Report No. **03/12**
National Park Authority

JOINT REPORT OF THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

SUBJECT:
DRAFT BUDGET PLANNING 2012/13-2014/15

Introduction

This report presents:

- The draft Revenue and Capital budgets for 2012/13 and implications on reserves
- The draft 2013/14 Levy on Pembrokeshire County Council
- Prudential Indicators for the capital programme
- An Investment Strategy & Treasury Management Policy Statement for 2012/13

The Welsh Government's draft budget published in October 2011 indicated that the 2012/13 NPA grant for the three Welsh National Park Authorities would remain at the funding same as 2011/12. The Welsh Government has however incorporated the Sustainable Development Fund grant of £186,753, (down from £200,000 in 2011/12), into the main National Park Grant which will have a consequential impact on the Levy on Pembrokeshire County Council. The Welsh Government also announced the capital allocation would also remain as 2011/12. As at the date of preparation of this report the Authority had still not received official confirmation of the NPA grant but it is expected shortly in order that we can meet the levy deadline of February 15th 2012.

Although in cash terms the National Park grant for 2012/13is flat lined when inflation is taken into consideration it is lower than last year in real terms. The Authority has however been able to balance the budget for 2012/13 by a combination of salary and efficiency savings from within the various support services. The Authority adopted a Zero Based Budgeting approach in preparing the 2012/13 Budget. The Zero Based budgeting exercise involved each line of the budget being evaluated thoroughly and this has helped achieve an optimal allocation of resources to the parts of the organisation where they are most needed. The process also facilitated the reallocation of surplus funds arising from efficiency savings.

The prospects for settlements in the short to medium term look to remain uncertain but the Authority's cash backed reserves are fairly strong which positions the Authority well for the years ahead. Against this back drop there will be a need to continue to review areas of activity to ensure resources continue to be allocated to meet priority objectives. It is expected that the reserves will reduce in the three year planning cycle, the details of which are outlined later in the report.

Baseline Revenue Budgets

The draft budget has been prepared in accordance with the annual budget strategy previously discussed by Members at workshop in December 2011. In calculating the net cost of continuing existing services, budget planning has been based on the following factors:

- Core NPA Grant & Levy increase 0% 2012/13, 2013/14 & 2014/15
- SDF Grant reduced from £200k to £187k and added to NPA Grant and consequentially the Levy.
- Pay Award Increase of 1% 2012/13, 2013/14 & 2014/15
- Other Increase of 2.5% 2012/13, 2013/14 & 2014/15
- Electricity 25% increase (£10k) (6% reduction in 2011/12)
- Pensions Contribution Rate reduced from 14.7% in 2011/12 to 13.6% 2012/13, 2013/14 & 2014/15
- The 2012/13 budget also incorporates the three new departments created by the restructure of the authority, namely National Park Discovery, National Park Delivery and National Park Direction departments. While the overall budget will be unchanged there remain some minor details to work through between the date of publication of this document and the start of the new financial year.
- In light of the position of the financial markets fixed term deposit arrangements have been entered into.
- The budget will draw on earmarked reserves, previously approved by Members, to contribute to specific revenue or capital projects.
- The budgets have been prepared ensuring General Reserves do not fall below £300,000 (5% approx) at the end of the planning cycle.

National Park Grant & Levy

The National Park Grant & Levy for 2011/12 was £4,490,800 and it was announced last year that this level funding would remain in place from 2011/12 through to 2012/13. The position for 2013/14 will be subject to the UK Government's comprehensive spending review but for this budget exercise it is assumed it will be flat lined as in the previous two years. The inclusion of the Sustainable Development Fund (SDF) Grant into the main grant adds a further £249,004 (including the impact of the levy) and accordingly funding will increase to £4,739,804 in 2012/13. This will reduce to £4,727,137 in 2013/14 and 2014/15 as the SDF element of the grant decreases. It should be borne in mind that, due to the ring fencing conditions attached to the SDF and the Authority having to pay for all SDF administrations costs, the net additional funds available to the Authority in 2012/13 will only be approximately £11,500, which will actually move to a net reduction in funds of £1,163 for 2013/14. These figures are laid out in the following table:

NPG & LEVY FUNDING

	NPG	Levy	Total
2011 – 12 Base	**3,368,100**	**1,122,700**	**4,490,800**
Additional Grant in lieu of SDF	**186,753**	**62,251**	**249,004**
2012 - 13	**3,554,853**	**1,184,951**	**4,739,804**
Reduction due to SDF	**-9,500**	**-3,167**	**-12,667**
2013 - 14	**3,545,353**	**1,181,784**	**4,727,137**
2014- 15	**3,545,353**	**1,181,784**	**4,727,137**

The table below illustrates the impact of the inflation adjusted reduction in funding. Over the next 3 years in real terms this equates to approximately a reduction of £264,000 or nearly 6% and highlights the continued challenge to balance the budget:

Inflation adjusted Funding

	£	**% Decrease**
2012/13:		
2011 – 12 Base	**4,490,800**	
SDF Impact	11,504	
PCNPA Inflation	-93,098	
2012 - 13	**4,409,206**	**-1.82%**
PCNPA Inflation	-89,448	
SDF Impact	-1,163	
2013 - 14	**4,318,595**	**-2.06%**
PCNPA Inflation	-91,374	
2014 - 15	**4,227,220**	**-2.12%**
Real Terms Reduction	**-263,580**	**-5.87%**

Revenue Budget 2012/13 – 2014/15

The revenue budget for the current years and the baseline budgets for 2012/13 – 2014/15 are shown over leaf and incorporate the accounting for the factors and assumptions detailed. The Net Budget is compared with the anticipated level of NPG/Levy funding and the sum remaining is added or deducted from the General

Reserve balance. There is expected to be a net surplus in 2012/13 and 2013/14 of £2,000 and £1,000 respectively and a deficit of £53,000 for 2014/15.

£000's

Revenue Budget	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Baseline gross expenditure	6,288	6,114	6,199	6,309
Payrise/Inflation etc	63	93	89	91
Efficiencies/additional income	-261	-14	-16	-16
Other / ZBB expenditure	90	118	35	
Gross Budget	**6,180**	**6,311**	**6,308**	**6,385**
Other grants & Local income	-1,710	-1,573	-1,582	-1,605
Net Budget	**4,470**	**4,738**	**4,726**	**4,780**
NPG/Levy	-4,493	-4,740	-4,727	-4,727
Surplus / - Deficit	**23**	**2**	**1**	**-53**

Draft Capital Budget

The draft Capital budget is presented below:

	Budget 2012/13	**Funded by** WG grant	**Funded by Other Grant**	**Funded by PCNPA EMR**	**Funded by PCNPA General Reserves 2012/13**	**Funded by PCNPA Reserves 2013/14**	**Funded by PCNPA Reserves 2014/15**
Project							
Historic Towns Grant Scheme	100,000	50,000	50,000				
ICT – Equipment	20,000			20,000			
Solva / Porthgain Car Parks	300,000	50,000	150,000	100,000			
Poppit Car Park	137,000		57,000	30,000	50,000		
Carew	565,000		400,000	165,000			
Llanion Boiler	42,000	16,667			25,333		
PSBA	60,000			60,000			
HR System	25,000			25,000	0		
Origins	380,000		330,000		25,000	25,000	
Car Par Integration	76,900			76,900			
Electronic Planning / Document Management	100,000			33,334		33,333	33,333
Finance / POS System	35,000			20,000		15,000	
Total	**1,840,900**	**116,667**	**987,000**	**530,234**	**100,333**	**73,333**	**33,333**

The 2012/13 Capital Programme of £1,830,900 is a significant increase from previous years and will be funded by, the WAG capital grant of £116,667, other grants £987,000, Earmarked Reserves £530,234 and £206,999 from General

Reserves & Capital Receipts. It is expected that £106,333 of the programme will be spent in subsequent years.

Details of the capital programme are:

- Historic Towns – funded 50% by PCNPA and 50% CADW (still awaiting funding confirmation from CADW)

- ICT – represents the usual cycle of IT equipment replacement.

- Solva & Porthgain Car Park Improvement. This is a Visit Wales Coastal Tourism project, utilising European Convergence Funds and undertaken in collaboration with Pembrokeshire County Council. Total project cost is expected to be £300,000 of which the Authority will fund £150,000.

- Poppit Car Parks Improvement. This project is partially funded under European Convergence Green Seas programme also in collaboration with Pembrokeshire County Council.

- Carew Castle Development. The project is part of larger Heritage Tourism Convergence Programme run in conjunction with CADW. The design contract was awarded in 2011, build work should commence in 2012 and will involve the replacing the portacabins, improving car parking facilities and work on the Lesser Hall roof. The scheme is circa £600,000 and the total Authority contribution is expected to be £200,000 for which there is an earmarked reserve.

- Llanion Boiler. Under the U.K. Government Renewable Heat Incentive Scheme the Authority will replace the boiler at Llanion. The scheme is expected to yield savings to the Authority of £9k per annum.

- Origins. This is another Heritage Tourism funded project to develop a National Centre and Hub of the origins and prehistory of Wales based at Castell Henllys.

- Public Sector Broad Band Aggregation (PSBA). In 2011 members approved the creation of an earmarked reserve for PSBA. This project will improve remote site and home working access to our main information systems. The implementation date is dependent on Pembrokeshire County Council prior adoption of PSBA.

- HR System. The need for an electronic HR system was identified by a recent W.A.O. report. A web based HR system should be implemented during the financial year.

- Car Park Integration. Work is in progress with Pembrokeshire County Council to integrate some of our car parking function. This will require an initial capital outlay but this should be recouped from efficiency saving within an acceptable time frame.

- Electronic Planning / Document Management Systems. Following the implementation of the SWIFT system further outlay as been identified as a means of improving and producing a more efficient planning process and document management system.

- Finance / Electronic Point of Sale System. The existing Finance system was installed over 15 years ago and has an estimated remaining shelf life of 3 to 4 years. The Point of Sales software used by the TIC's and heritage centres has also been in use for a number of years and needs replacements. Various replacement options are being considered in collaboration with the other two Welsh National Parks.

Financial Reserves.

The impact for the rolling 3 year Budget on the Financial Reserves of the Authority is represented below:

	Year end Position 2010/11	Movement 2011/ 12	Year end Position 2011/12	Movement 2012 /13	Year end Position 2012/13	Movement 2013 /14	Year end Position 2013/14	Movement 2014/15	Year end Position 2014/15
General Reserves	484	14	498	2	500	1	501	-53	448
Capital Receipts	215	45	260	-100	160	-25	135		135
TOTAL	**699**	**59**	**758**	**-99**	**659**	**-24**	**636**	**-53**	**583**
Earmarked Reserves:									
Asset management	37		37		37		37		37
IT	40		40	-20	20	-20			
Llanion park	69		69		69		69		69
LDP	120		120		120		120		120
Self-insurance	30		30		30		30		30
Carew Castle Dev	200	-35	165	-165					
Convergence funding	100		100	-100					
Poppit Car Park	30		30	-30					
Staff restructuring	70		70		70		70		70
Public sector broadband	60		60	-60					
HR system		25	25	-25					
Finance system		35	35	-20	15	-15			
Planning system		100	100	-33	67	-33	34	-34	
Car Park Integration		77	77	-77					
TOTAL EMR	**756**	**202**	**958**	**-530**	**428**	**-68**	**360**	**-34**	**326**
TOTAL	**1,455**	**261**	**1,716**	**-629**	**1,087**	**-92**	**996**	**-87**	**909**

The predicted available reserves brought forward at the beginning of the 2012/13 financial year of £1,716k is made up of forecasted General Reserves £498k, Capital

Receipts of £260k and Earmarked Reserves of £958k. The levels of reserves are relatively high but, in light of the continued static funding position, they are not excessive. The General Reserve is forecast to marginally increase over the next two years but begin to fall in 2014/15 to £448k.

Several capital receipts have been received in 2011/12 increasing the reserve to £270k at the year end; however there are no current plans for further disposal of assets in subsequent years. As the Capital Receipts reserve will be used to help fund the 2012/13 capital programme.

Earmarked Reserves are anticipated to fall from £958k as at end of 2011/12 to £326k at the end of 2014/15 with significant movements expected to be on the Llanion Park, Carew Castle and Convergence funds (Solva and Porthgain car parks), Poppit car park and PSBA reserves.

Impact of Budget

While the indicative NPG settlement for 2012/13 is as expected, the financial outlook suggests the Authority will continue to require stringent financial management. It is anticipated that the indicative financial constraints will be managed by the continuation of the drive to gain improved efficiencies and cost savings, reviewing opportunities to develop local income and drawing down other sources of grant aid.

The further measures that are therefore necessary and proposed include:

- Continuous review of the structure of the Authority to identify efficiency savings and or improved service delivery.
- Working with partners to continue to deliver collaborative working arrangements.
- Reviewing existing service expenditure to identify areas where savings can be made by reducing services that are not supporting the priority improvement agenda and reviewing possible additional income.
- That Capital projects not yet committed are reviewed in relation to the corporate priorities and that approval will remain subject to the availability of funds.

Recommendations

That Members:

- **APPROVE in principle the draft budget 2012/13, subject to noting that the NPG/Levy estimate has yet to be confirmed.**
- **NOTE and endorse the forward planning budgets for 2013/14 and 2014/15.**
- **APPROVE the actions proposed to improve available funds.**

Levy on Pembrokeshire County Council

The following statement is the statutory levy statement for Pembrokeshire County Council. Section 71 of the Environment Act 1995, Sub-Section 3, defines the way in which the levy is to be issued and this statement complies with the required format.

Levy on Pembrokeshire County Council

Parc Cenedlaethol Arfordir Penfro
Pembrokeshire Coast National Park

The Authority must authorise the making of a levy of £1,184,951 from Pembrokeshire County Council, in accordance with Section 71 of the Environment Act 1995 and the National Park Authorities (Levies)(Wales)(Regulations) 1995 SI 1995 No.3019 as amended by the National Park Authorities (Levies)(Wales)(Amendment) Regulations 1996:

• the sum required to meet expenditure for the Authority which will fall to be charged for that year in the Revenue account is		£6,312,916
• making such provision as is appropriate for meeting contingencies, the expenditure on which would fall to be charged in the Revenue Account		£Nil
• the sum required to secure the availability to the authority of adequate working balances on its Revenue Account		£Nil
• the sum required to provide the Authority with other requirements for covering any deficit brought forward from the previous financial year		£Nil
		------------
Sub-total		£6,312,916
LESS		
• Section 72, Grant (NPG)	£3,554,853	
• Income credited to the Revenue Account	£1,573,112	
• other sums not covered above which are likely to be available in the year	£Nil	£5,127,965
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Levy requirement		**£1,184,951**

Members are advised that the official levy requirement must be notified to Pembrokeshire County Council by 15th February. It is recommended that the National Park Authority continue with the current arrangement of 12 equal monthly instalments receivable on or before the 12th of each calendar month, such payments to be received by bank transfer.

Recommendation

That Members AUTHORISE a levy of £1,184,951 *(or other appropriate amount as determined on receipt of confirmation of the approved net funding from the WG) from* Pembrokeshire County Council for the year 2012/13.

Prudential Code Indicators

The Local Authorities (Capital Finance & Accounting) (Wales) Regulations 2003 require the Authority to have regard to the *CIPFA Prudential Code* in setting annual budgets. Members are asked to consider the advice of the Chief Financial Officer in determining an affordable, prudent and sustainable capital investment programme.

The Prudential Code requires the Authority to consider Prudential Indicators encompassing estimated and actual expenditure and financing, and limits on both. These indicators are intended to support and record local decision making, and are not designed to be comparative indicators across local authorities. However, as the Authority is now debt free and there are no proposals at this time to undertake further borrowing, due to the capital expenditure plans being financed either by revenue funds, external grant aid or capital receipts, then many of the indicators are not relevant.

The indicators of affordability address the revenue implications of an authority's financial strategy since, as a fundamental principle, all the borrowings of an authority are secured on its future revenue income. The Prudential Code requires the prudential indicators in respect of external debt to be set and revised taking into account their affordability. It is through this means that the objectives of sustainability and prudence are addressed year on year.

The following table sets out the actual capital expenditure that was incurred in 2009/10 and 2010/11 together with the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval, along with the actual/estimated net revenue stream for the years:

	Actual	***Actual***	***Estimate***	***Estimate***	***Estimate***
	2009/10	***2010/11***	***2011/12***	***2012/13***	***2013/14***
Capital Expenditure	**302,000**	**185,000**	**294,000**	**1,841,000**	**500,000**
FINANCING COSTS (interest receivable only)	- 9,000	- 11,000	- 21,000	- 21,000	- 20,000
Net Revenue Funding (NPG/Levy)	4,643,000	4,617,000	4,491,000	4,740,000	4,727,000
Ratio: Financing Costs/Net Revenue Funds	**-0.19%**	**-0.24%**	**-0.47%**	**-0.44%**	**-0.42%**

The negative percentages demonstrate that negative financing costs (i.e. income from investments) are contributing to the Authority's funding resources.

The next indicator is the Capital Financing Requirement. This is an important component of an authority's capital strategy in that it represents capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. The balance is a measure of the underlying need to borrow for a capital purpose. As mentioned above, the draft capital programme does not propose any borrowing for capital purposes and the Authority should remain debt free for the period, so the Capital Financing Requirement is estimated at £nil for the period up to 31 March 2014.

The prudential indicators for debt relate to the scale of the Authority's borrowing rather than simply its indebtedness. The Authority will need to set an Authorised

Limit that separately identifies borrowing and other long term liabilities, and is intended to establish the outer boundary of the Authority's borrowing based on a realistic assessment of the risks. This limit is certainly not a limit that the Authority would expect to borrow up to on a regular basis, rather it is a maximum permitted limit available should the need arise during the year in relation to an unexpected need, either for capital or revenue purposes – an example being short term borrowing pending receipt of external grant. In taking your decisions on this budget report, Members are asked to note that the Authorised Limit determined for 2012/13 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised Limit for External Debt	***Estimate***	***Estimate***	***Estimate***	***Estimate***
	2009/10	***2010/11***	***2011/12***	***2012/13***
Borrowing	1,000,000	1,000,000	1,000,000	1,000,000
Other long term liabilities	0	0	0	0

The Authority also needs to set an Operational Boundary for its borrowing, based on probable rather than possible need. Breaches of the Operational Boundary would give early warning for corrective action to be taken to avoid a possible breach in the Authorised Limit of the Authority. As mentioned, the proposed capital programme does not identify the need for external borrowing, and this, coupled with a traditionally steady revenue income stream through the financial year, means that the Operational Boundary for the Authority can be set at a low level. The Chief Financial Officer recommends as follows:

Operational Boundary for External Debt	***Estimate***	***Estimate***	***Estimate***	***Estimate***
	2009/10	***2010/11***	***2011/12***	***2012/13***
Borrowing	250,000	250,000	250,000	250,000
Long term liabilities	0	0	0	0

It is possible that, while an authority's financial strategy may be affordable in the short term, it is imprudent and unsustainable because in the medium term it would, if pursued, be dependent on the use of borrowing to fund revenue expenditure. For this reason the Code makes it necessary, if a financial strategy is to be prudent, that it is one in which in the medium term Net Borrowing is only to be used for capital purposes. This is demonstrated through a comparison of Net Borrowing with the Capital Financing Requirement. Except in the short term, net external borrowing should not exceed the total Capital Financing Requirement in the previous year plus the estimates of any additional Capital Financing Requirements for the current and the next two financial years.

The Chief Financial Officer hereby reports formally that the Authority is complying with this aspect of the Code.

The Maturity Structure of Borrowing indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. In view of the Chief Financial Officer's recommendation not to raise any long term borrowing for the period, it is not necessary to set upper and lower limits for the maturity structure of borrowing.

In view of the low level of cash available for investment, it is the Chief Financial Officer's recommendation that only short-term investments are entered into for the period. It is therefore not necessary to set limits on investments to final maturities beyond the year-ends.

Investment Strategy 2012/13

The remainder of this report presents an Investment Strategy for 2012/13 in compliance with statutory guidance and in support of the prudential borrowing system.

Section 12 of the Local Government Act 2003 gives the Authority power to invest for "any purpose relevant to its function under any enactment, or for the purposes of the prudent management of its financial affairs". The prudent management of its financial affairs is included to cover investments which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management – being the type of investment undertaken by this Authority. Authorities are required to invest prudently the surplus funds held, with priority given to security and liquidity rather than yield.

This Strategy also supports CIPFA's *Treasury Management in the Public Services : Code of Practice and Cross-Sectoral Guidance Notes*.

The combined Investment Strategy & Treasury Management Policy for 2012/13 follows..

Recommendations

That Members:

- ***ADOPT the Prudential Indicators as presented***
- ***APPROVE the Investment Strategy & Treasury Management Policy Statement for 2012/13 (over).***

Background documents

- Welsh Assembly Government, draft budget proposals 2012/13
- Annual National Park Grant Bid
- The Local Government Act 2003
- The Local Authorities (Capital Finance & Accounting) (Wales) Regulations 2003
- Statutory Guidance on Local Government Investments
- CIPFA's Treasury Management in the Public Services : Code of Practice and Cross-Sectoral Guidance Notes.

For further information please contact Richard Griffiths on 01646 624815.

Pembrokeshire Coast National Park Authority

INVESTMENT STRATEGY and TREASURY MANAGEMENT POLICY STATEMENT 2012/13

1. INTRODUCTION

1.1. The Authority adopted CIPFA's Code of Practice for Treasury Management in Local Authorities, with effect from 18th July 2001 (Policy Committee). The Code sets out a framework of operating procedures for both Members and Officers to reduce treasury risk and improve understanding and accountability regarding the Treasury position of the Authority. This Strategy also complies with statutory guidance on Local Government Investments.

1.2. The Authority defines its treasury management activities as:

"the management of the Authority's 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".

1.3. This Authority regards the successful identification, monitoring and control of risk to be the most important criteria by which the effectiveness of its treasury management and investment activities will be measured. Accordingly, the major focus of the analysis and reporting of treasury management decisions and transactions will be on their risk implications for the Authority, with priority given to the security and liquidity of its investments.

1.4. This Authority also acknowledges that effective treasury management should provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, but always in the context of effective risk management.

2. RESPONSIBILITIES

2.1. The responsibilities for Investment & Treasury Management are defined as follows:

(a) The Authority shall review and consider this Strategy in advance of the start of each financial year.
(b) The Chief Financial Officer shall ensure that satisfactory arrangements are in place for the delivery of this Strategy.
(c) The Chief Executive (National Park Officer) shall be responsible for all investment and treasury management activities, for ensuring that these activities are documented and resourced.
(d) The Chief Financial Officer where appropriate, shall ensure all investment and treasury management activities are in accordance with statutory requirements and CIPFA's Code of Practice for Treasury Management in the Public Services, and for ensuring that an annual Treasury Management report is presented to the Performance Review Committee.

3. APPROVED METHODS OF RAISING FINANCE

3.1. Short Term (up to 1 year):

- *Money markets*

- *Other local authorities*
- *Bank overdraft*
- *Internal funds*

3.2. Long term (over 1 year)

- *Public Works Loans Board*
- *Money Markets*
- *Leasing*

3.3 However, other than for short-term cash flow requirements, there are no plans to raise external debt during 2012/13. Notwithstanding this, the Authority is obliged to set limits for external debt - and approved such limits, as follows, in setting the 2012/13 budget in February 2012:

Authorised Limit for External Debt	***Estimate***	***Estimate***	***Estimate***	***Estimate***
	2009/10	***2010/11***	***2011/12***	***2012/13***
Borrowing	1,000,000	1,000,000	1,000,000	1,000,000
Other long term liabilities	0	0	0	0

Operational Boundary for External Debt	***Estimate***	***Estimate***	***Estimate***	***Estimate***
	2009/10	***2010/11***	***2011/12***	***2012/13***
Borrowing	250,000	250,000	250,000	250,000
Long term liabilities	0	0	0	0

3.4 The Maturity Structure of Borrowing prudential indicator is designed to be a control over an authority having large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. In view of the Chief Financial Officer's recommendation in the 2012/13 budget report not to raise any long term borrowing for the period, it is not necessary to set upper and lower limits for the maturity structure of borrowing. This will be reviewed annually.

4. APPROVED ORGANISATIONS FOR INVESTMENT

*4.1. The surplus cash resources of the Authority are such that investment will be limited to specified investments through accounts held with HSBC, (or any other reputable U.K. Financial Institution with equivalent credit rating**)**, for a period not extending beyond the current financial year. If surplus cash resources increase significantly in the future, alternative investment sources may be considered and included in this Policy Statement at that time, requiring the formal approval of the Authority.*

4.2. The credit rating of institutions holding the Authority's investment will be checked by the Finance Manager periodically via Standard and Poors' *website and a recommendation as to any action necessary in the event of a change in rating shall be made.*

4.3. In terms of Treasury Management, interest rate risk management is a top priority for local authority management. While fixed-rate borrowing and investment can contribute significantly to reducing the uncertainty surrounding future interest rate scenarios, the pursuit of optimum performance may justify, or even demand, retaining a degree of flexibility through the use of variable interest rates on at least part of a treasury management portfolio. Operational Boundaries for the exposure to interest rate risks are set below, to support the target interest receivable on short-term investments (built into the revenue baseline budget) of £5,000.

- Upper limit for variable rate exposure – 100%
- Upper limit for fixed interest rate exposure – 75%

This means that the Chief Financial Officer will manage fixed interest rate exposures within the range 0% to 75% and variable interest rate exposures within the range 0%-100%.

4.4. *In view of the low level of cash available for investment, it was the Chief Financial Officer's recommendation in the 2012/13 budget report that only short term investments be entered into for the period. It is therefore not necessary to set limits on investments to final maturities beyond the year-ends.*

5. *TREASURY MANAGEMENT PRACTICES*

5.1. *The following Treasury Management Practices will guide treasury management activities:*

- TMP1 – Treasury Risk Management.
  Adequate cash balances will be maintained in the Authority's business account to fund the daily payments made from the account. Surplus cash balances will be invested only via minimum risk avenues.
- TMP2 – Best Value & Performance Measurement
  Treasury management decisions will be made with regard to achieving best value, and performance will be measured in terms of achieving budgetary targets whilst limiting risk.
- TMP3 – Decision Making & Analysis
  Decisions will be made as and when necessary, in a manner that balances cash requirements with cash surpluses whilst maximising investment returns and minimising risks. These decisions will be made within the boundaries set by the Authority's treasury management policies and statements.
- TMP4 – Approved Instruments, Methods and Techniques
  Surplus cash on the Authority's business account will, at the end of every banking day, automatically be transferred to a higher interest HSBC No Notice Business Account. The Authority may also transfer funds to other reputable U.K. Financial Institutions which offer more attractive rates of return. These institutions must however have the same or superior Standard & Poors verified credit rating.
- TPM5 – Treasury Management Organisation
  The Finance Manager will undertake the day-to-day Treasury Management activities, liaising with the Resources Manager and Chief Executive (National Park Officer) to consider longer-term issues as and when necessary.
- TMP6 – Reporting Requirements
  Performance will be assessed as part of the Authority's budget performance monitoring. A report will be presented at the year-end comparing actual investment income with budgeted income.
- TMP7 – Budgeting, Accounting, Audit
  Investment income from treasury management decisions is included within the Authority's budgets and accounts and is subject to inspection as part of the annual audit. Interest due on borrowings is also accounted for within the Authority's accounts.
- TMP8 – Cash and Cash flow Management
  The annual budgeting process will determine expenditure levels and sources of finance. On a daily basis, consideration will be given to the timing of cash receipts and cash payments. The Authority's Bankers telephone banking service and on-line banking service will be used to facilitate daily cash flow reviews.
- TMP9 – Money Laundering
  Money laundering will not be undertaken by this Authority.
- TMP10 – Staff Training & Qualifications
  Staff training will be discussed at least within the annual appraisal process, although requests for training will be considered at anytime.
  Essential staff qualifications are determined by the Authority as part of the recruitment and selection procedures.
- TMP11 – Use of External Service Providers

The Authority will manage its treasury management arrangements without the use of external service providers.

- TMP12 – Corporate Governance

  The provision for annual reports on treasury management to the Authority's members forms a key part of the corporate governance arrangements in authorities.

This Strategy will be in force for the financial year 2012/13