credit Default Swap (CDS) Market. Since they are a traded instrument they reflect the market's current perception of an institution's credit quality, unlike credit ratings, which often focus on a longer term view. These trends will be monitored through the use of Capita Asset Services creditworthiness service which compares the CDS Market position for each institution to the benchmark CDS Index. Should the deviation be great, then market sentiment suggests that there is a fear that an institution's credit quality will fall. Organisations with such deviations will be monitored and their standing reduced by one colour band as a precaution. Where the deviation is great, the organisation will be awarded ‘no colour’ until market sentiment improves. Where entities do not have an actively traded CDS spread, credit ratings are used in isolation;

(f) fully and part nationalised banks within the UK currently have credit ratings which are not as high as other institutions. This is the result of the banks having to have to accept external support from the UK Government However, due to this Central Government involvement, these institutions now effectively take on the credit worthiness of the Government itself (i.e. deposits made with them are effectively being made to the Government). This position is expected to take a number of years to unwind and would certainly not be done so without a considerable notice period. As a result, institutions which are significantly or fully owned by the UK Government will be assessed to have a high level of credit worthiness;

(g) all of the above will be monitored on a weekly basis through Capita Asset Services creditworthiness service with additional information being received and monitored on a daily basis should credit ratings change and/or watch/outlook notices be issued. Sole reliance will not be placed on the information provided by Capita Asset Services however. In addition the County Council will also use market data and information available from other sources such as the financial press and other agencies and organisations;

(h) in addition, the County Council will set maximum investment limits for each organisation which also reflect that institution’s credit worthiness – the higher the credit quality, the greater the investment limit. These limits also reflect UK Government involvement (i.e. Government ownership or being part of the UK Government guarantee of liquidity). These limits are as follows:-

Maximum Investment Limit	**Criteria**
£85m	UK "Nationalised / Part Nationalised" banks / UK banks with UK Central Government involvement
£20m to £75m	UK "Clearing Banks" and selected UK based Banks and Building Societies
£20m or £40m	High quality foreign banks

(i) should a score/colour awarded to a counterparty or investment scheme be amended during the year due to rating changes, market sentiment etc., the County Council will take the following action:-

- reduce or increase the maximum investment term for an organisation dependent on the revised score / colour awarded
- temporarily suspend the organisation from the Approved Lending List should their score fall outside boundary limits and not be awarded a colour
- seek to withdraw an investment as soon as possible, within the terms and conditions of the investment made, should an organisation be suspended from the Approved Lending List

- ensure all investments remain as liquid as possible, i.e. on instant access until sentiment improves.

(j) if a counterparty / investment scheme, not currently included on the Approved Lending List is subsequently upgraded, (resulting in a score which would fulfil the County Council's minimum criteria), the Corporate Director – Strategic Resources has the delegated authority to include it on the County Council's Approved Lending List with immediate effect;

(k) a copy of the current Approved Lending List, showing maximum investment and time limits is attached at **Schedule C**. The Approved Lending List will be monitored on an ongoing daily basis and changes made as appropriate. Given current market conditions, there continues to be a very limited number of organisations which fulfil the criteria for non specified investments. This situation will be monitored on an ongoing basis with additional organisations added as appropriate with the approval of the Corporate Director – Strategic Resources.

The Investment Strategy to be followed for 2017/18

12.9 Recognising the categories of investment available and the rating criteria detailed above

(a) the County Council currently manages all its cash balances internally;

(b) ongoing discussions are held with the County Council's Treasury Management Advisor on whether to consider the appointment of an external fund manager(s) or continue investing in-house – any decision to appoint an external fund manager will be subject to Member approval;

(c) the County Council's cash balances consist of two basic elements. The first element is **cash flow derived** (debtors/creditors/timing of income compared to expenditure profile). The second, **core element**, relates to specific funds (reserves, provisions, balances, capital receipts, funds held on behalf of other organisations etc.);

(d) having given due consideration to the County Council's estimated level of funds and balances over the next three financial years, the need for liquidity and day to day cash flow requirements it is forecast that a maximum of £20m of the overall balances can be prudently committed to longer term investments (e.g. between 1 and 5 years);

(e) investments will accordingly be made with reference to this core element and the County Council's ongoing cash flow requirements (which may change over time) and the outlook for short term interest rates (i.e. rates for investments up to 12 months);

(f) the County Council currently has one non-specified investment over 364 days;

(g) bank rate was cut to 0.25% in August and underpins investment returns. It is not expected to start increasing until mid 2019;

The County Council will, therefore, avoid locking into long term deals while investment rates continue to be at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within a ‘low risk’ parameter. No trigger rates will be set for longer term deposits (two or three years) but this position will be kept under constant review and discussed with the Treasury Management Advisor on a regular basis.

(h) for its cash flow generated balances the County Council will seek to utilise 'business reserve accounts' (deposits with certain banks and building societies), 15, 30 and 100 day accounts and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Investment Reports to Members

12.10 Reporting to Members on investment matters will be as follows:

(a) in-year investment reports will be submitted to the Executive as part of the Quarterly Performance and Budget Monitoring reports;

(b) at the end of the financial year a comprehensive report on the County Council’s investment activity will be submitted to the Executive as part of the Annual Treasury Management Outturn report;

(c) periodic meetings between the Corporate Director – Strategic Resources, the Corporate Affairs portfolio holder and the Chairman of the Audit Committee provide an opportunity to consider and discuss issues arising from the day to day management of Treasury Management activities.

Investment of Money Borrowed in Advance of Need

12.11 The Borrowing Policy covers the County Council’s policy on Borrowing in Advance of Spending Needs.

Although the County Council has not borrowed in advance of need to date and has no current plans to do so in the immediate future, any such future borrowing would impact on investment levels for the period between borrowing and capital spending.

Any such investments would, therefore, be made within the constraints of the County Council’s current Annual Investment Strategy, together with a maximum investment period related to when expenditure was expected to be incurred.

Treasury Management Training

12.12 The training needs of the County Council’s staff involved in investment management are monitored, reviewed and addressed on an on-going basis and are discussed as part of the staff appraisal process. In practice most training needs are addressed through attendance at courses and seminars provided by CIPFA, the LGA and others on a regular ongoing basis.

The CIPFA Code also requires that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny (i.e. the Audit Committee). An in-house training course for Members (which was also attended by officers) was provided by Capita Asset Services – Treasury Solutions in September 2013. Further training will be arranged as required. The training arrangements for officers will also be available to Members.

13.0 OTHER TREASURY MANAGEMENT ISSUES

Policy on the use of External Treasury Management Service Providers

13.1 The County Council uses Capita Asset Services – Treasury Solutions as its external treasury management adviser. Capita provide a source of contemporary information, advice and assistance over a wide range of Treasury Management areas but particularly in relation to investments and debt administration.

13.2 Whilst the County Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources, it fully accepts that responsibility for Treasury Management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon advice of the external service provider.

13.3 Following a quotation exercise, Capita Asset Services were appointed in September 2015 as a single provider of Treasury Management consultancy services for both the County Council and Selby District Council. The appointment is for three years, with the option for a further two year extension. The value and quality of services being provided are monitored and reviewed on an ongoing basis.

The scheme of delegation and role of the section 151 officer in relation to Treasury Management

13.4 The Government's Investment Guidance requires that a local authority includes details of the Treasury Management schemes of delegation and the role of the Section 151 officer in the Annual Treasury Management/Investment Strategy.

13.5 The key elements of delegation in relation to Treasury Management are set out in the following Financial Procedure Rules (FPR):-

(a) **14.1** The Council adopts CIPFA's "Treasury Management in the Public Services Code of Practice 2011" (as amended) as described in Section 5 of the Code, and will have regard to the associated guidance notes;

(b) **14.2** The County Council will create and maintain as the cornerstone for effective Treasury Mar

(i) a strategic Treasury Management Policy Statement (TMPS) stating the County Council's policies, objectives and approach to risk management of its treasury management activities;

(ii) a framework of suitable Treasury Management Practices (TMPs) setting out the manner in which the County Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. The Code recommends 12 TMPs;

(c) **14.3** The Executive and the full Council will receive reports on its Treasury Management policies, practices and activities including, as a minimum an Annual Treasury Management and Investment Strategy and associated report on Prudential Indicators in advance of the financial year;

(d) **14.4** The County Council delegates responsibility for the implementation and regular monitoring of its Treasury Management policies and practices to the Executive, and for the execution and administration of Treasury Management decisions to the Corporate Director – Strategic Resources (CD-SR), who will act in accordance with the Council's TMPs, as well as CIPFA's Standard of Professional Practice on Treasury Management;

(e) **14.5** The Executive will receive from the CD-SR a quarterly report on Treasury Management as part of the Quarterly Performance Monitoring report and an annual report on both Treasury Management and Prudential Indicators setting out full details of activities and performance during the preceding financial year;

(f) **14.6** The CD-SR will meet periodically with the portfolio holder for financial services, including assets, IT and procurement and such other Member of the Executive as the Executive shall decide to consider issues arising from the day to day Treasury Management activities;

(g) **14.7** The Audit Committee shall be responsible for ensuring effective scrutiny of the Treasury Management process;

(h) **14.8** The CD-SR shall periodically review the Treasury Management Policy Statement and associated documentation and report to the Executive on any necessary changes, and the Executive shall make recommendations accordingly to the County Council;

(i) **14.9** All money in the possession of the Council shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972 (i.e. the Corporate Director - Strategic Resources).

13.6 In terms of the Treasury Management role of the Section 151 officer (the Corporate Director – Strategic Resources), the key areas of delegated responsibility are as follows

- recommending clauses, treasury management policies and practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports to Members
- submitting budgets and budget variations to Members

- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

Other Issues

13.7

14.0 **ARRANGEMENTS FOR MONITORING / REPORTING TO MEMBERS**

14.1 Taking into account the matters referred to in this Strategy, the monitoring and reporting arrangements in place relating to Treasury Management activities are now as follows:

(a) an annual report to Executive and County Council as part of the Budget process that sets out the County Council's **Treasury Management Strategy and Policy** for the forthcoming financial year;

(b)

(c) **annual outturn reports** to the Executive for both Treasury Management and Prudential Indicators setting out full details of activities and performance during the preceding financial year.

(d) a quarterly report on Treasury Matters to Executive as part of the **Quarterly Performance and Budget Monitoring** report;

(e) **periodic meetings** between the Corporate Director – Strategic Resources, the Corporate Affairs portfolio holder and the Chairman of the Audit Committee to discuss issues arising from the day to day management of Treasury Management activities;

(f) copies of the reports mentioned in (a) to (d) above are provided to the **Audit Committee** who are also consulted on any proposed changes to the County Council's Treasury Management activities.

GARY FIELDING
Corporate Director – Strategic Resources
31January2017

SCHEDULE A

NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2017/18 – SPECIFIED INVESTMENTS

Investment	Security / Minimum Credit Rating	Circumstances of Use
Term Deposits with the UK Government or with UK Local Authorities (as per Local Government Act 2003) with maturities up to 1 year	High security as backed by UK Government	In-house
Term Deposits with credit rated deposit takers (Banks and Building Societies), including callable deposits with maturities less than 1 year	Organisations assessed as having "high credit quality" plus a minimum Sovereign rating of AA- for the country in which the organisation is domiciled	In-house
Certificate of Deposits issued by credit rated deposit takers (Banks and Building Societies) up to 1 year		Fund Manager or In-house "buy and hold" after consultation with Treasury Management Advisor
Forward deals with credit rated Banks and Building Societies less than 1 year (i.e. negotiated deal plus period of deposit)		In-house
Money Market Funds i.e. collective investment scheme as defined in SI2004 No 534 (*These funds have no maturity date*)	Funds must be AAA rated	In-house After consultation with Treasury Management Advisor Limited to £20m
Gilts (with maturities of up to 1 year)	Government Backed	Fund Manager or In-house buy and hold after consultation with Treasury Management Advisor
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in SI 2004 No 534) with maturities under 12 months (*Custodial arrangements required prior to purchase*)	Government Backed	After consultation with Treasury Management Advisor

SCHEDULE B

NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2017/18 – NON-SPECIFIED INVESTMENTS

investment	A) Why use it? B) Associated Risks?	Security / Minimum Credit Rating	Circumstances of Use	Max % of overall investments or cash limits in cash category	Maximum investment with any one counterparty	Maximum Maturity Period
Term Deposit with credit rated deposit takers (Banks & Building Societies), UK Government and other Local Authorities with maturities greater than 1 year	A) Certainty of return over period invested which could be useful for budget purposes B) Not Liquid, cannot be traded or repaid prior to maturity Return will be lower if interest rates rise after making deposit Credit risk as potential for greater deterioration of credit quality over a longer period	Organisations assessed as having "high credit quality" Plus A minimum Sovereign rating of AA- for the country in which an organisation is domiciled	In-house	100% of agreed maximum proportion (20%) of core cash funds that can be invested for more than 1 year (estimated £20m)	£5m	2 years subject to potential future review with a maximum of no longer than 5 years
Certificate of Deposit with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year *Custodial arrangements prior to purchase*	A) Attractive rates of return over period invested and in theory tradable B) Interest rate risk; the yield is subject to movement during life of CD which could negatively impact on its price		Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	25% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	£3m	

investment	A) Why use it? B) Associated Risks?	Security / Minimum Credit Rating	Circumstances of Use	Max % of overall investments or cash limits in cash category	Maximum investment with any one counterparty	Maximum Maturity Period
Callable Deposits with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year	A) Enhanced Income – potentially higher return than using a term deposit with a similar maturity B) Not liquid – only borrower has the right to pay back the deposit; the lender does not have a similar call Period over which the investment will actually be held is not known at outset Interest rate risk; borrower will not pay back deposit if interest rates rise after the deposit is made	Organisations assessed as having "high credit quality" Plus A minimum Sovereign rating of AA- for the country in which an organisation is domiciled	To be used in-house after consultation with Treasury Management Advisor	50% of agreed proportion (20%) of core cash balance that can be invested for more than 1 year (£12.5m)	£5m	2 years subject to potential future review with a maximum of no longer than 5 years
Forward Deposits with a credit rated Bank or Building Society > 1 year (i.e. negotiated deal period plus period of deposit)	A) Known rate of return over the period the monies are invested – aids forward planning B) Credit risk is over the whole period, not just when monies are invested Cannot renege on making the investment if credit quality falls or interest rates rise in the interim period	Organisations assessed as having "high credit quality" Plus A minimum Sovereign rating of AA- for the country in which an organisation is domiciled	To be used in-house after consultation with the Treasury Management Advisor	25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)	£3m	2 years subject to potential future review with a maximum of no longer than 5 years
Bonds issued by a financial	A) Excellent credit quality	AA or Government backed	In-house on a "buy and hold" basis after		n/a	2 years subject to potential

investment	A) Why use it? B) Associated Risks?	Security / Minimum Credit Rating	Circumstances of Use	Max % of overall investments or cash limits in cash category	Maximum investment with any one counterparty	Maximum Maturity Period
institution that is guaranteed by the UK Government (as defined in SI2004 No534) with maturities in excess of 1 year Custodial arrangements required prior to purchase	Relatively Liquid If held to maturity, yield is known in advance Enhanced rate in comparisons to gilts B) Interest rate risk; yield subject to movement during life off bond which could impact on price		consultation with Treasury Management Advisor or use by Fund Managers	25% of greed proportion (20%) of core cash funds that can be invested for more than 1 year (£5m)		future review with a maximum of no longer than 5 years
Bonds issued by Multilateral development banks (as defined in SI2004 No534) with maturities in excess of 1 year Custodial arrangements required prior to purchase	A) Excellent credit quality Relatively Liquid If held to maturity, yield is known in advance Enhanced rate in comparison to gilts B) Interest rate risk; yield subject to movement during life off bond which could negatively impact on price				£3m	
UK Government Gilts with maturities in excess of 1 year Custodial arrangements	A) Excellent credit quality Liquid - If held to maturity, yield is known in advance	Government backed	Fund Manager	25% of greed proportion (20%) of core cash	n/a	2 years subject to potential future

investment	A) Why use it? B) Associated Risks?	Security / Minimum Credit Rating	Circumstances of Use	Max % of overall investments or cash limits in cash category	Maximum investment with any one counterparty	Maximum Maturity Period
required prior to purchase	Liquid - If traded, potential for capital appreciation B) Interest rate risk; yield subject to movement during life if the bond which could impact on price			funds that can be invested for more than 1 year (£5m)		review with a maximum of no longer than 5 years
Collateralised Deposit	A) Excellent credit quality B) Not liquid, cannot be traded or repaid prior to maturity Credit risk as potential for greater deterioration of credit quality over a longer period	Backed by collateral of AAA rated Local Authority LOBO's	In-house via money market broker or direct	100% of agreed proportion (20%) of core cash funds that can be invested for more than 1 year (£20m)	£5m	

SCHEDULE C

APPROVED LENDING LIST 2017/18

Maximum sum invested at any time (The overall total exposure figure covers both Specified and Non-Specified investments)

	Country	Specified Investments (up to 1 year)		Non-Specified Investments (> 1 year £20m limit)	
		Total Exposure £m	Time Limit *	Total Exposure £m	Time Limit *
UK "Nationalised" banks / UK banks with UK Central Government involvement					
Royal Bank of Scotland	GBR	85.0	364 days	-	-
Natwest Bank	GBR				
Bank of Scotland	GBR	85.0	6 months	-	-
Lloyds	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK plc (includes Cater Allen)	GBR	40.0	6 months	-	-
Barclays Bank	GBR	75.0	6 months	-	-
HSBC	GBR	30.0	364 days		
Clydesdale Bank (trading as Yorkshire Bank)	GBR	30.0 (Shared with NAB)	Temporarily suspended	-	-
Goldman Sachs International Bank	GBR	40.0	6 months		
Leeds Building Society	GBR	20.0	6 months	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Standard Chartered Bank	GBR	40.0	3 months	-	-
High quality Foreign Banks					
National Australia Bank	AUS	30.0 (Shared with Clydesdale)	364 days	-	-
Commonwealth Bank of Australia	AUS	20.0	364 days		
Canadian Imperial Bank of Commerce	CAN	20.0	364 days	-	-
Deutsche Bank	DEU	20.0	Temporarily suspended	-	-
Nordea Bank Finland	FIN	20.0	364 days	-	-
Credit Industriel et Commercial	FRA	20.0	6 months	-	-
BNP Paribas Fortis	FRA	20.0	6 months	-	-
Nordea Bank AB	SWE	20.0	364 days	-	-
Svenska Handelsbanken	SWE	40.0	364 days	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		20.0	364 days	5.0	2 years
Police / Fire Authorities		20.0	364 days	5.0	2 years
National Park Authorities		20.0	364 days	5.0	2 years
Other Deposit Takers					
Money Market Funds		20.0	364 days	5.0	2 years
UK Debt Management Account		100.0	364 days	5.0	2 years

* Based on data as 31 December 2016

SCHEDULE D

APPROVED COUNTRIES FOR INVESTMENTS
Based on the lowest available rating

Sovereign Rating	**Country**
AAA	Australia Canada Denmark Germany Luxemburg Netherlands Norway Singapore Sweden Switzerland
AA+	Finland Hong Kong USA
AA	Abu Dhabi (UAE) France UK Qatar
AA-	Belgium

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9. **PEAK DISTRICT NATIONAL PARK CHARITY (SM/SS)**

1. **Purpose of the report**

The report seeks approval to develop a charity vehicle to support our fundraising ambitions. Specifically to delegate Authority to the Director of Commercial Development and Outreach in consultation with the Head of Law and Head of Finance to develop charitable objects, governing documents and identify potential trustees.

This report outlines the development work to date, the recommended direction of travel and how the Authority and charity would work together for the benefit of the Park, the Authority and the public. It also highlights the potential risks and benefits with the proposed model.

Key Issues

- Since the approval of the Giving Strategy (March 2016), the Commercial Development and Outreach Directorate has been reviewing potential routes to diversify and boost income streams.
- Alongside work to develop the Authority's trading activities, initial investigative work has been carried out to understand the potential benefits of establishing a charitable vehicle to harvest voluntary donations.
- A number of National Parks have developed such entities and the National Parks Partnership and National Parks UK are looking into the feasibility of creating a national charity.
- Setting up a charity could provide a number of benefits – particularly in terms of encouraging a range of audiences to provide financial support – but would require independent governance from the Authority.
- Initial investment – money and staff – would be required from the Authority which would require careful consideration from a legal and value for money perspective.
- Before committing significantly more time on this development therefore, feedback and approval of the Authority is sought.

Recommendations

2. **1. To authorise the Director of Commercial Development and Outreach, in consultation with the Head of Law and Head of Finance, to progress the development of a Charitable Trust which is also a Company Limited by Guarantee in line with the proposals set out in this report.**

2. To note that a report setting out the charitable objects, governing documents including a conflict policy document and Memorandum of Understanding and potential investment by the Authority be brought to a future Authority meeting for final approval.

How does this contribute to our policies and legal obligations?

3. This work directly contributes to our policies and legal obligations in diversifying income, growing support and raising funds to support the corporate strategy and National Park Management Plan.

Establishing a charitable entity is within the Authority's implied powers, as it will assist in the achievement of its statutory purposes. Although it would not be possible for the charity to act under the Authority's direction or control, it would have to act in pursuit of its own objectives and in the best interests of the charity, it is envisaged that the charity would be set up in such a way that in pursuing its own objectives, the Authority's purposes would also be supported.

Background

4. In order to sustain the delivery of our National Park purposes, The Peak District National Park Authority has taken the strategic decision to diversify its income streams, targeting significant growth in fundraising

5. The principle to create a charity vehicle to support the Peak District National Park's fundraising ambitions was set out in the Giving Strategy Report presented to the Authority in March 2016 and more recently in the Integrated Commercial Development & Outreach Plan presented to members at Strategic Advisory Group meetings in October and November 2016.

6. It is clear that the Authority can attract funding for its work in the Park – the question is whether it is the correct vehicle to maximise donations from the widest spectrum of supporters. The Authority has been able to attract significant funds matched to specific projects – it is intended that this would continue. It has received donations/legacies to a total value of c£50k to date this year. This has not been derived through an overt programme to stimulate donations or with the infrastructure and systems to support such a programme in the long-term. The corporate risk of 'failing to inspire people to give' remains high (impact and likelihood).In addition many funding bodies, trusts and corporates will not consider allocating money to non-charities; informal approaches to potential influential trustees and/or patrons has indicated the need for an independent not-for-profit vehicle to attract support.

7. As part of the Commercial Development & Outreach plan an analysis of the external environment indicated a competitive, cluttered market. One which has high barriers to entry but if successfully entered could deliver attractive levels of income and wider support. The Charity Brand Index (an annual survey of the UK's top 150 charities) indicates a continuing strong public desire for transparent, confident, compelling causes. The CBI research shows that trust is the key currency for charities and that public fall in love with (and stay committed to) causes as opposed to organisations.

8. The Authority can deliver on many of these fronts; it is respected and is clearly doing 'good' work. The question is whether its regulatory, statutory nature (including a central government grant of c£6m) could hinder building strong support among a wide group of stakeholders.

9. The development work to date (Giving Strategy, March 2015 and Commercial Development & Outreach Plan, October 2016) has highlighted the need for a step change in how we engage with audiences to win their support. The establishment of and restructure within the Commercial Development & Outreach directorate, including increased investment in the Marketing & Fundraising team has created a strong foundation for taking this initiative forward.

10. A charity would provide an effective vehicle with which to engage the public in this increasingly competitive arena. It would help open charitable sources of income currently closed to the Authority and, by enabling the application of Gift Aid to donations, plus tax relief for donors and legacy givers, it would maximise the efficiency of fundraising budgets.

Proposals

11. Development work has been informed by discussions with fundraising teams at South Downs, North York Moors and Northumberland National Parks, Derbyshire Community and Voluntary Service, National Parks Partnership plus internal expertise. There are several models for setting up a charity, but to fulfil Authority aspirations only two of these have relevance: a Charitable Incorporated Organisation (CIO) and a Charitable Trust which is also a Company Limited by Guarantee.

12. It is recommended that the most appropriate charitable model for the proposed Peak District National Park charity is a charitable trust which is also a company limited by guarantee. The creation of the charity using a company limited by guarantee restricts the liability of trustees, permits trading through the company structure, and importantly allows the Trust to borrow monies and charge its assets should it seek company/corporate finance to help develop a project.

13. The charity would provide the appropriate level of independence, governance and transparency to support voluntary donations while at the same time ensuring the right level of connectedness to the Peak District National Park Authority, the National Park Management Plan, and the promotion and protection of the Peak District National Park's special qualities.

14. The objects of the charity will be developed in line with the Authority's purposes following Charity Commission guidance. This was the approach taken by the North York Moors Trust. While the objects would not precisely replicate the PDNPA's statutory purposes they will accord with a format that has already been approved by the Charity Commission and recognised by them as a valid charitable purpose. Following this precedent will increase the prospect that the charity can be registered efficiently.

15. **Trust title**

A formal title for the charity will be developed. It is likely that the title will be deliberately similar to that of the place and the Authority in order to reflect the proposed close working relationship between the two organisations to provide sustainable long-term benefits for the place, its communities and the wider public. The title will also provide differentiation to any other charity currently operating within or around the Peak District National Park. It is possible also that a public-facing brand name for the charity could be created for marketing purposes.

16. **Appointment of Trustees**

The trustees will act as the trustees of the charity (who have powers and duties to run it and make day-to-day decisions) and its members (who are able to vote on major decisions and have limited liability). They will also be the directors of the company limited by guarantee.

17. The Trust would be governed by a number of trustees, proposed to be between 7 and 9, and who must act to further the aims of the Trust. Trustees would be a mix of PDNPA members/CEO and others as appropriate which would ensure the independent nature of the Trust. The Charity Commission would require the ratio of trustees to reflect its independence from the PDNPA.

18. The development work which needs to take place next will include agreeing the charitable objects and activities and agreeing the articles and memorandum of association and conflict policy document. This would provide a firm basis for the initial

establishment of the charity and security of operation. Once the charity is formally registered the trustees will appoint the Chair.

19. The charity will not be subject to governance by the Peak District National Park Authority and will be responsible for operating its own bank account and completing its own legal and statutory returns. It is anticipated that the charity will be based at the Aldern House office.

20. Once the charity is registered with the Charity Commission it will exist as an independent body and the Authority cannot undo that decision without the agreement of the trustees. Therefore it is essential that a long-term relationship is established at the outset between the Authority and the Trust which is mutually supportive, consistent and transparent so that the two organisations are least likely to expend resource duplicating activity.

21. Though independent, in order to help establish the charity, it is proposed that the PDNPA becomes a founding patron of the charity, committing to provide for a fixed period the necessary staff resources and overheads, to establish the charity's governance, operations and fundraising.

22. This provision will be provided to the charity's trustees on the basis that they work in partnership with the Authority and contribute to the delivery of the National Park Management Plan, where this meets its charitable objectives. This arrangement is essentially a grant agreement and will be captured in a Memorandum of Understanding (MOU) that will be presented to the Authority for approval alongside a final version of the Memorandum and Articles of Association.

23. As an independent organisation the charity will choose in which ways it supports the National Park Management Plan. Outside of this arrangement, the charity will be free to undertake its own activities so long as these are in line with its charitable objectives.

24. Once the charity has been registered, the MOU will need approval by the board of trustees, in order for it to come into effect.

25. **Other Charities in the Park**

It is proposed that the charity would not – and the objects will reflect this – engage in any political campaigning nor focus exclusively on any one aspect or area of the Peak District National Park. Discussions have taken place, and will continue to do so, with the Friends of the Peak District charity to reassure its membership that the proposed activities of the charity are appropriately differentiated. Initial conversations have also been started with the trustees of the Peak Park Trust to understand its future planned activities and similarly ensure distinctiveness between the two entities. In fact, it will best serve all the organisations to maintain a clear distinction between their activities in order to secure on-going support and provide mutual support where appropriate.

26. **Contribution to and alignment with National Park Management Plan**

The establishment of a charity is directly supportive both in principle and practice of National Park purposes, the National Park Management Plan objectives and delivery, and, in particular, the protection and promotion of the Peak District National Park's special qualities. The charity will be a National Park Management Plan partner.

27. **Charitable Purposes and Objects**

'Charitable Objects' is the term used to describe and identify the purpose for which a charity has been set up. The Charities Act 2011 defines a charitable purpose, explicitly, as one that falls within 13 descriptions of purposes and is for the public benefit. In order to best benefit the Peak District National Park area and communities, the proposed charity's charitable objects should be consistent with (but not identical to) the agreed National Park Management Plan and National Park purposes and duties, using the learning from the North York Moors recent registration with the Charity Commission.

28. The Charity Commission states that a charity's purposes should make it clear:

    1. what outcomes the charity is set up to achieve;
    2. how it will achieve these outcomes;
    3. who will benefit from these outcomes;
    4. where the benefits extend to; and
    5. clearly demonstrate public benefit.

29. It is proposed that the charitable purposes in principle should:

    1. Benefit local communities, visitors and the general public;
    2. Build on and enhance the special qualities of the PDNP;
    3. Carry out activities that are in line with and supportive of the PDNP Management Plan;
    4. Operate in the wider Peak District i.e. not to be restricted by the precise 'regulatory' boundary; and
    5. Have no geographical restrictions on trading.

Are there any corporate implications members should be concerned about?

30. **Financial**:
An initial investment plan is currently being developed setting out the input costs (money and officer time) for legal, IT, finance support plus marketing and fundraising. The costs will be split between set-up and running costs. These costs would be met from the budget approved in the Giving Strategy report (March 2015).

31. The legal team, as part of the development work, will establish whether the level of anticipated support will trigger any 'state aid' restrictions.

32. The charity is required to have funds and banking facilities in place before registering with the commission. It is proposed that an account is set up with £5k funded from the budget approved in the Giving Strategy report (March 2015). Any requirements to buy in expertise and systems in specialist areas would also be funded from this budget.

33. The Authority's finance team is able to provide initial accountancy support for the charity including setting up a bank account and ensuring competent financial administration for the charity. This will be via a Service Level Agreement. External accountancy support will need to be sourced to prepare, from trial balance stage, appropriate financial reporting to statutory bodies. The Head of Finance will oversee this work.

34. The constitution of the charity and the support of the Authority may fall, subject to legal and external audit advice, into the category of being a Regulated Local Authority Company, which is a company which is controlled or influenced by a local authority. This may require the charity's accounts to be consolidated into the Authority's accounts as a subsidiary or an associated company and may require, subject to further investigation, group accounts to be prepared, where the figures are material. There may also be statutory requirements over governance which need to be included into

the constitution of the charity from the outset. The Head of Finance will investigate this and provide a recommendation as part of the second detailed Authority paper.

35. The first year's operating resource requirements will be focused on kick-starting fundraising activity and specifying the systems to support it. This will be initially provided by the Authority and, in the first instance, comprise significant resource commitment from the Director of Commercial Development & Outreach, Head of Marketing & Fundraising and Fundraising Development Manager. Other input from the CD&O directorate would be identified as appropriate. The Fundraising Development Manager would service the board of trustees, the detail of which will be set out in a memorandum of agreement.

36. Once the charity has been established, the Authority's legal department cannot provide legal advice to the trust and there can be no service level agreement with the trust for legal support as it is not an alternative business structure.

37. An annual report of staff time and other costs from the PDNPA supporting the charity will be maintained to understand and inform the degree of investment the PDNPA supplies.

38. **Risk Management:**
As the charity needs to demonstrate its independence from the Authority to allow for registration, and the Trustees need to act in the interests of the charity, there will be a loss of control from Authority Members. Similarly, an effective charity could impact on the Authority's current level of donation income, particularly if income is steered towards the charity rather than the Authority.

39. To mitigate this risk the charitable objects and articles of association of the charity will be aligned to National Park purposes and will support the objectives and delivery of the National Park Management Plan and Peak District National Park Authority corporate strategy. To that end, its fundraising will initially be based on a series of discrete, costed projects/activities. Funds therefore would be distributed in line with those propositions. The key aim of the charity will be to raise funds for expenditure plans thus contributing directly to the financial health of the Authority.

40. The Authority has long experience in its applying its influencing role, with an excellent track record in working with partners to achieve National Park purposes. The charitable objects, governing documents and work plan for the charity will ensure trustees are clear that the charity is about supporting the Park and its special qualities.

41. Authority Members appointed as Trustees will need to declare their interests and will be conflicted out of any future related discussions. There will be a conflict policy developed and Trustees will be required to sign a declaration of interest as part of the charity registration.

42. Other mitigating actions will include a memorandum of understanding (MOU) which will set out the working relationship between the Authority and the charity. This could include options to review the support and place a financial or time limit for any Authority support to the charity.

43. The Authority is seeking legal advice on the charity registration process, the development work will inform that brief.

Equalities:
There are no issues to highlight.

44. **Sustainability:**
A charity could support the Authority's financial sustainability through diversifying income for the Park and providing match funding for Authority projects. It also offers the potential to reduce costs to the Authority in the future through recharging for staff time or if staff are directly employed by the charity.

45. **Background papers** (not previously published)
Commercial Development & Outreach Plan 2017-18 (October/November 2016 SAG)

Appendices – None.

Report Author, Job Title and Publication Date

Simon Malcolm, Director of Commercial Development & Outreach, 9 March 2017

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10. SUBMISSION TO THE DISCOVER ENGLAND FUND BY THE 10 ENGLISH NATIONAL PARKS (SF)

1. Purpose of the report

Providing access to our National Parks is part of our core purpose, and the tourism economy is a key part of the economy in National Parks that has the opportunity to be fostered and developed further.

The Government's 8-point plan for National Parks, published in 2016, emphasised the importance of National Parks as *'drivers of the Rural Economy'* and specifically *'driving growth in international tourism'.*

This report outlines how the Peak District National Park Authority can work with other National Park Authorities across England to submit a joint application to the new £40million Discover England Fund, to make it simpler and easier for international visitors and domestic visitors to enjoy the ten National Parks and the wider English countryside in sustainable ways.

Key Issues

- On 13 January 2017 an Expression of Interest (see appendix 1) was submitted by the Tourism officers across the 10 National Parks in England to the Discover England Fund (years 2 and 3) to help us develop our international appeal by creating high quality visitor experiences in England's 10 National Parks. The working title of the project is "Make great memories in England's National Parks and Countryside".
- This Expression of Interest was successful and, as the lead partner, the Peak District National Park Authority was offered a grant of £20,000 seed funding to help prepare a business case for submission by 12 April 2017 and a decision by Visit England by end April 2017
- If successful implementation will be from July 2017 until March 2019.
- The project is the result of great partnership liaison between the 10 English National Park Authorities all with a joint ambition to develop the visitor experience across the 10 National Parks.
- The total project cost, if successful, will be c. £1 million with 40% match funding (which equates to 20% cash match and 20% in-kind match)
- This report seeks support for the Peak District National Park Authority to act as lead partner in the submission of the business case to the Discover England fund on 12 April 2017.
- A further report will be presented to the Audit, Resources and Performance Committee should this submission be successful and the Authority be asked to act as the lead partner to implement the business case.

2. Recommendation(s)

1. **To approve the Peak District National Park Authority to act a lead body in the submission of a bid on behalf of the 10 English National Park Authorities for a circa £1million bid to the £40 million Discover England Fund**

3. How does this contribute to our policies and legal obligations?

Providing access to our National Parks is part of our core purpose to promote opportunities for people to understand and enjoy the special qualities of the Park.

This project will offer an appeal to domestic, as well as international visitors, and offers the opportunity for the 10 National Parks to work better together to promote opportunities for visitors to understand and enjoy the unique special qualities of each National Park in England. In doing this, it offers a way to boost the tourism economy in each National Park.

The project will support the Visitor Experiences shift in our Corporate Strategy 2016-19 in that it will:

- help provide a quality experience for anybody who uses our visitor services that people are willing to pay for; and,
- offer an opportunity to develop the provision of new quality experiences that will generate new income to fund the place.

4. Background

National Parks in England are major contributors to the tourism economy currently accounting for more than £4bn of visitor spending (a quarter of spending on rural tourism). National Parks have a key role to play in promotion of our national visitor offer as they are an internationally recognised brand and provide high quality visitor experiences in iconic landscapes. These internationally recognised landscapes attract over 90 million visitors a year. Much more could be done nationally, regionally and locally to promote our best landscapes and support the rural economies and communities based in them.

The Government's 8-Point Plan for National Parks highlights the importance of '*National Parks as world-class destinations',* '*offering more people the benefits of visiting a National Park without damaging their special qualities'* and *'sustainable tourism which is good for the rural economy and safeguards the environment'.*

National Park Authorities (through National Parks England and National Parks UK) work with Visit England and VisitBritain to promote National Parks as part of the UK visitor offer. National Parks have been part of the 'Countryside is GREAT' campaign led by VisitBritain and we welcome the work done through this campaign. This has allowed a different focus from the more traditional focus of in-bound marketing by VisitBritain which has been predominantly urban, focusing on cities (London, York, Edinburgh), and on large rural attractions rather than on the beautiful countryside in between and the wonderful experiences people can have there. Given the value of tourism to the rural economy of National Parks, there is a value in VisitBritain in marketing <u>all</u> of the UK's National Parks, which are a known international brand, and not implied through generic words such as 'countryside'.

In 2016 Visit England announced the opening of the Discover England Fund which aims to:

- develop world-class bookable English tourism products, targeted at the right international customers, at the right time and through the right channels
- join-up the product offering across large geographies or nationwide through a thematic approach for the benefit of the customer
- drive a collaborative and partnership approach to delivery across Destination Management Organisations and Local Enterprise Partnership boundaries for the longer term.

A series of two-year projects will be awarded funding of a minimum value of £1million. They must set out an ambitious and innovative approach that responds to a clearly identified and evidence-based market demand and customer-centric challenge

In support of the ambition in the 8 point plan for National Parks and of working better together across the National Parks, on 13 January 2017 an Expression of Interest (see appendix 1) was submitted by the Tourism officers to the Discover England Fund (years 2 and 3) to help us develop our international appeal by creating high quality visitor experiences in England's 10 National Parks. The working title of the project is "Make great memories in England's National Parks and Countryside".

The Expression of Interest was the form of a partnership submission led by the tourism officers across the 10 English National Parks, with a number of other potential partners identified.

Visit England informed us in late January 2017 that this Expression of Interest to develop this business case had been successful. They offered a grant of £20,000 seed funding to prepare a business case for submission and a decision by Visit England by end April 201. If this business case is successful, implementation will commence in July 2017 to March 2019. As the lead partner, the seed funding grant is held by the Peak District National Park Authority.

The English National Park family is now preparing a business case to the Discover England Fund to be submitted on 12 April 2017. All 10 English National Parks are supporting the development of the business bid, which is being led by a steering group chaired by the Chief Executive of the Peak District National Park Authority, as the lead National Parks Officer for sustainable tourism. The proposition and the business case is being developed by officers commissioned from the New Forest National Park Authority and the South Downs National Park Authority, under the leadership of the CEO of the PDNPA. Other members of the Steering Group are from the North York Moors National Park Authority, Dartmoor National Park Authority, Exmoor National Park Authority and Northumberland National Park Authority.

The project will require strong partnership liaison, working closely with other National Park Authorities, Destination Management Organisations, Local Enterprise Partnerships, national commercial partners and local tourism businesses to develop the visitor experience across the 10 National Parks. The partnership arrangements will be developed as part of the business case development.

The total project cost, if successful, will be c. £1 million with 40% match funding (which equates to 20% cash match and 20% in-kind match)

This report seeks support and approval for the Peak District National Park Authority to act as lead partner in making the submission of the business case to the Discover England fund on 12 April 2017

5. Proposals

The deadline for the bid to the Discover England fund to Visit England is 12 April 2017.

The proposal is that the project will be led by the Peak District National Park Authority which, if the bid is successful, will act as the accountable body for funds. It is expected that the majority of activity will be co-ordinated centrally by staff appointed to lead the project by the Peak District NPA and Visit England/VisitBritain over a two-year period, with input from sustainable tourism officers in each of the National Parks and their respective Destination Management Organisations (DMOs).

Governance arrangements will be set up to ensure that each of the other nine National Park Authorities will work closely with the PDNPA to deliver the bid in partnership with local partners. The governance structure for bid delivery is being finalised at present, but is likely to consist of a National Programme board and three regional boards to ensure the project meets local needs.

Given the scale of the bid (£1million across ten National Parks) and the need for this to cover central delivery costs and overseas activities, it is unlikely that significant funds will be passed to individual NPAs. However, it is expected that all National Parks would be included and would feature as the ten flagship destinations for England's countryside – and for the bid to be successful it is important that all ten English National Parks are involved.

The bid is also expected to contribute towards the global strength of the UK National Parks brand, which will support our work through National Parks Partnerships to secure significant national corporate partnerships.

The rationale for the PDNPA to be the lead partner in submitting, and if successful leading implementation of, the business case and project is:

- Leadership – the UK and England tourism officers groups are led on behalf of all the National Park Officers (NPO) by the NPO in the Peak District National Park
- Geography – this is a country wide initiative and the Peak District sits at the heart of the country
- Track record – the Peak District is one of the larger National Park Authority's with a strong track record in leading external funding projects
- Collaboration with others bids - Marketing Peak District and Marketing Manchester are both progressing successful Expression Of Interest to business case submission which link well with, and will require liaison with during the development of the business case. The PDNPA have, and is developing, good links with these DMOs.

This is an opportunity for the PDNPA to be pioneering in boosting the visitor economy in National Parks, and as one of the most visited within the National Park family, an opportunity to promote responsible and sustainable visiting.

In encouraging enjoyment, and so visitors, to the National Park we recognise the importance of maximising the benefits to the National Park and promoting a sense of harmony and shared responsibility. In general terms, international visitors are more likely to stay overnight and spend more in the local economy. Developing the proposition and business case is an opportunity to support such existing ambitions within the Authority.

The detailed business case for the bid is in development and will consider the following opportunities/offers:

- An online portal for bookable experiences in England's National Parks and their influence areas; integrating guided experiences with high quality accommodation, locally distinctive food & drink and transport.
- Identify and enhance existing guided experiences in the National Parks delivered by the private sector, ensuring it is easily bookable online by independents and through the international travel trade.
- Create new bookable guided experiences in each National Park led by National Park Rangers and volunteers, maximising the value of international Ranger brand and utilising the people who keep the Parks special as authentic ambassadors for our places.
- Local ambassador training to improve the welcome for international visitors in our communities. Sense of place marketing toolkits which focus on international audiences and improve provision of multi-lingual resources for visitors.
- Awareness-raising activity in international markets. Working with VisitBritain and DMOs to engage with the travel trade and a global technology partner to create a virtual experience which generates wider global awareness.

As the proposition is developed it will be refined further and throughout the process we will continuously hone down the proposition to a very simple and focussed offer.

If the business case is successful the grant offer process and project set-up phase will be between May and June 2017. Project delivery is expected to run from July 2017 until March 2019.

Approval being sought is to submit the business case to Visit England by 12 April 2017.

If successful, officers will submit a further paper to the Audit, Resources and Performance Committee to seek approval to accept the grant offer for implementation of the project. This paper will outline in greater detail the project governance arrangements, financial arrangements and outputs to be delivered. RMT was consulted on the submission of the Expression of Interest and will be consulted before the final business case is submitted to Visit England.

Are there any corporate implications members should be concerned about?

6. **Financial:**
The costs analysis and funding will be developed during the development of the business case. During the business case development stage we will seek advice and assurance on state aid implications, EU Package Travel Regulations, procurement requirements and ability to cover business support costs.

7. **Risk Management:**
There is a risk that the unknowns in the project at this time will result in the Peak District National Park Authority not being considered as the best organisation to lead the project. As the proposition is developed and refined further we will continuously monitor the risks and a report bought to RMT before the business case is submitted.

8. **Sustainability:**
There are no issues to highlight.

9. **Equality:**
There are no issues to highlight.

10. **Background papers (not previously published)**
None

Appendices

Appendix 1: Expression of Interest to the Discover England Fund

Report Author, Job Title and Publication Date

Sarah Fowler, Chief Executive, 9 March 2017

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VISIT ENGLAND: DISCOVER ENGLAND FUND – Two Year Project (Expression of Interest)

Working title: Make great memories in England's National Parks and Countryside

Product theme / geographical coverage: From the north east to the south west of England our National Parks already host a fifth of all rural tourism spend in England. All ten National Parks aim to simplify the ability for international visitors to research, book and immerse themselves in inspiring and authentic countryside experiences.

Summary:
National Parks are the most iconic, awe-inspiring landscapes of the English countryside. Internationally unique, people have lived in these landscapes for centuries creating distinct cultures, traditions and food, rich archaeology, nature and space to experience the tranquillity and wildness of England's countryside. Unlike many National Parks across the world, our parks are free to enter and are relatively accessible from town and city destinations. Our project will showcase the authentic local welcome to England's countryside by delivering:

- An online portal for bookable experiences in England's National Parks and their influence areas; integrating guided experiences with high quality accommodation, locally distinctive food & drink and transport.
- Identify and enhance existing guided experiences in the Parks delivered by the private sector, ensuring it is easily bookable online by independents and through the travel trade.
- Create new bookable guided experiences in each park led by National Park Rangers and volunteers, maximising the value of international Ranger brand and utilising the people who keep the Parks special as authentic ambassadors for our places.
- Local ambassador training to improve the welcome for international visitors in our communities. Sense of place marketing toolkits which focus on international audiences and improve provision of multi-lingual resources for visitors.
- Awareness-raising activity in international markets. Working with VisitBritain and DMOs to engage with the travel trade and a global technology partner to create a virtual experience which generates wider global awareness.

Project rationale:

Creating focus
We aim to make it easier for Outdoor Enthusiasts, Cultural Adventurers and Mature Experience Seekers to soak up the culture, local heritage and landscape of our National Parks. The project primarily falls into the categories of 'Scenery and Rural Life' and 'Outdoor Leisure'; we also expect to generate some additional interest in 'Action & Challenge'. The market opportunity guidance shows a high level of interest and spend from these segments and activities, we have mapped this in **Annex 1**.

Research from the Cool Project (which involved the Broads and Exmoor National Parks), discussions with commercial partners and our identified segments in the market opportunity guidance have shown us that visitors from Germany and Benelux countries seek such authentic experiences, such as: walking, cycling, immersing themselves and learning about the heritage and countryside as free independent travellers. We anticipate this will be our primary audience.

Maximising impact

We will respond to low visitor awareness and tackle the fragmented nature of the offer of these experiences to join up across our Parks. Among the English National Park family, international awareness varies, we will use familiarity with our most popular locations (e.g. the Lake District National Park) to cross-promote other parks and encourage multi-park itineraries.

Visitors will be able to take virtual journeys through our Parks, be signposted to the best bookable activities, creating new experiences with our guides and local experts. We will simplify the booking process and link this with quality local accommodation, food and drink and transport to get to and around the Parks.

We will make it easier for visitors to purchase experiences within National Parks. Our National Parks are well served for self-guided activities (online and paper guides/maps for walks, bike rides, local heritage), but our guided-experience offer is weaker than our international competitors. Local guides can be found in our National Parks, but they are generally micro-businesses with limited availability and can be challenging to book with online. We will work with existing providers to enhance their product offering and boost capacity.

Simplification

We will create a portal on the National Park UK website, with links to DMO and National Park websites, that allows visitors to go on a 'journey' that
*inspires them with images and video of the stunning and varied landscapes that offer real and personal experiences
*enables a virtual exploration of the National Parks to get an understanding of the quality of the landscape, the experiences on offer and to showcase their unique selling points, compared to European National Parks, as living landscapes
*enables people to book coherent and developed experiences in advance

Experience Enhancement

*Working with the DMOs, local providers and people to develop a wide range of 'unique local' experiences. These will include enriching activities such as using specialist staff and volunteers for Ranger-led activities, local wildlife walks, farm walks, local cookery courses and camping experiences, alongside our more established walking/cycling and outdoor activity experiences. We will also amplify the profile of more unique and surprising experiences international visitors may not expect to find in England, for example, whale-watching near North York Moors, dark sky experiences in Northumberland, Via Ferrata in the Lake District and vineyard tours in the South Downs.

*The value and appeal will be that visitors are meeting people who care deeply for the places they live and work in and experience aspects of rural life in the English countryside

not otherwise experienced.
*Providers and those associated with ensuring a positive and warm welcome will undergo Ambassador training, equipping them to help bring the landscapes of our National Parks to life with informal but relevant and stimulating information.

Achievement/Connection

*The target markets identified will leave with the positive associations of a special welcome and a unique and memorable experience which leaves them feeling more engaged in the destination (feeling like a local!) and positive about England and its varied and unique experiences. This will be enhanced through further marketing of English National Parks sense of place and their distinctiveness.
*These they will then share through easy-to-book repeat visits, wanting to visit other English National Parks on their next trip and sharing their experiences via social media or directly with family and friends.

Creating scale
As hero products for England's countryside, National Parks showcase our best countryside and stimulate innovation in rural regeneration. Sharing how we develop distinctive and exceptional visitor experiences with our host communities will inspire other destinations to develop their own opportunities and attract increased rates of return visits to the English countryside. We will explore the opportunity to develop complimentary marketing to the long-haul market with Marketing Peak District and Derbyshire as they develop their Great Walking Trails of England project.

New visitors attracted will experience the breadth and diversity of the English countryside and we would aim to capitalise on this through repeat visits to other rural destinations such as AONBs.

Key National Park partners:
- All ten of England's National Park Authorities: Northumberland, Lake District, Peak District, Yorkshire Dales, North York Moors, The Broads, New Forest, South Downs, Dartmoor, Exmoor.
- National Parks UK – Communications organisation for the UK National Parks brand and guardians of the nationalparks.gov.uk website and social media channels.
- National Parks England – Representative body for the ten National Parks in England, providing an effective voice for all ten of England's National Parks to Government.
- National Parks Partnerships LLP – company owned by all 15 of the UKs National Parks to develop successful partnerships with the private sector.

Commercial Partners:
The National Park family has recently created a new organisation called National Park Partnerships, to help us develop successful commercial partnerships with the private sector. NPP will support the development of high-value partnerships for the project if we are successful in the EOI. By way of example, NPP is close to a partnership with a global partner, who could provide significant international promotion activity for the English National Park family. In addition, the Wyndham Group (owners of Hoseasons and Cottages.com) support this project. The Wyndham group has a

significant amount of quality-assessed self-catering accommodation product within all ten of the National Parks. Hoseasons and sister brand Landal Green Parks (establishing on the edge of two of England's National Parks in 2017) have strong appeal to our target audiences in the Benelux countries and Germany. We appreciate any distribution partner is likely to be subject to procurement.

We would like to work with a high-profile global technology provider to develop virtual experiences of England's National Parks to inspire and attract. The US National Park Service benefitted from significant global exposure by Google in 2016, through The Hidden Worlds of the National Parks. The English National Park family has established contacts within Google from the development of Google Trekker routes across some National Parks and will look to develop this further.

The National Park family works closely with Ordnance Survey (OS); as Britain's national mapping agency, they produce quintessentially English mapping of the England's Countryside and have recently developed premium National Park features within their app, OS Maps. OS support our project which will meet with their aims to make England's countryside more enjoyable, accessible and safe. If successful we will work with OS to make England's countryside easier to navigate by international visitors (with use of their digital API), by integrating their digital navigation products into the booking system and making their products more user-friendly for international visitors to England.

Destination Management Organisations:
Initial support has been secured from most of our DMOs within the time available. We see DMOs as providing a vital link to tourism businesses, and we hope to develop opportunities to integrate existing DMO product databases into any new booking systems to connect the National Park experience to high quality accommodation, and the distinctive local food & drink offer. We have secured initial support from DMOs below highlighted in bold. Approaches to remaining DMOs will be undertaken in stage two.

Northumberland	***Northumberland Tourism Ltd***
Lake District	*Cumbria Tourism*
Peak District	***Visit Peak District and Derbyshire***
Yorkshire Dales	***Welcome to Yorkshire***, *Cumbria Tourism*
North York Moors	*Visit York*, ***Welcome to Yorkshire***
The Broads	***Broads Tourism***
New Forest	***New Forest Destination Partnership, Tourism South East, Visit Hampshire***
South Downs	***Tourism South East***, *Visit Chichester*, ***Visit Sussex, Visit Hampshire***, ***Visit Winchester,*** *Sussex-by-Sea, Visit Worthing*, ***Visit Brighton***, *Visit Eastbourne*
Dartmoor	***Visit Dartmoor (ATP)***
Exmoor	***Exmoor Tourism***, *Visit Somerset, North Devon Marketing Board*

LEPs:
We will work with Local Enterprise Partnerships so our our Stage Two bid complements their Strategic Economic Plans and complements other investments they are making in the visitor economy. Engagement to date with LEPs around this project has been limited; however, all ten National Park Authorities have strong relationships with their LEPs and we are confident that we can engage with all relevant LEPs in Stage Two. For example D2N2 is a good advocate of promoting the visitor economy.

Northumberland	*North East LEP*

Lake District	*Cumbria LEP*
Peak District	*D2N2 LEP, Sheffield City Region LEP and StokesStaffs LEP plus others*
Yorkshire Dales	*York, North Yorkshire and East Riding LEP, Cumbria LEP, Leeds City Region LEP*
North York Moors	*York, North Yorkshire and East Riding Enterprise Partnership*
The Broads	*New Anglia LEP*
New Forest	*Enterprise M3 LEP*
South Downs	*Enterprise M3, Coast to Capital, South East LEP*
Dartmoor	*Heart of the South West LEP*
Exmoor	*Heart of the South West LEP*

Delivery Structure:

- One National Park Authority will be the lead organisation for the programme, this will be agreed if the EOI be successful but is likely to be the Peak District National Park Authority, and will recruit and employ the staff, which will be hosted in regional hubs.

Proposed governance:

- Programme Board (comprising two representatives from the three Regional Boards and VisitEngland/VisitBritain)
- Three Regional Boards (comprising England's National Park Authorities, DMOs, Local Wildlife Trusts, Local Tourism associations) i.e.
  - Northern Regional Board: Northumberland, North York Moors, Lake District, Yorkshire Dales, Peak District
  - South East Regional Board: Broads Authority, South Downs, New Forest
  - South West Regional Board: Dartmoor, Exmoor

National Parks England Main Contacts:

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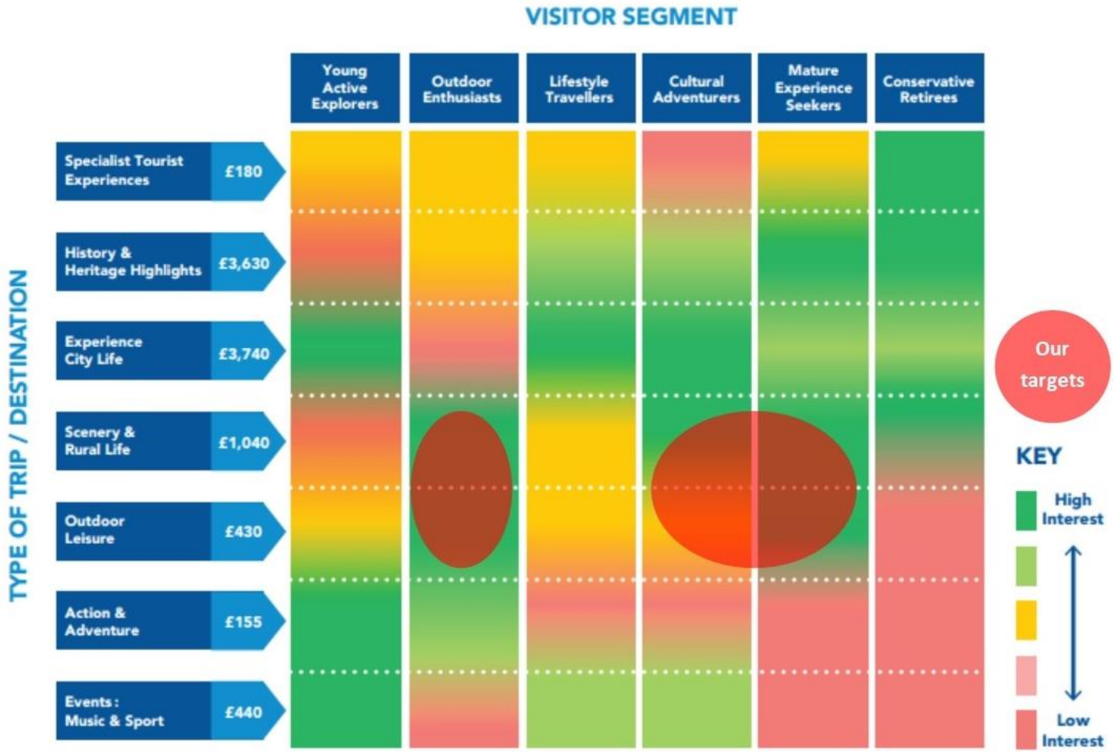
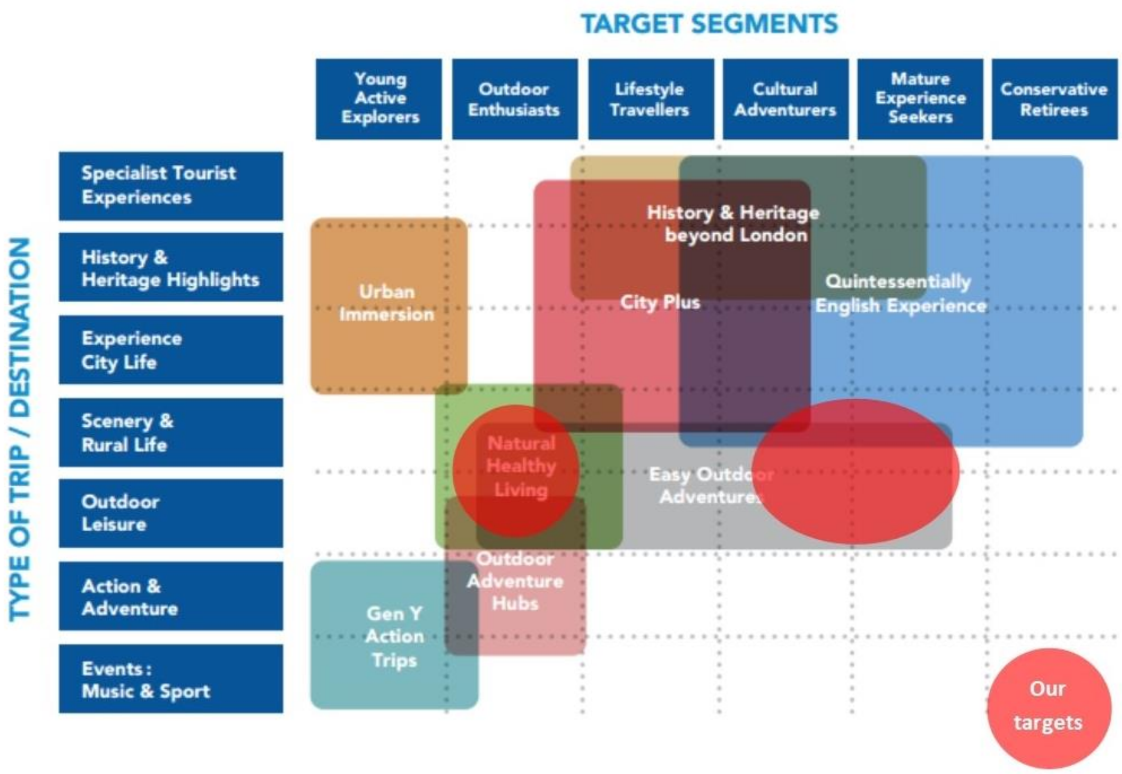
Annex 1 – Our target segments





11. NATIONAL PARKS ENGLAND WORKING GROUP ON THE FUTURE OF FARMING (SF)

1. Purpose of the report

National Parks England (NPE) established a Member-led task and finish group to provide advice to the NPE Board on the strategic priorities in relation to farming post Brexit to ensure environmentally sustainable farming in national parks and the pursuit of National Park purposes.

This report shares with members the emerging thinking from the group and is presented to the Authority to offer an opportunity for members to comment on this emerging thinking and before it is finalised in April 2017.

Key Issues

- National Parks England (NPE) established a Member-led task and finish group to provide advice to the NPE Board on the strategic priorities in relation to farming post Brexit to ensure environmentally sustainable farming in national parks and the pursuit of National Park purposes.
- The group has set out its outline thinking and an emerging vision and is now seeking views from the 10 English National Park Authorities on their draft ideas before their next meeting and before a discussion at the next NPE Board meeting.
- The purpose of the paper is inform NPE discussions with Defra on the future of farming in England post Brexit and especially how it might relate to National Parks.
- Members are asked to comment on the working draft attached at Appendix 1 to enable comments to be fed into the working group, via the Chair of the Peak District National Park Authority, at the next NPE Board meeting on 7 April 2017.

2. Recommendation(s)

1. **To note the working draft document from the NPE Future of Farming Group and offer comments for the Chair and CEO to use to inform the consideration of, and outputs from, this working group.**

3. How does this contribute to our policies and legal obligations?

Farming and land management has an important role in caring for the special qualities of the Peak District National Park. The emerging thinking from the future of farming in National Parks presents an opportunity to inform the national debate on the future of farming post Brexit to enable future schemes to recognise and value the role of farming in caring for our protected landscapes in the National Parks.

4. Background

National Parks England (NPE) established a Member-led task and finish group to provide advice to the NPE Board on the strategic priorities in relation to farming post Brexit to ensure environmentally sustainable farming in national parks and the pursuit of National Park purposes.

The Group has sought to paint a high level picture of how National Parks might be involved in the debate on the future of farming in a post Brexit world. It is intended to help inform discussions with Defra as they shape future policies and support for farming in England. The paper has been written in a moment in time, given what is currently known, and as thinking and the policy landscape evolves so will thinking in this paper.

The group is chaired by Jim Bailey (North York Moors National Park Authority) and its members are Sir Sebastian Anstruthers (South Downs National Park Authority), Neil Heseltine (Yorkshire Dales National Park Authority), Robin Milton (Exmoor National Park Authority), Adrian Shepherd (an officer at Yorkshire Dales National Park Authority) and Kevin Bishop (National Park Officer at Dartmoor National Park Authority).

The group has set out it outlining thinking and an emerging vision and is now seeking views from the 10 English National Park Authorities on their early draft ideas.

The Future of Farming Group are due to meet in mid-late March. The group will be seeking support for the draft vision and thinking from NPE Directors (Chairs of National Park Authorities) at the next NPE Board meeting on 5 April 2017.They are seeking comments from National Park Authorities before this meeting

Members are asked to comment on the working draft from the working group (see appendix 1) to enable a collective member view to be fed into the working group. This will inform the Chair of the Peak District National Park Authority's response to the NPE Board meeting on 7 April 2017.

The Head of Landscape and Conservation, through the officer-led England Agriculture and Rural Development Group, has also been invited to comment on this paper

The Campaign for National Parks (CNP) has a working group looking into the future of upland farming in National Parks. Robert Helliwell is a member of this group. Comments by members on the NPE working group will offer a useful opportunity for Robert to share members' views with the CNP working group.

5. **Proposals**

That the members be given an opportunity to comment on the emerging thinking and vision from the Future of Farming Working Group for the Chair and CEO to share to the group in advance of their next meeting and next meeting with NPE.

Are there any corporate implications members should be concerned about?

6. **Financial:**
There are no additional costs.

7. **Risk Management:**
There are no risks to highlight.

8. **Sustainability:**
There are no issues to highlight.

9. **Equality:**
There are no issues to highlight.

10. **Background papers (not previously published)**
None

Appendices:
Appendix 1: Working draft paper of the future of farming group

Report Author, Job Title and Publication Date

Sarah Fowler, Chief Executive, 9 March 2017

Appendix 1: National Parks England Working Group on the Future of Farming

A WORKING DRAFT

Future of Farming

Background

National Parks England (NPE) established a Member-led task and finish group to provide advice to the NPE Board on the strategic priorities in relation to farming post Brexit to ensure environmentally sustainable farming in national parks and the pursuit of National Park purposes. The group is chaired by Jim Bailey (North York Moors) and its members are Sir Sebastian Anstruthers (South Downs), Neil Heseltine (Yorkshire Dales), Robin Milton (Exmoor), Adrian Shepherd (Yorkshire Dales) and Kevin Bishop (Dartmoor).

This report provides a progress report to NPE Directors, outlines initial thinking and seeks views on our vision.

Progress

The intention of the group is to produce a draft report for National Park Authorities to comment on in March 2017 before presenting it to Directors for approval and potential submission to Defra. The timescale should enable us to have a common position and ideas to contribute as part of the consultations that we envisage will take place around the forthcoming Green Papers on the Environment and Food, Farming and Fisheries.

The focus of the report is on recommendations for post EU exit arrangements for investing in land management within the English National Parks and we have outlined below our initial ideas. The report will not design a new support or agri-environment scheme but outline principles and the potential structure for such a scheme with the aim of securing Ministerial and officer support in Defra and beyond to develop our ideas.

Farming or land management? We have used the phrase farming but in so doing are cognisant that we are talking about land management by land owners and farmers (who might be tenants, owner occupiers and/or commoners).

Most land in the English National Parks is used for farming and it is predominantly the impact of agriculture on the natural features of these areas that has shaped the present landscape and led to their designation as National Parks. However, history tells us that farming systems are not always environmentally benign and it is important that the policy and financial framework within which farming operates is clearly focused on sustainability in environmental, economic and social terms. Despite a significant public investment in farm and agri-environment support over the last 30-40 years there are issues of:

- Degraded soils
- Falling biodiversity
- Lower resilience to flood and drought
- Marginal returns for traditional farm systems
- Increasing disconnect between 'town' and 'country' / 'people' and 'nature'

Farming is a key part of the economy of our National Parks. Public investment in agri-environment schemes in the English National Parks accounted for £67m in 2016 (this excludes Basic Payment Scheme payments). If this public investment were reduced it could have a significant impact on our rural communities and the cultural traditions that are part of the social fabric of our National Parks.

EU exit will mean that the £3bn plus annual investment in farm support by the taxpayer will be under much closer scrutiny than ever before. Farming will be 'fighting' for public support along with health, education, defence etc. There will be many who see an opportunity to reduce this expenditure and deliver better value for public:

- We know that officials are already asking questions about whether it is best to focus investment in the uplands (and other remote rural areas) or the urban fringe – areas closer to people who will benefit
- The ideas of re-wilding are seen by some as offering environmental improvement and financial savings
- There is also the discussion about creating markets for ecosystem services but we are still a long way from creating a market for such services and pricing the priceless.

Our starting point is that we want to see our National Parks remain as living, working landscapes where sustainable farming systems are playing an active role in delivering a wide array of public benefits and the farmers or land managers doing this work are rewarded for these services. It is important that future agri-environment/land management schemes encourage and enable farmers to be effective stewards or custodians of our National Parks – harnessing their expertise so that the environment is as much a part of their farm businesses as high quality food production.

We have outlined below our initial thoughts regarding a future support/investment scheme.

National Park Custodian Scheme

This could be in the form of a 'certification scheme' – voluntary for farmers, active managers to sign up to. It would replace the Basic Payment Scheme and be equivalent to a broad and shallow agri-environment scheme. In return for a base level payment there would be certain management obligations (tailored to each National Park) and some cross compliance. The Scheme would seek to build the National Park brand ie those signing up can use the National Park logo to symbolise that they are contributing to the management of our NP landscapes, this could also help to develop the National Park food economy (ie links to 8 Point Plan for National Parks). We envisage soil condition being a key building block for the custodianship scheme.

People who enter into this scheme would also be eligible for farm business advice. We envisage a farm plan (linking environment and business) to be the baseline for this scheme. This builds on the experience of the Dartmoor and Exmoor Hill Farm Projects and the work Yorkshire Dales and North York Moors on farm business plans and innovation. It integrates economy and environment which is key theme of our initial thinking.

There is an opportunity to promote this Custodian Scheme (and the locally-led agri-environment scheme) through our National Park Centres – communicating and reinforcing the role that the farming/land management community are playing in managing the National Parks for the benefit of all.

Such a scheme could be part of a wider national scheme (but with specific National Park measures/requirements) or standalone.

Locally-led Agri-environment or Sustainability Schemes

As well as the entry level Custodian Scheme (open to all farmers/land managers) which is focused on ensuring a base level of good environmental management and husbandry there would be locally-led sustainability or agri-environment schemes.

These schemes would be focused on delivering multiple environmental benefits with options that allow for delivery of:

- Landscape
- Biodiversity
- Carbon management
- Water management

- Woodland management (and creation)
- Historic environment
- Access and education
- Whilst also facilitating the production of high quality food through sustainable farming systems

The scheme should:

- include the potential for capital as well as revenue payments (eg capital payments for key landscape features such as stone walls and hedgerows)
- be outcome focused and avoid management by prescriptions. Aim should be to engage with farmers and involve them in agreeing environmental outcomes that they will deliver through the schemes, allowing them the opportunity to design the management to deliver and be engaged in monitoring (either directly or by commissioning the monitoring)
- evidence-based
- offer multi-year agreements (at least five year agreements and ten for common land to reflect complexities of getting agreement on commons)

The local approach provides an opportunity for: savings through greater ownership of schemes (ie less risk of failing agreements); lower administration costs; a focus on public payments for public benefits; and local communication of this and innovation.

Within this locally led approach there is the opportunity to develop new systems:

- Environmental tenders – whereby farmers bid to deliver rather than sign up for certain management options, this could help reduce costs and reward collective or landscape scale action
- Payment by results – building on the work in the Yorkshire Dales
- Incorporating private payments alongside public investment (eg for water and carbon management)

Wider rural development

Part of our vision for locally-led agri-environment schemes should be our ability to deliver integrated, place-based solutions. This would mean us having resources for wider rural development (the Leader type model of community-led local development building on our experience of the Sustainable Development Fund). This might be in the form of grants but could also be loans (ie a revolving fund rather than one-off injections of capital). There should also be the opportunity for revenue spend.

We believe that this approach can help re-inforce the role of the National Park Management Plan as partnership plans for the place – priorities for locally–led schemes would emerge through this planning process.

Role of the National Park Authority

We envisage the Authorities having a role focused on scheme development, facilitation and advice ie working with the farming community to develop and run the schemes but not being the paying agency. Our role would be of ‘environmental broker’ – helping to co-design (with the farming and land management community) schemes, encourage their take up, demonstrate that they are working (or not), work to secure new sources of funding for environmental services and promote the benefits of these schemes to those who visit and enjoy our National Parks. This could operate via a service level agreement with Natural England if they retain overall responsibility for delivery of agri-environment post EU exit. We would also need to consider the resource implications ie what staffing such an approach would require.

Conclusion

This report outlines our initial thinking and we would welcome any comments about the ‘direction of travel’. In particular, we would like the views of Directors on our vision as this is central to our thinking:

> We want to see our National Parks remain as living, working landscapes where sustainable farming systems are playing an active role in delivering a wide array of public benefits and the farmers or land managers doing this work are rewarded for these services. It is important that future agri-environment/land management schemes encourage and enable farmers to be effective stewards or custodians of our National Parks – harnessing their expertise so that the environment is as much a part of their farm businesses as high quality food production.

This vision does not seek to preserve our Parks in aspic or prevent innovation - they need to evolve and change but in a planned and managed way that reflects their designation as national assets for the benefit of all.