Public Document Pack

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

Our Ref: A.1142/2106

Date: 7 March 2019

NOTICE OF MEETING

Meeting: **National Park Authority**

Date: **Friday 15 March 2019**

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 of 1 February 2019 *(Pages 5 - 8)* 5 mins

4. Urgent Business

5. 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.

6. 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.

7.	**Treasury Management Policy Statement and Annual Treasury Management and Investment Strategy (A1327/PN)** *(Pages 9 - 50)* Appendix 1 Appendix 2 Appendix 3	15 mins
8.	**Climate Change Vulnerability Assessment 25 % of Features (EF)** *(Pages 51 - 60)* Appendix 1	30 mins
9.	**Agreeing the methodology for reviewing the National Park Local Plan (BJT)** *(Pages 61 - 72)* Appendix 1	45 mins

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The Local Government Act 1972 requires that the Authority shall list any unpublished Background Papers necessarily used in the preparation of the Reports.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 362/352. 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 1 February 2019 at 10.00 am

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

Chair: Cllr A McCloy

Present: Mr P Ancell, Mrs P Anderson, Mr J W Berresford, Cllr D Birkinshaw, Cllr P Brady, Cllr C Carr, Cllr M Chaplin, Cllr A R Favell, Cllr C Furness, Mr Z Hamid, Cllr Mrs G Heath, Mr R Helliwell, Cllr H Laws, Cllr Mrs C Howe, Cllr C McLaren, Cllr J Perkins, Cllr Mrs K Potter, Cllr Mrs L C Roberts, Mr K Smith and Cllr B Woods

Apologies for absence: Cllr D Chapman, Cllr J Atkin, Cllr A Hart, Cllr J Macrae, Cllr R Walker and Cllr F J Walton.

1/19 CHAIR'S ANNOUNCEMENTS

The Chief Executive reported that following approval by Members of the Corporate Strategy 2019-2024 at the last Authority Meeting in December 2018, a link was now available on the homepage of the National Park Website to both the full and summary versions of the Corporate Strategy. The link will be emailed to all Members so that it can be accessed directly, and we will be discussing how we communicate this with all our partners on our future plans.

The Chair reported that he would be producing an E-Bulletin shortly to Members to update them on meetings he had attended recently, but wanted to bring to the attention of Members the following:

- A meeting with Hardyal Dhindsa, Derbyshire Police & Crime Commissioner to discuss rural and wildlife crime, including birds of prey persecution.
- National Park Management Plan Events Management Workshop, which looked at organised events, how they are co-ordinated and managed, and the impact the events had on local communities.
- 2 members of The Oglesby Charitable Trust, who are based in Manchester covering the North West of England, were taken onto the Great Ridge to thank them for their generous donation of £40,000 towards the BMC Mend Our Mountains Campaign.

2/19 MINUTES OF PREVIOUS MEETING OF 7 DECEMBER 2018

The minutes of the last Authority Meeting held on 7 December 2018 were approved as a correct record.

3/19 URGENT BUSINESS

There was no urgent business to report.

4/19 PUBLIC PARTICIPATION

There were no members of the public to make representations to the Authority.

5/19 MEMBERS DECLARATIONS OF INTEREST

There were no Members Declaration of Interest.

6/19 BUDGET 2019/20 (A137/PN)

The Authority were asked to approve the 2019/20 Budget. It was noted that the budget had been prepared in accordance with the approach to investing in delivery of the Authority's Corporate Strategy presented to Members on 7th December 2018, and workshops during the year.

It was noted that the 2019/20 financial year was the final year of the 4 year current spending review period, and it showed the inflation protection announced by the Chancellor in his Statement of 2015, which was then set out in the settlement letter from DEFRA in 2016. This showed an increase in the National Park Grant in 2018/19 of £113,272.

In discussing the report Members sought and received assurances on the reserve position.

Cllr Jim Perkins left the room at 10:23 and returned at 10:27

Members thanked the Head of Finance for a clear budget report and for making it self-explanatory.

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

RESOLVED:

1. **To approve the base budget for the 2019/20 financial year shown in Appendix 1 and 2 of the report.**

2. **To note the financial position of the Authority in the period up to March 2020 as explained in paragraph 11 of the report.**

7/19 UPDATE ON WORKING TOGETHER ACROSS THE UK NATIONAL PARKS (SF)

The Chief Executive introduced the report and updated Members on what progress had been achieved working collectively together at the England and UK National Park level over the past year, and on some of the future plans.

The application for the National Parks Charity Foundation was now with the Charity Commission.

The Head of Programme for the Discover England's National Parks Project, informed Members of "The English National Park Experience Collection" which would give visitors the opportunity to experience first-hand these living landscapes.

There are currently 75 brand new accessible and bookable experiences across the National Parks, with 10 of them being here in the Peak District working with a wide range of businesses. An official booklet showing all of the experiences that are available has been published and an official launch took place at Haddon Hall on the 31st January. The collection will be available this year. Some of the experiences include:-

- A behind the scenes tour of Haddon Hall.
- Blue John Stone Experience at Treak Cliff Cavern, where you can mine your own piece of blue john and make it into a piece of jewellery.
- Planting sphagnum moss with the Moors for the Future Team.
- Climbing through history at Stanage Edge
- Retro bike hire tour and tea at Tissington Hall
- Aviation History, discovering some of the aircraft wrecks in the Peak District.
- Story of Eyam – Plague Village Tour
- Forest in a bottle experience, foraging botanicals and flavours from the area of Macclesfield Forest to flavour gins.
- Walks/Cycle Hire with a Ranger

A "Discover the UK National Parks" Booklet was distributed to all Members and a video, which showed the experiences that are available throughout the National Park Network, was then shown to the meeting. The Chief Executive informed Members that the video could be shared as well.

Cllr Jim Perkins left the meeting at 10.53 during discussion of this item.

Members congratulated National Parks England and all for the working together across the 15 UK National Parks. The motion to approve the recommendation was moved, seconded, put to the vote and carried.

RESOLVED:

That the report be noted.

The meeting ended at 11.15 am

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7. 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 funtions 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 20th February 2019 – and which Members are asked to adopt.

   The 3 year Service Level Agreement with North Yorkshire County Council ends on 6th April 2020 and the Authority is fortunate to have access to this arrangement and is grateful for NYCC’s continued partnership approach, with the contract being renewed in April 2017. The Chief Finance Officer is 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.

   In December 2017, CIPFA issued a revised Treasury Management Code of Practice and Prudential Code. The revised Codes require all local authorities to produce a Capital Strategy. The Capital Strategy provides a high level overview of how capital expenditure, capital financing and treasury management contribute to the provision of Corporate and service objectives and takes account of stewardship, value for money, prudence, sustainability and affordability. The Authority approved a revised Capital Strategy covering the period up to 31st March 2020 on 4th December 2015 (Authority Minute 124/15) and this remains the reference document complying with this requirement. A new Capital Strategy for the next 5 year period aligned to the new Corporate priorities from 1st April 2020 to 31st March 2025 will be approved by a future Authority meeting to meet this requirement in the future.

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 Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Government Investments and Minimum Revenue Provision

Proposals

5. <u>Borrowing</u>

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 tends to be limited, 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, as increasing reliance on National Park Grant to finance debt repayments is not considered to be sustainable.

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 2018 the Authority's C.F.R was £1,074,651 (£967,171 at March 31st 2017) of which £497,306 was a Public Works Loan and the remainder, £577,345, 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 Housing Communities and Local Government - MHCLG) 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. <u>Investing</u>

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 2019/20 budget has assumed that a rate of return of approximately 0.9-1.0% p.a. will be achieved – the estimated interest receipts being £50,000 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 20/02/19)

Appendices
Appendix 1 - An over-arching Treasury Management Policy Statement
Appendix 2 - An Annual Treasury Management and Investment Strategy
Appendix 3 - North Yorkshire County Council Treasury Management Report (relevant extracts of full report 20/02/19)

Report Author, Job Title and Publication Date

Philip Naylor, Chief Finance Officer, 7 March 2019

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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

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; however as part of the decision making on investment proposals common accounting decision making tools such as net present value, profitability indices and Interest cover ratios are used, together with assessment of 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. The mandatory prudential 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 has been one approval in this current financial year.

Minute	Date	Approval	Reason	Amount financed from internal funds	Debt from PWLB	Annual charge to budget	Ending
RMT 14/18 and 2019	30/07/18	£110,000	Tenancy refurbishment Warslow Estate properties	£110,000	£0	£6,317	2044/5

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. Trails infrastructure of £600,000, Millers Dale station £657,000), plus the estimated impact of other projects in the recently approved Capital Programme.

	Actual 2017/18 £	**Estimate 2018/19 £**	**Estimate 2019/20 £**	**Estimate 2020/21 £**	**Estimate 2021/22 £**
Total Capital Expenditure	**598,599**	**672,000**	**1,891,000**	**935,000**	**1,155,000**
Financed from Grants	(96,827)	(0)	(287,000)	(0)	(0)
Financed from revenue	(221,102)	(242,000)	(80,000)	(65,000)	(65,000)
Financed from capital receipts	(31,695)	(110,000)	(944,000)	(595,000)	(375,000)
Net Total (financed from borrowing)	**248,975**	**320,000**	**580,000**	**275,000**	**715,000**

Under current economic circumstances 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 2017/18 onwards reflecting actual and potential Capital Programme projects.

	Actual 2017/18 £	**Estimate 2018/19 £**	**Estimate 2019/20 £**	**Estimate 2020/21 £**	**Estimate 2021/22 £**
C.F.R	1,074,651	1,307,741	1,739,871	1,851,901	2,370,831

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 2017/18 £	Estimate 2018/19 £	Estimate 2019/20 £	Estimate 2020/21 £	Estimate 2021/22 £
Borrowing Costs	47,688	126,142	200,066	218,527	267,195
Net Revenue	6,474,218	6,585,575	6,698,847	6,698,847	6,698,847
Percentage	0.74%	1.92%	2.99%	3.26%	3.99%

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 2017/18 £	Estimate 2018/19 £	Estimate 2019/20 £	Estimate 2020/21 £	Estimate 2021/22 £
Capital Financing Requirement	1,074,651	1,307,741	1,739,871	1,851,901	2,370,831
Temporary investments	(6,848,981)	(6,500,000)	(6,000,000)	(5,000,000)	(3,500,000)
Net External Borrowing	(5,774,330)	(5,192,259)	(4,260,129)	(3,148,099)	(1,129,169)

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.

	2019/20 £m	2020/21 £m	2021/22 £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.

	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	1.8	1.9	2.5
Other Long Term Liabilities	NIL	NIL	NIL
Total	**1.8**	**1.9**	**2.5**

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

	Actual 2017/18 £	Actual 2018/19 £	Estimate 2019/20 £
External Debt	497,306	472,706	446,937

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 2019/20, 2020/21 and 2021/22 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 2019/20, 2020/21 and 2021/22 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 <u>annuity</u> 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. Base interest rates are currently 0.75% and the 2019/20 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, in the region of 0.9-1%.

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 £7m 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 was renewed in April 2017 for a further three years – up to 6th April 2020.

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 2019 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 2019/20 Budget, with an assumption of 0.9% 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

NB Items not relevant to the Peak District National Park Authority have been removed although the paragraph numbers remain in place to mark where text has been deleted.

Sections 8 and 10 have been retained as the arguments, although applied here to NYCC, apply equally to the PDNPA and the PDNPA is following the same approach.

NORTH YORKSHIRE COUNTY COUNCIL

ANNUAL TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2019/20

1.0 INTRODUCTION

1.1 Treasury Management is defined as

"The management of the County Council's borrowing, 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 2019/20 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**)
- Prudential Indicators (**Schedule E**)

1.5
1.6

1.7 The Annual Treasury Management and Investment Strategy was approved by the County Council on 20 February 2019.

2.0 TREASURY LIMITS FOR 2019/20 TO 2021/22

2.1
2.2
2.3

3.0 PRUDENTIAL INDICATORS FOR 2019/20 TO 2021/22

3.1
3.2

4.0 CURRENT TREASURY POSITION

4.1

5.0 BORROWING REQUIREMENT AND BORROWING LIMITS

5.1
5.2
5.3
5.4

5.5

6.0 BORROWING POLICY

6.1-6.10

7.0 PROSPECTS FOR INTEREST RATES

7.1 Whilst recognising the continuing volatility and turbulence in the financial markets, the following paragraphs present a pragmatic assessment of key economic factors as they are likely to impact on interest rates over the next three years.

7.2 In terms of the key economic background and forecasts, looking ahead the current position is as follows:

a) The UK Economy

- There has been a positive flow of economic statistics since the start of the year with a steady growth in GDP, although growth is expected to have weakened in the final quarter of the year.
- The MPC have repeatedly stated that future Bank Rate increases would be gradual and to a much lower steady rate (expected to be around 2.5%) than before the financial crash. However, with so much uncertainty around Brexit, the MPC have warned that the next move in Bank Rate could be up or down. Assuming that a timely Brexit deal is agreed and in view of the stance of the MPC at their November meeting, the next increase in Bank Rate is currently forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.
- The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%). However, this inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget.
- The current forecasts are based on the assumption that there is no change in government and an orderly Brexit is achieved in March 2019 or sometime shortly after. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up,

b) Global Economy

Global Outlook

- World growth has been aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken. Inflation has been weak during 2018 but, falling unemployment in the US and UK has led to a marked acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

Central Bank Policy

- Nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, some economists have assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through measures such as quantitative easing (QE).
- It would now appear the global economy is transitioning from a period of stimulating economic recovery and addressing potential deflation to reversing the measures employed and addressing potential inflation. A key risk to the economy in this period will be the timing of central bank measures, such as the reversal of QE and raising of interest rates, in order to avoid shocks to market expectations that could destabilise financial markets.

European Union (EU)

Growth remained consistent in the Eurozone throughout 2018. In particular, data from Germany was been mixed, potentially impacted by US tariffs on manufacturing exports. Although growth is still expected to be in the region of nearly 2% for 2018, the forecast going forward is less clear with the European Central Bank ended QE purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may not raise interest rates in 2019 if the growth rate of the EU economy is on a weakening trend.

USA

- The US fiscal policy is fuelling a, (temporary), boost in consumption, which has generated an upturn in strong growth. The strong growth in employment numbers and the reduction in the unemployment rate has seen an upturn in wage inflation. CPI inflation, however, fell overall in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued its series of increases in interest rates, although forecast for future increases is expected to be lower.

Asia

- Economic growth in China has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Moreover, Japan has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will continue in the medium term to try to stimulate growth and modest inflation.

c) Link Asset Services Forward View

- Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions) are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

- The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. As a result, the Fed has continued to address rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US bond yields rise during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

- Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

- From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

- The overall balance of risks to economic growth in the UK is probably neutral.

- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively

- Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
  - Brexit – if it were to cause significant economic disruption and a major downturn in the rate of growth;
  - Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
  - a resurgence of the Eurozone sovereign debt crisis;
  - weak capitalisation of some European banks;
  - minority governments in a number of Eurozone countries;
  - further increases in interest rates in the US;
  - concerns around the level of US corporate ;and
  - geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
  - Brexit – if both sides were to agree a compromise that removed all threats of economic and political disruption;
  - the Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE;
  - the Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect; and
  - UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields

7.3 The County Council has appointed Link Asset Services as its treasury management advisor and part of their service is to assist in formulating a view on interest rates. By drawing together a number of current city forecasts for short term (Bank rate) and longer fixed interest rates a consensus view for bank rate, PWLB borrowing rates and short term investment rates is as follows:-

	Bank Rate	**PWLB Borrowing Rates**				**Short Term**	
		5 year	10 year	25 year	50 year	3 Months	1 Year
	%	%	%	%	%	%	%
Mar 2019	0.75	2.10	2.50	2.90	2.70	0.90	1.00
Jun 2019	1.00	2.20	2.60	3.00	2.80	1.00	1.20
Sep 2019	1.00	2.20	2.60	3.10	2.90	1.10	1.30
Dec 2019	1.00	2.00	2.70	3.10	2.90	1.20	1.40
Mar 2020	1.25	2.30	2.80	3.20	3.00	1.30	1.50
Jun 2020	1.25	2.40	2.90	3.30	3.10	1.40	1.60
Sep 2020	1.25	2.50	2.90	3.30	3.10	1.50	1.70
Dec 2020	1.50	2.50	3.00	3.40	3.20	1.50	1.70
Mar 2021	1.50	2.60	3.00	3.40	3.20	1.60	1.80
Jun 2021	1.75	2.60	3.10	3.50	3.30	1.70	1.90
Sep 2021	1.75	2.70	3.10	3.50	3.30	1.80	2.00
Dec 2021	1.75	2.80	3.20	3.60	3.40	1.90	2.10

7.4 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Investment returns are likely to remain relatively low during 2019/20 but to be on a gently rising trend over the next few years;

- The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue costloss – the difference between borrowing costs and investment returns.

8.0 BORROWING STRATEGY 2019/20

8.1 Based on the interest rate forecast, there is a range of potential options available for the Borrowing Strategy for 2019/20. Consideration will therefore be given to the following:

a) the County Council is currently maintaining an under borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is currently prudent as investment returns are low and counterparty risk remains relatively high;

b) based on analysis, the cheapest borrowing will be internal borrowing achieved by continuing to run down cash balances and foregoing interest earned at historically low rates . However in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking market loans at long term rates which will be higher in future years;

c) long term fixed market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintain an appropriate balance between PWLB and market debt in the debt portfolio. The current market availability of such loans is, however, very limited and is not expected to change in the immediate future;

d) PWLB borrowing for periods under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which would spread debt maturities away from a concentration in longer dated debt. The downside of such shorter term borrowing is the loss of long term stability in interest payments that longer term fixed interest rate borrowing provides;

e) consideration will be given to PWLB borrowing by annuity and Equal Instalments of Principal (EIP) in addition to maturity loans, which have been preferred in recent years;

f) PWLB rates are expected to gradually increase throughout the financial year so it would therefore be advantageous to time any new borrowing earlier in the year;

g) borrowing rates continue to be relatively attractive and may remain relatively low for some time, as a result, the timing of any borrowing will need to be monitored carefully. There will also remain a 'cost of borrowing' with any borrowing undertaken that results in an increase in investments incurring a revenue loss between borrowing costs and investment returns:

8.2 Based on the PWLB forecasts, suitable trigger rates for considering new fixed rate PWLB or equivalent money market borrowing will be set. The aim, however, would be to secure loans at rates below these levels if available.

8.3 The forecast rates and trigger points for new borrowing will be continually reviewed in the light of movements in the slope of the yield curve, the spread between PWLB new borrowing and early repayment rates, and any other changes that the PWLB may introduce to their lending policy and operations.

External -v- internal borrowing

8.4 The County Council's net borrowing figures (external borrowing net of investments) are significantly below the authority's capital borrowing need (Capital Financing Requirement – CFR) because of two main reasons

a) a significant level of investments (cash balances – core cash plus cash flow generated)

b) internally funded capital expenditure.

8.5 Such internal borrowing stood at £15.4m at 31 March 2018, principally as a result of funding company loans from internal, rather than external borrowing, and not taking up any new debt since 2010/11 for the borrowing requirements. For 2017/18, this resulted in an ongoing MRP saving of £61k per annum over 25 years and a saving of £445k per annum based on a maturity rate of 2.89% over 25 years. The level of this internal capital borrowing depends on a range of factors including:

a) premature repayment of external debt;

b) the timing of any debt rescheduling exercises;

c) the timing of taking out annual borrowing requirements;

d) policy considerations on the relative impact of financing capital expenditure from cash balances compared with taking new external debt with the balance of external and internal borrowing being generally driven by market conditions.

8.6 The County Council continues to examine the potential for undertaking further early repayment of some external debt in order to reduce the difference between the gross and net debt position. However the introduction by the PWLB of significantly lower repayment rates than new borrowing rates in November 2007 compounded by a considerable further widening of the difference between new borrowing and repayment rates in October 2010, has meant that large premiums would be incurred by such actions which could not be justified on value for money grounds. This situation will be monitored closely in case the differential is narrowed by the PWLB at some future dates.

8.7 This internal capital borrowing option is possible because of the County Council's cash balance with the daily average being £337.2m in 2017/18. This consisted of cash flow generated (creditors etc), core cash (reserves, balances and provisions etc) and cash managed on behalf of other organisations. Consideration does therefore need to be given to the potential merits of internal borrowing.

8.8 As 2019/20 is expected to continue as a year of low bank interest rates, this extends the current opportunity for the County Council to continue with the current internal borrowing strategy.

8.9 Over the next three years investment rates are expected to be below long term borrowing rates. A value for money consideration would therefore indicate that value could be obtained by continuing avoiding/delaying some or all new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt. This would maximise short term savings but is not risk free.

8.10 The use of such internal borrowing, which runs down investments, also has the benefit of reducing exposure to low interest rates on investments, and the credit risk of counterparties.

8.11 In considering this option however, two significant risks to take into account are

a) the implications of day to day cash flow constraints, and;

b) short term savings by avoiding/delaying new long external borrowing in 2019/20 must be weighed against the loss of longer term interest rate stability. There is the potential, however, for incurring long term extra costs by delaying unavoidable new external borrowing until later years by which time PWLB long term rates are forecast to be significantly higher.

8.12 Borrowing interest rates are on a rising trend. The policy of avoiding new borrowing by running down cash balances has served the County Council well in recent years. However this needs to be carefully reviewed and monitored to avoid incurring even higher borrowing costs which are now looming even closer for authorities who will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt in the near future.

8.13 The general strategy for this "Internal Capital Financing" option will therefore be to continue to actively consider and pursue this approach on an ongoing basis in order to reduce the difference between the gross and net debts levels together with achieving short term savings and mitigating the credit risk incurred by holding investments in the market. However this policy will be carefully reviewed and monitored on an on-going basis.

Overall Approach to Borrowing in 2019/20

8.14 Given the market conditions, economic background and interest rate forecasts, caution will be paramount within the County Council's 2019/20 Treasury Management operations. The Corporate Director – Strategic Resources will monitor the interest rates closely and adopt a pragmatic approach to changing circumstances – any key strategic decision that deviates from the Borrowing Strategy outlined above will be reported to the Executive at the next available opportunity.

Sensitivity of the Strategy

8.15 The main sensitivities of the Strategy are likely to be the two scenarios below. The Corporate Director – Strategic Resources will, in conjunction with the County Council's Treasury Management Advisor, continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a significant change of market view:

a) *if it is felt that there was a significant risk of a sharp fall in both long and short term rates,* (e.g. due to a marked increase of risks around the relapse into recession or of risks of deflation), then long term borrowing will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered;

b) *if it were felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast* (perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks), then the portfolio position will be re-appraised with the likely action that fixed rate funding will be taken whilst interest rates are still lower than they will be in the next few years.

9.0 CAPPING OF CAPITAL FINANCING COSTS

9.1

10.0 REVIEW OF LONG TERM DEBT AND DEBT RESCHEDULING

10.1 The long term debt of the County Council is under continuous review.

10.2 The rescheduling of debt involves the early repayment of existing debt and its replacement with new borrowing. This can result in one-off costs or benefits called, respectively, premiums and discounts. These occur where the rate of the loan repaid varies from comparative current rates. Where the interest rate of the loan to be repaid is higher than the current rates, a premium is charged by the PWLB for repayment. Where the interest rate of the loan to be repaid is lower than the current rate, a discount on repayment is paid by the PWLB.

10.3 Discussions with the County Council's Treasury Management Advisor about the long term financing strategy are ongoing and any debt rescheduling opportunity will be fully explored.

10.4 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which was compounded in October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration has to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing.

10.5 As short term borrowing rates are expected to be considerably cheaper than longer term rates throughout 2019/20, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred), their short term nature and the likely costs of refinancing those short term loans once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

10.6 Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances by repaying debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt. However, this will need careful consideration in light of the debt repayment premiums.

10.7 The reasons for undertaking any rescheduling will include:

a) the generation of cash savings at minimum risk;

b) in order to help fulfil the Borrowing Strategy, and;

c) in order to enhance the balance of the long term portfolio (ie amend the maturity profile and/or the balance of volatility).

11.0 MINIMUM REVENUE PROVISION (MRP) POLICY 2019/20

11.1-11.8

12.0 ANNUAL INVESTMENT STRATEGY

Background

12.1 The County Council's Investment Strategy has regard to the following :-

- MHCLG's Guidance on Local Government Investments (the Guidance)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (the Code)
- CIPFA Treasury Management Guidance Notes 2018

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 2019/20;
- 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 2019/20.

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 February 2018, and the 2018 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 County Council will not borrow more than or in advance of its need purely in order to profit from the investment of extra sums borrowed;

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.

Specified and non-specified Investments

12.6 Based on Government Guidance as updated from February 2018.

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, currently based on Reserves of approximately £200m, 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 (Non-Specified only)
- maximum maturity period

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

12.7 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 365 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 Link 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, for countries other than the UK (use of UK banks will not be limited). 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 Link 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) the largest UK banks are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1 January 2019. This is known as ring fencing. Ring fencing is a regulatory initiative created in response to the global financial crsis. It mandates the separation of retail and SME deposits from investment banking, in order to improve resilience. In general, simpler activities offered from a ring fenced bank will be focused on lower risk, day to day core transactions, whilst the more complex, and "riskier" activities are carried out by the non ring fenced bank.

h) all of the above will be monitored on a weekly basis through Link 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 Link 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;

i) 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**
£75m	UK "Nationalised / Part Nationalised" banks / UK banks with UK Central Government involvement
£20m to £60m	UK "Clearing Banks" and selected UK based Banks and Building Societies
£20m or £40m	High quality foreign banks

j) 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.

k) 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;

l) 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 2019/20

12.8 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 £40m of the overall balances can be prudently committed to longer term investments (e.g. between 1 and 10 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 two non-specified investment over 365 days, and investments within two Property Funds;

g) bank rate increased to 0.75% in August and underpins investment returns. Investment returns are expected to rise gently over the next 3 years;

h) 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.

i) 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

12.9 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

12.10 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

12.11 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). Training for Members and officers will be provided 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 Link Asset Services as its external treasury management adviser. Link 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, Link Asset Services were appointed in September 2015 as a single provider of Treasury Management consultancy services for the County Council, North Yorkshire Fire and Rescue Authority and Selby District Council. The appointment was for an original three year period and has now been extended for a further two years as per the contract option. 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 Management

   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:
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;

- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;

- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;

- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ;

- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;

- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above;

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed,

- Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Other Issues

13.7 The County Council continues to monitor potential PFI opportunities and assess other innovative methods of funding and the Corporate Director – Strategic Resources will report any developments to Executive at the first opportunity.

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 (i.e. this) report to Executive and County Council as part of the Budget process that sets out the County Council's **Treasury Management Strategy, Prudential Indicators and Capital Strategy** for the forthcoming financial year;

b) a mid year update of these Indicators as part of the Q1 Performance Monitoring report submitted to the Executive

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

SCHEDULE A

NORTH YORKSHIRE COUNTY COUNCIL ANNUAL INVESTMENT STRATEGY 2019/20 – 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
Term Deposits with Housing Associations less than 1 year		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 2019/20 – NON-SPECIFIED INVESTMENTS

Investment	Security / Minimum Credit Rating	Circumstances of Use	Max % of total investments	Maximum investment with any one counterparty	Max. maturity period
Term Deposit with credit rated deposit takers (Banks & Building Societies), UK Government and other Local Authorities with maturities greater than 1 year	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	100% of agreed maximum proportion of Core Cash funds (£40m)	£5m	5 years
Certificate of Deposit with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year Custodial arrangements prior to purchase	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	100% of agreed maximum proportion of Core Cash funds (£40m)	£5m	5 years
Callable Deposits with credit rated deposit takers (Banks & Building Societies) with maturities greater than 1 year	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	50% of agreed maximum proportion of Core Cash funds (£20m)	£5m	5 years
Term Deposits with Housing Associations with maturities greater than 1 year	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	25% of agreed maximum proportion of	£5m	5 years

Investment	Security / Minimum Credit Rating	Circumstances of Use	Max % of total investments	Maximum investment with any one counterparty	Max. maturity period
			Core Cash funds (£10m)		
Forward Deposits with a credit rated Bank or Building Society > 1 year (i.e. negotiated deal period plus period of deposit)	Organisations assessed as having "high credit quality" under the Credit Worthiness Policy	In-house	25% of agreed maximum proportion of Core Cash funds (£10m)	£5m	5 years
Bonds issued by a financial 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	AA or Government backed	Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	25% of agreed maximum proportion of Core Cash funds (£10m)	n/a	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	AA or Government backed	Fund Manager or In-house "buy & hold" after consultation with Treasury Management Advisor	25% of agreed maximum proportion of Core Cash funds (£10m)	£5m	5 years
UK Government Gilts with maturities in excess of 1 year Custodial arrangements required prior to purchase	Government backed	Fund Manager	25% of agreed maximum proportion of Core Cash funds (£10m)	n/a	5 years

Investment	**Security / Minimum Credit Rating**	**Circumstances of Use**	**Max % of total investments**	**Maximum investment with any one counterparty**	**Max. maturity period**
Collateralised Deposit	UK Sovereign Rating	In-house	25% of agreed maximum proportion of Core Cash funds (£10m)	n/a	5 years
Property Funds	Organisations assessed as having “high credit quality”	In-house after consultation with Treasury Management Advisor	100% of agreed maximum proportion of Core Cash funds (£40m)	£5m	10 years

APPROVED LENDING LIST 2019/20

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 PLC (RFB)	GBR	75.0	364 days	-	-
National Westminster Bank PLC (RFB)	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK PLC (includes Cater Allen)	GBR	60.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	75.0	6 months	-	-
Barclays Bank UK PLC (RFB)	GBR				
Bank of Scotland PLC (RFB)	GBR	60.0	364 days	-	-
Lloyds Bank PLC (RFB)	GBR				
Lloyds Bank Corporate Markets PLC (NRFB)	GBR		6 months		
HSBC Bank PLC (NRFB)	GBR	30.0	364 days	-	-
HSBC UK Bank PLC (RFB	GBR				
Goldman Sachs International Bank	GBR	60.0	6 months		
Sumitomo Mitsui	GBR	30.0	6 months		
Standard Chartered Bank	GBR	60.0	6 months		
Handelsbanken	GBR	40.0	364 days	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	20.0	3 months	-	-
High quality Foreign Banks					
National Australia Bank	AUS	30.0	364 days	-	-
Commonwealth Bank of Australia	AUS	30.0	364 days		
Toronto-Dominion Bank	CAN	30.0	364 days		
Credit Industriel et Commercial	FRA	30.0	6 months	-	-
Landesbank Hessen-Thueringen Girozentrale (Helaba)	GER	30.0	364 days		
DBS (Singapore)	SING	30.0	364 days		
Local Authorities					
County / Unitary / Metropolitan / District Councils		20.0	364 days	5.0	5 years
Police / Fire Authorities		20.0	364 days	5.0	5 years
National Park Authorities		20.0	364 days	5.0	5 years
Other Deposit Takers					
Money Market Funds		20.0	364 days	5.0	5 years
Property Funds		5.0	364 days	5.0	10 years
Housing Associations		20.0	364 days	5.0	5 years
UK Debt Management Account		100.0	364 days	5.0	5 years

* Based on data as 31 December 2018

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 USA
AA	Abu Dhabi (UAE) France Hong Kong UK
AA-	Belgium Qatar

8. CLIMATE CHANGE VULNERABILITY ASSESSMENT 25 % OF FEATURES (EF)

1. **Purpose of the report**

The purpose of this report is to make Members aware of the top 25% of special quality features for inclusion in the climate change vulnerability assessment.

2. **Key Issues**

- The Authority made a commitment to undertake a climate change vulnerability assessment on approximately 25% of the National Park's features.
- For this climate change vulnerability assessment, it is the degree to which a feature of the special qualities is susceptible to, and unable to cope with, adverse effects of climate change, including climate variability and extremes.
- Moors for the Future have been commissioned to undertake the Climate Change Vulnerability Assessment for the Authority.
- The special qualities have been broken down into the individual features that make up the special quality.
- The features have been taken through a robust ranking system to provide us with the highest priority 25% of features.
- The ranking system takes into account the data available for the feature and whether specialists think the feature is a priority in relation to climate change.
- The highest priority 25% of features are outlined in appendix 1 to this report.
- Throughout spring and into summer we will be undertaking the vulnerability assessment on the top 25% of features.
- We will engage with Members throughout the development of the vulnerability assessment and seek Members approval for the final vulnerability assessment at an appropriate time.

Recommendations

3. **1. That Members note the top 25% of special quality features for inclusion in the climate change vulnerability assessment.**

How does this contribute to our policies and legal obligations?

4. In 2016, the Authority made a commitment to undertake a climate change vulnerability assessment on approximately 25% of the National Park's features as defined by the special qualities process. This commitment was made in the National Park Climate Change Adaptation Report, the Executive Summary of which was presented to Strategic Advisory Group in July 2016. The commitment was continued in the Peak District National Park Management Plan 2018-23, as the delivery plan action 1.1 is to 'Undertake a climate change vulnerability assessment on the special qualities of the National Park and produce a mitigation / adaption plan setting out priority actions. Seek resources with partners to implement the priority actions.' Finally, our Corporate Strategy 2019-24 has a strategic intervention to develop the climate change vulnerability assessment and implement the key outcomes.

Background

5. Members were provided with a briefing note at the February 2019 Members Forum on the Climate Change Vulnerability Assessment.

6. For this climate change vulnerability assessment, it is the degree to which a feature of the special qualities is susceptible to, and unable to cope with, adverse effects of climate change,

including climate variability and extremes. The Peak District National Park special qualities are as follows.

1. Beautiful views created by contrasting landscapes and dramatic geology.
2. Internationally important and locally distinctive wildlife and habitats.
3. Undeveloped places of tranquillity and dark night skies within reach of millions.
4. Landscapes that tell a story of thousands of years of people, farming and industry.
5. Characteristic settlements with strong communities and traditions.
6. An inspiring space for escape, adventure, discovery and quiet reflection.
7. Vital benefits for millions of people that flow beyond the landscape boundary.

7. The features are components that make up the special quality, for example, a specific habitat, wildlife or dry stone wall.

8. Moors for the Future have been commissioned to undertake the Climate Change Vulnerability Assessment for the Authority, working alongside the Strategy and Performance Team.

9. The scope of the work was defined and all preparation was completed in summer 2018. This included breaking down the special qualities into categories, for instance, cultural experiences with widespread appeal, landscapes of harmony and detail and characteristic settlements within the landscape. The categories were split further into individual features that are easier to measure, for instance, industrial heritage, stately homes and parkland, limestone village farmland and close links between farmsteads and gradual enclosure of moorland. This process identified approximately 530 features within the 7 special qualities. This stage was undertaken with the cross-Authority special qualities working group so that specialist knowledge was utilised.

10. The project then identified if data was available for each of the features, and if so, what the data included. This was mainly through consultation with Authority specialists but partner organisations were involved where appropriate. Partner organisations involved so far include Natural England, Historic England, Environment Agency, Derbyshire Wildlife Trust, RSPB, and Greater Manchester Resilience/Combined Authority. Other partners will be involved as this work progresses, for instance, the National Trust and Woodland Trust.

11. A series of workshops were run with Authority specialists and partner organisations to begin to identify the priority 25% of features which will be assessed in the vulnerability assessment. The outputs from the data gathering exercise and workshops were used to develop a robust ranking system to provide us with the highest priority 25% of features. The ranking system takes into account the data available for the feature and whether specialists think the feature is a priority in relation to climate change.

Proposals

<u>Outcomes of the Ranking System</u>

12. The top priority 25% of features are outlined in appendix 1 to this report. These have been put into themes, so that similar features are presented together. The special quality that the feature relates to are presented alongside the feature.

13. <u>Next Steps, Timescales & Member Engagement</u>

Throughout spring and into summer we will be undertaking the vulnerability assessment on the top 25% of features. This includes reviewing current research, looking at climate projections (UKCP18) and consulting with experts on the sensitivity, exposure & adaptive capacity of each feature to provide an overall vulnerability of the feature to climate change. The vulnerability assessment will be drafted in summer and recommendations for adaptation and research will be included. In autumn the content of the vulnerability assessment will be finalised and then the document will be designed.

We will engage with Members throughout the development of the vulnerability assessment. We will continue this informal engagement with Members until the winter, when we will seek Members approval for the final vulnerability assessment.

Are there any corporate implications members should be concerned about?

14. **Financial**:
Funding for Moors for the Future to undertake the climate change vulnerability assessment is secured. Funding the findings of the assessment will come through the National Park Management Plan partners where a partner initiative is required, or through our corporate strategy when it is something the Authority can undertake on its own.

15. **Risk Management:**
The vulnerability assessment is being undertaken as a project by Moors for the Future, as such, risks are being managed within their standard risk management policy. Therefore, there is a risk log, and these are managed by the project board.

16. **Sustainability:**
The findings of the vulnerability assessment will assist in sustainably conserving and enhancing the National Park.

17. **Equalities:**
There are no implications for equalities.

18. **Background papers** (not previously published) – None

Appendices

1. Appendix 1: Top 25% of special quality features for inclusion in the climate change vulnerability assessment.

Report Author, Job Title and Publication Date

Emily Fox, Head of Strategy and Performance, 7 March 2019

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Appendix 1 – Climate Change Vulnerability Assessment Top 25% of Features

SQ1: Beautiful views created by contrasting landscapes and dramatic geology
SQ2: Internationally important and locally distinctive wildlife and habitats
SQ3: Undeveloped places of tranquillity and dark night skies within reach of millions
SQ4: Landscapes that tell a story of thousands of years of people, farming and industry
SQ5: Characteristic settlements with strong communities and traditions
SQ6: An inspiring space for escape, adventure, discovery and quiet reflection
SQ7: Vital benefits for millions of people that flow beyond the landscape boundary

Wildlife

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Adder							
Aquatic invertebrates							
Bilberry bumblebee							
Curlew							
Dipper							
Dunlin							
Golden plover							
Great crested newt							
Lapwing							
Merlin							
Mountain hare							
Ring ouzel							
Short-eared owl							
Snipe							
Swallow							
Twite							
Waxcap fungi							

SQ1: Beautiful views created by contrasting landscapes and dramatic geology
SQ2: Internationally important and locally distinctive wildlife and habitats
SQ3: Undeveloped places of tranquillity and dark night skies within reach of millions
SQ4: Landscapes that tell a story of thousands of years of people, farming and industry
SQ5: Characteristic settlements with strong communities and traditions
SQ6: An inspiring space for escape, adventure, discovery and quiet reflection
SQ7: Vital benefits for millions of people that flow beyond the landscape boundary

Habitats

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Acid grassland							
Blanket bog							
Habitats and species that cross the National Park boundary							
Habitats in good condition							
Heather moorland and mixed heath							
Interconnected habitats							
Meadows							
Mosaic of contrasting habitats							
Wet grassland and rush pasture							
Wet heath							
Wet woodland							
Woodlands							

Built environment

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Bridges (clapper and packhorse bridges)							
Building materials (timber, gritstone, gritstone slate, stone slate, Staffordshire Blue clay)							
Farmsteads							

SQ1: Beautiful views created by contrasting landscapes and dramatic geology
SQ2: Internationally important and locally distinctive wildlife and habitats
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SQ7: Vital benefits for millions of people that flow beyond the landscape boundary

Field barns and outbarns							
Iconic country houses in parkland settings							
Listed buildings							
Paths, tracks, trails and bridleways							
Prehistoric ceremonial monuments							
Prehistoric settlements and field systems							
Villages associated with medieval strip fields							

Geology, geomorphology and soils

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Buried soils, archaeological remains and deposits							
Healthy soil							
High open moorland and edges							
Limestone dales							
Paleo environmental remains and sequences							
River valleys							
Show caves and caverns							
Slopes and valleys with woodland							

SQ1: Beautiful views created by contrasting landscapes and dramatic geology
SQ2: Internationally important and locally distinctive wildlife and habitats
SQ3: Undeveloped places of tranquillity and dark night skies within reach of millions
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SQ6: An inspiring space for escape, adventure, discovery and quiet reflection
SQ7: Vital benefits for millions of people that flow beyond the landscape boundary

Communities

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Local events							
Open access land and public access							
Transport links into the National Park							

Watercourses, ponds and reservoirs

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Dewponds and other ponds							
Good water quality							
Reservoirs							
Reservoirs and water management							
Rivers and streams							
Riverside meadows associated with meandering river channels							
Vanishing rivers							

SQ1: Beautiful views created by contrasting landscapes and dramatic geology
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SQ7: Vital benefits for millions of people that flow beyond the landscape boundary

Cultural landscapes

Feature groups	SQ1	SQ2	SQ3	SQ4	SQ5	SQ6	SQ7
Abandoned places of industry							
Boundaries (dry stone walls, hedges)							
Estate lands and designed landscapes							
Lead mining							
Lowland pastoral landscapes							
Managed moorland							
Patterns of enclosure							

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9. AGREEING THE METHODOLOGY FOR REVIEWING THE NATIONAL PARK LOCAL PLAN (BJT)

1. Purpose of the report

To agree the broad timescale and principles for programme management for the full review of the Local Plan for the National Park

Key Issues

- **To consider matters of programme management**
- **To understand the regulatory framework for producing a sound plan**
- **To ensure that National Park purposes are pursued through the Local Plan**
- **That full regard is had to the social and economic wellbeing of National Park communities in pursuing National Park purposes**

2. Recommendations(s)

1. **To agree the broad timeframe for reviewing the Local Plan set out in paragraphs 17-29);**
2. **To delegate responsibility for the management of the project programme to the Director of Conservation and Planning in consultation with the Member Plan Review Steering Group;**
3. **To establish a Member Plan Review Steering Group for this purpose and approve the draft terms of reference and scope as set out in Appendix 1.**
4. **To confirm that the detailed programme and scoping of the review project will be delegated to the Project Team in consultation with the Member Plan Review Steering Group as set out in paragraphs 32 to 37 and may amend the terms of reference and scope to reflect discussion.**
5. **To confirm that the Member Plan Review Steering Group may also offer a critical friend role in the production of Supplementary Planning Documents.**
6. **To confirm that attendance at meetings of the Steering Group is an approved duty.**

How does this contribute to our policies and legal obligations?

3. The production of a Local Plan for the National Park is a statutory requirement and forms the starting point for all planning decisions.

4. The review offers the opportunity to pursue key areas of impact in the National Park Management Plan and recently approved Corporate Strategy for 2019-2024. Indeed the Local Plan provides the spatial strategy for all 6 “Areas of Impact” described in the Management Plan.

5. Areas of Impact:

1: Preparing for a future climate
2: Ensuring a future for farming and land management
3: Managing landscape conservation on a big scale
4: A National Park for everyone
5: Encouraging enjoyment with understanding
6: Supporting thriving and sustainable communities and economy

6. **Corporate Strategy outcomes:**

A sustainable landscape that is conserved and enhanced;

A National Park loved and supported by diverse audiences; and

Thriving and sustainable communities that are part of this special place

7. Moreover, the Local Plan is also a means of achieving the strategic objectives of the adopted Landscape Strategy for the National Park, setting out the distinctive aims of each landscape character type.

Background Information

8. The current Local Plan for the National Park comprises 2 development plan documents:

- The Core Strategy (adopted October 2011)
- Development Management Policies (aiming for adoption May 2019)

9. Government guidance in the National Planning Policy Framework states that local planning authorities should review their Local Plan's every 5 years.

10. Overall, the Local Plan for the National Park has remained consistent with National Policy and the adoption of the Development Management Policies DPD further helps strengthen this relationship. Since the adoption of the Core Strategy in 2011 a number of challenges have arisen which the plan should strive to address. Some examples include:

- The overall health of the climate and the natural environment
- The need for greater sustainability in design and resilience to climate change and energy costs
- The on-going backlog of affordable housing need;
- The overall change to the structure of the population with ageing trends and out migration of young adult population;
- The need to support the health of the nation;
- The increasing demands for active recreation;
- Strategic demands for cross park transport infrastructure (road and rail) and the competition for space with recreational users
- The need to support a range of sustainable land management industries (in particular the future of traditional farming)
- The need to find opportunities for a sustainable local economy
- The need to find a sustainable level of output for our traditional minerals industry
- The need to invest in heritage to conserve the valued heritage of the area

11. In this context, it is clear that the pressures on the National Park are unrelenting and the need for a sustainable plan which continues to be driven by National Park purposes is a

complex and challenging undertaking.

12. Recent experience of producing the Development Management Policies DPD allowed a Member Steering Group to work with officers to debate and steer key areas of policy. However, the group did not play a major role in programme management.

13. During the production of the Core Strategy a Plans Review Task Team was established to oversee programme management but conversely played only a minor role in policy development. This was left to more comprehensive member and stakeholder workshops.

14. Officers consider that a role that takes the best aspects of both these models could bring real benefits in terms of officer, member relationships, programme delivery and ultimately an improved understanding and ownership of policies by the members.

15. The previous Member Steering Group brought together a mix of members:

- Chair and Vice Chair of Planning Committee
- Chair of Authority
- Member representatives for:

  Cultural Heritage

  People and Communities

  Biodiversity

  Economy

16. At the July 2018 Authority meeting Cllr M Chaplain was also added to the group but without a recorded Member representative role.

Proposals

17. Timeframe

18. A full review of the Local Plan is a significant project undertaking. It is proposed to use the timeframe of the newly adopted Corporate Strategy to aim for adoption by 2024. In broad terms the production period is anticipated as follows:

19. 2019/20 – Year 1 scoping and evidence collection

20. During this period the project team will:

- Develop the engagement plan;
- Undertake early engagement with all Parishes through our Parish Statements
- Draft a State of Communities Report
- Generate other strategic evidence reports
- Commence Statement of Common Ground with constituent and adjoining planning authorities

21. **2020/21 – Year 2 Generate issues and options**

22. During this period the project team will:

- Complete evidence collection; and
- Begin to compile Issues and options
- Commence early debates on broad issues (using digital media and workshop style events)

23. **2021/22 – Year 3 Consult widely on focussed issues and options**

24. During this period the project team will:

- Undertake a formal consultation phase on focussed issues and options for the Local Plan; and
- Collate responses
- Feedback to member group and the Authority and seek steer

25. **2022/23 – Year 4 Draw up preferred options or draft plan**

26. During this period the project team will:

- Draw up the first draft plan either in final plan form or as preferred options depending on outcome of the previous stage;
- Consult on draft plan/preferred options
- Collate responses
- Feedback to member group and the Authority and seek steer

27. **2023/24 – Year 5 Submission and Examination of Publication version**

28. During this period the project team will:

- Finalise the plan
- Consult on Publication version
- Consider early preparation of modifications and scope for additional consultation
- Collate the plan, modifications (if needed), representations and supporting documents for submission to the Secretary of State (PINS);
- Recruit Programme Officer
- Prepare for and administrate independent examination
- Respond to any requests for further modifications

29. **2024 – Adoption**

30. Programme Management

31. The day-to-day management of tasks will be led by the Policy and Communities Service, which will form the main project team, managed by the Head of Service. However, in order to provide an Authority level steer at key stages, it is proposed to reconstitute the Member Steering Group, which has worked effectively with officers on the Development Management Policies DPD. The group provides space and flexibility for deeper debate and technical inputs as guided by the project team and on request by the member group.

32. Member Steering Group

33. It is proposed that the basic structure and composition of the group remains the same, but with a view to drawing in some of the newer member representative roles in order to address the broader scope of the spatial strategy, namely:

- Chair and Vice Chair of Planning Committee
- Chair of Authority
- Member Representatives for:

  Communities

  Food and Farming

  Health and Wellbeing

  Landscape and Heritage

  Tourism and Participation

  Rural Economy

  Thriving Natural Environments

34. A draft terms of reference and scope for the Steering Group is set out in Appendix 1 however it is proposed that at the initial meeting of the group these are considered and amended to reflect discussions.

35. Authority members as a whole are encouraged to utilise the group participants or contact the Head of Policy and Communities in order to input their own views as part of the process. There will be opportunities for the Member Steering Group to consider what other opportunities there should be for wider member input, e.g. workshop days, presentations to Members' Forum, debates etc in addition to full Authority meetings.

36. Wider work of the Steering Group

37. In addition to the production of a new Local Plan the Authority also has a commitment to delivering a series of Supplementary Planning Documents. As such a further useful role of the steering group will be to offer a critical friend style role on related areas of policy guidance, prior to these being brought to full Committee for approval in draft or final form.

38. Resources

39. The whole of Policy and Communities Service will be available to assist in undertaking the review. In addition specialist officers e.g. built and natural conservation specialists as well as Development Management staff, Minerals, Legal and Enforcement officers

who may also be drawn in as and when. The core project team includes:

Head of Policy and Communities;

Policy Planners;

Community and sustainability specialists;

Transport Policy officers; and

Technical (mapping) and research skills

40. In addition to staffing the Service has an annual budget for ***plan making*** and the scoping phase will be used to consider the adequacy of the budget for this purpose and how best to utilise these funds on the production of evidence and supporting appraisals (sustainability, habitats regulations, equalities, health etc). The scope and potential for evidence reports will be shared and discussed with the member steering group.

Are there any corporate implications members should be concerned about?

Financial:

41. The cost of reviewing the Local Plan (including production of the evidence base and wider resources) is taken into consideration in the main report and will be discussed further with the Member Steering Group.

Risk Management:

42. The adoption of the Development Management Policies provides the Authority with greater consistency with national policy. Therefore the Local Plan as a whole has undertaken a partial review and is will be more up to date as a result.

43. Only a very small number of challenges have been made to the Core Strategy since its adoption in 2011 as evidenced through appeal decisions. Policy CC2 (renewable energy) was formally considered by the Authority and resulted in the production of a Supplementary Planning Document. Other challenges related to aspects of housing policy, however it was decided to complete the DM Policies work and return to strategic matters as part of the full review.

44. National guidance for plan making indicates that reviews should take place every 5 years. Hence it is proposed to kick-start the review immediately from adoption of the Development Management Policies and seek to bring forward a comprehensive plan review within the following 5 year period.

45. Regulations are clear and provide clarity on the route to be taken to achieve a sound plan. The key aspects of soundness relate to:

the justification for the plan;

The effectiveness of the plan; and

consistency with national policy

46. In order to reduce risks goings forward the project team will need to ensure the plan is produced in accordance with both soundness and regulations in mind.

Sustainability:

47. Sustainability will be a central aim of the Local Plan and will be achieved through rigorous application of the sustainability appraisal, thorough examination of the evidence base and ultimately through the production and delivery of is polices.

Equality:

48. Equality matters will be considered through a specific Equalities Impact Assessment on the plan and will ensure that the needs and issues of people within all the protected groups are given due consideration.

49. Background papers (not previously published)

None

50. Appendices

1. Draft Terms of Reference and Scope of the Member Local Plan Review Steering Group

Report Author, Job Title and Publication Date

Brian Taylor, Head of Policy and Communities, 7 March 2019
Brian.taylor@peakdistrict.gov.uk

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Appendix 1 – Draft Terms of Reference and Scope of the Member Local Plan Review Steering Group

1. THE STEERING GROUP

a) The Local Plan Review Steering Group is an informal group whose purpose is to advise Officers and Members in reaching any decisions to moving forward planning policy.

b) To comprise 10 Members as follows:
   - Chair and Vice Chair of Planning Committee
   - Chair of the Authority
   - Member Representatives for
     - Communities,
     - Food and Farming
     - Health and Wellbeing
     - Landscape and Heritage
     - Tourism and Participation
     - Rural Economy
     - Thriving Natural Environments

c) The meeting will be chaired by the Chair of Planning Committee or in their absence the Vice Chair of the Committee;

d) The Steering Group has no decision making powers but its recommendations (albeit of a majority) will be reported directly to the Authority or the relevant Committee;

e) Should allow full participation from other Members and may consult the Members' Forum or a Member Workshop event as it deems necessary;

f) Should welcome input and advice from Officers as appropriate.

2. TERMS OF REFERENCE

The terms of reference of the group are to:

- Oversee the process for reviewing the Local Plan and the progress made on individual work streams;
- Provide the Core Project Team with a Member perspective on issued raised;
- Ensure integration/complementarity of the vision, objectives and policies of the Local Plan with those of the Corporate Strategy, the National Park Management Plan and Authority Policies.
- Advise on other key decisions on matters relating to Local Plan production including: resources, scope of documents, evidence base, identification of alternative development options, content of the local development scheme, sustainability appraisal/appropriate assessment, and consultation methods.
- Provide a critical friend role to also advise on the production and content of Supplementary Planning Documents in support of the Local Plan.

3. NEED FOR THE REVIEW

The current Local Plan for the National Park comprises 2 development plan documents:

- The Core Strategy
- Development Management Policies

Government guidance in the National Planning Policy Framework states that local planning authorities should review their Local Plans every 5 years

Experience gained through producing the Development Management Policies and producing the Core Strategy has demonstrated the benefit of working closely with Members during the development of planning policy so it is proposed that a Member Steering Group is established to work with others throughout all stages of the 5 year review timetable.

4. DRAFT WORK PROGRAMME

The suggestion is that the Steering Group would undertake its role by focusing on discrete subject areas throughout the review process. For example:

2019/20 - Scoping and evidence collection
1. Developing the engagement plan;
2. Drafting the State of Communities Report;
3. Establishing the need for other strategic evidence reports.

2020/21 - Generating issues and options
1. Review evidence collection and begin to consider issues and options.

2021/22 – Consult widely on focussed issues and options
1, Oversee formal consultation;
2. Consider Reponses and provide a steer.

2022/23 - Draw up preferred actions or draft plan
1. Consider an initial draft of the plan for further consultation;
2. Consider responses and provide a steer.

2023/24 - Submission and Examination of Publication Version
1 Finalise the plan;
2 Consider early modifications or proposals for additional consultation;
3 Consider proposed responses to requests for further modifications.

5. OUTCOMES

In carrying out its task, the Working Group should have regard to the seven key principles that underpin the ways of working at the PDNPA:

- We always start with outcomes
- We always ask what's possible
- We always put the public first
- We always look for efficiency

- We always act with agility
- We always value our colleagues
- We always develop ourselves and others.