Public Document Pack

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Aldern House, Baslow Road, Bakewell, Derbyshire. DE45 1AE

Our Values: Care – Enjoy – Pioneer

Our Ref: A.1142/4717

Date: 7 March 2024

NOTICE OF MEETING

Meeting: **National Park Authority**

Date: **Friday 15 March 2024**

Time: **10.00 am**

Venue: **Aldern House, Baslow Road, Bakewell**

PHILIP MULLIGAN
CHIEF EXECUTIVE

AGENDA

1. **Apologies for Absence**

2. **Minutes of the previous meeting held on 2nd February 2024** *(Pages 5 - 12)* 5 mins

3. **Urgent Business**

4. **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.

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

FOR INFORMATION

6. **Chair's Briefing** 5 mins

7. **Chief Executive Report** *(Pages 13 - 18)* 5 mins

FOR DECISION

8. **Annual Treasury Management Strategy Statement** *(Pages 19 - 88)* 20 mins
Appendix 1

Appendiz 2

9. **Pay Review Policies** *(Pages 89 - 124)* 20 mins
Appendix 1

Appendix 2

Appendix 3

Appendix 4

FOR INFORMATION

10. **Reports from Outside Bodies - None submitted** 5 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 http://democracy.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The Local Government Act 1972 requires that the Authority shall list any unpublished Background Papers necessarily used in the preparation of the Reports.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 on the Authority's website.

Public Participation and Other Representations from third parties

Please note that meetings of the Authority and its Committees may take place at venues other than its offices at Aldern House, Bakewell when necessary. Public participation is still available and anyone wishing to participate at the meeting under the Authority's Public Participation Scheme is required to give notice to the Customer and Democratic Support Team to be received not later than 12.00 noon on the Wednesday preceding the Friday meeting. The Scheme is available on the website http://www.peakdistrict.gov.uk/looking-after/about-us/have-your-say or on request from the Customer and Democratic Support Team 01629 816362, email address: democraticandlegalsupport@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 Customer and Democratic 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 makes an audio visual broadcast and 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

Please note meetings of the Authority and its Committees may take place at venues other than its offices at Aldern House, Bakewell when necessary, the venue for a meeting will be specified on the agenda. There may be limited spaces available for the public at meetings and priority will be given to those who are participating in the meeting. It is intended that the meetings will be visually broadcast via YouTube and the broadcast will be available live on the Authority's website.

This meeting will take place at Aldern House, Baslow Road,Bakewell, DE45 1AE.

Aldern House is situated on the A619 Bakewell to Baslow Road. 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 refreshment provision for members of the public before the meeting or during meeting breaks. However, there are cafes, pubs and shops in Bakewell town centre, approximately 15 minutes walk away.

To: Members of National Park Authority:

Chair: Mr K Smith
Deputy Chair: Mr J W Berresford

Cllr M Beer	Cllr P Brady
Cllr M Buckler	Cllr M Chaplin
Cllr C Farrell	Cllr P G Fryer
Cllr N Gourlay	Cllr C Greaves
Cllr A Gregory	Prof J Dugdale
Cllr B Hanley	Ms A Harling
Cllr A Hart	Cllr L Hartshorne
Cllr Mrs G Heath	Cllr I Huddlestone
Cllr D Murphy	Cllr A Nash
Cllr C O'Leary	Cllr Mrs K Potter
Cllr V Priestley	Cllr K Richardson
Dr R Swetnam	Mr S Thompson
Cllr J Wharmby	Ms Y Witter
Cllr B Woods	

Constituent Authorities
Secretary of State for the Environment
Natural England

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

PEAK DISTRICT NATIONAL PARK

MINUTES

Meeting:	**National Park Authority**
Date:	Friday 2 February 2024 at 10.00 am
Venue:	Aldern House, Baslow Road, Bakewell
Chair:	Mr K Smith
Present:	Mr J W Berresford, Cllr M Beer, Cllr P Brady, Cllr M Buckler, Prof J Dugdale, Cllr C Farrell, Cllr P G Fryer, Cllr N Gourlay, Cllr C Greaves, Cllr A Gregory, Cllr B Hanley, Cllr A Hart, Cllr L Hartshorne, Cllr D Murphy, Cllr A Nash, Cllr Mrs K Potter, Cllr K Richardson, Dr R Swetnam, Mr S Thompson, Cllr J Wharmby, Ms Y Witter and Cllr B Woods
Apologies for absence:	Cllr M Chaplin, Ms A Harling, Cllr Mrs G Heath, Cllr I Huddlestone, Cllr C O'Leary and Cllr V Priestley.

1/24 MINUTES OF PREVIOUS MEETING HELD ON 10TH NOVEMBER AND 1ST DECEMBER 2023

The minutes of the meeting of the National Park Authority Meeting held on 10 November 2023 were approved as a correct record subject to the following amendment:

Minute Number 92/23 – Chair’s Briefing

Where it states “Attended a meeting of the Derbyshire Archaeology Society” it should state “Attended a meeting of the Derbyshire Archaeology Advisory Committee”.

The minutes of the last meeting of the National Park Authority Meeting held on 1 December 2023 were approved as a correct record.

2/24 URGENT BUSINESS

There was no urgent business.

3/24 PUBLIC PARTICIPATION

No members of the public were present to make representations to the Committee.

4/24 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interest.

5/24 CHAIR'S BRIEFING

The Chair introduced and welcomed Hannah Turner, the newly appointed Head of Assets and Enterprise, and Ben Cookson, the Interim Finance Manager, to the Members.

The Chair of the Authority provided the following verbal update to Members:

- Attended meeting of Planning Committee
- Attended meeting of Programme & Resources Committee
- Attended Members Forum and Workshops
- Along with the Chief Executive met with Lord and Lady Manners
- Participated in the interviews for the Head of Resources
- Joined a National Parks England Board Meeting via Teams
- Attended a face to face National Parks England Board Meeting in Southwark
- Attended Derbyshire Archaeology Day in Chesterfield
- Attended two meetings of the Governance Review Working Group which would report to the Authority in due course.

6/24 CHIEF EXECUTIVE REPORT (PM)

Updates from the Chief Executive since the production of his report:

- Angela Edwards had been appointed as the Authority Solicitor and would be starting in March 2024
- A notification of retirement had been received from Chris Dean, Moors for the Future Manager.
- The CEO roadshows had been launched
- The newsletter for MPs had been circulated to all Members
- A Briefing Paper on the role of the National Park will be sent to the Derby and Derbyshire, and Nottingham and Nottinghamshire Combined Authority Mayoral candidates
- Supporting taking forward some proposals to take “in-house” the enforcement of car parking

Major announcement from DEFRA on Protected Landscapes Targets and Outcomes Framework.

- This is a very significant announcement which relates to setting the targets for Protected Landscapes and tying them into the Environment Plan. This will have significant impact on National Park and the methods of reporting. The Chief Executive shared with Members via a presentation the headlines of this announcement, the slides from this presentation will be circulated to the Members. The targets are set nationally and will need to be explored and digested. There are 3 categories of targets. These targets will need to be incorporated into the next Management Plan.

- Levelling Up and Regeneration Act have a New Duty which public bodies have to take into account and these targets and the outcome framework will be addressed in the next management plan, more interim guidance is expected to arrive soon to explain the implications and how it is put into effect.

- A future funding settlement for Protected Landscapes and National Parks will be linked in some way to performance under this new framework. Due to expected political change and the implications of this only currently looking at a one year spending review for 2025/2026.

The Members noted that it was good to see that some clarity is coming through and noted that the management plan will need to be revisited. It is expected that in 18 months time there will be agreement for the targets that need to be apportioned to each protected landscape. The next Management Plan will need to incorporate the targets and reflect the Management Plan guidance that is still awaited.

It was recognised that Moors for the Future directly delivers to two of the targets. The Local Nature Recovery Plan would be reported to Members for adoption in the near future, it may need changing in light of this new information.

RESOLVED:

To note the report.

7/24 STATEMENTS OF ACCOUNTS AND EXTERNAL AUDIT 2022/23 (JW)

The report, which asked Members to consider the External Auditors 2022/23 Annual Report, was presented by Mark Surridge of Mazars LLPA.

It was noted that there was an update to page 97, section 2 of the report. As a result of the work an additional error arose relating to the valuation of land and buildings by the Valuer and consequently there had been a book adjustment to comply with financial reporting standards. The 2022/2023 accounts can now be signed off with “clean opinion” later this month.

The report refers to a letter regarding the Derbyshire pension fund which should arrive this February, the letter is required to complete the signing off of the accounts. No impact on the accounts is expected from the contents of this letter.

Members queried the position the pension fund was in and whether there would need to be a change to the contributions over the next year. It was noted the Authority contribution is set for the next 3 years so no change is expected until 2026.

It was clarified that any fluctuations in the pension fund was not a risk for the Authority. The Chair asked for clarification and a more detailed response regarding the query about the huge movements on the pension scheme and asked what the term “other experience” means (page 73 of the report). The pension surplus/deficit is calculated as a snapshot and has not impacted on Authority reserves.

The recommendations set out in the report were moved, seconded, put to the vote and carried.

RESOLVED:

1. **To approve the audited Statement of Accounts for 2022/23 at Appendix 1 of the report.**

2. **To consider and note the External Auditor’s Audit Completion Report (ACR) at Appendix 2 of the report.**

3. **To note the letter of management representation at Appendix A within Appendix 2 of the report needs to be signed by the Chief Finance Officer.**

8/24 2022/23 ANNUAL GOVERNANCE STATEMENT

There were no updates to the presented report.

There was a discussion around Core Principle A- Issue 3 and whether it would be more appropriate within Core Principles D or E. It was agreed that Officers should amend the current Annual Governance Statement (AGS) accordingly and agreement was delegated to the Chief Executive in consultation with the Chair of the Authority.

Members felt that there was scarcity in the report regarding governance arrangements and the effectives of the arrangements to deliver our aims. It was noted that this is a backward looking report (2022/23) and the points raised will be taken forward when producing the Annual Governance Statement for 2023/24.

There was a question to where the core principles come from and whether they overlap each other e.g. B and G both mention openness and transparency and there was possible duplication here. It was noted that the core principles are given to the Authority by CIPFA.

It was agreed that the Governance Review Working Group would consider the issues raised with regard to the format, content and nature of the content for future AGS reports.

The recommendations, with the agreed amendment to recommendation 1, were moved, seconded, put to the vote and carried.

RESOLVED

1. **To approve the Annual Governance Statement for 2022/23 for sign off by the Chief Executive Officer and the Chair of the Authority, subject to Officers reviewing the relevant sections (Core Principle A) and delegated to the Chair and the Chief Executive to agree the changes.**

2. **To authorise the Monitoring Officer, following consultation with the Chair of the Authority, to make minor changes to the Code of Corporate Governance each year following publication of the Annual Governance Statement.**

9/24 INTERNAL AUDIT REPORT BLOCK 1 2023/24

The report was presented by Mark Thomas of Veritau.

The report presented to Members the Internal Auditors recommendations for the first block on the 2023/24 Internal Audits and the agreed actions for consideration.

It was agreed to remove the wording “and the agreed actions considered” from recommendation 1.

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

RESOLVED

1. **That the Internal Audit reports for the three areas covered under Block 1 for 2023/24 Project Management, Performance Management and Planning Enforcement be received.**

10/24 REVENUE BUDGET 2024/25 AND MEDIUM TERM FINANCIAL PLAN 2024/25 TO 2027/28 (JW)

The report, which presented the Authority’s 2024/25 revenue budget for Member approval was presented by the Head of Finance.

There were no updates to the published report.

The Chair thanked Justine Wells, the Finance Manager, for her work over the past 3 years and wished her good luck in her new role.

The recommendations as set out in the report were moved, seconded, put to the vote and carried.

RESOLVED

1. **To approve the Authority’s annual budget for the 2024/25 financial year as set out in Appendix 1 of the report.**

2. **To approve the increase of the Vacancy Factor from 4% to 5%.**

3. **To note the Medium Term Financial Plan (MTFP) for the Authority in the period 2024/25 to 2027/28.**

11.49am Ben Cookson, Interim Finance Manager, left the meeting for the duration of the following item

11/24 APPOINTMENT OF INTERIM CHIEF FINANCIAL OFFICER (S151 OFFICER)

There were no updates to the report.

The recommendations as set out in the report were moved, seconded, voted on and carried.

RESOLVED:

1) **To appoint the interim Finance Manager as interim Chief Financial Officer (Section 151 Officer) from 2nd February 2024 until the first day of service of a permanent Finance Manager.**

2) **To delegate the appointment of the Chief Finance Officer (Section 151 Officer) to the Chief Executive, in conjunction with the Chair of the Authority, as part of the appointment process for the permanent Finance Manager.**

11:51 am Ben Cookson returned to the meeting

12/24 AUTHORITY PLAN 2023-28 UPDATE AND YEAR 2 LOOK FORWARD (2024/25 DECILE 3 & 4)

There were no updates to the presented report.

It was noted that this was a much improved document being more measurable than past documents and thanks were extended to the authors.

A question was asked as to why rights of way targets have not been set to exceed the national average and the reasons for this were explained.

Clarification was given regarding how each of the objectives in the report has one post responsible for the objective and this was the most appropriate post. Comments from Members were taken on board and regard would be given to them for the production of reports in the future.

The Chair queried the dates on Objective H and whether the date of March 2024 in the end column was correct and Officers agreed to look at this.

The recommendations as set out in the report were moved, seconded, voted on and carried.

RESOLVED:

1) **To approve the updated Authority Plan 23-28 provided at Appendix 1 of the report.**

2) **To approve the Year 2 look forward actions provided at Appendix 2 of the report.**

3) **That any necessary changes to the proposed wording of the updated Authority Plan 23-28 are delegated to the Chief Executive in consultation with the Chair.**

11.05 AM Cllr Buckler declared an interest in the following item being a member of the Farming and Protected Landscapes Panel and left the room for the duration of the item.

13/24 FARMING IN PROTECTED LANDSCAPES PROGRAMME - ARRANGEMENTS FOR THE FOURTH YEAR

There were no updates to the presented report.

The recommendations as set out in the report were moved, seconded, voted on and carried.

RESOLVED:

1) **To approve the extension of the Farming in Protected Landscapes programme for 2024-25, and to accept the additional funding allocated to the Authority for 2024-25.**

2) **To continue to temporarily suspend the operation of Standing Order 7.C-3 for the delivery of the Farming in Protected Landscapes programme only, and to continue to adopt the requirements set out in the National**

Framework document for the authorisation of grants under that programme.

3) **To continue to delegate authority to the Chief Executive Officer or their nominee to complete grant agreements authorised in accordance with the National Framework, in the standard form provided within the National Framework documents.**

11.07 Cllr Buckler returned to the meeting

14/24 PROPOSED CHANGES TO THE MEMBERSHIP OF THE PLANNING COMMITTEE AND THE PROGRAMMES AND RESOURCES COMMITTEE

There were no updates to the presented report.

Cllr Jean Wharmby was moved and seconded to be appointed to the Planning Committee in place of Cllr O'Leary until the annual meeting in July. This was put to the vote and carried.

The recommendations as set out in the report were moved, seconded, voted on and carried.

RESOLVED:

1. **To agree to the request from Cllr O'Leary, the Cheshire East representative, to move from the Planning Committee to the Programmes and Resources Committee and to confirm his appointment to the Programmes and Resources Committee until the annual Authority meeting in July 2024.**

2. **To appoint Cllr Jean Wharmby as a Local Authority Member to the vacant Cheshire East place on the Planning Committee until the annual Authority meeting in July 2024.**

15/24 PROPOSED DERBYSHIRE DALES DISTRICT COUNCIL AND PEAK DISTRICT NATIONAL PARK AUTHORITY JOINT WORKING GROUP ON HOUSING IN THE NATIONAL PARK AND APPOINTMENT OF MEMBERS

The were no updates to the presented report.

Cllr Buckler asked if he needed to declare an interest in this item as he is the representative for Derbyshire Dales. It was not felt this was a conflict of interest.

Any Members who wish to be considered for appointment to this group were requested to email the Chair and Chief Executive with an expression of interest. A number of members indicated they would be interested in being appointed to the panel (Ms Harling, Cllr Brady, Cllr Beer and Cllr Nash). As some members were not in attendance at the meeting it was agreed that absent members would receive an email about membership on this joint working group.

Members requested that the efforts of former Members Cllr David Chapman and Cllr Chris Furness be acknowledged for that the work they did over the years in furthering this initiative, that it is had come to fruition and was being discussed with a way forward.

An amendment was made to Recommendation 2 to delegate to the Chief Executive in consultation with the Chair of the Authority the appointment of 3 Members to the Joint Working Group.

The recommendations with the amendment to Recommendation 2 were moved, seconded, voted on and carried.

RESOLVED:

1. **To agree to set up a Joint Working Group with Derbyshire Dales District Council regarding Housing in the National Park.**

2. **To delegate to the Chief Executive in consultation with the Chair of the Authority the appointment of 3 Members to the DDDC and PDNPA Joint Working Group on Housing in the National Park.**

3. **To confirm that attendance at meetings of the Joint Working Group is an approved duty for the payment of travel and subsistence allowances as set out in Schedule 2 of the Members' Allowance Scheme.**

16/24 REPORTS FROM OUTSIDE BODIES

Cllr Hart gave a brief verbal update regarding the "Enjoy Staffordshire" initiative.

There were no other reports from outside bodies for consideration.

The meeting ended at 11.15 am

7. CHIEF EXECUTIVE REPORT (PM)

1. Purpose of the report

To up-date members of key items since the previous Authority meeting

2. Recommendation:

1. **For Members to note the report**

3. Key Items

National and regional issues

A visit to the Peak District is being organised for Toby Perkins, Labour shadow for Nature & Rural Affairs. We are planning on taking Toby to see rural housing issues, farming issues and visitor economy issues. This visit should have taken place by the time of the Authority meeting so a verbal update will be given.

Defra's £2.5m of extra Access funding is being discussed with the hope of delivering a second round of Generation Green. The focus will be a 'night under the stars' (as per the Glover Review recommendations) rather than supporting young people doing day visits.

Work is ongoing to try and secure £500k of additional capital funding from Defra for next year. It is hoped this will be added to our core grant and become the future baseline for further grant agreements.

Funding has been confirmed, via Active Travel England, for £100k for us to work on walking and cycling strategies locally.

Nature North held their annual conference recently in Newcastle, which I attended. Nature North is a partnership designed to develop largescale investable propositions such as the Great North Bog and the Northern Forest.

I recently attended a Natural England strategy session with the Board and Executive of Natural England. The emphasis was on nature and placemaking. It is accepted that English devolution is gathering momentum and it is not yet clear how nature recovery will be delivered in a more devolved setting. It is recognised that we will need to push nature recovery by starting with the best/most appropriate sites and spreading out from there. It needs to be more widely accepted that recovering nature may make places look 'messy' and that there are conflicting environmental outcomes that will have to be addressed, such as the use of land for more appropriately placed solar versus more woodland creation or greater public access to green spaces. The lack of quality green spaces in urban areas was discussed, which does drive more visits to our National Park, given the number who live in urban areas in close proximity who do not have local alternatives for accessing quality greenspaces on their doorstep. The danger of Natural England and other players falling into process/strategy mode was discussed whilst the need to make progress before we know what perfect looks like is paramount. Also discussed was the balance between supporting fewer major interventions at scale verses the significant local impact smaller projects can have.

The Campaign for National Parks (CNP) has undertaken a health check on English and Welsh National Parks. The focus has been on the state of nature and the natural environment in National Parks. The report recognises National Parks were designated in a very different era, that there is a lack of resources for our work and that we have limited ability to control what happens on private land. CNP will be making a number of recommendations.

The Chair and myself hosted a visit by Matt Relf, independent Mayoral candidate for the new East Midlands Combined Authority. Offers to meet other candidates have also been made. I will be attending a hustings for all the candidates at Cromford Mill and we have sent all of them a policy briefing note on our National Park, which will be the new region's only protected landscape and a significant area for residents across Derbyshire and Nottinghamshire to gain access to quality green space for health, wellbeing, stimulation and enjoyment.

The February MP and local leaders' newsletter has been sent out, all Members should have seen this. All EMCA Mayoral candidates are now also receiving this ahead of the election.

National Park Management Plan (NPMP)
The new duty to further the aims of National Parks is still awaiting guidance from Defra. The Campaign for National Parks (CNP) has taken legal advice on what this might mean but this has not yet been shared beyond CNP. National Parks England is continuing to work with the National Landscapes Association on influencing what might be in the guidance.

By the time of the Authority meeting there will have been a meeting of the NPMP Delivery Group. This meeting will build on the identification of challenges and factors affecting overall delivery that partners identified at the first meeting and move towards identifying solutions to address these. There will also be an update on the Chatsworth Whole Estate Plan and the National Trust's vision for their High Peak estate.

For the Authority Plan, each Service now has its own annual plan for the year ahead. These will be discussed with Members at the Forum after the Authority meeting.

Some points to note under each of our four aims in the NPMP:

Climate Change
Moors for the Future Partnership is undertaking extensive restoration works this season. I visited Snailsden Moor with Hannah Turner, Head of Assets and Enterprise, Chris Dean, Moors for the Future Partnership Manager and Chris Pembroke, Senior Conservation Works Officer who has planned and organised this restoration. This is an area of deep peat blanket bog that has been degraded by air pollution from the industrial revolution. Restoration works of £1.2m have been funded by Defra's 'Nature for Climate Peatland Grant Scheme'. Along with similar work on Twizle Head the works have involved:

- 34km of reprofiling of steep eroding peat gully sides
- Spreading 3,600 bags of heather brash and planting native cotton grass and crowberry
- Building 2,000 stone dams in eroding gullies
- Constructing 600 timber dams
- Creating 3,000 peat dams to block gullies and help re-wet the peat
- 10ha of bunding
- Sphagnum planting across 530 ha (over 700,000 sphagnum plugs)

The experience and skill of our staff to organise such complex works in challenging and dynamic environments is very impressive as is the nature of the partnership working involved. The site is owned by Yorkshire Water with a shooting tenant. We also met the local gamekeeper to discuss his work in predator control and moorland management.

Nature Recovery
Defra funding of £523k has been secured for the purchase of Boarsgrove adjacent to our

Warslow Estate and the deal has been completed. Excellent team working by many colleagues allowed us to take advantage of this restrictive and short notice funding opportunity. We are now mobilising contractors and purchasing materials that will be used to undertake a variety of enhancements to improve water quality and increase biodiversity.

Morridge Hill Country Landscape Recovery project is progressing well through the enrolment period. Various queries from Defra have been worked through and additional overhead costs for new staff have been accepted. In early February an initial meeting was held with the farmers and land managers who had agreed to work with the Authority during the development phase. This meeting was well supported and whilst there were some concerns about the balance between nature recovery, addressing climate change and food production all attendees were keen to be part of the project and explore opportunities for landscape recovery supported by private as well as public funding. It is hoped that a contract will be offered by the end of March.

Our Landscape Recovery bid for the White Peak was unsuccessful but we are looking at ways we can maintain momentum and develop the concept further ahead of a revised application, which Defra are keen to see.

I recently helped convene a meeting of environmental NGOs to review opportunities for greater collaboration and increasing our shared ambitions around woodland creation, nature-friendly farming, managing visitor pressure, reducing wildfire risk and achieving more inclusive access to nature. This was intended to be a retreat but the planned accommodation was not available so the retreat will be attempted again later in the year.

A small new project is being developed to improve the habitat in our grounds at Aldern House. The 'Aldern House Biosphere' project will involve enhancements and creation of new habitats, areas for food growing and it will involve volunteers (including staff volunteering) and existing partner groups helping transform the space where we work with a view to both promoting the health and wellbeing of those volunteering and showcasing what can be achieved to help restore nature. A grant from the Foundation is being sought to help support this work and PPCV will also start using the project to run certain volunteering tasks. Our Bakewell Engagement Ranger will be seeking new and renewed links with local groups in Bakewell to also involve them.

The Farming in Protected Landscapes (FiPL) budget 2023/24 has now been fully allocated and £1.1m of the £2.4m available for 24/25 has also been allocated so that spending can take place at the beginning of the new financial year. As this is the last year of FiPL funding available it is important money gets allocated and spent early. The February Local Assessment Panel supported 16 projects, the highest number at any panel, approving just over £400k. An additional 15 projects under £10k each have been approved without the need for a panel decision since the start of 2024, totalling £100k. Significantly:

- Two-thirds of those entering agreements are new to FiPL
- Our first permissive bridleways have been supported through FiPL
- A project with Whirlow Hall farm on the edge of Sheffield has been supported, giving disadvantaged people access into the countryside
- Support has been given to ten farmers managing SSSIs

Welcoming Place

I attended the Local Access Forum recently where the case for dogs always being on leads was made very passionately by a local farmer who often experiences distressing stock worrying. A growing issue of professional dog walkers using the National Park was raised. The provision of 'dog runs' at a number of visitor attractions is being explored. Our own seasonal comms around dogs on leads is about to pick up and we now have new dedicated online information on such responsible behaviours. The issue of whether there should be any designated BBQ places was also discussed. Our message is always don't BBQ but by providing designated areas there may be a benefit in not displacing BBQ use to higher/more risky areas. The issue of access to water within the National Park was also raised. Our upcoming work with the National Trust (and others) around a 'recreation hub' approach in the Dovedale area should allow a number of these issues to be explored and different management options/trails considered.

The consultants reviewing our Visitor and Cycle Hire Centres are still in the evidence gathering stage so there is nothing further yet to report to Members. I have held a catch-up meeting with the Foundation's donor who is supporting this work.

The issue of tourism pressure and sustainability is one that the Authority needs to further develop. Anecdotal accounts suggest visitor numbers are increasing. The Forum after the Authority meeting will be discussing these issues and considering our developing position and a statement on the subject.

We have secured funding from the Foundation to grow Ambassador Schools and expand our health and wellbeing work in the southern areas of the National Park. This will enable us to reach new communities to connect people of all ages to the health and wellbeing benefits and learning about the National Park's special qualities.

Thriving Communities
Our planning team is continuing to grow and go from strength to strength. The recent restructure is complete in that we have now imbedded enforcement within the area teams. A number of key appointments have been made and we are waiting for new colleagues to start in post. We are continuing to make good progress in reducing the number of enforcement cases we have on the books, which has been helped by the introduction of a new online enforcement reporting form. This ensures all vital information is captured in one place and saves Officer time which can then be focused on investigating cases. We are continuing to monitor and address a number of high-profile enforcement cases.

Following our joint letter with other local authorities to Homes England about the additional costs of house building in National Parks, a meeting has been organised with Homes England to discuss the matter.

We recently held another Peak Park Summit with the Derbyshire Police and Crime Commissioner. Attendance at the summit is growing with an expanding number of related organisations joining all the regional police forces. The sharing of information on current crime issues and joint approach to addressing some of these issues is very valuable. Some of our most significant crime issues continue to be off-road motorbiking, stock worrying, targeting of rural properties and machinery theft. We play a key role in coordinating communications among partners. The forum is also valuable as a way of addressing antisocial behaviour generally and specifically behaviour which can increase the risk of wild fires. There will be another Summit in six months' time.

I have started my CEO Roadshows with the first one being held in Castleton. This was a very successful event, as covered in the recent MP's newsletter. I now have a programme of similar events every month for the next year where I will be visiting all corners of the National Park.

<u>Resource issues</u>
Our new finance system is now bedding in well. With Members approving the budget at the last Authority meeting, the team is now focusing on closing the financial year.

Staffing update
Pioneering conversations are currently taking place for all staff, where annual objectives are set. This year we have a shared corporate objective for every member of staff to take part in a National Park volunteering activity. This will not only deliver valuable work that might otherwise not be prioritised but it will also demonstrate that volunteering can be done in many different ways and it will result in enjoyable teambuilding activities where colleagues work alongside each other delivering our objectives in different ways.

Recruitment is currently underway for our new Head of Resources. Indications so far are that there is an exceptional level of interest in this role. We have recently been able to appoint a new Finance Manager, who will have started in post by the time of the Authority meeting. The same is true for a new accountant who will be joining us and the new Authority Solicitor. There has also been a real turnaround in appointments into the planning team and some long-standing challenges in appointing into Assets and Enterprise are also being overcome. Our new structure, salary scales, softer incentives and a positive change in culture are all contributing to this improvement.

The National Park Training Academy has now been launched with our first new apprentice already in post in the Customer and Democratic Support Team. There has been strong interest in two other trainee roles in the Landscape and Engagement Service, where we received over 190 applications.

At the end of February I was honoured to attend the ‘leaving do’ of one of our volunteers, Derek Pay. Derek has patrolled, litter-picked, maintained and engaged for us since 1978. A number of the regular volunteers based at Fairholmes (Upper Derwent Valley) were gathered to say farewell to Derek with one of them calculating that those gathered had done 286 years of volunteering for us. Such longevity and commitment are testament to the benefits and enjoyment volunteers get by ‘working’ with us. We do however need to recruit more volunteers from a wider range of backgrounds who can undertake a more diverse set of roles. Dave Cramp, our Volunteer Manager is currently working on a volunteer development plan with the working vision of us having an empowered and diverse community of volunteers actively helping deliver all aspects of the work of the Peak District National Park.

Recent external meetings
Since my last report I have continued to meet with stakeholders, partners and organisations based in and around the National Park Authority. A number of such meetings have been covered above but they also include:

- Visit to the Moorland Discovery Centre at Longshaw where we jointly run a schools engagement programme with the National Trust
- Partnership Meeting Staffordshire Moorlands and High Peak – Andrew Stokes, CEO, Leaders Anthony McKeown and Mike Gledhill
- English National Parks Officer Group Meeting
- Natural England, Victoria Manton
- Visit Peak District & Derbyshire, Jo Dilley
- RSPB Raptor Group

Report Author, Job Title and Publication Date

Phil Mulligan, CEO, with input from Victoria Peel, Executive Support Officer
7th March 2024

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8. ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT

1. Purpose of the report

The purpose of the report is to meet statutory requirements governing Treasury Management functions, by asking Members to approve the annual Treasury Management Strategy Statement at appendix 1. The Statement includes the following strategies and policies:

1. Statutory and Regulatory Framework
2. Treasury Management Policy Statement
3. Annual Investment Strategy
4. Interest Rate Strategy
5. Borrowing Strategy
6. Prudential and Treasury Indicators
7. Minimum Revenue Provision Policy

Key Issues

- The Authority follows the CIPFA Code on Treasury Management, which requires a Treasury Management Strategy Statement.
- The Strategy Statement combines different strategies, which are explained in the previous section.
- The documents have been revised to provide clarity, but there are no major changes to the borrowing and investments practices.
- North Yorkshire Council (NYC) will manage the Authority's Treasury function through an SLA until April 2025.
- NYC recommends that 'customers' adopt its Annual Investment Strategy to ensure that investment strategies are aligned.
- The Prudential Indicators have changed due to new capital projects in the proposed Capital Programme.
- The Capital Strategy will present the capital programme for approval at the May Authority meeting.

2. Recommendations(s)

1. **That the Authority considers and approves the Treasury Management Strategy Statement in Appendix 1.**
2. **That the Authority considers and approves the strategies contained within the Strategy Statement, namely the Annual Investment Strategy (section 3), Interest Rate Strategy (section 4) and Borrowing Strategy (section 5).**
3. **That the Authority adopts the Annual Investment Strategy from the North Yorkshire Council (NYC) as the over-arching Investment Strategy for the Authority's invested reserve funds.**
4. **That the Authority reviews and approves the Prudential Indicators (section 6).**
5. **That the Authority reviews and approves the Minimum Revenue Provision (MRP) policy (section 7).**

How does this contribute to our policies and legal obligations?

3. 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 (revised 2021).
- The Department for Levelling Up, Housing and Communities (DLUHC) Guidance on Local Government Investments and Minimum Revenue Provision.

Background Information

4. The Treasury Management Strategy Statement is a requirement of the CIPFA code on Treasury Management. The previous version of this document was approved by the Authority in March 2023.

NYC has provided Treasury Management services to the Authority through an SLA for a number of years and this will continue until April 2025.

Proposals

5. Borrowing:

The Authority funds its capital expenditure through a mix of capital receipts, grants from external bodies, direct revenue contributions, and borrowing. Given the limited capacity to finance capital expenditure directly from revenue, the Authority seeks to optimise grant opportunities when available. However, borrowing will only be considered if the debt repayments can be managed from the income generated, or savings anticipated by the capital investments themselves. It is not sustainable to fund capital programmes from revenue contributions.

The Capital Programme, proposed for the period of 2024/25 to 2027/28, anticipates a capital expenditure of £4.88m. It is projected that £2.49m of this amount will be financed through borrowing. This borrowing is expected to be internal, commonly referred to as borrowing from reserves. The current average balance of reserves is approx. £9m. This is the amount held with NYC and fluctuates based on current bank balances, including interest received from the investment.

Borrowing remains an important method for the Authority to fund necessary investments and the Prudential Indicators have been adjusted to account for this potential expenditure, while also providing flexibility for future investments not yet planned.

A decision to borrow results in a “Capital Financing Requirement (CFR)”, which represents the Authority’s underlying need to borrow to support capital expenditure. The actual borrowing may not coincide with this decision, as it is often more cost-effective to utilise temporary cash funds, despite the growth in investment returns as interest rates rise.

The Authority’s CFR is estimated at £1.240m on 31st March 2024, of which £0.358m is a Public Works Loan and £0.882m is from internal cash funds. No new borrowing took place in 2023/24.

6. Investing:

The Authority will continue to invest its surplus cash resources with the North Yorkshire Council (NYC), adopting a strategy of shared risk and shared return. The Annual Investment Strategies for both local authorities align to ensure consistency and transparency.

For the financial year 2023/24, the original budget was set at £75k, assuming a modest rate of return of approximately 1.6%. Despite these projections, the Bank of England's base rate has continued to rise, reaching 5% as of February 2024. This increase has resulted in actual receipts as of 31 December 2023 amounting to £0.328m. Consequently, the potential year-end return is projected to be approx. £0.478m.

Looking ahead to the 2024/25 financial year, projections for the Base Rate are expected to remain high and so the budget has been set at £360k with a reduction to £200k in future years. It's important to note that with regards to the CIPFA guidance, the Authority's primary investment principle is the security of funds, prioritising this over the rate of return.

Are there any corporate implications members should be concerned about?

Financial:

7. Financial issues are covered by virtue of the nature of the report.

Risk Management:

8. 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.

Sustainability:

9. The indicators include consideration of the sustainability of capital borrowing.

Equality, Diversity and Inclusion:

10. There are no implications to identify

11. Climate Change

There are no implications to identify

12. Background papers (not previously published)

n/a

13. Appendices

Appendix 1 - Peak District National Park Authority Treasury Management Strategy Statement.

Appendix 2 - Appendix 2 – North Yorkshire Council Treasury Management & Capital Strategy.

Report Author, Job Title and Publication Date

Ben Cookson, Chief Finance Officer, 6th March 2024
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Peak District National Park Authority

Treasury Management Strategy Statement 2024/25

1. Introduction:

1.1. The Treasury Management Strategy Statement (TMSS) is a key part of our financial management framework, supporting the National Park Authority by managing our financial resources effectively and sustainably. It oversees our cash flows, borrowing, and investments, with a strong emphasis on risk management and the pursuit of optimal performance.

1.2. The TMSS ensures we have robust procedures for identifying, evaluating, and mitigating risks in line with the CIPFA Code of Practice on Treasury Management. This risk-aware approach supports the long-term success of the Authority by ensuring resources are available to achieve its strategic objectives.

2. Contents of the TMSS include:

2.1.1. Statutory and Regulatory Framework
2.1.2. Treasury Management Policy Statement
2.1.3. Annual Investment Strategy
2.1.4. Interest Rate Strategy
2.1.5. Borrowing Strategy
2.1.6. Prudential and Treasury Indicators
2.1.7. Minimum Revenue Provision Policy

3. Statutory and Regulatory Framework:

3.1. The Local Government Act 2003 mandates local authorities to operate their treasury management activities within a legal framework. The key points of the Act are:

3.1.1. Power to Borrow: Local authorities in the UK have the power to borrow money to finance their services and capital projects. This power is granted under the Local Government Act 2003. The borrowing can be for any purpose relevant to their functions or for the prudent management of their financial affairs.

3.1.2. Control of Borrowing: There are controls in place to manage local authority borrowing. The government has statutory powers to directly address instances of highly risky practices in local government capital systems. These controls are designed to protect taxpayers' money while supporting local freedoms for much-needed investment.

3.1.3. Affordable Borrowing Limit: Local authorities have a duty to determine an affordable borrowing limit. This limit is related to the revenue streams available to the local authority, which it can use to repay the debt. The aim is to ensure that borrowing is financially sustainable and does not impact service delivery.

3.1.4. Power to Invest: Local authorities also have the power to invest for any purpose relevant to their functions or for the purposes of the prudent management of their financial affairs. This power covers all of the financial assets of a local authority held primarily, or partially to make a profit.

3.1.5. Risk Management: Risk management is a key aspect of local authority operations in England. It involves setting out a structured approach that enables potential risks that could impact the achievement of the intended outcomes to be identified, analysed, and mitigated. The aim is to anticipate potential issues and challenges that could negatively impact the delivery of services and put in place actions to avoid risks materialising wherever possible.

3.1.6. Security for Money Borrowed: There are provisions in place for security for money borrowed by local authorities. All money borrowed must be secured on all the revenues of the local authority. This means that a local authority cannot mortgage or charge any of its property as security for money it has borrowed. The regulations make any security granted in breach of the regulations unenforceable.

3.2. In accordance with the Act, the Authority is mandated to establish a Treasury Strategy for borrowing and to formulate an Annual Investment Strategy. This strategy outlines the Authority's policies for borrowing, managing its investments, and prioritising the security and liquidity of those investments.

3.3. The Prudential Code is a professional code of practice that aims to ensure local authorities' financial plans are affordable, prudent and sustainable. The updated Prudential Code includes strengthened provisions for prudent investing, definitions and disclosures for service, treasury and commercial investments.

3.4. The Treasury Management Code of Practice provides a clear definition of treasury management activities. The main changes to the updated Treasury Management Code include investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.

3.5. These codes form part of the regulatory framework within which local authorities operate, and they are required to 'have regard to' their provisions. The codes have been developed to meet the needs of local authorities (including National Parks), registered social landlords, further and higher education institutions, and NHS trusts.

4. Treasury Management Policy Statement:

4.1. 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".

4.2. 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.

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

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

4.5. Investments and Borrowing:

4.5.1. 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.

4.5.2. 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.

4.5.3. 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.

4.5.4. Members of the Peak District National Park, during the full Authority meeting, are responsible for scrutinising the Treasury Management strategy and policies. Additionally, the Authority's borrowing limits receive annual approval based on advice from the Chief Finance Officer.

4.6. Treasury Management Practices (TMPs):

4.6.1. The Chief Finance Officer is responsible for designing, implementing, and monitoring arrangements to ensure proper control of Treasury Management activities. These arrangements will operate within the constraints outlined in the Annual Treasury Management and Investment Strategy. The activities will be categorised into the following 12 'treasury management practices' or subject areas as defined by the CIPFA Code of practice on Treasury Management:

4.6.2. Risk Management:

- 4.6.2.1. Credit & Counter-party risk – The security of sums invested
- 4.6.2.2. Liquidity Risk Management – working capital requirements
- 4.6.2.3. Interest Rate Risk – exposure to fluctuations in interest rates
- 4.6.2.4. Exchange rate risk – fluctuations in exchange rates
- 4.6.2.5. Re-financing risk – terms of renewal
- 4.6.2.6. Legal and Regulatory risk – compliance
- 4.6.2.7. Fraud, error, corruption – suitable systems and procedures
- 4.6.2.8. Market Risk – protection of principal sums invested

4.6.3. Performance Measurement: Consideration of alternative methods of delivery and performance indicators

4.6.4. Decision Making & Analysis: Maintenance of records of decisions

4.6.5. Approved Instruments, Methods & Techniques: Subject to those approved in the Annual Strategy, or by specific resolution of Authority committee

4.6.6. Organisation, Clarity and Segregation of Responsibilities and dealing Arrangements: Responsibilities and procedures for transactions and staff handling of financial transactions

4.6.7. Reporting Arrangements: Standing Orders Section K above sets out the respective Member and Officer responsibilities

4.6.8. 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

4.6.9. Cashflow Management: Central control and aggregation of all cash flows to ensure liquidity

4.6.10. Money Laundering: Verifying and recording the identity of counterparties

4.6.11. Training and Qualifications: Experience and training in Treasury Management activities

4.6.12. Use of External Service Providers: Monitoring and procurement of external advice

4.6.13. Corporate Governance: Assessment of effectiveness of Treasury Management activities.

5. Annual Investment Strategy:

5.1. The Annual Investment Strategy serves as a strategic plan for the Authority to effectively manage its surplus funds. These funds, which are allocated for specific reserves, are projected for use in the forthcoming years. In the short-term, the Authority prudently invests these funds to generate returns, thereby ensuring an efficient management of the reserve balances. This approach not only maximises the value of the reserves, but also contributes to the financial sustainability of the Authority.

5.2. The Authority's Treasury Management function, including investments, is managed by North Yorkshire Council (NYC) under a Service Level Agreement (SLA). This partnership takes advantage of the Council's expertise in treasury management to manage the Authority's finances effectively and professionally. It also demonstrates our commitment to teamwork and efficient use of resources, which in turn enhances the performance of our treasury management practices.

5.3. The current 3-year SLA runs to April 2025, subject to a 6-month notice period.

5.4. It is advised that any excess funds should be invested solely with NYC, which will provide interest at a suitable money market rate on this capital. This approach aligns with the Authority's goals of securing a return on its surplus funds while reducing risk, and it adheres to the DLUHC's guidelines on investment strategy.

5.5. To achieve alignment of financial objectives, effective risk management, and transparency, the Authority should adopt NYC's 2024 Annual Investment Strategy for its investments. This strategy received approval from the NYC Full Council in January 2024 and is attached as an appendix.

5.6. The Treasury Management Services provided by NYC include, but is not limited, to the following:

5.6.1. A daily sweep of the Authority's bank accounts will be made to transfer the credit/debit balance on the accounts to/from NYC.

5.6.2. Funds transferred through the daily sweep facility will be invested together with funds of NYC and those of other organisations for whom it provides a Treasury Management Service.

5.6.3. Investment of sums in accordance with the agreed Treasury Management Strategy including the adherence to any procedures specified in the statement.

5.6.4. The calculation of interest due to the Authority at a daily rate.

5.6.5. The transfer of interest earned to the Authority on a quarterly basis.

5.6.6. Provision of quarterly details of interest earned to the Authority.

5.6.7. Support and information on investment reporting as required.

5.6.8. Contingency arrangements for the provision of s151 Officer Advice.

5.7. 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:

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

5.7.2. 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.

5.7.3. In the event of a default of an individual loan, each organisation using the NYC 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**	**Share of Loss**	**Share of Loss**
Customer	**£k**	**%**	**£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**	**1,000**

5.8. In addition, NYC agrees that the Default Loan procedure will not apply if the actions of NYC 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.

6. Interest Rate Strategy:

6.1. While the investment of surplus balances is managed by NYC under the treasury management SLA, it remains crucial for the Authority to keep a close eye on national interest rates. This vigilance ensures that the forecasts in the Medium-Term Financial Plan (MTFP) remain relevant and accurate.

6.2. The current annual MTFP budget for interest receipts stands at a conservative £110k. However, the interest earned in the fiscal year 2023-24 is projected to reach £470k, due to the prevailing favourable interest rates with NYC of approximately 4.7% (as of December 2023).

6.3. Given the Bank of England's expected Base Rate stability of 5.25% until at least the latter half of 2024, the Authority should incorporate this factor when projecting short-term interest receipts. Other considerations include:

6.4. Long-term Borrowing: The Authority should evaluate the Public Works Loan Board (PWLB) certainty rates for long-term borrowing needs. If these rates are advantageous, the Authority might consider securing some long-term borrowing to finance its capital projects. However, due to substantial reserve balances, internal borrowing remains the preferred option.

6.5. Potential Rate Cuts: The Authority should be prepared for possible rate cuts, which are anticipated to commence once the Consumer Price Index (CPI) inflation and wage/employment data support such a move. These cuts could affect the return on the Authority's investments and the cost of its borrowings.

6.6. Economic Recession: Given the potential for the broader economy to experience at least a mild recession in the coming months, the Authority should ensure it has adequate liquidity to weather any potential financial shocks.

6.7. International Factors: The Authority should also consider international factors that could influence interest rates. These include policy developments in the US and Europe, the introduction of new support packages to bolster the faltering recovery in China, and ongoing conflicts.

6.8. Regular Review: The Authority should routinely reassess its interest rate strategy in light of fresh economic data releases, clarifications from the Monetary Policy Committee (MPC) regarding its monetary policies, and changes in the Government's fiscal policies.

7. Borrowing Strategy:

7.1. A considered approach to borrowing is crucial for sound financial management and compliance with the CIPFA Code. This strategy presents our debt management strategy, which aligns with our financial aims, acceptable levels of risk, and overall fiscal stability.

7.2. Objectives:

7.2.1. Considered Borrowing: We ensure our borrowing is sensible, supporting our capital programme while adhering to the Prudential Code's boundaries and avoiding unnecessary financial commitments.

7.2.2. Interest Rate Management: Preferring fixed-rate, long-term financing helps us manage interest rate fluctuations, consistent with our prudential indicators.

7.2.3. Compliance & Strategic Planning: Our treasury practices adhere to the CIPFA code, focusing on long-term fiscal health and regular debt assessments to maintain alignment with borrowing standards.

7.3. Legal Framework:

7.3.1. We operate within a set legal and regulatory context, which includes:

7.3.2. Prudential Code for Capital Finance: Encourages responsible borrowing for viable capital investments and asset protection.

7.3.3. Local Government Act 2003: Sets out the statutory borrowing framework we must follow.

7.3.4. PWLB Guidance: Details the procedures for borrowing for capital purposes.

7.4. Borrowing Sources:

7.4.1. We have several borrowing options, including market loans, PWLB, municipal bonds, or internal funds. We prefer to use our cash reserves with North Yorkshire Council for financial benefit before seeking external borrowing.

7.4.2. Currently, we have a PWLB loan due in 2031.

7.5. Risk Management:

7.5.1. Liquidity Planning: We manage liquidity risks by avoiding early borrowing and ensuring prompt communication of significant financial decisions.

7.5.2. Borrowing Limits: We do not engage in speculative borrowing, and any proactive borrowing is carefully assessed for its cost-effectiveness.

7.5.3. Debt Rescheduling: While not expected due to the current interest rates, we keep the option of debt rescheduling under consideration.

8. Prudential and Treasury Indicators:

8.1. The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

8.2. Capital expenditure and financing: This indicator shows the planned and actual capital expenditure forecast:

Capital Expenditure	Forecast 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
	£'000s	£'000s	£'000s	£'000s	£'000s
Total Capital Expenditure	**1,047**	**3,108**	**1,285**	**65**	**425**

These figures represent best estimates for capital expenditure. The estimates combine various delegated capital projects (e.g., property refurbishment, ICT spending) and approved projects (e.g., Trails infrastructure at £0.460m, North Lees Estate at £0.300m). Additionally, they include an estimate of pending items awaiting approval in the Capital Strategy refresh. These values serve as indicative forecasts without any binding commitments.

8.3. The following table summarises the above capital expenditure plans, their funding sources (capital or revenue), and identifies any net financing needs (anticipated borrowing requirements).

Financing of Capital Expenditure	Forecast 2023/24	Estimate 2024/25	Estimate 2025/26	Estimate 2026/27	Estimate 2027/28
	£'000s	£'000s	£'000s	£'000s	£'000s
Capital Grants	(524)	(304)	0	0	0
Revenue Contribution	(239)	(344)	(265)	(65)	(65)
Capital Receipts	(284)	(650)	(200)	0	0
Net financing need	**0**	**1,810**	**820**	**0**	**360**

8.4. Capital financing requirement (CFR): The second prudential indicator is the Authority's CFR. The CFR is the total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources. It is a measure of the Authority's indebtedness and so underlying borrowing need. Any capital expenditure above, which has not been financed through a revenue or capital resource, will increase the CFR.

8.5. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and charges the economic consumption of capital assets as they are used.

	Actual 2022/23 £'000s	Estimate 2023/24 £'000s	Estimate 2024/25 £'000s	Estimate 2025/26 £'000s	Estimate 2026/27 £'000s
C.F.R	1,240	1,203	1,060	891	730

8.6. Ratio of financing costs to net revenue stream: This indicator shows the proportion of the Authority's revenue budget that is used to pay for capital financing costs, such as interest and debt repayment.

Ratio of financing costs to net revenue stream	Forecast 2023/24 £'000s	Estimate 2024/25 £'000s	Estimate 2025/26 £'000s	Estimate 2026/27 £'000s	Estimate 2027/28 £'000s
Financing Costs	173	180	181	179	194
Net Revenue	6,699	6,699	6,699	6,699	6,699
Percentage	2.59%	2.69%	2.69%	2.67%	2.90%

Financing costs are the annual principal and interest payments on the estimated debt outstanding. Overall net revenue is the core National Park Grant. The ratio increases in the later periods reflecting the increases in interest rates and possible increase in capital investments. 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.

8.7. 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:

Operational Boundary	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	2.25	2.5	2.5	2.5
Other Long Term Liabilities	NIL	NIL	NIL	NIL
Total	**2.25**	**2.5**	**2.5**	**3.5**

8.8. Authorised limit for external debt: This represents the limit beyond which borrowing is prohibited. 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.

Authorised Limit	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	2.5	3.0	3.0	3.0
Other Long Term Liabilities	NIL	NIL	NIL	NIL
Total	**2.5**	**3.0**	**3.0**	**3.0**

9. Minimum Revenue Provision Policy Statement:

9.1. The Minimum Revenue Provision (MRP) represents the sum that Local Authorities must allocate annually from their revenue account to repay debt. This allocation is designed to facilitate the annual repayment of both the outstanding loan principal and interest charges. The overarching objective of this provision is to align the debt repayment period with the duration over which the capital expenditure yields benefits.

9.2. With regards to the statutory guidance on MRP, the Peak District National Park Authority has implemented the Asset Life Method. This method calculates MRP based on the estimated lifespan of the underlying asset. The advantage of this approach is that it ties the budgetary provision for debt repayments to the lifespan of the assets acquired. This ensures the availability of funds for asset replacement when they reach the end of their useful life.

9.3. The actual computation of the MRP is grounded in the annuity option. As a result, the MRP escalates over the lifespan of the underlying asset supported by the debt. Conversely, the interest charge decreases, maintaining a constant debt repayment value. This method provides a balanced approach to debt management, ensuring financial stability for the authority.

NORTH YORKSHIRE COUNCIL

EXECUTIVE

23 January 2024

TREASURY MANAGEMENT AND CAPITAL STRATEGY

Report of the Corporate Director – Resources

1.0 **PURPOSE OF THE REPORT**

1.1 To recommend to the Council an Annual Treasury Management Strategy Statement for the financial year 2024/25 which incorporates:

a) a Treasury Management Strategy;

b) Capital Prudential and Treasury Indicators; including a Minimum Revenue Provision Policy Statement;

c) a Borrowing Strategy;

d) an Annual Investment Strategy;

1.2 To recommend to the Council a Captial Strategy for the financial year 2024/25.

2.0 INTRODUCTION AND CONTEXT

2.1 2024/25 follows on from the initial Treasury Management Strategy Statement and Capital Strategy for the new North Yorkshire Council (NYC) approved by Council in February 2023. Both the Treasury Management Strategy and Capital Strategy for NYC incorporate the latest assessment of spending and resource plans for the new Council, which continue to develop as services are reviewed and the Council's investment priorities become clearer.

2.2 The Treasury Management Strategy and Capital Strategy incorporate both the General Fund and Housing Revenue Account (HRA) capital programmes, capital funding requirements, investments and cash flows.

3.0 THE REPORT

3.1 Treasury management is defined as 'the management of the local authority'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'.

3.2 The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, with the main aims of providing sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.

3.3 The second main function of the treasury management service is to arrange the funding of the Council's capital programme, which will support the provision of Council services. The capital programme provides a guide to the borrowing need of the Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer-term cash may involve arranging long or short-term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet Council risk or cost objectives.

3.4 The Council adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Council's capital expenditure plans and its Prudential Indicators.

3.5 This report provides a summary of the following for 2024/25:

3.5.1 **Treasury Management Strategy (See Annex 1 – Section 1)**

The Treasury Management Strategy sets out the requirements for the overall Treasury, Borrowing, Investment and Capital Policies. The strategic approach is set out in the following:

3.5.2 **Capital Prudential Indicators (See Annex 1 – Section 2)**

The Capital Prudential Indicators set out the capital expenditure plan and associated indicators, capital financing requirement (£734.3m in 2024/25) and the monitoring of core funds and investment balances. The Minimum Revenue Provision (MRP) Policy Statement is also included.

The Prudential Indicators have been revised and updated in line with the latest CIPFA Code of Practice. The Estimated Ratio of Capital Financing Costs is no longer a required indicator and as a result has been removed along with the local indicator. Indicators for 22/23 have been derived from an aggregation of the predecessor councils, and are included for comparison purposes

3.5.3 **Borrowing Strategy (See Annex 1 – Section 3)**

The Treasury Management function ensures that the Council's cash is managed to safeguard the delivery of the Capital Expenditures plans set out in **Appendix A**. The Borrowing Strategy covers the current and projected position as well as the Treasury Prudential Indicators. The key Treasury Management Indicators the Council are required to approve are:

- The Authorised Limit for External Debt (the legal limit beyond which external debt is prohibited), £660.9m in 2024/25; and

- The Operational Boundary for External Debt (the limit beyond which external debt is not normally expected to exceed), £633.3m in 2024/25.

3.5.4 **Annual Investment Strategy (See Annex 1 – Section 4)**

The Annual Investment Strategy details the Council's Investment Policy and approach to the investment of funds. The strategy is in line with the North Yorkshire Council policy which was unchanged from the previous year.

3.5.5 **Treasury Management Strategy Statement Appendices (See Appendices A – F)**

Appendix A	The Capital Prudential and Treasury Indicators 2024/25 – 2026/27
Appendix B	Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Appendix C	Approved Lending List
Appendix D	Approved sources of long and short term borrowing
Appendix E	Approved Countries for Investment
Appendix F	Treasury Management Scheme of Delegation
Appendix G	The Treasury Management Role of the Section 151 Officer

The appendices cover the requirements of the various laws, codes and guidance that cover the Treasury Management activity, including the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

3.5.6 **Capital Strategy (See Annex 2)**

The Capital Strategy sets out the context of which Capital Expenditure and Investment decisions are made, and gives due consideration to both risk and reward and the impact on the achievement of policy outcomes. The Capital Strategy also includes the current position on the Council's non-treasury alternative investments.

4.0 RECOMMENDATIONS

That Members recommend to the Council: -

4.1 The Treasury Management Strategy Statement Annex 1, consisting of the Annual Treasury Management Strategy **(Section 1),** Capital Prudential Indicators (**Section 2**), Borrowing Strategy **(Section 3)** and Annual Investment Strategy 2024/25 (**Section 4**), including in particular;

i. an authorised limit for external debt of £660.9m in 2024/25;

ii. an operational boundary for external debt of £633.3m in 2024/25;

iii. the Prudential and Treasury Indicators based on the Council's current and indicative spending plans for 2024/25 to 2026/27;

iv. a limit of £60m of the total cash sums available for investment (both in house and externally managed) to be invested in Non-Specified Investments over 365 days;

v. a Minimum Revenue Provision (MRP) policy for debt repayment to be charged to Revenue in 2024/25;

vi. the Corporate Director – Resources to report to the Council if and when necessary during the year on any changes to this Strategy arising from the use of operational leasing, PFI or other innovative methods of funding not previously approved by the Council;

4.2 The Capital Strategy as attached as **Annex 2**;

4.3 That the Audit Committee be invited to review **Annex 1 and 2** and submit any proposals to the Executive for consideration at the earliest opportunity.

ANNEX 1

SECTION 1 - TREASURY MANAGEMENT STRATEGY 2023/24

1.1 Introduction and Context

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
CIPFA defines treasury management as:

"The management of the local authority'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 Reporting Requirements

Reporting arrangements in place relating to Treasury Management activities are highlighted below:

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The Council's Capital Strategy includes the requirements of the 2021 Treasury Management Code and Prudential code: -

1. the approach to investments for service or commercial purposes (non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. an assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e., whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

This Capital Strategy [**Annex 2**] is reported separately from the Treasury Management Strategy Statement. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy, service and commercial investments usually arising from expenditure on an asset.

Where the Council has borrowed to fund any non-treasury investment, there is be an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2 Treasury Management Reporting

Quarterly reporting to members is now required under the 2021 Treasury Management Code, however it is not necessary to take these reports to full Council. The full Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a) **Prudential and Treasury Indicators and Treasury Strategy** (this report) –The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b) **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, to comply with the 2021 revision of the CIPFA Treasury Code, the Executive will receive quarterly update reports including the Treasury Management Indicators and Prudential Indicators as part of the authority’s general revenue and capital monitoring.

c) **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

Treasury Management reports are required to be adequately scrutinised before being recommended to the Council. The scrutiny role is undertaken by the Audit Committee.

1.3 Treasury Management Strategy 2024/25

The Treasury Management strategy for 2024/25 covers two main areas:

a. Capital issues

- the capital expenditure plans and the associated prudential indicators; and
- the Minimum Revenue Provision (MRP) policy.

b. Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Treasury Management Code requires the Section 151 Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The revised TM Code introduces strengthened requirements for skills and training, and for investments which are not for specifically treasury management purposes i.e. non-treasury investments, where further detail is contained in the Capital Strategy.

The scale and nature of training requirements will depend on the size and complexity of the Council's treasury management needs. The Council will need to assess whether treasury management staff and members have the required knowledge and skills to undertake the roles and if those skills have been maintained and are up to date.

As a minimum, the Council will carry out the following to monitor and review knowledge and skills:

- record attendance at training and ensure action is taken where poor attendance is identified;

- prepare tailored learning plans for treasury management officers and board/council members;

- require treasury management officers and board/council members to undertake self-assessment against the required competencies set out in Treasury Management Practice (TMP) 10; and

- have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

Member training has been provided by Treasury Management Consultants, Link Group (Link) and further training will be provided as required. The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained and similarly, a formal record of the treasury management/capital finance training received by members

The Council maintains a “Knowledge and skills policy” within its Treasury Management Practices (TMPs). Specifically, TMP 10 includes the details of the competencies required for the core roles, a knowledge and skills schedule and details of how the council will monitor and review these skills and knowledge. This policy aims to ensure the effective acquisition and retention of treasury management skills for those responsible for the management, delivery, governance, decision-making and compliance with legislative requirements

1.5 Treasury Management Consultants

The Council uses Link Group, as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

SECTION 2 - CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2026/27

The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council’s capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure	2022/23 Actual £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Non-HRA	159,898	213,838	233,952	76,681	17,247
HRA	23,664	19,223	40,834	43,757	43,021
Total	**183,562**	**233,061**	**274,786**	**120,438**	**60,268**

The capital expenditure plans exclude ‘other long-term liabilities’ such as PFI and leasing arrangements that already include their own borrowing facility. The Council’s Capital Plans do not include any plans on “projects for yield” schemes and there is no intention to purchase commercial assets primarily for yield.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. A shortfall that results in a funding borrowing need - net financing need for the year - is indicated in years 2022/23 - 2026/27.

Financing of capital expenditure	2022/23 Actual £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Capital receipts	22,651	13,488	17,994	4,377	6,516
Capital grants	97,349	137,912	200,827	54,069	11,846
Revenue	41,101	47,813	52,250	36,582	27,825
Net financing need for the year	**22,461**	**33,847**	**3,715**	**25,411**	**14,081**

2.2 The Council's borrowing need - the Capital Financing Requirement (CFR)

The second prudential indicator is the Council's CFR. The CFR is the total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources. It is a measure of the Council's indebtedness and so underlying borrowing need. Any capital expenditure above, which has not been financed through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI or lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has PFI and lease schemes within the CFR

The Council is asked to approve the CFR projections below:

	2022/23 Actual £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Capital Financing Requirement					
Non-HRA	612,814	653,658	626,337	611,918	586,948
HRA	105,678	103,323	112,378	129,879	146,680
Total CFR	**718,492**	**756,981**	**738,715**	**741,796**	**733,627**
Movement in CFR	**2,118**	**38,489**	**(18,266)**	**3,082**	**(8,169)**

Movement in CFR represented by					
Net financing need for the year*	22,461	60,838	3,715	25,411	14,801
Less MRP/VRP and other financing movements	(20,343)	(22,349)	(21,982)	(22,329)	(22,250)
Movement in CFR	**2,118**	**38,489**	**(18,266)**	**3,082**	**(8,169)**

* Net financing need for the year includes Other Long Term Liabilities (Finance Leases) not included in Table 2.1

2.3 The Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following two financial years, as a minimum, where this Council has provided the full debt maturity profile out to 50+ years as recommended by CIPFA.

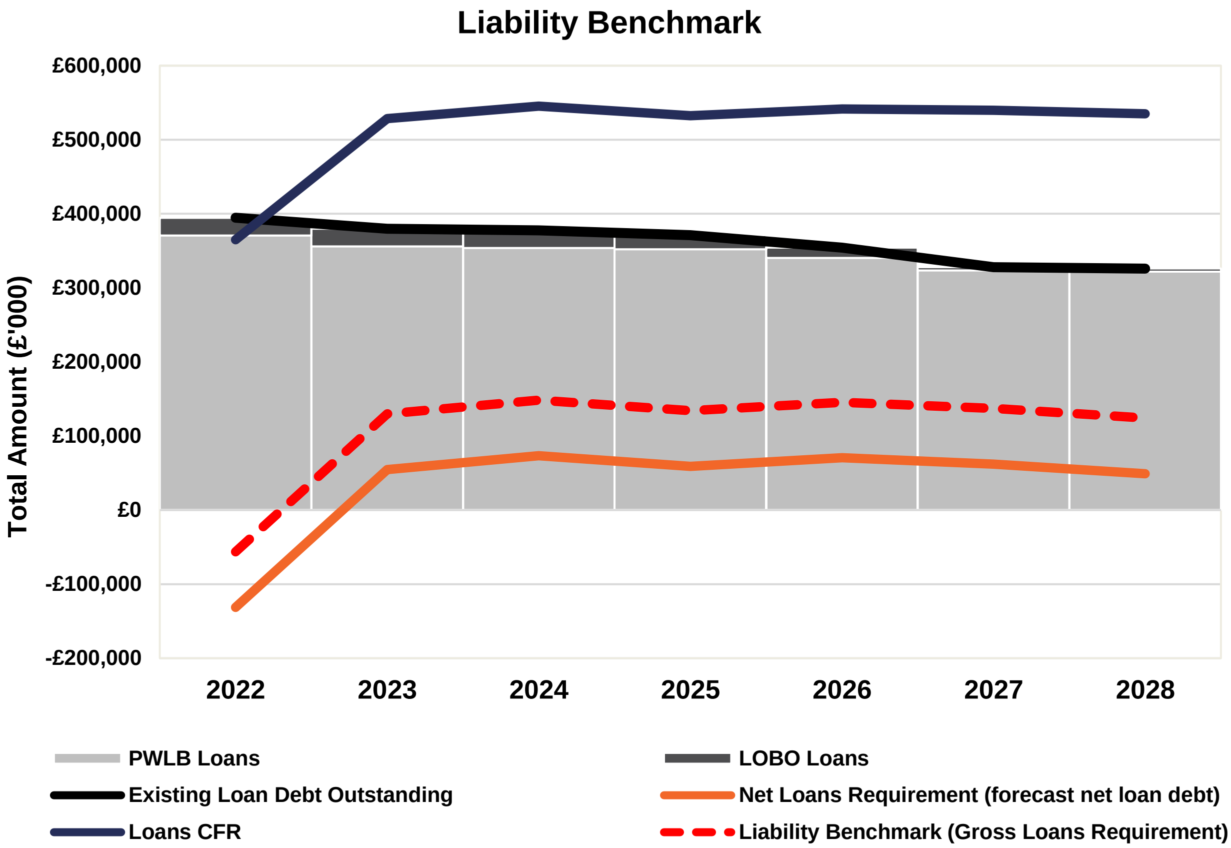
There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.

2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP. With only approved prudential borrowing being included in the calculation, the Loans CFR will peak after four years where the other inputs are projected forward for 50 years+.

3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance. The short-term liquidity allowance is an adequate (but not excessive) allowance for a level of excess cash to be invested short-term to provide access to liquidity if needed due to short-term cash flow variations, for example.



The Liability benchmark is low due to the high level of investments in comparison to the actual borrowing position, indicating that there is no future borrowing requirement.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources	2022/23 Actual £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Fund balances / reserves (indicative average)	578,392	533,047	533,047	533,047	533,047
Capital receipts	21,502	21,502	21,502	21,502	21,502
Provisions	24,630	24,630	24,630	24,630	24,630
Other	0	0	0	0	0
Total core funds	**624,524**	**579,179**	**579,179**	**579,179**	**579,179**
Working capital	63,022	138,022	138,022	138,022	138,022
Under/over borrowing	(188,492)	(197,470)	(194,143)	(198,004)	(189,155)
Expected investments	**499,054**	**519,731**	**523,058**	**519,197**	**528,046**

2.5 Minimum Revenue Provision (MRP) policy statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge, known as Minimum Revenue provision (MRP). The Council is also allowed to undertake additional voluntary payments, the Voluntary Revenue provision (VRP), if required.

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance gives four ready-made options for calculating MRP, however the Authority can use any other reasonable basis that it can justify as prudent

The MRP policy statement requires Full Council approval in advance of each financial year. The Council is recommended to approve the following MRP Statement:

a) For capital expenditure incurred before 1 April 2008 (known as supported borrowing), MRP will be based on 4% of the CFR at that date;

b) From 1 April 2008 for all unsupported borrowing not covered by points c-f, the MRP policy will be;

Asset life method (option 3 of the statutory guidance) – MRP will be based on the estimated life of the assets using equal instalments of principal. In accordance with the regulations this option must also be applied for any expenditure capitalised under a Capitalisation Direction.

The asset life method provides for a reduction in the borrowing need over the asset's life.

c) For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made each year (and the loan can be classified as service expenditure) the Council will not make MRP unless an actual or expected credit loss is recognised on any capital loan and then the MRP charge in the year will not be less than the loss amount. Where a shortfall is expected the S151 Officer will make an individual assessment on a prudent level of MRP to be made.

d) For capital expenditure on investment / development properties, under the current Government proposed amendments, where loan repayments are received in year those capital receipts will be used to reduce the CFR in that year. However, where no capital receipt is received, or where no future capital receipts are anticipated, a prudent level of MRP will be charged based on the asset life method using equal instalments of principal

e) For PFI schemes or finance leases, MRP will be charged at an amount equal to the principal element of the annual repayment.

f) There is no requirement to make MRP for the HRA but there is a requirement for a charge for depreciation to be made. VRP can also be made to reduce outstanding debt in a shorter period.

MRP Overpayments - Under the MRP Guidance any charges made in excess of the statutory (MRP are known as VRP. VRP can, be reclaimed in later years if deemed necessary or prudent. For these sums to be reclaimed in future, this policy must disclose the cumulative overpayment made each year. Up until the 31.3.23 the total VRP overpayments were £42.2m, including £27.2m relating to the HRA.

SECTION 3 - BORROWING

The capital expenditure plans set out in **Section 2** provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2023 and for the position as at 31 December 2023 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.23	**31.3.23**	**31.12.23**	**31.12.23**
Treasury investments	**£m**	**%**	**£m**	**%**
banks	538	83	427	69
building societies	2	0	0	0
local authorities	95	15	173	28
money market funds	0	0	0	0
other	1	0	0	0
Total managed in house	**636**	**98**	**600**	**97**
Total managed externally – property funds	16	2	16	3
Total Treasury Investments	**652**	**100**	**616**	**100**
Less other bodies funds	(126)		(62)	
Total treasury investments excluding other bodies funds	**526**	**100**	**554**	**100**
Treasury external borrowing	**£m**	**%**	**£m**	**%**
PWLB	371	94	354	94
LOBOs	24	6	24	6
Total external borrowing	**395**		**378**	**100**
Net treasury investments / (borrowing)	**131**		**176**	

The Council's current forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Forward projections for borrowing	2022/23 Actual £k	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
External Debt					
Debt at 1 April	394,688	379,822	377,737	371,112	354,447
Expected change in Debt	(14,866)	(2,085)	(6,625)	(16,665)	(26,707)
Other long-term liabilities (OLTL)	148,390	144,331	166,043	160,556	154,565
Expected change in OLTL	(4,058)	21,712	(5,487)	(5,991)	(6,162)
Actual gross debt at 31 March	**524,153**	**543,780**	**531,668**	**509,012**	**476,143**
The CFR	718,492	756,981	738,715	741,796	733,627
Under / (over) borrowing	**194,339**	**213,201**	**207,047**	**232,785**	**257,484**

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Corporate Director – Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2023/24 Estimate £k	2024/25 Estimate £k	2025/26 Estimate £k	2026/27 Estimate £k
Debt	429,822	427,737	421,112	404,447
Other long-term liabilities	211,043	205,556	199,565	193,403
Total	**640,865**	**633,293**	**620,677**	**597,850**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised limit	**2023/24 Estimate £k**	**2024/25 Estimate £k**	**2025/26 Estimate £k**	**2026/27 Estimate £k**
Debt	449,822	449,822	447,737	441,112
Other long-term liabilities	189,331	211,043	205,556	199,565
Total	**639,153**	**660,865**	**653,293**	**640,677**

3.3 Prospects for interest rates

Link Group are the Councils treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table shows their view on future interest rates. Link provided the following forecasts on 8 January. These are forecasts for PWLB certainty rates.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.80	4.30	3.80	3.30	3.20	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.60	4.10	3.70	3.20	3.20	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

The Link forecast for interest rates, updated on 8 January, reflected a view that the Monetary Policy Committee (MPC) would be keen to further demonstrate its anti-inflation position by keeping Bank Rate at 5.25% until at least the second half of 2024. Rate cuts are expected to start when both the CPI inflation and wage/employment data are supportive of such a move. There is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have been robust.

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, Link forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

Public Works Loan Board (PWLB) Rates

- PWLB rates have moved since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025, which reflects market confidence in inflation falling back in a similar manner to that already seen in the US and eurozone.

The balance of risks to the UK economy

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

Downside risks to current forecasts for UK gilt yields and PWLB rates include

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

- The Bank of England acts too quickly, or too far, over the next year to raise Bank Rate, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.

- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Projected gilt issuance could be too much for the markets to comfortably digest without higher yields.

Borrowing advice: Links long-term (beyond 10 years) forecast for Bank Rate has increased to 3.00%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates remain elevated for some time to come but may prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2024.

Investment Rates

Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows:

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Link continue to monitor events and will update forecasts as and when appropriate.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, the CFR, has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy (Bank Rate remains elevated through to the second half of 2024).

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Corporate Director – Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

In order to align with the revised 2021 Treasury Management Code, the Council will consider the need for further borrowing against short term investments, the cash flow forecast and the liquidity requirements of the Council. Where the investment portfolio can sufficiently provide an appropriate level of liquidity without exposing the Council to undue liquidity risk then a policy of avoiding/delaying new borrowing will be deployed.

This will run down cash balances and avoid the ‘cost of carry’ – any borrowing undertaken that results in a temporary increase in investments will usually incur a revenue loss between borrowing costs and investment returns. However, liquidity forecasts need to be carefully reviewed to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

To comply with the revised Treasury Management Code, liquidity risk management is considered where ‘This organisation will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation’

Any decisions will be reported to the Executive and Audit Committee at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated, there is a clear business case for doing so and that the Authority can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in the debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.

However, given the current forecasts for the future interest rates this will be kept under review and if rescheduling is done, it will be reported to the Executive and Audit Committee as part of the quarterly Treasury Management Reports following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities - primarily shorter dated maturities out to 3 years are generally still cheaper than the Certainty Rate.
- Financial institutions - primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty in the short term.

Any consideration of alternative sources of funding, other than those highlighted above, will only be undertaken in conjunction with treasury advisors, Link.

SECTION 4 - ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (**ANNEX 2**).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance");
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code"); and
- CIPFA Treasury Management Guidance Notes 2021.

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

d) The Council has defined the list of types of investment instruments that the treasury management team are authorised to use.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

e) **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.

f) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in (**paragraph 4.2)**.

g) **Transaction limits** are set for each type of investment in through applying the matrix table in **paragraph 4.2**.

h) The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (**paragraph 4.4**),

i) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (**paragraph 4.3**)

j) The Council has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of the Council in the context of the expected level of cash balances and need for liquidity throughout the year.

k) All investments will be denominated in **sterling**.

l) The change in accounting standards under IFRS 9, has resulted in this authority considering the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing Communities and Local Government (now DLUHC), concluded a consultation by announcing statutory override to delay implementation of IFRS 9 for five years to 31 March 2023 to allow English local authorities time to adjust their portfolio of all pooled investment instruments. DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override from 11 August to 7 October 2022 with the aim of this consultation being to collect the views of authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of practice on local authority accounting. The department considered the responses to the consultation and Ministers have decided to extend the existing IFRS 9 statutory accounting override until 31 March 2025.

However, the Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

The risk management policy is in line with the policy which was unchanged from the previous year.

4.2 Creditworthiness policy

The Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.

The Link Group creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap (CDS) spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Group. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Creditworthiness
Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the pandemic in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the autumn of 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information.

Environmental, social and governance (ESG)
This is a developing area, and for the purpose of the Council's treasury investments the Council's ESG policies and the environmental and climate change policy, will have a trickle-down effect into Treasury Management activity. Investments will still comply with SLY, Security, Liquidity, Yield requirements in the first instance. Treasury Management Practice 1 – Risk Management – has been expanded to include a high-level reference to ESG aspects of Treasury Management where creditworthiness and counterparty policies are in place to mitigate investment risk where the ESG risks are also incorporated.

4.3 Other Limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) Non-specified treasury management investment limit. The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being £60m, being approximately 10% of the total treasury management investment portfolio.

b) Country limit. The Council has determined that, for counterparties outside the UK, it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix D. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Countries / Groups / Sector limits**. In addition
- Limits in place will apply to a group of companies/institutions
- Sector limits will be monitored regularly for appropriateness

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations. The current interest rate forecast includes a forecast for Bank Rate to have peaked at 5.25% in Q4 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances (cash required for liquidity purposes), the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days) to benefit from the compounding of interest.

Change of investment strategy - The Council's investment strategy is consistent with the prior year investment strategy.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
	2023/24	2024/25	2025/26
	£m	£m	£m
Principal sums invested for longer than 365 days	60	60	60
Current investments as at 31.03.23 in excess of 1 year maturing in each year	0	0	0

Investment performance / risk benchmarking

This Council will use investment benchmarks to assess the investment portfolio performance for internally and externally managed funds.

Internal investment portfolio - The SONIA (Sterling Overnight Index Average) rate will be used to compare the yield on the internal investments portfolio. The measure is used to demonstrate the performance of the organisation. SONIA is the rate published each day by the Bank of England and reflects overnight rates paid on eligible sterling denominated deposit transactions conducted the previous day. The backward looking average 7 day compound rate will be used over a quarter for comparison with the actual portfolio.

It is important to understand that the benchmark has changed from previous years as the 7-day LIBID rate is no longer published by the Bank of England. This benchmark is an active benchmark as it reflects the movement of the market. Using the backward-looking SONIA rates data reflects the environment in which investments are made.

This benchmark is a simple guide to maximum risk, so could be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmark will be reported, with supporting reasons in the quarterly monitoring reports.

Yield - the Council has adopted to measure the internal investment portfolio yield compared to the industry benchmark rates

- **Average Investment return against the backward looking 7-day SONIA compound rate**

External investment portfolio - The performance of externally managed funds will be benchmarked against an appropriate published index depending on the fund type as described in section below.

4.6 External Fund Managers

As of Q2 23/24 the Council had £15.9m externally managed investments on a pooled basis across the following funds:-

- Blackrock UK Property Fund

- Threadneedle Property Unit Trust
- Fidelity UK Real Estate Fund
- Federated Hermes Property Unit Trust

The Council's external fund manager(s) will comply with the Annual Investment Strategy. The Council fully appreciates the importance of monitoring the activity and performance of its appointed external fund manager and to aid this assessment, the Council is provided with a suite of regular reports.

In addition to formal reports, the Council also meets with representatives of the fund manager. These meetings allow for additional scrutiny of the manager's activity, discussions on the outlook for the fund(s) as well as the wider markets.

4.7 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 APPENDICES

A. Prudential and treasury indicators

B. Treasury management practice 1 – credit and counterparty risk management

C. Approved Lending List

D. Approved sources of long and short term borrowing

E. Approved countries for investments

F. Treasury management scheme of delegation

G. The treasury management role of the section 151 officer

APPENDIX A

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

This indicator shows a breakdown of planned capital expenditure by service. If there were any capital expenditure plans defined as projects for yield (would be a capital investment made wholly or mainly to generate financial return) these would be shown in a separate line.

Capital expenditure	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Children and Young People's Service	15,052	33,316	21,513	19,398	4,290
Health and Adult Services	4,465	968	500	0	0
Resources	10,292	29,677	3,471	6,940	1,845
Community Development	75,288	67,363	43,445	13,603	339
Environment	54,801	82,514	155,023	36,740	10,773
Non-HRA	**159,898**	**213,838**	**233,952**	**76,681**	**17,247**
HRA	23,664	19,223	40,834	43,757	43,021
Total	**183,562**	**233,061**	**274,786**	**120,438**	**60,268**

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

%	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Non-HRA	6.17%	3.74%	3.06%	3.99%	3.99%
HRA	14.44%	12.26%	13.62%	12.26%	15.16%

b. HRA debt ratios

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt £m	100,679	99,532	98,354	97,145	80,905
HRA revenues £m	38,133	41,382	44,321	45,937	47,645
Ratio of debt to revenues	2.64	2.41	2.22	2.11	1.70

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt £m	100,679	99,532	98,354	97,145	80,905
Number of HRA dwellings	8,370	8,368	8,364	8,477	8,477
Debt per dwelling £k	12.03	11.89	11.76	11.46	9.54

Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of borrowing 2023/24		
	Lower	**Upper**
Under 12 months	0%	15%
12 months to 2 years	0%	15%
2 years to 5 years	0%	15%
5 years to 10 years	0%	25%
10 years to 20 years	0%	25%
20 years to 30 years	0%	45%
30 years to 40 years	0%	45%
40 years and above	0%	45%

APPENDIX B

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

This appendix should be used in conjunction with sections 4.2 Creditworthiness policy and 4.3 Other limits.

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 20% will be held in aggregate in non-specified investment.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

SPECIFIED INVESTMENTS:
(All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

	Minimum 'High' Credit Criteria	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies **	Colour Band Green	In-house

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	**Use**
UK part nationalised banks	Colour Band Blue	In-house

Other specified investments

	Minimum 'High' Credit Criteria	Use
UK Government Gilts	UK sovereign rating	In-house buy and hold and Fund Managers
Bonds issued by multilateral development banks	AAA or Government backed	In-house buy and hold and Fund Managers
Bonds issued by a financial institution which is explicitly guaranteed by the UK Government e.g., National Rail	UK sovereign rating	In-house buy and hold and Fund Managers
Treasury Bills	UK sovereign rating	In house and Fund Managers

Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs): -

	Minimum 'High' Credit Criteria	Use
1a. Money Market Funds (CNAV)	Funds must be AAA rated (MMF rating)	In-house and Fund Managers
1b. Money Market Funds (LVNAV)	Funds must be AAA rated (MMF rating)	In-house and Fund Managers
1c. Money Market Funds (VNAV)	Funds must be AAA rated (MMF rating)	In-house and Fund Managers

Accounting treatment of investments - The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: A maximum of £60m will be held in aggregate in non-specified investment

	Minimum Credit Criteria	Use	Maximum investments	Maximum maturity period
Term deposits – local authorities with maturities greater than 1 year	--	In-house	£60m	5 yrs
Term deposits – banks and building societies with maturities greater than 1 year	Colour band Purple	In-house	£60m	5 yrs
Certificates of deposit issued by banks and building societies with maturities greater than 1 year	Colour band Purple	In-house	£60m	5 yrs
Certificates of deposit issued by banks and building societies with maturities greater than 1 year	Short-term F1, Long-term A- (Fitch or equivalent)	Fund Managers	£60m	5 yrs
Collateralised deposits	UK sovereign rating	In-house	£60m	5 yrs
UK Government Gilts with maturities greater than 1 year	UK sovereign rating	In-house and Fund Managers	£60m	5 yrs
Bonds issued by multilateral development banks with maturities greater than 1 year	AA or Government backed	In-house and Fund Managers	£60m	5 yrs
Collective Investment Schemes structured as Open-Ended Investment Companies (OEICs)				
Property Funds	Organisations assessed as having “high credit quality”	In-house after consultation with Treasury Management Advisor	£60m	10 yrs

APPENDIX C

APPROVED LENDING LIST 2024/25

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 £40m 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	90.0	365 days	-	-
National Westminster Bank PLC (RFB)	GBR				
UK "Clearing Banks", other UK based banks and Building Societies					
Santander UK PLC (includes Cater Allen)	GBR	80.0	6 months	-	-
Barclays Bank PLC (NRFB)	GBR	90.0	100 days	-	-
Barclays Bank UK PLC (RFB)	GBR		6 months		
Bank of Scotland PLC (RFB)	GBR	80.0	6 months	-	-
Lloyds Bank PLC (RFB)	GBR				
Lloyds Bank Corporate Markets PLC (NRFB)	GBR				
Goldman Sachs International Bank	GBR	80.0	6 months	-	-
Sumitomo Mitsui	GBR	80.0	6 months	-	-
Standard Chartered Bank	GBR	80.0	6 months	-	-
Handlesbanken	GBR	80.0	365 days	-	-
Nationwide Building Society	GBR	40.0	6 months	-	-
Leeds Building Society	GBR	40.0	3 months	-	-
Coventry Building Society	GBR	40.0	6 months	-	-
High Quality Foreign Banks					
National Australia Bank	AUS	40.0	365 days	-	-
Credit Industriel et Commercial	FRA	40.0	365 days	-	-
Landesbank Hessen-Thueringen Girozentrale (Helaba)	GER	40.0	365 days	-	-
DBS (Singapore)	SING	40.0	365 days	-	-
Bayerische Landesbank	GER	40.0	6 months	-	-
National Bank of Canada	CAN	40.0	6 months	-	-
Local Authorities					
County / Unitary / Metropolitan / District Councils		30.0	365 days	5.0	5 years
Police / Fire Authorities		30.0	365 days	5.0	5 years
National Park Authorities		30.0	365 days	5.0	5 years
Other Deposit Takers					
Money Market Funds		40.0	n/a liquid	-	-
Property Funds		5.0	365 days	5.0	10 years
UK Debt Management Account		150.0	365 days	-	-

* Based on data 30 September 2023

APPENDIX D

APPROVED SOURCES OF LONG TERM AND SHORT TERM BORROWING

The approved sources and types of funding are shown below.

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

APPENDIX E

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA
- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)

AA-
- Belgium
- France
- Qatar
- **U.K.**

APPENDIX F

TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Council

- receiving and reviewing reports on treasury management policies, practices and activities.
- approval of annual strategy.

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- budget consideration and approval.
- approval of the division of responsibilities.
- receiving and reviewing regular monitoring reports and acting on recommendations.
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

APPENDIX G

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The 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 - Resources, who will act in accordance with the Council's TMPs, as well as CIPFA's Standard of Professional Practice on Treasury Management. In addition, the Council delegates responsibility for the execution and administration of Treasury Management decisions to the Corporate Director - Resources, including any borrowing and debt rescheduling.

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- submitting regular treasury management policy reports.
- submitting budgets and budgets variations.
- 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, with a long-term timeframe
- 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, to include the following*: -*
    - *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.*

ANNEX 2

CAPITAL STRATEGY

1.0 INTRODUCTION

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021 revised the Prudential Code and Treasury Management Code which require local authorities to produce a Capital Strategy to demonstrate that capital expenditure and investment decisions contribute to the delivery of North Yorkshire Council's plans and provisions of services whilst taking account of stewardship, value for money, prudence, sustainability, proportionality and affordability. This requirement was first introduced in 2018/19.

1.2 The purpose of the Capital Strategy is to set out how the Council proposes to deploy its capital resources effectively to achieve its corporate and service objectives. The Capital Strategy takes into account other relevant Council strategies and, policies as well as the views of partners and interested parties with whom the Council is involved. The resources which are forecast to be available to fund capital investment and the effect of that investment on the Council's revenue budget are also considered. The Capital Strategy will serve as a useful point of reference when determining or reviewing the Council's Capital Five Year Spending Plan (known as the Capital Plan).

1.3 **Scope and Reporting -** The Council has chosen to report the Capital Strategy separately from the Treasury Management Strategy Statement (TMSS). The Council will report treasury investments through the TMSS only and non-treasury investments will be reported through the Capital Strategy. This allows the core treasury investment reporting to focus on security, liquidity and yield principles, and the non-treasury investments, both service and commercial, to concentrate on capital expenditure in relation to assets.

1.4 **Our Vision -** We want to build on North Yorkshire's natural capital, strong local economy and resilient communities, to improve the way local services are delivered and support a good quality of life for all.

1.5 The Council is committed to seeking a better, fairer future for everyone, keeping services local and going even further. With more locally based staff and more local access points to Council services the community is provided with a bigger say in how these are delivered.

1.6 Along with savings and efficiencies, the new NYC provides an opportunity to apply our considerable combined asset base to facilitate local economic growth and regeneration and drive improved outcomes for residents, businesses and visitors to our area.

1.7 Delivery assurance is crucial and recognising the considerable scale of the capital plan a series of capital boards have been established. These boards have oversight of all parts of the plan and are structured within the following key themes:

- Economic Development
- Highways and infrastructure
- Housing
- Corporate property/other

An overarching capital programme board ensures a holistic approach to prioritisation of resources and delivery.

2.0 KEY AMBITIONS, OBJECTIVES AND PRIORITIES

2.1 The Council's ambitions, objectives and priorities are shown within the Council Plan the cornerstone of our policy framework. It provides the basis for all that we do and sets out the principles, priorities and ambitions for the Council and drives the many other plans and strategies including the Capital Strategy that supports informed decision making including establishing the need for capital investment and the required outcomes from that investment.

2.2 The Capital Strategy is key to support long term investment decision enabling the delivery of the Council's Ambition. It is a key strategy document and forms part of the Council's revenue, capital, balance sheet and reserves planning. It provides:

- A long-term view of capital expenditure plans and any financial risks to which the Council is exposed;
- Ensuring due regard to the long-term financing, affordability implications, potential risks and the implications for future financial sustainability.
- A clear overview of the Council's asset management planning arrangements, prioritisation process and monitoring.

3.0 EXTERNAL FACTORS AND PARTNER INFLUENCES

3.1 The Council's capital investment plans are influenced by a number of external parties and factors: central government and its agencies, legislation requirements for capital works, partner organisations, businesses, developers and by the needs and views of other interested parties, particularly those of the residents

3.2 **Government policy and funding** – The Government's focus on 'levelling up' the UK and the proposed devolution deals aim to unlock greater funding for York and North Yorkshire to lead on delivering outcomes

3.3 **Legislation and guidance -** In 2004, local authorities were provided with the flexibility to make their own capital investment decisions. Legislation, guidance and professional codes of practice were introduced to support decision making and ensure investment and borrowing is prudent, sustainable and affordable. The Council has complied with these principles since their introduction and subsequent updates. The Prudential Code and Treasury Management Code were revised in December 2021 primarily in response to concerns regarding commercial investment undertaken solely for financial yield.

- Updated and additional prudential indicators, monitoring, reporting as well as creation of Investment Management Practices for Service and Commercial investments.
- Confirmation of approach to 'Proportionality' and risk to service delivery where borrowing is undertaken primarily to generate a financial return.
- Setting out an approach for the inclusion of Environmental, Social and Governance issues in developing capital investment.

- Reviewing existing commercial or service investments to divest where appropriate.
- A Council must not borrow to invest primarily for financial return applies with immediate effect, with the loss of borrowing ability from the PWLB being an immediate consequence.

3.4 Local stakeholders - The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. Relationships with partners, including those concerning capital matters, will be governed by the Council's Local Code of Corporate Governance and the Partnership Governance guidance.

Wherever possible the Council will seek to work in partnership with others to deliver its capital investment programme in order to provide facilities which meet its own and partners' needs. When working with the private sector, the objective will be to maximise the benefits to the Council and the community from any projects, both in terms of outputs and in relation to obtaining funding for the project.

The Council has a key role in the Local Enterprise Partnership's (LEP).

The Council is also joint shareholders in Yorwaste (waste management company) and partners in the public private partnership of the Allerton Park Waste Recovery Plant.

4.0 INTERNAL STRATEGIC INFLUENCES

4.1 The Council's capital investment plans are influenced by a number of factors: the corporate ambitions within the Council Plan, existing commitments on revenue and funding resources, other Council policies, strategies and plans that comply with financial regulations and legislation.

4.2 **Council priorities** - The Council Plan has five corporate ambitions which will guide the development of the Capital Five Year Spending Plan. Capital investment expenditure including non-treasury investment projects are in line with these overall objectives as well as individual service aims. The Councils ambitions for North Yorkshire are:

Place and Environment

- A clean, environmentally sustainable and attractive place to live, work and visit
- A well connected and planned place with good transport links and digital connectivity
- Communities are supported and work together to improve their local area
- Good quality, affordable and sustainable housing that meets the needs of our communities

Economy

- Economically sustainable growth that enables people and places to prosper
- Culture, heritage, arts and sustainable tourism all play their part in the economic growth of the county
- New and existing businesses can thrive and grow

- North Yorkshire has a high profile, is influential nationally and receives its fair share of resources

Health and Wellbeing

- People are supported to have a good quality of life and enjoy active and healthy lifestyles
- Reduced variations in health through tackling the root causes of inequality
- In times of hardship, support is provided to those that need it most
- People can access good public health services and social care across our different communities

People

- People are free from harm and feel safe and protected
- People can achieve their full potential through lifelong education and learning
- Vulnerable people are supported by strengthening families or other appropriate networks
- People have control and choice in relation to their independence and social care support

Organisation

- Good quality, value for money services that are customer focused and accessible to all
- A well-led and managed, financially sustainable and forward- thinking council
- A diverse and inclusive council, where employees are supported and valued
- A carbon neutral council

4.3 **Other Council strategies and plans driving investment** - Capital Schemes must comply with other Council policies, strategies and, as well as contract procedure rules, financial regulations and with legislation, such as the Disability Discrimination Act. Important linking documents will include:

- Council's Constitution including Contract and Financial Procedure Rules
- Council Plan
- Medium Term Financial Strategy
- Capital Plan
- Treasury Management Strategy Statement
- Individual Service Plans

5.0 CAPITAL INVESTMENT PLAN AND PLANNING PROCESS

5.1 **Capital expenditure plans** - The Council’s strategies and plans support the need for capital investment to enable required outcomes. The Council has a responsibility to apply an affordable, prudent and sustainable approach to that investment, as set out in the Prudential Code and therefore uses the prioritisation and planning process to manage this as described above. A summary of the Council’s capital expenditure plans, both those agreed previously, and those forming part of the budget are integral to the capital strategy.

Capital expenditure £m	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Children and Young People's Service	15,052	33,316	31,513	19,398	4,290
Health and Adult Services	4,465	968	500	0	0
Resources	10,292	29,677	3,471	6,940	1,845
Community Development	75,288	67,363	43,445	13,603	339
Environment	54,801	82,514	155,023	36,740	10,773
Non-HRA	**159,898**	**213,838**	**233,952**	**76,681**	**17,247**
HRA	23,664	19,223	40,834	43,757	43,021
Total	**183,562**	**233,061**	**274,786**	**120,438**	**60,268**

5.2 **Capital expenditure in non-treasury investments** can be for a service or a commercial purpose. To meet service or Council obligations capital investment could be in the form of loans or equity provided to external bodies, Council subsidiaries or joint ventures.
In order to retain access to borrowing from the PWLB the Council is required to certify the capitals plans do not include expenditure on new non-treasury commercial investments primarily for financial return. However, where the capital spending decision is primarily related to the function of the Council and any financial returns are incidental then access is retained.

The Council will annually evaluate whether any of the commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt. The Council’s Capital Plans do not include any estimates to purchase any treasury commercial assets primarily for yield.

The Council continues to review potential commercial investments but will now consider any potential investment opportunities alongside the implications for PWLB borrowing going forward.

All alternative investment activities are subject to approval in accordance with the Council’s governance framework for decision making and given the technical nature of potential alternative investments and strong linkages to the Council’s Treasury Management function, appropriate governance and decision-making arrangements are in place. The Commercial Investment Board has been established to ensure robust due diligence in order to make recommendations for implementation.

The Council recognises that achieving its capital ambitions will require consideration of alternative delivery structures and of all forms of funding including additional borrowing. Financial austerity has had a significant impact on affordability, however capital investment funded by borrowing will be undertaken in priority areas to meet capital ambitions if required, subject to at all times clearly understanding how the affordability of such expenditure can be managed over the longer term supported by a robust capital planning process, due diligence, business cases, risk management and monitoring.

5.3 **Available Resources** – The Council has several funding streams available to support capital investment. The funding of the five-year capital investment programme is detailed in the Capital spending plan which highlights unallocated funding that might become available.

The Council policies in relation to financing capital expenditure and investment are covered in this section and are listed in the table below:

External funding	• Services should seek to maximise external funding wherever possible to support capital schemes. This can be in the form of grants and contributions from outside bodies including central government. However, services will be expected to underwrite any cost overruns on externally funded schemes. If services bid for external funding for schemes and costs exceed the available funding, then services will be expected to fund any shortfall from existing resources (either revenue or capital). • Prior to submitting bids for grant funding, an assessment of the risk of a contract price increase, associated with market conditions or abnormal building plan demands attached to some grants, must be completed to estimate the likelihood of additional funding being needed • In respect of match funding bids then the relevant service must fully identify the necessary match funding resources from within existing service budgets prior to submitting any bid for funding
Capital receipts	• A capital receipt is an amount of money received from the sale of an asset. It cannot be spent on revenue items. • Any request to earmark a capital receipt to fund a specific scheme will be identified and considered through the capital board structure. • Capital Receipts Group review property disposal decisions resulting from the Council's property governance arrangements. Any decisions in relation to property disposal are considered in line with aims and objectives of the Council Plan and Asset Management Strategy. • The general policy is that any capital receipts are pooled and used to finance future capital expenditure and investment according to priorities, although they

	may be used to repay outstanding debt on assets financed from borrowing, as permitted by the regulations.
Revenue and reserve funding	• Services may use their revenue budgets reserves to fund capital expenditure. • Alongside specific earmarked reserves, the Council's 'Strategic Capacity' Reserve is the principal reserve for funding investments within the General Fund. Contributions to this reserve are considered as part of the annual refresh of the MTFS. For the Housing Revenue Account, the Major Repairs Reserve is available to support the HRA capital programme. • Directors in conjunction with the Corporate Director - Resources (S151 Officer) will take an overview and decide the most appropriate way of funding capital expenditure through the Capital Board structure.
Prudential borrowing	• Local authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so services need to ensure they can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing. • Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. The costs of borrowing must be affordable and the borrowing repayment and interest charges on the loan must be included in the Council revenue budget; it must also be factored into the medium-term financial strategy accordingly. • The Corporate Director - Resources (S151 Officer) will make an assessment of the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code. • The Corporate Director - Resources (S151 Officer) will also determine whether the borrowing should be from internal resources such as reserves or whether to enter into external borrowing
Leasing	• The Corporate Director - Resources (S151 Officer) may enter into finance leasing agreements to fund capital expenditure on behalf of services. However, a full option appraisal and comparison of other funding sources must be made and the Corporate Director - Resources (S151 Officer) must be certain that leasing provides the best value for money method of funding the scheme. • Under the Prudential Code finance leasing agreements are counted against the overall borrowing

	levels when looking at the prudence of the Council's borrowing
Other long-term liabilities - PFI	• The Corporate Director - Resources (S151 Officer) may enter into PFI agreements on behalf of services. These will be considered following due diligence over the life of the asset, balancing the financial and non-financial benefits against the risks compared to the Council owning and delivering such assets and services itself. The Corporate Director - Resources (S151 Officer) must be certain that the PFI arrangement provides the best value for money method of delivering the scheme • Under the Prudential Code PFI obligations are counted against the overall borrowing levels when looking at the prudence of the Council's borrowing.

5.4 **Borrowing and the CFR** – where resources are unavailable to fund capital expenditure, borrowing will be used. This will increase what is termed the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed Minimum Revenue Provision (MRP) policy. This reduces the CFR and the prudent provision set aside is used to repay debt. The calculation of the CFR summarised in the diagram below results in the amount the Council will need to borrow:

Movement	Opening CFR
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used for capital expenditure
-	Prudent Minimum Revenue Provision and Voluntary Provision
=	**Closing CFR**

The amount of borrowing a Council can take is determined by what the Council can afford, along with ensuring it is prudent and sustainable. In accordance with the Prudential Code, the Council will only make capital investments, which increase the CFR, for a prudent purpose where this directly and primarily relates to the functions of the Council. Affordability and prudence are assessed and controlled by the prudential indicators which are recorded in the TMSS and described below in the Assessing affordability section.

5.5 **Assessing affordability** – the revenue cost implications of Capital investment undertaken historically and the proposed Capital Plan form an integral part of the Council's revenue budget and Medium-Term Financial Plan. The revenue budget impact of capital schemes for Council Tax and Rent payers include:

- The costs of operating/maintaining new assets
- The capital financing costs of servicing any borrowing required to pay for investment (interest and the Council's approach to making prudent provision for repayment of capital investment paid for by borrowing – MRP)
- The revenue costs of preparing and delivering projects

- Abortive costs required to be charged to revenue budgets if schemes do not proceed.

Some or all of the costs of investment may be offset by financial and non-financial benefits such as income, cost avoidance and importantly improved outcomes for residents. Where capital investment has been undertaken by borrowing, the Council is required to spread the cost of that investment over future years' revenue budgets. This is in accordance with its MRP Policy for the prudent repayment of capital expenditure which is approved as part of the budget proposals each year.

5.6 **Revenue implications** - The revenue costs associated with capital schemes need to be identified and included within the revenue budget and the Medium-Term Financial Plan. For example, a housing development project is likely to have revenue budget implications e.g. additional street lighting, waste disposal, schooling provision or other Council services. It is recognised that the Council cannot afford to do everything. However where revenue resources are deemed available to increase the level of Council borrowing capital investment will be considered. The Council's approach to affordability of its capital financing budgets in the medium term is as follows:

- General Fund – additional investment funded by borrowing over the medium term to be minimised unless approved in line with the prioritisation and evaluation criteria as described above.
- Housing Revenue Account – increasing over the medium term primarily as a result of implementing the Council's ambition target of new affordable housing. Future rent policy, pressures and a robust approach to ensuring viability of new developments will be key to affordability.
- Strategic and major development projects – On a case-by-case basis subject to approved business cases and due diligence including the long-term capital financing costs.

5.7 **Affordability indicators -** Prudential and treasury indicators to manage capital investments take a longer-term view of affordability, prudence and sustainability and are included in the TMSS at the start of every financial year. Prudential Indicators are used to assess affordability, along with other treasury management specific indicators and are approved within the TMSS and monitored on a quarterly basis in the Quarterly Performance Monitoring and Budget report to Executive and Council. These are listed below:

Financing costs and net revenue stream
This is a prudential indicator for affordability showing the percentage of the Council's revenue budget that is committed to capital financing costs and is required to be shown for the General Fund and the HRA separately. For the General Fund, the net revenue stream is the amount to be met from non-specific Government grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers and service charges.

Estimates of capital expenditure
This is a prudential indicator for prudence showing the previous year actual and estimates of the total of capital expenditure planned to be incurred during the forthcoming financial year and the following two financial years.

Estimates of capital financing requirement (CFR)
This is a prudential indicator for prudence and shows the previous year actual and the forecast total capital financing requirement at the end of the forthcoming financial year and the following two years. The CFR is the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose.

The operational boundary and the authorised limit
These are prudential indicators for prudence and focus setting an affordable limit for external debt. The operational boundary is the affordable debt limit and the authorised limit represents the legislative limit specified in Section 3 of the Local Government Act 2003. This is the set using the operational boundary plus an amount for unforeseen cashflow movement. The operational boundary is the limit for total gross external debt, separately identifying borrowing from other long-term liabilities. These are set for the forthcoming financial year and the following two financial years.

Gross debt to CFR
This is a prudential indicator for prudence and is used to show that external debt (i.e. borrowing for any purpose and other long-term liabilities) should not exceed the CFR (except in the short term) in the previous year plus the estimates of any increase in the CFR at the end of the current and next two financial years. This is to ensure that over the medium-term debt will only be for a capital purpose.

5.8 **Balance Sheet forward planning and the treasury management strategy** - where capital expenditure has been incurred without a resource to pay for it, i.e. when proposed to be paid for by supported or unsupported borrowing, this will increase what is termed the Council's CFR which is the Council's underlying need to borrow. The amount of borrowing required will be considered along with the Council's cashflow position.

The Council is typically cash rich in the short-term as revenue income is received before it is spent, this can include both working capital and reserves held on the balance sheet. The TMSS uses forecast cashflow information from the Reserves Strategy and the Capital Plan to make decisions around the amount, timing and duration of any new external borrowing required by the Council.

In terms of the Reserves Strategy, the Council uses a risk-assessed General Fund Reserve and effectively manages the balances of earmarked reserves over the longer term which is used to support the forward Balance Sheet projection. This projection provides a valuable foundation for the strategic financial planning of capital financing costs for the capital investment plan.

In terms of the Borrowing Strategy, the Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between financing using the low-cost internal cash resources available in the short term and further long-term fixed rate loans where the future cost is known.

6.0 NON-TREASURY INVESTMENTS

6.1 **Non-treasury overview -** The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These are non-treasury investments and include service and commercial investments.

Non-treasury management investment is expenditure made on the purchase of a capital asset and are investments for policy reasons outside normal treasury management activity. It is these non-treasury management investments which are the subject of this Capital Strategy.

Service investments - 'Investments for service purposes' are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. Characteristics for service investments are:

- Service investments may or may not involve financial returns; however, obtaining those returns will not be the primary purpose of the investment.
- For local authorities, service investments will normally constitute capital expenditure, and it may be appropriate to borrow to finance service investments

An example of a service investment is when the Council lends money to local bodies or its subsidiaries to support local public services and stimulate local economic growth. In light of the wider benefits that can arise the Council is prepared to take more risk than with treasury investments. The main risk when making service loans is if the borrower is unable to repay the principal lent and/or the interest due.

It is important that the Council limits the financial risk, and assessment will be made of the risk of loss before entering into Service Loans by assessing the counterparty's resilience, the service users' needs that the loan is designed to help and how these needs will evolve over time. During the life of the loan any change in original assumptions will be monitored. The Council will use external advisors where appropriate.

Commercial investments - Investments taken or held primarily for financial return and are not linked to treasury management activity nor are directly part of delivering services. Characteristics for commercial investments are:

- non-financial assets such as commercial property is held primarily for financial return.
- For local authorities, investments of this type will usually constitute capital expenditure.
- 'Commercial' in this context refers to the purpose of the investment. Commercial investments are not taken to meet treasury management cash flow needs, and do not result from treasury risk management activity to prudently manage the risks, costs or income from existing or forecast debt or treasury investments. They are additional investments voluntarily taken primarily in order to generate net financial return or profit.

Details of the governance arrangements including the decision making and performance monitoring of non-treasury investments is covered in section 9 Corporate governance arrangements - Non-treasury investment activities.

The Council's Capital Plan has no expenditure on new non-treasury investments primarily for financial return.

6.2 **Existing non-treasury investments –** Based on prior year capital decisions the Council has a number of non-treasury investments. If there is a material financial interest in the shareholding or income generated during the year, then the balances as at 31 March 2023 are shown in the tables below.

Service non-treasury investments:

The Council has investments in third parties and in Council owned companies including loans. These holdings are non-treasury service investments that achieve the Council objectives, these existing holdings are shown below.

a) Company loans - The Council has made several loans in recent years to subsidiaries for the purpose of the delivery of Council services and objectives, the position below will continue to be monitored and reviewed:

Loans portfolio	Balance at 31 March 2023 £m	2022/23 net income generated £k	Interest rate %
Yorwaste – Loan 1 (Subsidiary)	3.7	305	4.0%+base
Yorwaste – Loan 2 (Subsidiary)	0.0	96	4.0%+base
Brierley Homes (Subsidiary)	10.5	1,281	6.5%+base
First North Law (Subsidiary)	0.1	6	4.0%+base
NY Highways (Subsidiary)	11.0	1,017	6.5%+base
Bracewell Housing Ltd (Subsidiary)	0.5	79	5.5%+base
Broadacres Housing Association loan	33.6	1,431	4.26%
Selby and District Housing Trust	2.7	112	4.19%
Ryedale MAT	1.2	81	3.1%+base
TOTAL	**63.3**	**4,409**	**0**

b) Company shares - The Council has the following investments in Council companies held for the purpose of the delivery of Council services and objectives:

Equity portfolio	Shareholding 31 March 2023 at cost £m
Align Property Partners Limited	0.50
Align Property Partners 2 Limited	0.00
Bracewell Housing Limited	0.00
Brierley Homes Limited	0.00
First North Law Limited	0.00
NY Highways Limited	0.50
NYNet Limited	0.00
NYNet 100 Limited	0.00
Veritau Limited	0.00
Yorwaste Limited	3.50
TOTAL	**4.5**

c) Alternative Property Investments – The Council has the following investments in in properties that are held for the purpose of the delivery of Council services and objectives:

Alternative Property portfolio	Fair value at 31 March 2023 £m	Cost less debt repayment (MRP) at 31 March 2023 £m	2022/23 net income generated £k	2022/23 net income budgeted £m	return %
Harrogate Royal Baths	7.0	9.5	134	255	1.41%
Scarborough Travelodge	13.2	13.2	884	884	5.90%
Shopping centre - Harrogate	0.9	0.9	50	50	4.00%
Secondary industrial land- Harrogate	0.8	0.8	61	61	4.80%
TOTAL	**22.0**	**24.5**	**1,129**	**1,250**	**4.05%**

Commercial non-treasury investments:

Commercial investments are the result of past acquisitions of land and buildings for a commercial purpose rather than for the supply of goods and services or for administrative purposes. They have been classified as commercial investment properties:

Commercial Property portfolio	Fair value at 31 March 2023 £m	Cost less debt repayment (MRP) at 31 March 2023 £m	2022/23 net income generated £k	2022/23 net income budgeted £m	return %
Bank Unit in Stafford Town Centre	0.8	0.9	53	50	6.05%
Co-op in Somercotes	1.3	1.5	80	80	5.22%
TOTAL	**2.1**	**2.4**	**133**	**133**	**4.70%**

The Council retains some existing holdings in non-treasury commercial property assets that are held to provide a financial return rather than deliver a Council service. These investments were taken prior to the revised 2021 Prudential Code and the Governments March 2020 PWLB legislation coming into being.

6.3 **Review of existing commercial investments** – The commercial property investment portfolio is reviewed annually against the risks to the budgeted income and the liquidity requirements of the Council.

6.4 **Future non-treasury investments** - The Council has the following service investments within the Capital Plan where the primary purpose of these investments is the delivery of the Council's stated service objectives:

Loans portfolio	Balance outstanding at 31 March 2023 £m	Further loans included in Capital Plan £m
NYnet (Subsidiary)	0.0	0.0
Align Property Partners Limited (Subsidiary)	0.0	0.0
Yorwaste – Loan 1 (Subsidiary)	3.7	0.0
Yorwaste – Loan 2 (Subsidiary)	0.0	0.0
Brierley Homes (Subsidiary)	10.5	15.9
First North Law (Subsidiary)	0.1	0.2
NY Highways (Subsidiary)	11.0	0.0
Bracewell Housing Ltd (Subsidiary)	0.5	0.5
Broadacres Housing Association loan	33.6	0.0
Selby and District Housing Trust*	2.7	0.0
Ryedale MAT	1.2	0.0
TOTAL	**63.3**	**16.6**

* Plans are currently in progress for the Council to buy-back the affordable homes delivered in partnership with SDHT and for these loans to be repaid.

7.0 RISK MANAGEMENT AND MONITORING

7.1 Risk management overview - Clear criteria for both investment decisions and the ongoing risk management of the non-treasury investment portfolios is vital not only for the risks of individual investments but also the cumulative impact of all the investments made by the Council and the interaction of individual risks.

Limits on cumulative and individual non-treasury investments – The Commercial Investment Board was set up to monitor and provide due diligence on all North Yorkshire County Council non-treasury investments and it is envisaged that the Board will continue under the new North Yorkshire Council. The Board has delegated authority to approve individual investments up to a limit of £1.5m per investment and up to a total of £10m in any one financial year. Investments in excess of this will be submitted to the Executive for approval.

7.2 The Governance arrangements in section 9 below detail the process and procedures for investment decision and the following paragraphs on risk assessments, risk appetite and the indicators to monitor risk explain the management of the non-treasury investments.

7.3 **Risk assessment** - Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully. Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and ensuring that staff understand and appreciate the element of risk in all their activities.

The aim of risk management is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.

7.4 **Due diligence -** The Council recognises that the Capital Investment plans may increase in scale and ambition following the North Yorkshire re-organisation and therefore sophisticated and robust governance and assurance measures are in place to ensure delivery. To support this the Council has developed and continually refines a delivery assurance framework.

For capital investments the appropriate level of due diligence is undertaken with the extent and depth reflecting the level of additional risk being considered. Due diligence will cover a number of areas such as legal, treasury, accounting and technical implications and the process and procedures for this work will include:

- effective scrutiny of proposed capital investments by the relevant committee
- identification of the risk to both the capital invested and the returns
- understanding the extent and nature of any external underwriting of those risks
- the potential impact on the financial sustainability of the Council if those risks come to fruition
- understanding the powers under which the investment is made and changes to relevant laws and regulations factored into any capital bidding and programme monitoring processes

- identification of the assets being held for security against debt and any prior charges on those assets
- further independent and expert advice being sought where necessary

An assessment of risk is therefore built into every capital project and major risks recorded in the Corporate Risk Register to manage and monitor the Council's risk appetite.

7.5 **Risk appetite** - To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored. It is important to identify the appetite for risk by each scheme as well as for the capital programme as a whole.

7.6 **Indicators and limits** - In determining the Council's risk appetite in respect of non-treasury investments, for commercial or service purposes, including financial assets and property investments, indicators and limits can be used to establish the parameters of an acceptable level of risk of which can then be managed and monitored. This can focus on the impact of the downside risk so that the overall sustainability of the Council is considered.

The CIPFA Prudential Code, Treasury Management Code and the statutory investment guidance in England (issued by the former Ministry of Housing, Communities and Local Government) requires indicators and limits to be set, along with risk assessments to be made in order to assist the management and monitoring of non-treasury investments on a regular basis. Non-treasury investment indicator included in this capital strategy is detailed below:

i) Ratio of net income from non-treasury investments to net revenue stream
This prudential indicator for affordability shows the extent to which the revenue budget is reliant on budgeted net income from non-treasury commercial and service investments and is an important monitoring tool in the capital strategy. The level of anticipated income is not deemed a risk to the financial sustainability of the Council.

	2022/23 Actual %	**2023/24 Estimate %**	**2024/25 Estimate %**	**2025/26 Estimate %**	**2026/27 Estimate %**
Net income from service investments to net revenue stream	0.92%	0.92%	0.77%	0.64%	0.65%
Net income from commercial to net revenue stream	0.02%	0.02%	0.02%	0.02%	0.02%
Net income from non-treasury investments to net revenue stream	0.94%	0.94%	0.79%	0.66%	0.66%

8.0 GOVERNANCE

8.1 Consideration, approval and monitoring of the capital plan takes place as part of the Council's strategic planning timetable and is detailed below.

Capital budget setting process – Part of the Capital Strategy importantly notes that consideration is given to the capital budget setting process i.e. the approval of the Capital Plan. The Capital Plan sets out the Council's longer term capital investment plans. These plans support the Council's strategic and service objectives by maximising the assets and infrastructure necessary to support service delivery whilst minimising the impact on the revenue budget.

8.2 The Capital Plan must be approved by Council before the start of the financial year. The Council's Financial Procedure rules empower the Executive to modify the Capital Plan during the year by means of the Capital section of the quarterly performance monitoring reports or, if urgent changes are needed, ad hoc reports at other points in the reporting calendar.

8.3 The Council's Financial Procedure Rules and the Asset Management Planning Framework provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Plan, appropriate authorisations for individual schemes to proceed and facilitate the overall management of the Capital Plan within defined resource parameters.

8.4 The Corporate Director – Resources shall determine the format of the Capital Plan and the timing of reports relating to it. The approved Capital Plan will comprise a number of individual schemes each of which will be quantified in overall project terms or on an annualised basis, as appropriate. Each Director shall prepare a draft Capital Plan for their service, in consultation with the Corporate Director – Resources, for submission to the Executive. The Capital Plan should identify planned expenditure, and funding, at proposed individual scheme or programme level.

8.5 This process is designed to ensure the capital schemes contribute to service delivery and where in some cases a return on the investment is generated, this can be financial and/or non-financial.

8.6 The Corporate Director – Resources is responsible for preparing an overall Capital Plan for consideration by the Executive, and approval by the Council, the funding of which shall be compatible at all times with the Treasury Management Policy Statement of the Council. Individual schemes shall only be included in the Capital Plan following a project appraisal process.

8.7 The capital boards referenced at paragraph 1.7 provide delivery assurance and corporate oversight of the capital plan.

8.8 In Year Opportunities can be put forward for entry into the capital programme in a managed way either when the capital programme is reviewed each quarter and is reported to the Executive and Council or outside of this timetable as a separate Executive report to seek approval at any other meeting in the Executive cycle.

8.9 Other long-term liabilities – The Council's Financial Procedure Rules and the Asset Management Planning Framework provide a framework for the appraisal and approval of schemes including where this is delivered by means of PFI contracts or leasing arrangements. This framework includes the ongoing monitoring and risk management of long-term liabilities taken to deliver operational services, these include PFI contracts, leasing agreements or arrangements that require financial guarantees, including those given in respect of subsidiaries or joint ventures. PFI contracts and lease obligations are like borrowing as they have an ongoing revenue budget commitment. These will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning and delivering such assets and services itself.

8.10 Where the Council has issued financial guarantees, it will periodically reassess the probability of financial guarantees being called upon and include this in the risk management reporting with mitigating actions as appropriate.

9.0 CORPORATE GOVERNANCE ARRANGEMENTS – NON-TREASURY INVESTMENT ACTIVITIES

9.1 Non-treasury investments can be considered where the primary purpose of the expenditure is for service delivery including projects for economic development / regeneration, but these investments do not always give priority to security and liquidity over yield (like treasury investment do) so appropriate governance is required.

9.2 Given the technical nature of potential non-treasury investments and strong linkages to the Council's Treasury Management function, appropriate governance and decision making arrangements are needed to ensure robust due diligence and scrutiny in order to make recommendations for implementation. As a result, a Commercial Investment Board has been established. All non-treasury investments will be subject to consideration and where necessary recommendations of the Commercial Investment Board.

9.3 The Commercial Investment Board is not a constituted body and therefore does not have formal decision making powers. However, it is the chief means of identifying, reviewing, providing scrutiny and recommending schemes for investment decisions. Formal decisions on investments will be taken within the existing delegations namely through delegated authority to the Corporate Director – Resources and further decisions as made by the Executive.

9.4 The responsibilities of the Board also include:

- to consider appropriate due diligence proportionate to the investment / risk / reward proposed
- terminate investments should concerns be raised - to consider and recommend cases for early termination of alternative investments
- to monitor returns against approved performance targets
- to report performance of alternative investments to the Executive on a quarterly basis; and
- to make recommendations to Executive on any proposed changes to the framework.

Membership of the Board is as follows:

- Lead Member for Finance (Chair)
- Lead Member for Growth
- Corporate Director Resources
- Corporate Director of Community Development
- Assistant Director Resources
- Assistant Director Economic Development, Regeneration, Tourism and Skills

9.5 All Executive reports will ensure that the Council has the appropriate legal powers to undertake such non-treasury investments and will also include the ‘proportionality of non-treasury investments’ so that the Council does not undertake a level of investing which exposes it to an excessive level of risk compared to its financial resources.

9.6 Monitoring of all investments will be included in the quarterly capital and treasury management monitoring reports which are received by the Executive.

9.7 The Corporate Director – Resources (S151 Officer) - will report explicitly on the affordability and risk associated with the Capital Strategy as detailed below and, where appropriate, will have access to specialist advice to enable conclusions to be reached.

10.0 SKILLS AND TRAINING

10.1 **Skills and training** - All capital investment approvals are subject to robust consideration and challenge by members and officers from across the Council with extensive Local Government experience from varying professional backgrounds.

10.2 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council requires finance staff to maintain relevant professional qualifications including CIPFA and AAT. All officers attend courses on an ongoing basis to keep abreast of new developments and skills to ensure their Continuous Professional Development. Members are also offered training regularly to ensure they have up to date skills and are able to make capital and treasury decisions.

10.3 Where Council staff do not have the specialist knowledge and skills required, use is made of external advisers and consultants that are experts in their field. The Council currently employs Link Group as treasury management advisers. This approach is more cost effective than employing such staff whilst ensuring that the Council has access to knowledge and skills commensurate with its risk appetite.

9. PAY REVIEW POLICIES

1. Purpose of the report

As part of the ongoing work to review the Authority's pay strategy, this report asks Members to approve the following policies:

- Recruitment and retention incentives
- Probation
- Acting-up and honoraria

Key Issues

- **Our new pay grade structure implemented in January 2024 is at a level that will recruit and retain employees. However, it is likely there will be a small number of jobs for which it is not possible to recruit and/or retain employees at the job evaluated rate.**

- **In particular, there remains a local and national shortage of planners, and planning is a statutory function of the National Park Authorities.**

- **Hard-to-fill vacancies persist across the economy. Half of employers in education (52%) and public administration and other public sector (50%) report hard-to-fill vacancies. (Source: CIPD Labour Market Outlook Winter 2023-24)**

- **The Authority does not currently use probationary periods for new starters.**

- **The Authority does not have a policy on Acting-up and Honoraria payment although honoraria payments are applied.**

2. Recommendations

1. **The Recruitment and Retention Incentives Policy in Appendix 1 is approved.**
2. **The Probation Policy in Appendix 2 is approved.**
3. **The Acting-up and Honoraria Policy in Appendix 3 is approved.**

How does this contribute to our policies and legal obligations?

3. The Authority must be enabled to recruit employees to, and retain them in, specific key posts to ensure the Authority can function and deliver the National Park Management Plan and Authority Plan objectives.

Background Information

4. In early 2023, it was recognised that the Authority's pay structure has fallen behind regional comparators meaning there was increased difficulty in recruiting staff to and retaining in business-critical posts. Staff turnover rate pre-pandemic was stable around 9%; from 2022 it almost doubled to 17%, and was critical within Planning at 25%.

5. In August 2023, after an organisational restructure to generate sufficient savings for a pay increase, a joint working group was convened to consider how to address the concerns raised by staff about the level of pay at the Authority. Three objectives were agreed:

   i. The pay grade structure reflects the equivalent [or as close to as affordable] salaries of the East Midlands Public Sector median.

ii. An agreed list of recruitment and retention incentives is available to be used by managers for hard-to-fill posts.

iii. The range of allowances are reviewed against regional local authorities and other national park authorities.

6. This paper relates to the second objective but it is worth noting the outcome of the first objective and potentially its contribution in reducing staff turnover and in halting a further increase in number of hard-to-fill vacancies.

7. The new pay grade structure as well as the annual National Joint Committee pay award settled in November has improved the overall pay strategy and addressed some of the concerns from staff. The staff turnover rate dropped to 11% at the end of quarter 3 (December).

8. This reduction in turnover rate may also reflect what is happening nationally. The ONS reports vacancies have fallen for the 18th consecutive period in October to December 2023. The CPI inflation rate has come down to 4.2% (January 2024). The Public sector expected pay awards have fallen from 5% to 3% this quarter (CIPD Labour Market Outlook Winter 2023-24). These facts suggest that '*the great resignation'* which followed the pandemic, and had such a negative impact on the job market, is slowing down.

9. However, despite this, the CIPD outlook also highlights that vacancies remain a problem for the public sector with half (51%) of those surveyed, reporting hard-to-fill vacancies.

10. As well as certain key skills being hard to find, recruitment is an expensive activity. Therefore, retention has equally become a key area of focus for the Authority.

11. The policy on recruitment and retention incentives sets out all the potential options for a manager but will be used only in exceptional circumstances, and each business case is dependent on sufficient objective justification, such as critical business need and/or severity of risk to delivery of Authority objectives.

12. Two of the incentives are linked to new benefits being introduced as part of the initiative to improve our 'total rewards offer'. The first benefit is the ability to purchase additional leave, and the second is payment of professional membership fees where membership is an essential criterion within the person specification for the post.

13. The policy on probation has been developed after feedback on the perceived gap in our performance management approach. Probationary periods are important to help confirm the correct decision was made at recruitment, and support managers to act quickly where a new starter is not suitable for the role. It is also recognised there is a link between providing robust support during a new starter's first few months and retention.

14. Currently, the Authority applies honoraria payments where employees carry out duties normally undertaken by an officer on a higher grade, or as a one off 'thank-you' payment for a finite piece of work or project which is outside the normal scope of an employee's role. A policy on acting-up and honoraria has been developed to set out the criteria and eligibility of payment and ensure a fair and consistent approach is taken on the way we temporarily fill gaps including those caused by hard-to-fill vacancies.

Proposals

15. Members are asked to agree the three new policies detailed in Appendices 1, 2 and 3.

Are there any corporate implications members should be concerned about?

Financial:

16. A report is going to Resource Management Meeting on 12 March 2024 to agree how these arrangements will be funded to ensure they are affordable and a verbal update can be provided at the Authority meeting.

17. Market supplement payments are funded from reserves.

Risk Management:

18. There is the risk that the recently implemented pay grade structure is insufficient to attract and retain a number of key employees in business-critical posts therefore generating a higher number of requests for use of incentives including market supplement payments. The more frequent use of market supplement payments will undermine the integrity of the job evaluation scheme.

19. Consultation on any changes to pay is invariably divisive particularly where the proposal is to pay some posts incentives and not others. Management response to consultation comments are set out in Appendix 4.

Sustainability:

20. No issues identified.

Equality, Diversity and Inclusion:

21. The Authority is committed to the principles of equal pay for work of equal value and operates a job evaluation scheme to measure the relative value of all jobs. Regular equalities monitoring of the outcomes of the application of incentive payments will be undertaken.

22. Any manager requesting an incentive payment must provide a clear and objective justification when putting together the business case. Eligibility for an incentive payment is subject to an approval process.

Climate Change:

23. No issues identified.

24. Background papers (not previously published)

None.

25. Appendices

Appendix 1 - Recruitment and retention incentives policy
Appendix 2 - Probation policy
Appendix 3 - Acting-up and honoraria policy
Appendix 4 - Management response to staff consultation comments

Report Author, Job Title and Publication Date

Theresa Reid, Head of People Management, 07 March 2024

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Human Resources: Policy on recruitment and retention incentives

Date of issue: xxxx 2024
Author: Theresa Reid
Saved at: Human Resources / Policies and guidance / xxx policy
Review due: 2026

Our Values: Care – Enjoy – Pioneer

1. Introduction

1.1 Our pay arrangements have been set at a level that will recruit and retain employees, minimising the need to use pay incentives. However, there may be a small number of jobs for which it is not possible to recruit and/or retain employees at the job-evaluated rate, because of local or national shortages. In these circumstances it may be necessary to consider the use of recruitment and retention incentives. This policy provides a framework under which managers may request such an incentive so that only those that can be objectively justified will be approved.

1.2 This policy sets out all the potential options but incentives used will be used in exceptional circumstances and dependent on factors such as critical business need and severity of risk to business delivery.

2. Scope and aim

2.1 This Policy covers all prospective and existing employees of the Authority.

2.2 The Policy aims to ensure that the Authority is able to attract and retain highly-skilled employees by offering competitive packages.

2.3 It aims to provide a fair and transparent system for considering an incentive payment where a recruitment and/or retention problem has been identified, which relates to a lack of competitiveness between the remuneration levels within the Authority and the relevant labour market for the particular job role.

2.4 It aims to ensure that the Authority meets the requirements of equal pay legislation

3. Definitions

3.1 Hard to fill posts are those where, despite at least two external recruitment rounds having been undertaken, it has not been possible to attract or recruit candidates with the necessary competences.

3.2 Hard to retain posts are those where, staffing levels within a team become critically low to the extent where a team would be unable to fulfil its function to an acceptable level that meet our legal duties and objectives of the Authority Plan, and/or towards the end of a funded project when employees plan to leave to commence other employment putting the delivery of outcomes at risk. Depending on the size of the team, and/or demands on the team, this could be the case even if a team was fully staffed.

4. Commitment and responsibilities

4.1 We are committed to the principles of equal pay for work of equal value and operate a job evaluation scheme to measure the relative value of all jobs.

4.2 Regular equalities monitoring of the outcomes of the application of incentive payments will be undertaken, for example, gender monitoring for jobs in receipt of the payments.

4.3 The manager must provide clear and objective evidence of difficulties and risks when putting together a business case for a recruitment or retention incentive payment to be made.

4.4 Where incentives are applied, they will be reviewed regularly to ensure that they remain consistent with the criteria for objective justification.

5. When incentives may be considered for use

5.1 From the incentives available the following must be agreed and justified prior to advert, and included in the advert to ensure fairness and transparency:

- Golden hellos
- Relocation expenses
- Market supplement payments

5.2 Retention payments may be advertised for time critical, fixed term vacancies to ensure delivery of a funded project.

5.3 Once a successful candidate is identified, the following incentives may be requested by the recruitment manager with objective justification, to be approved by the Head of People Management:

- Pay point on appointment
- Payment of professional fees
- Additional annual leave
- Financial assistance for study

5.4 Retention payments for existing staff may be considered at a point when a team reaches a critical staffing level to the extent there is a detrimental impact on performance and service delivery.

5.5 The incentive Recommend a friend is available to employees on every external vacancy.

6. Incentives

6.1 **Golden Hello Payments** (to be used for hard to fill vacancies)

A golden hello is a one-off lump sum paid to a new starter on their appointment with the Authority.

The amount payable will range between 10-20% of the employee's salary.

The payment will be calculated on the pro rata salary for part time employees.

Where a golden hello payment is approved for a post, it shall trigger implementation of a retention payment to all identical posts, and subject to the same repayment terms as the golden hello.

Those who have returned to the Authority within 12 months of their leaving date are not eligible to receive a golden hello payment.

Managers are responsible for including details of applicable golden hello payments within the job adverts.

The payment will be made as part of the employee's first salary.

The payment will be subject to tax, national insurance and pension deductions.

The cost of the payment must be met by the employing service unless agreed otherwise with the Chief Finance Officer.

The employee will be required to remain in the Authority's employment for a period of 2 years otherwise they will be required to repay either all or a proportion of the amount. The manager is responsible for advising the HR office, as part of the leaver process, of the amount to be reclaimed.

6.2 Relocation Expenses

The maximum total amount of assistance that can be claimed is £8,000.

To be eligible to receive relocation expenses, the individual must be a newly appointed employee who needs to move a home that is within a reasonable daily travelling distance to their new workplace.

Managers are responsible for advising in the advertisement for the post that this allowance applies.

The cost of the relocation expenses must be met by the employing service unless agreed otherwise by the Chief Finance Officer.

Relocation expenses must be incurred before the end of the tax year (5 April) following that in which the employee starts work in the new location.

If an employee fails to relocate within 12 months, they may be required to repay all the expenses received under the scheme.

The employee will be required to remain in the Authority's employment for a period of 2 years otherwise they will be required to repay either all or a proportion of the amount.

Further information regarding the scheme is available in the Removal and Relocation Scheme guidance.

6.3 Market Supplement Payments (to be used to attract candidates into hard to fill vacancies, and awarded to existing employees in identical post)

A market supplement payment is a monthly payment paid for an agreed period of time (up to 2 years)

Market supplement payments should be calculated using comparator salary data from other organisations.

The payment will be subject to tax, national insurance and pension deductions

The cost of payment must be met by the employing service unless otherwise agreed by the Chief Finance Officer.

The award of a market supplement payment does not change the evaluated grade for the post; it is an amount paid based on relevant comparators. It is an amount paid in addition to the employee's basic salary. The total amount paid for the agreed period of time, is agreed as at the point when calculated. This will be reviewed after 2 years to reduce, remove or increase the supplement.

If a market supplement is agreed for a particular post, it will be automatically applied to all **identical** posts across the Authority.

On receipt of the annual pay award, and or progression through pay increments of the grade, the fixed amount remains the same and the market supplement will reduce in proportion to the increase in salary.

Market supplement payments will be reviewed every 2 years or upon successful recruitment without market supplement enhancement, to a vacant post, whichever is sooner. This may result in the market supplement being varied or withdrawn with 3 months written notice.

Where an employee is in receipt of pay protection, they will not receive both the pay protection and the market supplement payment. In these circumstances, the employee will receive the greater of the two amounts.

Where the payment of a market supplement falls within the relevant qualifying pay period, this payment will be considered when calculating the amount owed for an employee for absences due to sickness, annual leave, maternity or adoption leave, when working additional hours, or when calculating a redundancy payment.

Where a market supplement is agreed for a post which takes the total amount paid to the respective employee close to, or beyond the more senior post and/or line manager, a supplement payment will be applied to move these posts to a pay point which maintains at least a £1,000 pay differential provided these posts have the same professional function and area of expertise.

For new starters, the manager is responsible for advising the HR office as part of the appointment process, that the market supplement should be made

The market supplement will cease with immediate effect if circumstances change including:

- Sick pay entitlement ends
- Change of job
- Management of employee under any formal process

The employee will not be required to repay any of the market supplement payments if they subsequently leave the Authority's employment.

6.4 Pay point on appointment

The starting salary will be the first incremental point of the grade for all new appointments unless approval has been obtained from the Head of People Management.

Managers can request to appoint above the bottom of the grade in cases where the candidate has directly relevant experience and can operate fully and expertly on appointment.

6.5 Professional Fees

Where professional membership as an essential criterion within the person specification for a post, the employee's professional fees are paid.

Managers may wish to pay an employee's annual professional fees which are not an essential criterion in the person specification for the post, for an agreed period of time (up to 2 years). If agreed, all employees occupying the same role will also be eligible for the reimbursement of the same professional fees.

The discretionary payment will be reviewed by the Head of Service at the end of the agreed period of time.

The cost of the payment must be met by the employing service unless agreed with the Chief Finance Officer.

The employee will be required to pay the professional fees and then submit a claim for their reimbursement.

The employee will not be required to repay the professional fees payment if they subsequently leave the Authority's employment or move to another role with the Authority.

6.6 Professional Qualification/Accreditation Fees & Study Leave

Managers may wish to provide financial assistance and additional study leave above the normal vocational grant amounts to support employees to complete professional qualifications or gain professional accreditation.

If a new employee has to reimburse their previous employer for professional qualification/accreditation fees due to joining us, the manager may agree to pay/contribute to these costs.

The cost of the payment must be met by the employing service unless agreed with the Chief Finance Officer.

The terms of this payment would be the same as the vocational grant.

6.7 Additional Annual Leave

To provide additional flexibility to employees working arrangements as well as flexible working and leave entitlement, employees will be able to purchase additional annual leave.

Managers may wish to offer a new starter an increased level of annual leave than would normally be available under their contract of employment. This will be for those situations where offering the 'over 5 years' service' rate of by matching the annual leave entitlement provided by their current employer will secure the candidate joining the Authority. It is not expected that this will exceed more than 10 days' leave per year (pro rata for part time employees).

The additional leave will be granted for an initial period of 2 years.

Managers may offer the employee, as an alternative, a cash payment equivalent to the additional annual leave.

The manager is required to advise the HR Office of the additional annual leave entitlement so that the details can be confirmed in writing. This letter is in addition to the employee's contract of employment as the entitlement stated within the contract will be the standard leave entitlement for the post.

If the employee moves to another post, their entitlement to the increased annual leave will cease

If the employee leaves the Authority's employment whilst they are in receipt of the additional annual leave entitlement, they will be required to repay any leave that has been overtaken. This also applies where an equivalent cash sum has been paid.

6.8 **Retention Payments** (used where there is a business-critical risk in terms of activity if an employee or group of employees were to leave)

A retention payment is a lump sum paid to an employee for completion of a specified period of time in a post.

Where the manager has identified the need for a retention payment (either for a vacancy or existing employee, they would complete the Request Form – see section 9. Approval process.

The amount payable will range between 10-20% of the employee's salary.

In some circumstances, managers may wish to pay a one-off amount after a set period of time (e.g. 10% of salary on completion of 2 years of employment) or a graduated amount over a set period (e.g. 2.5% on completion of 1 year, 5% on completion of 2 years, 7.5% on completion of 3 years, and 10% on completion of 4 years).

Retention payments are subject to satisfactory performance in the post. Payments may be withheld should an employee's performance or conduct fall below expected standards and the employee is being managed under a formal process. Advice must be sought from HR before a decision is made to withhold a payment. Where a payment is withheld, the manager is responsible for advising the employee of the reasons for this.

Managers are responsible for including details of applicable retention payments within job adverts

The employee will be eligible for the payment to be made in the first available payroll following completion of the required period of time. The manager is responsible for submitting a request to the HR office at the relevant time so that the payment can be made.

The payment will be subject to tax, national insurance and pension deductions.

The cost of the payment must be met by the employing service unless agreed otherwise with the Chief Finance Officer. The employee will not be required to repay the retention payment if they subsequently leave the Authority's employment.

6.9 Recommend a Friend Scheme (incentive for existing employees to help with recruitment)

The Authority will pay a £250 referral payment to any employee who recommends an external job candidate for a vacancy to which they are subsequently appointed. The referring employee must not be the manager for the post in question or be involved in the recruitment process for the post.

The payment will be made to the referring employee once the employee has successfully passed their probation period (6 months). The cost of the payment must be met by the recruiting service unless otherwise agreed by the Chief Finance Officer.

Once the new employee has successfully passed their probation period, the manager will contact the HR office to arrange for the payment to be made in the next available payroll. The payment will be subject to tax, national insurance, and pension deductions.

The referring employee and the new employee must be employed on a permanent or fixed term contract with the Authority.

The new employee must not have previously applied for the same post or been referred by another source (e.g. recruitment agency). They must also have never previously worked for the Authority.

Both the referring employee and the new employee must be employed by the Authority at the time the referral payment is due. Where either party's contract of employment is under notice of termination, whether given by the Authority or the employee, the Authority reserves the right not to make the payment.

Only one referral payment will be made for each new employee. The applicant must therefore ensure that they only include the details of one referring employee on their application form. No referral payment will be made where more than one employee has been named or where an employee's details have not been included.

There is no limit on the number of referrals that an employee can make and there is no requirement for any referral payments to be repaid if the employee subsequently leaves the Authority's employment.

7. Repayment period

7.1 An employee in receipt of any of the following incentives will be required to remain in the Authority's employment for a period of 2 years otherwise they would be repayable on the following basis, either through the employee's final salary or via an invoice raised by the Authority.

- Golden hello payment
- Relocation expenses
- Additional annual leave
- Retention payment (dependent on when payment made)

If employee leaves in:	Amount repayable
0 – 6 months	100%
7 – 12 months	75%

1 year to 18 months	50%
18 months to 2 years	25%

7.2 The manager is responsible for advising the HR office, as part of the leaver process, of the amount to be reclaimed.

7.3 If the post is not permanent, it must be of two years' duration to qualify for a payment in order to be consistent with the repayment provisions

8. Eligibility Criteria

8.1 Apart from the Recommend a friend incentive, the application of an incentive will only be considered where there is clear and objective evidence to demonstrate there are recruitment and/or retention difficulties relating to the post. Managers will be required as part of the approval process to provide evidence to support their request. This may include but is not limited to, the following:

- Recruitment statistics which demonstrate poor response rates to adverts despite the post being advertised using relevant channels
- Shortlisting and interview scores which demonstrate the poor calibre of candidates that the post has attracted
- Employee turnover figures along with feedback from one to one/supervision meetings and exit questionnaires regarding reasons why employees are leaving or seeking alternative employment
- Pay data from public and private sector comparator organisations. This should be from organisations within surrounding counties however for some posts it may be relevant to provide an indication of national pay rates. It is recommended that information is obtained from at least 3 comparator organisations
- Information to evidence the extent of the potential impact upon service delivery if the staffing issue is not resolved
- Information showing that there is a national and/or local shortage of skills associated with the post

8.2 Comparator pay rates as a form of evidence will not be used as the sole justification for requesting an incentive payment.

8.3 Pay comparisons should be made on the basis of factors such as the type and size of the organisation, national and regional pay differences, duties of the post as specified in the job description and the qualifications, experience and skills required as set out in the person specification.

9. Approval process

9.1 Where a manager has identified the need for a recruitment or retention incentive, they should complete the Recruitment and Retention Incentive Request Form. Advice on incentives and completing the form may be sought from an HR Adviser. The request must include a business case which includes the following:

- Details of the incentive that is being requested and the consequences if the request is not approved
- Evidence to demonstrate the recruitment difficulties relating to the post, or

- Evidence to demonstrate the risk to business delivery if employee(s) were to leave
- Details of attempts already made to resolve the issue (e.g. targeted advertising campaigns or development opportunities

9.2 Once completed by the manager, the request must be supported by the relevant Head of Service.

9.3 Finally, the Chief Finance Officer and Head of People Management must be satisfied that there is a genuine business case for awarding the incentive and that the request is supported with tangible evidence. They should also ensure that all relevant factors have been considered including whether alternative actions would be more appropriate. Where necessary, a meeting will be arranged to discuss the request further.

10. Monitoring and review

10.1 The use of recruitment and retention incentives will be reviewed on a regular basis by HR to determine whether the recruitment and/or retention difficulties still exist.

10.2 Managers should ensure that they keep track of comparative market data so that this information can be used as part of the review.

10.3 If following the review, the need for the incentive for the post no longer exists, the manager will be advised accordingly. The employees effected will be issued with the appropriate notice to terminate the arrangement.

11. Relevant legislation and links to other policies and guidance

11.1 Relevant legislation:

- Equality Act 2010
- Equal Pay Act 1970

11.2 Links to relevant policies:

- Probation policy
- Acting and honoraria policy

v3 22.02.2024

Human Resources: Policy on probation

Date of issue: February 2024
Author: Theresa Reid, Head of People Management
Saved at: Human Resources / Policies and guidance / Probation policy
Review due: 2027

v3 26.02.2024

1. Introduction

We operate probationary periods for all new employees. We recognise that starting a new job can be challenging and are committed to ensuring that you are fully supported during your probationary period.

2. Aim

The aim of the probationary period is to allow both you and the organisation to assess objectively whether you are suitable for the role.

3. Scope

This policy applies to employees employed by us. It does not apply to casual workers, contractors, consultants or any self-employed individuals working for the organisation.

4. Probationary process

4.1 Your contract of employment will specify your employment is subject to a 6-month probationary period, and any conditions attached to it.

4.2 Probation plan.

At the start of your employment, your line manager will put together a probation plan setting out:

- The training that will be provided to you;
- The objectives that you will be expected to meet; and
- Our expectations in terms of your conduct.

Your individual plan will depend on your job role, level of responsibility, previous work experience and your training needs.

As your probationary period will coincide with the induction process, some of the tasks that you cover during your induction may be used to review your performance, capability and suitability for the role as part of your probationary period.

4.3 Review meetings (at one month, and three months service)

Throughout your probationary period, your line manager will monitor your performance and progress and provide feedback to you during the review meetings.

In addition to these review meetings, your line manager will check in with you regularly to ensure that you understand what you need to do, provide you with feedback and check that you are receiving sufficient support and training to do your job from them, the line manager or from other team members.

If your review meetings are not happening, or your line manager is not providing feedback on your progress and support that you would expect, please speak with your HR Adviser in the first instance. In such circumstances the employee would be supported and an appropriate review undertaken.

4.4 Final review meeting (between 4- and 5-months service)

Shortly before the end of your probationary period, your line manager will meet with you to conduct a final review of your performance, progress and suitability for the role.

If your line manager feels that satisfactory progress has not been made during your probation, you will be informed in writing prior to the final review meeting. The letter will set out sufficient information and examples of why your line manager believes your performance has fallen short of an acceptable standard and explain the possible outcomes of the meeting (see below). In these circumstances, you may, if you wish, ask a work colleague, a Staff Committee representative or Unison official to attend the meeting with you.

At the meeting, you will be given an opportunity to ask questions and comment on your probationary period.

The outcome of the meeting may be a decision to:

- Confirm your permanent appointment where your line manager is satisfied with your performance.
- Extend your probationary period (see below) or
- Terminate your employment if your line manager considers that further support or training is unlikely to lead to a satisfactory standard of performance.

The outcome will be confirmed to you in writing, following the final review meeting, explaining the grounds on which the decision was reached.

4.5 Final review of extension meeting

The decision to extend your probationary period will be entirely at our discretion.

This may be in circumstances where your performance has not been entirely satisfactory, but we consider that an extension may lead to an improvement, or where you or your line manager has been absent from the workplace for an extended period during the probationary period.

If an extension to your probationary period is agreed, we will write to you setting out:

- The length of the extension and the date on which the extended period of probation will end;
- The reason for the extension and, if the reason is poor performance, details of how and why your performance has fallen short of your objectives;
- The objectives that you are required to achieve by the end of the extended period of probation; and
- Any support, for example further training, that will be provided to you during the extended period of probation.

Any extension should be agreed and arranged before your original probationary period ends.

4.6 Appeal

You have the right to appeal against the decision to dismiss you during your probationary period.

Your appeal should be sent in writing to the Head of People Management within 5 days of receiving our decision. Your letter should set out the grounds on which you are appealing. An appeal meeting will be convened to consider the matter. You may, if you wish, ask a work colleague, Staff Committee representative, or Unison official to attend the appeal meeting with you.

You will be informed of the outcome of your appeal as soon as possible and no later than 10 days after the appeal meeting. The outcome of the appeal will be final.]

4.7 Responsibility during the probationary period

Your line manager will take the lead role in monitoring your performance and progress during the probationary period.

5. Relevant legislation and links to other policies and guidance

5.1 Relevant legislation:

- Equality Act 2010
- Employment Rights Act 1996

The Equality Act 2010 must be observed during the probation period, and ensure that the reasons for a dismissal, even during the probation period, are not discriminatory.

As with any dismissal, documented evidence is needed to demonstrate that the reasons for dismissal are non-discriminatory.

5.2 This policy should be read in conjunction with the following:

- Learning and development policy
- Recruitment and selection guidance

Human Resources: Policy on acting-up and honoraria

Date of issue: February 2024
Author: Theresa Reid, Head of People Management
Saved at: Human Resources / Policies and guidance / Acting-up and honoraria policy
Review due: 2027

V2 22.02.2024

1. Introduction

1.1 We recognise the need for employees, on occasions, to temporarily undertake additional duties or responsibilities of a higher graded role for a limited period of time

2. Aim

2.1 Employees are entitled to be rewarded fairly for the work they have been asked to undertake, which is above and beyond the scope of their current grade of their role. It is important that this policy is applied in all situations to ensure consistency and fairness across the organisation.

3. Scope

3.1 This policy applies to all employees; it does not apply to casual workers, agency staff or consultants.

4. Definitions

4.1 **Acting up** payments may be defined as a payment given to an employee where they are asked to undertake the full range of duties and responsibilities, which are considered to be of a higher level than the substantive grade of their post, on a temporary basis.

4.2 **Honorarium** payments may be defined as a payment given to an employee being asked to undertake specific duties and/or responsibilities, which are considered to be of a higher level than the substantive grade of their post, on a temporary basis.

5. Acting-up

5.1 The timescale of the acting-up period should be discussed with the employee and confirmed in writing. The temporary arrangement should not exceed 9 months, without re-approval, and must be reviewed at 5 months.

5.2 With the exception of long-term sickness absence, most instances of long-term absences are pre-planned. Arrangements to cover the post should therefore be made at the earliest opportunity in order to ensure the most appropriate cover.

5.3 Examples of when to apply an acting-up payment:

- Temporarily filling a post until a substantive appointment can be made.
- Covering a post while another employee is on extended leave arrangements e.g. maternity leave, adoption leave, career break etc.
- Filling a role to cover long-term sickness absence (approx. at least 4 weeks).
- Carrying out a specific piece of work with a definitive end.

5.4 Selection process for acting-up

If it is clear in the employee's role profile for them to deputise, then they should be asked, in the first instance, to act-up.

However, in the case that one or more employees have this specified in their role profile to deputise for the same manager, it may be necessary for a selection process to take place, whereby these employees would complete an Expression of Interest for this temporary arrangement. Please seek further advice from your HR Adviser.

If there is no obvious employee to take on the work, the line manager should bring the opportunity to the attention of employees within the team, and then advertise more widely as necessary.

An acting-up payment is a monthly payment and it commences from the day the arrangement starts.

The salary should be no higher than the mid-point of the grade.

Employees who partially act-up should be given an honorarium payment and not an acting-up payment.

Line managers need to ensure that any acting-up duties and responsibilities are monitored and reviewed on a regular basis.

6. Honoraria

6.1 Honoraria payments should not be paid where additional work is undertaken which is of a similar nature to the employee's existing role profile and/or commensurate with the grade for the post.

6.2 Honoraria payments are not applicable where an employee covers the full duties of a higher-graded role. In these circumstances, the line manager should consider an acting-up payment.

6.3 As with acting-up payments, the timescale of an honorarium should be discussed with the employee and confirmed in writing. This temporary arrangement should not exceed 9 months, without re-approval, and must be reviewed at 5 months.

6.4 Reasons for considering an honorarium

- Where there is a need for a specific piece of work to be carried out which may last for weeks/several months that is outside the normal scope of the employee's role.
- Where an employee is asked to undertake only a proportion of additional duties at a higher-graded post in addition to their substantive duties.
- To undertake extra work that is particularly demanding.
- To operate in a difficult or unusual work context in comparison to their normal duties.

6.5 In determining the honoraria, the payment will need to be proportionate to the following factors:

- The difference in grading between the role requiring cover and the job grade of the employee selected to cover.
- The percentage of additional work to be undertaken.
- The level of responsibility involved.
- The duration of the period of absence. A clear start and end date will be agreed before payment is made and duties commence.
- The level of support provided to the covering employee.

6.6 Line managers need to ensure that any additional duties are monitored and reviewed on a regular basis.

6.7 Honorarium payments may either be paid as a lump sum for a one-off specific piece of work or paid monthly where the requirement for the additional work lasts several months.

7. Authorisation process and timescales

7.1 The line manager/budget holder must complete the relevant form and submit to the monthly HR-Finance meeting for approval.

7.2 Depending on the reasons, both acting-up and honorarium arrangements should only be considered when an employee is asked to undertake duties for more than 4 weeks in duration.

7.3 Such arrangements should last no longer than 9 months in most circumstances.

7.4 Line managers should review all arrangements at the 5-month stage

7.5 If it is anticipated that the arrangements will continue beyond a 9-month period, the line manager, with guidance from their HR Adviser, should make a decision whether to:

- Continue for a further specified period (but no longer than a further 3 months);
- Advertise as a temporary secondment; or
- Advertise as a permanent role.

8. Responsibilities

8.1 The line manager must ensure they:

- Apply this policy consistently and fairly.
- Monitor the period of acting up to ensure that the payment is still justified.
- Meet review periods.
- Follow the current authorisation process.

8.2 People Management:

- Ensure that this policy is kept up-to-date and fit for purpose.
- Write to the employee confirming any acting-up or honoraria payment with a copy placed on their personal file.
- Produce quarterly reports for the Senior Management Team in order to monitor these payments.

9. Relevant legislation and links to other policies and guidance

9.1 Relevant legislation:

- Equality Act 2010

9.2 This policy should be read in conjunction with the following:

- Incentives policy
- Recruitment and selection guidance

PEAK DISTRICT NATIONAL PARK

CONSULTATION FEEDBACK and response on pay strategy review related policies

General feedback

1	For all consultations, background information should be provided to accompany the draft policy. This helps to 'set the scene' and give a full picture of the situation so employees are in receipt of all the facts before responding.	There has been ongoing background information provided to all staff on the pay strategy review via various briefings since July 2023. Information has been provided on the HUB. For this objective, background information was provided in the document Objective 2 of pay strategy draft schedule circulated to all staff on 26 January. Further the Wider Management Team had a briefing on the proposals on 7 February and two HR surgeries were held on 8th and 13th February to answer any staff queries.
2	Consultations that occur over the school holidays or at the end of the financial year should be avoided, or the period of consultation extended to ensure everyone has an equal amount of time to respond.	Two weeks consultation is our current custom and practice and considered reasonable. No concerns were raised when the draft schedule was circulated on 26 January outlining that consultation would commence on 2 to 16 February, with two surgeries with HR to be held on 9 and 13 February.
3	As a general point regarding consultations, the Authority should agree a minimum period of time for consultation. Two weeks is not sufficient time for people to consider the proposal and set out their response. Neither does it consider annual leave commitments.	Noted. However, given the draft schedule was circulated on 26 January, and no concerns on length of time was highlighted
4	How has 'best value' been considered? Whilst the Authority is not an administrative council, it is in its interests and its employees interests to consider this given it is on a fixed budget from Defra.	All activities of the Authority must be deemed value for money, as it is one of the auditors' criteria. Vfm includes not only costs but also performance – if we have posts that we are unable to fill, this will impact on our performance. Furthermore, if these are specific key posts, it may mean the Authority cannot function.

		Business continuity, particularly in relation to our statutory duties, is a key consideration in relation to the implementation of these policies.
5	I would ask you to include consideration of moving to a 32 hour week full time hours model in your deliberations. There is growing evidence that productivity, staff retention and mental health all benefit along with other socioeconomic effects. The approach appears to be a genuine win-win for employer and staff; particularly in the public sector. Some of the discussion around this is in the links below. There is also plenty of hard evidence on the positive effects of the approach.	Thank you for the suggestion however, it was considered beyond the scope of the working group on pay. However, it is worth noting that the government does not support a 4-day working week in local authorities, as it does not believe that it delivers local taxpayers' value for money. The non-statutory guidance can be found here: Four-day working week arrangements in local authorities - GOV.UK (www.gov.uk)

Recruitment and retention incentives

	Feedback	Management response
1	Para 3.1: Query: Is there a need to expand upon 'various recruitment activities'?	Changed to 'at least two external recruitment rounds' having been undertaken
2	Para 3.2: Suggest addition to define 'critically low' – to the extent where a team would be unable to fulfil its **statutory** function to an acceptable level that meets the statutory purposes of the National Park. - This could occur when not meeting statutory duty at present or would be likely to occur if 1 or more of the existing team members were to leave their post(s). It should be recognised that this could potentially be the case even if a team was fully staffed.	Accept the suggestion to better define critically low however hard to retain posts may also occur in teams that do not have a statutory function. Accepted. Now reads: 1.1 Hard to retain posts are those where, staffing levels within a team become critically low to the extent where a team would be unable to fulfil its function to an acceptable level that meets our legal duties and objectives of the Authority Plan, and/or towards the end of a funded project when employees plan to leave to commence other employment putting the delivery of outcomes at risk. Depending on the size of the team, and/or demands on the team, this could be the case

		even if a team was fully staffed.
3	Para 5.4: Suggest inclusion of 'Retention payments for existing staff' to make clear they can be applied to existing staff as well as to new appointments.	Accepted
4	Para 6.1: Suggest that where a Golden Hello payment is approved for a post, it shall trigger the implementation of a retention payment to existing team members at a comparative or higher grade should one not already be in place. In the interest of fairness across comparative/higher posts which must be by definition 'hard to fill' and therefore critical to retain given approval has been granted for the Golden Hello.	Where a golden hello payment is approved for a post, it shall trigger implementation of a retention payment to all identical posts and be subject to the same repayment terms as the golden hello.
5	Para 6.3: Suggest that payment of a market supplement shall trigger a review of the salaries for all existing team members and vacant posts within the team of the post subject to a market supplement. The approval of the market supplement indicates a shortfall in pay against the market median in a specific field of work. As such all other post holders in the team are entitled to go through a comparative process for their job role(s). If this does not happen existing team members may feel they have not been treated fairly and seek higher numeration elsewhere. Suggest market supplement for in demand specialism with a demonstrable shortfall in suitable candidate shall be calculated on a national basis. This is given to the general move to agile/remote working which allows professionals to be employed at locations that previously would not have been commutable when full time office attendance was required. - Suggest that the minimum £1,000 differential between posts of a higher grade and that of a post subject to a market supplement is insufficient and will not reflect the greater responsibilities, pressures and expectations applicable to the higher post holders who will likely be more experienced.	Disagree. Market supplement payment is considered for post classed as 'hard to fill' which includes the fact that its vacancy has been unsuccessfully advertised at least two times. Where a market supplement is approved for a vacancy it will be applied to all identical posts. Market supplement payment application is made for each post separately. Each post is different and must be assessed individually. Managers are expected to consider the implications of any market supplement on those posts that have the same professional function and area of expertise, to determine whether any incentive payment is necessary. There are some posts that are so niche (e.g. mineral planners) that there is insufficient data in the regional geographical area for reliable market data therefore national data would be used. Where there is sufficient regional market data available, it will be used to calculate the market rate. This is based on the fact that local employers pose the higher risk of attracting from the same local pool. The minimum £1,000 differential is indicative of the

	Suggest either a review of the market position in relation to the higher graded posts or at least a payment to those higher post holders comparative to the market supplement that is to be applied. This will maintain parity across the pay structure of the effected team.	difference between two grades at the higher end of the pay scale at the moment. If a post receives a market supplement then the senior post will move to a pay point to ensure a £1,000 differential is maintained, this will ensure the parity. Market supplement payment is approved to a specific post with the objective justification provided – i.e. evidence to demonstrate hard to fill.
6	Para 6.5: Inconsistency across job roles in regards essential requirement for professional body membership e.g. (*redacted to maintain anonymity*) only stated as Desirable for lower grade and left blank for higher grade but (*redacted*) team Essential, which is comparative to (*redacted*) post. Request that parity is sought across grades within service/Authority. Otherwise supportive of the policy. - Noted that professional subs payable to posts that list membership as desirable is at discretion of manager. Again this is supported as allows flexibility and to reward good performance. Also aligns with many other comparable competitor organisations. Query: Is the payment of subs to be reviewed every 2 years by the line manager or will discretionary payment only be permitted for maximum of two years. Wording in policy is unclear at present.	The point is noted but suggest it is out with the scope of this consultation. It is for the Head of Service and Team Managers to regularly review the requirements in the person specifications for posts in their team. The discretionary payment will be reviewed by the Head of Service at the end of the agreed period of time.
7	Para 6.8: Suggest where a retention payment is agreed for a new starter it will trigger a process to review the need for a retention payment applicable to existing team members. - Query: How will the 10-20% of salary retention payment be decided upon? Suggest based on market data, individual performance and critical business need. Suggest where Golden Hello or Market Supplement approved it will trigger retention payments to existing team members as the GH/MS has demonstrated a lack of suitable candidates meaning retention has become critical.	Where a retention payment is agreed for a new starter, it will trigger a process to review the need for a retention payment to those in identical posts. Agreed, and current salary. 10% of a middle grade salary, after tax, national insurance etc, might not be a sufficient incentive. Will trigger payment for identical posts only. Each post must apply for incentive payment on its own merit. The case must be made for other posts where the service delivery is critical.
8	Para 8.1: Supportive of these criteria	Noted
9	Para 8.3: Suggest that there is a need to recognise that some niche roles that are hard to fill/retain due to a national skill shortage will mean competitor employers will be willing to make exceptions to attract suitable candidates	Agreed, the policy is to be used in exceptional circumstances. It is accepted that for some posts regional

	such as remote/agile working and enhanced renumeration and benefits. In this regard it will be important to recognise national pay differences and not just regional ones	data is not sufficient and that national data will be compared. Have added national to the statement to recognise this situation.
10	For all applications relating to policies that deliver a financial incentive, we request **an independent panel** be set up to review each request and that the Service Manager present the case to the panel for consideration. At present the approval process proposed is limited to HR and the Finance Officer to approve, we request there be greater oversight of the process by chief officers and the chair of the Authority. This will remove bias and ensures a decision is made in a fair and transparent way, with the interests of the Authority the focus of the decision. The reasons for this are 1) A manager applying for a role within their team to receive a financial reward may receive an incentive themselves as a result of the application 2) What is the evidence to demonstrate it is critical for the Service that the role attracts a financial incentive? With regards to the second point, not all roles or teams deliver a service that is critical to the function of the Authority. In addition, within services that deliver a statutory function it cannot be assumed that all roles within that service are critical to the function of the service. **The Authority should identify which roles are critical and set out the reasons why.**	The policy and process outline the framework for ensuring any case for an incentive can be objectively justified as well as safeguarding a consistent and fair approach. It is proposed in the policy that decision making is delegated to the appropriate level, that being a Head of Service (Chief Officer), the Chief Finance Officer, and the Head of People Management. This composition is made up of the key posts from RMM to make a business decision in a specific operational area. This composition for decision making on financial reward is already reflected in Standing Orders to authorised payment of honoraria. These are professional individuals in their respective functions. Appropriate records will be kept of decisions and open to audit. Agreed, not all roles will deliver a service that is critical to the function of the Authority, but some will, and these can be time (eg stage of programme delivery) and/or situationally (eg critical staffing level due to combination of long term sick and inexperienced new staff) dependent. Each case must be assessed on its own merit. Although we have provided objective eligibility criteria in the policy there will always be an element of subjectivity in the decision making.

11	If someone receives a financial incentive (recruitment/retention) and decides to leave the Authority, there should be a consistent approach to any clawback of the incentive. There should be no difference between how the Authority seeks to clawback from an incentive to join the Authority and an incentive to retain an employee.	Agreed and adopted in the policy.
12	Recruitment and retention should be split in to two separate policies as they are different issues. This will ensure transparency and avoid ambiguity in interpretation and application.	Disagree, they are not separate but related, it is more useful to have the policy on all incentives in one document for reference. The consultation feedback will assist in providing any clarity needed on interpretation.
13	**Retention payments - general comments** We tried to use the guidance to work out whether the *(redacted to maintain anonymity)* would be eligible for a retention payment. (Just by way of an example, not suggesting we believe this to be the case.) Eligibility is described slightly differently throughout the document (in para 3.2, 5.4, Section 6.8 and Section 8). You can get a different answer depending on where you look and how you interpret what is written. These inconsistencies need to be ironed out. Here's a worked example: • Using 6.8 definition – **yes**, scheme applies. There is a business-critical risk if the *(redacted)* were to leave. • Using 8.1 eligibility – **depends** if there are recruitment and/or retention difficulties relating to the post. • Use para 3.2 definition of hard-to-retain post - '. . . those where staffing levels within a team become critically low'. So retention scheme for an *individual* depends on whether the *team staffing levels* are critically low. If a post is within a team with critically low staffing levels, it can be eligible for retention payment. How is 'critically low' defined? If critically low is defined in relation to establishment posts, then *(redacted)* is **not eligible**. • Use para 5.4 to decide if whole team is at a 'critical staffing level'. This says 'critically low' means in relation to staff levels needed to maintain performance and service delivery. Looks like **yes** then.	Disagree, what is set out throughout the document gives guidance on what information and evidence is required to build the case for consideration. Each post and situation are likely to be different. It is for the Team Manager and Head of Service to evidence whether a post is business critical. Sometimes business critical posts will change over time, for example, a project or specific piece of work needs completing. Would suggest the bit used in 8. Eligibility '*extent of the potential impact upon service delivery if the staffing issue is not resolved'* *'Critically low'* has be redefined see response 2 Yes, it could be. Again, each situation is likely to be different but you could have a situation where there is a combination of long-term sickness, maternity leave, new inexperienced staff and only one experienced member of the team who has been offered a job by one of our regional competitors, and we need to retain them. We must also think about the wellbeing

	The policy does imply that retention payment is contingent on a team being 'critically low'. Is this correct? If so it needs re-stating in Section 6.8. The policy should also set out how 'critically low' is to be defined – whether it is 'low' in relation to the number of established posts in a team, or 'low' in relation to the business critical activity. At the moment it's not clear. This is really important. It would be unfair to frame a retention payment policy around a definition of 'critically low' that didn't prioritise current business critical service plan delivery. The 'established posts' mechanism may not always be an accurate or useful indicator of point-in-time critical staffing levels.	of the team as well as service delivery. It might be a yes, it depends. As said above, it is complex with numerous variables. It is for the manager to make the case what we can and cannot do without, in a given situation, at a given time. Where staffing numbers are low, it is likely to have an impact on activity. 6.8 has been changed to *6.8 Retention Payments (used where there is a business-critical risk in terms of activity, if an employee or group of employees were to leave)*
14	3.2 Hard-to-retain posts are those where staffing levels within a team become critically low and/or towards the end of a funded project and employees leave to commence other employment putting the delivery of outcomes at risk. Struggle with the grammar on this. Also 2 different issues.	Changed to: 3.2 Hard to retain posts are those where, staffing levels within a team become critically low to the extent where a team would be unable to fulfil its function to an acceptable level that meet the objectives of the Authority Plan, and/or towards the end of a funded project when employees plan to leave to commence other employment putting the delivery of outcomes at risk. Depending on the size of the team, and/or demands on the team, this could be the case even if a team was fully staffed.
15	4.2 Regular equalities monitoring of the outcomes of the application of incentive payments will be undertaken, for example, gender monitoring for jobs in receipt of the payments. What do you mean by gender? Probably not a good idea to use 'gender' as a synonym for 'sex' if sex is what you mean.	We have used the term 'gender' here to be consistent with our obligation to monitor and report on the 'Gender Pay Gap'.
16	6.3 Market supplement A market supplement payment is a monthly payment paid for an agreed period of time (up to 2 years). This section goes on to say 'Market supplement payments will be reviewed every 2 years . .' So it could last longer than the 2 years stated? Where a market supplement is agreed for a post which takes the total amount paid to the respective employee close to, or beyond the more senior post . . .	Yes, it could in certain circumstances after review.

	Does this apply to the grade of the senior post or what is actually paid to the senior post?	What is actually paid to the senior post
17	6.8 Retention payments A retention payment is a lump sum paid to an employee on completion of a specified period of time in a post. When does the time period start? Can it apply retrospectively? The amount payable will range between 10-20% of the employee's salary. How is this determined?	When the request has been approved. The manager has the discretion when to make the payments as set out in the policy. It will be determined on market data, individual performance and critical business need. Also, by the current salary of postholder as 10% of a middle grade salary, after tax, national insurance etc, might not be a sufficient incentive.
18	I support this suite of draft policies around recruitment and retention. The draft policy on recruitment and retention incentives is particularly welcome to ensure we can attract and retain people in hard to fill posts. Having an agreed set of incentives and criteria to be used means that we have a clear andconsistent approach when dealing with hard to fill posts. The draft policy also provides the flexibility of approach, so this can be applied appropriately to individual circumstances. As the policy sets out the framework for our approach, this then enables operational decisions when implementing the policy to be taken by appropriate managers rather than having operational decisions being made at RMM for example. Hopefully the incentives will enable us to attractand retain people to our current hard to fill posts, so we have the right skills, experience and capacity in place.	Noted
19	Staff Committee believe that market supplements and retention payments are essentially the same thing i.e. a retention payment is a market supplement added to a current employee's salary to incentivise them to stay with the organisation, so we consider paragraphs 6.3 and 6.8 should be combined within the policy document. This should provide clarification and avoid ambiguity.	They are not the same. A market supplement payment is paid monthly to top salary up to the identified (at the time of application) market rate. A retention payment is a lump sum paid at the most appropriate time decided by the manager, to incentivise an individual to stay in our employment, and not linked to the market rate. The retention payment, depending when paid, (e.g. if payment is triggered by a new starter receiving a golden hello in an identical post) can be subject to repayment.
20	Staff Committee believes section 6.8 is not clear on how retention payments are applied to existing members of staff	The Team Manager/Head of Service would request an

	i.e. if a team is depleted and needs to ensure the remaining members are retained how is this policy applied? The document mentions having retention incentives noted in adverts but not how it applies to current staff members or what triggers might need to be hit to begin applying retention payments to the salaries of existing members of staff. Staff turnover rate within a particular post over a three-year period is one potential metric that could be used along with other factors such as comparable salary rates in other organisations.	incentive retention payment to retain an existing member of staff. Addition to 6.8 for clarity - *Where the manager has identified the need for a retention payment (either for a vacancy or existing employee, they would complete the Request Form – see section 9. Approval process.* The manager would need to make the case around the impact on the team being able to function to an acceptable level to meet the objectives of the Authority Plan. There may be times that the Authority could temporarily withstand a period of unacceptable performance. Again, it depends on the circumstances and risks the organisation is prepared to run. Agreed, staff turnover rate can be a useful metric.
21	Staff Committee believe the policy needs to provide more detail in terms of the definition of retention difficulties. For example, and of particular relevance to applications for a retention payment/market supplement to retain employees, the level of turnover in the role in question for the proceeding three years should be considered. Any evidence linking labour turnover to the salary levels should also be provided. This information could be obtained from conversations with previous role holders or via information captured as part of the Exit Interview process.	Each case will be different and likely to be demonstrated by a combination of a number of factors including turnover rate and exit interviews.
22	The policy seems to lack detail on how a market supplement application should be assessed. We suggest that a panel comprising a HR representative, a management representative, a Staff Committee and UNISON representative review market supplement applications. All panel members will be trained in the market supplement policy and process in addition to being trained in job evaluation. The panel would assess each application in line with the criteria of recruitment or, retention difficulties, market data analysis or alternative relevant evidence and the exploration of alternative measures.	Disagree with this suggestion, we are consulting on the policy and the how it will be used, however each request will be a business decision not a consultation, involving the respective operational Head of Service, Chief Finance Officer for financial audit, and Head of People Management for fairness and consistency of application. Please see section 9 in the policy. A market supplement is a recruitment and retention incentive.

		This will be a decision taken by the key professional postholders at the appropriate level. See response at 10.
23	Staff Committee recommend: • Combining paragraphs 6.3 and 6.8 • Clarifying how retention payments would apply to existing members of staff • Detailing within the policy the triggers that would need to be met to begin awarding existing staff members retention payments • Detailing within the policy the triggers that would need to be met to begin advertising a post with a market supplement. For example, at least three samples of comparable roles should be provided. This should include the salary, the benefits, the job advertisement and an outline of the duties of the roles (ideally role profile and person specification, if available) • Detailing a robust method of assessment of market supplement/retention payment applications, to avoid controversy and meet equality criteria.	• Not accepted, see response at 18 • Clarity made • There are no set triggers, rather a list of likely criteria to demonstrate difficulties relating to the post if the postholders where to leave, recognising that this is not an exhaustive list. • The proposed process is robust and monitored by SMT on a fortnightly basis, and will be open to audit.
24	The proposals seem appropriate. Also pleased that the purchase of annual leave will be offered as a benefit to all existing employees, as well as potential new ones. I think it is important to offer incentives like this to all employees, whereas some as the Golden Handshakes should be prioritised on the posts as outlined	Noted
25	I understand the reasons of post being hard to fill but all I can do is look at it from my own (staff morale) perspective and that's what the consultation is for so here are my thoughts "We are committed to the principles of equal pay for work of equal value and operate a job evaluation scheme to measure the relative value of all jobs." Regarding these Golden Hello's and Retention incentives. Hypothetical -This will probably never apply to me but IF someone was appointed in the same role as me and given an extra few grand I am not going to lie , I would probably be very angry and my morale would probably plummet in all honesty. Not that any ones individual bank balance is my concern as that is irrelevant to me but the principle that someone is earning more for doing the same job would really irritate me which surely you can understand? . So much so it may be one of the very few things that may even prompt me to reconsider my position. I think on one hand you say you try to be fair but then on the other hand you are willing to pay people more than others for doing the same post. So I don't see how you can objectively say you	If someone is appointed to the identical role as you and receives a golden hello, under this proposal, you will receive an equivalent retention payment. Our location and travel costs are not factors that contribute to these incentive payments.

	are being 'fair' as such I guess what I am saying is don't under-estimate how this may come across to certain staff in roles where this does apply. Like I say I doubt this will ever apply to my role (thankfully) but I could understand entirely if current staff that this applies to are disgruntled and morale suffers. I have also heard the reasoning about Bakewell being hard to get to and people have to pay a lot of travel costs (Petrol etc). Well current staff have to travel and pay costs so I don't get that argument really. I am not saying there is a perfect solution but people's money is one thing where you need to tread carefully. That said I can understand there is an issue here getting staff in certain roles but to be honest I do think the evaluation process needs a total makeover. I have always thought that. People scoring high for certain key words makes the process a bit of a farce in my opinion and this is why we have this issue maybe? Can't the job evaluation process be looked at properly. Is it outdated? I will use the database post in our department. How is this not scored higher? because the way you evaluate jobs will not allow it to be. I find this a bit ridiculous in all honesty as database/SQL knowledge is a very highly skilled job but you can only score it high on the "technical" aspect which only allows it to score so high. Is this not really why you are having these issues in the first place? on a more positive note I do appreciate the work being done for us finally being paid at least something close to the market median. Working here for somany years I never expected to be paid anywhere near what we probably should be paid but I like working here so it was just something I accepted so this was all a bit of an unexpected bonus. Thank you for that,	We recognise that our location can be a factor for potential candidates but we have introduced hybrid working arrangements to mitigate this, and this option is open to employees where business needs allow. A review of which job evaluation scheme we use is out with the scope of the working group on pay and this particular consultation. However, it is worth noting we use the Local Government Job Evaluation Scheme which is has been developed by National Joint Council for Local Government Services and set out in the Green Book (local government services terms and conditions). As part of the pay strategy review prior to the pay grade restructure, we independently assessed our job evaluation scheme for consistency of application and outcome. The result gave full confidence in the scheme.
26	This is a huge piece of work and is very thorough, it is very much aligned with the incentives etc of the corporate world I have come from and I think will meet with the expectations of those looking to join us at the PDNPA.	Noted.

Probation

1	Supportive of implementation of probationary period. Good for the authority but also ensure new starters are getting the support and training they need to do the job from their line manager. Is there an option to allow support/training from other team members so it doesn't all fall on the manager if not necessary?	Added: *In addition to these review meetings, your line manager will check in with you regularly to ensure that you understand what you need to do, provide you with feedback and check that you are receiving sufficient support and training to do your job from them, the line manager or from other team members.*
2	Suggest optional probation period at hiring managers discretion	No, the scope of this policy is for all employees to ensure consistency and fairness. The extension of the probationary

		period is at the discretion of the line manager.
3	With regard to probationary periods I have some concerns I presume there will be a scaled approach depending on the length of contract/skills base/critical nature of the post. Standard approaches would be up to 3 months for straightforward roles, much less for part time, junior or short term roles. Most mid management and below roles should be completed by 6 months, with up to 12 months for mission critical, senior management and CEO roles as these have the most important impacts on us. However If probation period is set low for senior posts (6 months or below) this should be reflected in the periods for lower grades. If a CEO has a 6 month probation then managerial post should be no more than 3 months, a standard or part time role no more than a few weeks and short term employees shorter than this. Instigating probation arrangements also raises the question of who will performance mange senior managers/CEO to ensure fairness; this would need to be, at least in part, supported by external expert agents with CEO line management/appraisal track record at some cost to us. Instigating probation also raises questions on the quality of the rest of our appraisal/performance management process. I would think this is a good time to bring in 360 degree appraisal. A very useful and instructive tool when carried out properly.	The length of the probation period will be 6 months for all employees. We want to keep the process as simple as possible. From an employer's perspective, this fixed amount of time is sufficient for the Authority to assess whether the new employee is right for the role, is the right fit for the team, and right fit for the Authority. It also gives a consistent framework to the support each new employee can expect when they start in a role. The CEO will manage any new Heads of Service probationary period, similarly, the Chair of the Authority would manage the probationary period of a new CEO. Noted. However, this suggestion is out with the scope of this consultation. We do encourage all staff to seek feedback without the formality of an appraisal. Employees undertaking management development have instigated their own form of 360 feedback.
4	The policy is very clear on the process of what happens in the probation period for a new employee, including what happens if performance is not as expected/required. However, it lacks detail on what happens should a new employee not feel supported during their probation period other than to state they should speak to a HR adviser. Staff Committee recommend: • some additional wording in this area to make it clear that in such circumstances the employee would be supported and an appropriate review process undertaken	Added: *In such circumstances the employee would be supported and an appropriate review undertaken.*

5	I am pleased to see a probationary period being introduced for new starters, a good process for both manager andemployee to follow at the start	Noted.

Acting up and honoraria

1	Honoraria could be paid in retrospect after suitable performance undertaking the additional duties.	Agreed
2	Para 6.1: suggest addition '…. Or within the same professional field.	Noted – have added to 6.1 *Honoraria payments should not be paid where additional work is undertaken which is of a similar nature to the employee's existing role profile and/or commensurate with the grade for the post*.

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