

MANAGEMENT STATEMENT/FINANCIAL MEMORANDUM
FOR
LOCH LOMOND AND THE TROSSACHS NATIONAL PARK AUTHORITY

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PART 1: INTRODUCTION

1. This management statement and associated financial memorandum (MS/FM) has been drawn up by The Scottish Government Rural and Environment Directorate (the sponsor Directorate) in consultation with Loch Lomond and the Trossachs National Park Authority (the NDPB), Carrochan, Carrochan Road, Balloch G83 8EG. The management statement sets out the broad framework within which the NDPB will operate while the financial memorandum sets out certain aspects of the financial framework in greater detail. The MS/FM does not convey any legal powers or responsibilities.

2. The MS/FM shall be reviewed and updated periodically by the sponsor Directorate, normally at least every 2-3 years. This is version 2, issued in September 2010.

3. The NDPB, or the sponsor Directorate, may propose amendments to the MS/FM at any time. Any such proposals by the NDPB shall be considered in the light of the Scottish Ministers' policy aims, operational factors and the track record of the NDPB itself. The guiding principle shall be that the extent of flexibility and freedom given to the NDPB shall reflect both the quality of its internal controls and its operational needs. The sponsor Directorate shall determine what changes, if any, are to be incorporated in the MS/FM. Legislative provisions shall take precedence over any part of the MS/FM.

4. The NDPB shall satisfy the conditions and requirements set out in the MS/FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers / sponsor Directorate may from time to time impose. Any question regarding the interpretation of the MS/FM shall be resolved by the sponsor Directorate after consultation with the NDPB.

5. Copies of the MS/FM have been placed in the Scottish Parliament Reference Centre and published on the Scottish Government website. Copies shall also be made available on the NDPB's website and on request.

<p style="text-align: center;">MANAGEMENT STATEMENT FOR LOCH LOMOND AND THE TROSSACHS NATIONAL PARK AUTHORITY</p>

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1. FUNCTIONS, DUTIES AND POWERS

1.1 Founding legislation; status

1.1.1 The NDPB was established under the Loch Lomond and the Trossachs National Park Designation, Transitional and Consequential Provisions (Scotland) Order 2002. Its statutory responsibilities and functions are set out in the National Parks (Scotland) Act 2000 (the 2000 Act), which also sets the procedure for establishing a National Park and the framework under which all National Parks in Scotland must operate.

2.1 The functions, duties and powers of the NDPB

Functions

1 The purpose and functions of the National Park Authorities (NPAs) (NDPBs) are set out in the National Park (Scotland) Act 2000 in particular sections 9-15 and schedules 2 & 3.

2 The Designation Order 2002 (modified in 2010) specifies the individual powers and functions, including in relation to planning, the composition of the NPA (NDPB) and the boundary of the National Park.

3 The NPA (NDPB) has the full functions of a planning authority under the Planning Acts, including planning and development management

4 The NPA (NDPB) has powers of an access authority under the Land Reform Act 2003, Part 1 section 32.

Duties

To prepare and have regard to the National Park Plan, approved by the Scottish Ministers in March 2007; to review the National Park Plan at least once every five years.

Powers

As set out in schedule 2 of the 2000 Act which describes the general powers of National Park Authorities and sections 7 and 8 of the NDPB's Designation Order which describes the NDPB's planning and additional functions

1.3 Classification

1.3.1 For policy/administrative purposes the NDPB is classified as an executive non-departmental public body.

1.3.2 For national accounts purposes the NDPB is classified to the central government sector.

1.3.3 References to this Authority include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the NDPB.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aims

2.1. The founding legislation defines the general purpose for the NPA (NDPB) as follows:

- to ensure the National Park aims are collectively achieved in a co-ordinated way (Section 9 National Parks Act (Scotland) 2000).

2.2 Objectives and key targets

2.2.1 The sponsor Directorate determines the NDPB's performance framework in the light of the Scottish Ministers' wider strategic aims. The NDPB's objectives and key targets shall be agreed within the NDPB's corporate planning process (Section 4 below).

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Scottish Ministers

3.1. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of the NDPB. Their responsibilities include:

- approving the NDPB's strategic objectives and the policy and performance framework within which the NDPB will operate (as set out in this management statement and associated financial memorandum (MS/FM));
- keeping the Parliament informed about the NDPB's performance;
- approving the resource budget and the associated grant in aid requirement to be paid to the NDPB, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the founding legislation, including appointments to the Board, approving the terms and conditions of Board members, approving the appointment of the Chief Executive, approval of terms and conditions of staff and laying of the annual report and accounts before the Parliament.

3.2 The Portfolio Accountable Officer

3.2. The Director-General for Rural Affairs, Environment and Services is designated by the Principal Accountable Officer for the Scottish Administration as the Portfolio Accountable Officer for parts of the Scottish Government including the sponsor Directorate for the NDPB. The responsibilities of a Portfolio Accountable Officer are set out in detail in the Memorandum to Accountable Officers for parts of the Scottish Administration - see Annex 1 of the section on Accountability in the Scottish Public Finance Manual (SPFM).

3.2. In particular the Portfolio Accountable Officer shall ensure that:

- the NDPB's strategic aims and objectives support the Scottish Ministers' wider strategic aims;
- the financial and other management controls applied by the sponsor Directorate to the NDPB are appropriate and sufficient to safeguard public funds and for ensuring that the NDPB's compliance with those controls is effectively monitored ("public funds" include not only any funds provided to the NDPB by the Scottish Ministers but also any other funds falling within the stewardship of the NDPB, including gifts, bequests and donations);
- the internal controls applied by the NDPB conform to the requirements of regularity, propriety and good financial management;
- any funding provided to the NDPB is within the scope and the amount authorised by the Budget Act.

3.3 The sponsoring team in the Rural and Environment Directorate

3.3.1 Within the sponsor Directorate, the National Parks and Outdoor Recreation Team is the sponsoring team for the NDPB. The Team, in consultation as necessary with the Portfolio Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of the NDPB, and the primary point of contact for the NDPB in dealing with the sponsor Directorate. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of the NDPB.

3.3.2 The sponsoring team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for the NDPB in the light of the Scottish Ministers' wider strategic aims;
- an appropriate budget for the NDPB in the light of the Scottish Ministers' overall public expenditure priorities;
- how well the NDPB is achieving its strategic objectives and whether it is delivering value for money.

3.3.3 In support of the Portfolio Accountable Officer the sponsoring team shall:

on performance and risk management –

- monitor the NDPB's activities on a continuing basis through an adequate and timely flow of information from the NDPB on performance, budgeting, control and risk management, including early sight of the NDPB's Statement on Internal Control;
- address in a timely manner any significant problems arising in the NDPB, whether financial or otherwise, making such interventions in the affairs of the NDPB as is judged necessary;
- ensure that the activities of the NDPB and the risks associated with them are properly and appropriately taken into account in the Scottish Government's risk assessment and management systems;

- ensure that ministerial appointments to the Board are made timeously and in accordance with the Code of Practice for Ministerial appointments to Public Bodies in Scotland.

on communication with the NDPB –

- inform the NDPB of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the NDPB as necessary;
- bring concerns about the activities of the NDPB to the attention of the full Board, and require explanations and assurances from the Board that appropriate action has been taken.

3.4 The Convener/Depute Convener of the NDPB

3.4.1 The Convener/Depute Convener are members of the Board. Both are elected by the Board in terms of paragraph 11(1) of Schedule 1 to the 2000 Act. . The NPA Standing Orders should define the term for which the Convener/Depute Convener/Deputy is to be elected.

3.4.2 The Convener/Depute Convener are responsible to the Scottish Ministers. The Convener/Depute Convener shall aim to ensure that the NDPB's policies and actions support the wider strategic policies of the Scottish Ministers; and that the NDPB's affairs are conducted with probity. The Convener/Depute Convener share with other Board members the corporate responsibilities set out in paragraph 3.5.2, and in particular for ensuring that the NDPB fulfils the aims and objectives set by the Scottish Ministers.

3.4.3 The Convener/Depute Convener have a particular leadership responsibility on the following matters:

- formulating the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the Scottish Ministers;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of propriety and regularity;
- representing the views of the Board to the general public.

3.4.4 The Convener/Depute Convener shall also:

- ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on planning, on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;

- advise the Scottish Ministers of the needs of the NDPB when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of individual Board members on an annual basis;

3.4.5 The Convener/Depute Convener shall also ensure that, for those bodies which fall within the provisions of the Ethical Standards in Public Life etc. (Scotland) Act 2000, Board Members are fully aware of the body's Code of Conduct approved by Scottish Ministers.

3.4.6 Communications between the Board and the Scottish Ministers shall normally be through the Convener/Depute Convener. The Convener/Depute Convener shall ensure that the other Board members are kept informed of such communications.

3.5 The NDPB's Board

3.5.1 The Board Members are appointed as detailed in Schedule 1 of the 2000 Act and the Loch Lomond and the Trossachs National Park Designation order.

3.5.2 The Board has corporate responsibility for ensuring that the NDPB fulfils the aims and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by the NDPB in accordance with the principles of Best Value – see relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of the NDPB within the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of the NDPB or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of the NDPB) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Directorate, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers;
- ensure that the Board receives and reviews regular financial information concerning the management of the NDPB; is informed in a timely manner about any concerns about the activities of the NDPB; and provides positive assurance to the sponsor Directorate that appropriate action has been taken on such concerns.
- demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Board to address the key financial and other risks facing the NDPB. The Board is expected to assure itself on the effectiveness of the internal control and risk management systems;

- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
- appoint, with the Scottish Ministers' approval, a Chief Executive to the NDPB and, in consultation with the sponsor Directorate, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with Scottish Ministers' priorities.

3.5.3 Individual Board members shall act in accordance with their wider responsibility as Members of the Board – namely to:

- comply at all times with the Code of Conduct adopted by the NDPB, Ethical Standards in Public Life etc. (Scotland) Act 2000, On Board – A Guide for Board Members of Public Bodies in Scotland and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Code of Conduct on the acceptance of gifts and hospitality, and of business appointments
- act in good faith and in the best interests of the NDPB.

3.6 The NDPB Accountable officer

3.6.1 The Chief Executive of the NDPB is designated as the NDPB's Accountable Officer by the Principal Accountable Officer for the Scottish Administration in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

3.6.2 The Accountable Officer of the NDPB is personally responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of the NDPB) for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the NDPB. He/she should act in accordance with the terms of the MS/FM and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers. He/she must also act in accordance with the Memorandum to Accountable Officers of Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.6.3 The Accountable Officer has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement. Guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of the duties which make up a Best Value regime is included in the Best Value section of the SPFM.

3.6.4 As Accountable Officer the Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring –

- establish the NDPB's corporate and operational plans in the light of the Scottish Ministers' wider strategic aims;
- establish a robust performance management framework which supports the achievement of the NDPB's aims and objectives as set out in the corporate and operational plans; and which enables full performance reporting to the Board, the sponsor Directorate and the wider public;
- inform the sponsor Directorate of the NDPB's progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor Directorate; that the sponsor Directorate is notified promptly if overspends / underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor Directorate in a timely fashion;

on advising the Board –

- advise the Board on the discharge of its responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by the Scottish Ministers / sponsor Directorate;
- advise the Board on the NDPB's performance compared with its aims and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques as set out in the Green Book are followed as far as this is appropriate and practical;
- take action as set out in section 5 of the Memorandum to Accountable Officers of Other Public Bodies if the Board, or its Convener/Depute Convener, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources –

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to the NDPB, including any approved income or other receipts, are used for the purpose intended by the Parliament, and that such moneys, together with the NDPB's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the NDPB, including effective measures against fraud and theft;

- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to the NDPB's objectives;

on accounting for the NDPB's activities –

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the NDPB's system of internal control, for inclusion in the annual report and accounts;
- ensure that an effective complaints procedure is in place including, where applicable, reference to the Scottish Public Services Ombudsman and made widely known;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the NDPB.

3.6.5 The Chief Executive may delegate the day-to-day administration of his/her Accountable Officer responsibilities to other employees in the NDPB. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.6.6 The Chief Executive is responsible for informing the Portfolio Accountable Officer about any complaints about the NDPB accepted by the Scottish Public Services Ombudsman for investigation, and about the NDPB's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGETING AND CONTROL

4.1 The Corporate Plan

4.1.1 Consistent with the timetable for public spending reviews the NDPB shall submit to the sponsor Directorate a draft of the NDPB's corporate plan covering the spending review period. The NDPB shall have agreed with the sponsor Directorate the issues to be addressed in the plan and the timetable for its preparation. The plan, or elements thereof, shall be updated between public spending reviews as and when considered necessary.

4.1.2 The plan shall reflect the NDPB's statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.1.3 The corporate plan shall set out:

- the NDPB's key objectives and associated key performance targets for the forward years, and its strategy for achieving those objectives;

- a review of the NDPB's performance in the preceding financial year, together with comparable outturns for the previous 2 years, and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;
- other matters as agreed between the sponsor Directorate and the NDPB.

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the sponsor Directorate and the NDPB in the light of the sponsor Directorate's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The operational plan

4.2.1 The operational plan for the year immediately ahead shall be consistent with the agreed corporate plan. The operational plan shall be updated annually by the NDPB to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the sponsor Directorate (See also paragraph 1.3 of the financial memorandum.) A copy of the operational plan shall be submitted to the sponsor Directorate for information (and comment where considered appropriate) prior to the beginning of the financial year in question.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the corporate and operational plans shall be published and made available on the Internet.

4.4 Reporting performance to the sponsor Directorate

4.4.1 The NDPB shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its corporate and operational plans.

4.4.2 The NDPB shall take the initiative in informing the sponsor Directorate of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate business plans.

4.4.3 The NDPB's performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reported to the sponsor Directorate on a regular basis, and not less than twice yearly. Performance will be formally reviewed twice yearly by the sponsor Directorate. The appropriate Scottish Minister shall meet the Convener/Depute Convener of the Board formally each year to discuss the NDPB's performance, its current and future activities and any policy developments relevant to those activities.

4.4.4 The NDPB's performance against key targets shall be reported in the NDPB's annual report and accounts (see Section 5.1 below). Other forms of reporting performance to the public should also be considered.

4.5 Budgeting procedures

4.5.1 The NDPB's budgeting procedures are set out in the associated financial memorandum.

4.6 Internal audit

4.6.1 The NDPB shall establish and maintain arrangements for internal audit in accordance with the Government Internal Audit Standards (GIAS). The NDPB shall consult the sponsor Directorate to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointment.

4.6.2 The NDPB shall set up an independent audit committee of its board in accordance with the guidance on Audit Committees in the SPFM.

4.6.3 The NDPB shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The sponsor Directorate shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the sponsor Directorate reserves a right of access to carry out / commission independent reviews of internal audit in the NDPB.

4.6.4 The Scottish Government's internal audit service shall also have a right of access to all documents prepared by the NDPB's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the NDPB's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Government's Head of Internal Audit as appropriate.

4.6.5 In addition, the NDPB shall forward to the sponsor Directorate an annual report on fraud and theft suffered by the NDPB; notify any unusual or major incidents as soon as possible; and notify any changes to its internal audit's terms of reference, its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

5.1.1 After the end of each financial year the NDPB shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any subsidiary or joint venture under the control of the NDPB.

5.1.2 The report and accounts shall comply, so far as appropriate with the Government Financial Reporting Manual. The accounts shall be prepared in

accordance with the specific accounts direction and other relevant guidance issued by the Scottish Ministers.

5.1.3 The report and accounts shall outline the NDPB's main activities and performance during the previous financial year and set out in summary form the NDPB's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.4 The report and accounts shall be submitted in draft to the sponsor Directorate for comment and the final version shall be laid before the Parliament by the Scottish Ministers during the month of July. The accounts must not be laid before they have been formally sent by the Auditor General to the Scottish Ministers and must not be published before they have been laid. The NDPB shall be responsible for the publication of the report and accounts on the NDPB's website.

5.2 External audit

5.2.1 The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the NDPB's annual accounts and passes them to the Scottish Ministers who shall lay them before the Parliament, together with the NDPB's annual report. For the purpose of audit the AGS has a statutory right of access to documents and information held by relevant persons.

5.2.2 The NDPB shall instruct its auditors to send copies of all management letters (and correspondence relating to those letters) and responses to the sponsor Directorate.

5.3 VFM / 3E examinations

5.3.1 The Public Finance and Accountability (Scotland) Act 2000 provides that the AGS may carry out examinations into the economy, efficiency and effectiveness with which the NDPB has used its resources in discharging its functions. For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons.

5.3.2 In addition, the NDPB shall provide, in conditions to grants and contracts, for the AGS to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

6. STAFF MANAGEMENT

6.1.1 Within the arrangements approved by the Scottish Ministers or set out in the body's legislation, the NDPB shall have responsibility for the recruitment, retention and motivation of its staff. To this end the NDPB shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;

- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and the NDPB's performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the NDPB's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

<p style="text-align: center;">FINANCIAL MEMORANDUM FOR LOCH LOMOND AND THE TROSSACHS NATIONAL PARK AUTHORITY</p>

PART 3: FINANCIAL MEMORANDUM

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1. BUDGETING PROCEDURES

The Departmental Expenditure Limit (DEL)

1.1 The NDPB's resource and capital expenditure form part of the Scottish Government's "Resource DEL" and "Capital DEL" budget as allocated by HM Treasury.

Setting the annual budget

1.2. Each year, in the light of decisions by the Scottish Ministers on the NDPB's corporate plan (paragraph 4.1 of the management statement), the sponsor Directorate will send to the NDPB:

- a formal statement of the annual budgetary provision (disaggregated by main budget headings) allocated by the Scottish Ministers in the light of competing priorities across the Scottish Government and of the associated grant in aid and any approved forecast income; and
- a statement of any planned change in policies affecting the NDPB.

1.3 The NDPB's annual business plan will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure/consumption of resources and of draw-down of grant in aid and other income over the year. These elements will form part of the business plan for the year in question (paragraph 4.2.1 of the management statement).

1.4 Grant in aid (cash) provided by the Scottish Ministers for the year in question will be included in the annual Budget Act and will be subject to approval by the Parliament.

Transfers of budgetary provision

1.5 All transfers of budgetary provision between resource and capital budgets and between 'cash' and 'non-cash' headings require the prior approval of the sponsor Directorate. Other transfers between main budget headings may be undertaken without the prior approval of the sponsor Directorate.

Budget Overspends

1.6 The extent to which the NDPB exceeds agreed total resource and capital budgets shall normally be met by a corresponding reduction in the budget(s) for the following financial year.

End-year flexibility

1.7 In principle the Scottish Government's end-year flexibility (EYF) arrangements allow for unused DEL budgetary provision to be carried forward, in part or in full, from one financial year to the next. However, given the many competing demands for resources the availability of EYF should be regarded as highly exceptional. The NDPB should therefore manage its use of DEL budgetary provision accordingly. The

NDPB must at the earliest opportunity submit to the sponsor Directorate any proposals for carrying forward budgetary provision.

Authority to spend

1.8 Once the NDPB's budget has been approved by the sponsor Directorate and, subject to any restrictions imposed by the Statute / the Scottish Ministers/ the management statement and associated financial memorandum (MS/FM), the NDPB shall have authority to incur expenditure / consume resources without further reference to the sponsor Directorate, on the following conditions:

- the NDPB shall comply with the specific delegations set out in the attached Appendix. These delegations shall not be altered without the prior agreement of the sponsor Directorate;
- the NDPB shall comply with the conditions set out in this financial memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the Scottish Public Finance Manual (SPFM);
- inclusion of any planned and approved expenditure in the NDPB's budget shall not remove the need to seek formal sponsor Directorate approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- the NDPB shall provide the sponsor Directorate with such information about its operations, performance, individual projects or other expenditure as the sponsor Directorate may reasonably require.

Impairment of Assets

1.9 Assets will normally only impact on the resource budget through depreciation and the cost of capital charge or where there is a profit or loss on disposal, which would all score in the NDPB's resource DEL budget. Assets should be recorded on the balance sheet at the appropriate valuation basis and in accordance with the FReM. Where an asset - and that includes investments - suffers an impairment it is important that the prospective impairment and background is communicated to the sponsor Directorate at the earliest possible point in the financial year. to determine and agree the appropriate scoring for budgetary purposes.

Provisions

1.10 A provision is a liability of uncertain timing or amount. It should be recognised in the resource DEL budget for the NDPB when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that a transfer of economic benefits will be required to settle this obligation, and when a reliable estimate can be made of the amount of the obligation. The timing of significant changes in provisions or the creation of a new provision should be agreed in advance by the sponsor Directorate.

Bad Debt

1.11 Bad debt that is written off by the NDPB scores in its resource DEL budget. Write-off of bad debt is subject to the delegated limit set out in the attached Annex. Write-off above that limit is subject to the prior approval of the sponsor Directorate.

2. THE NDPB'S INCOME

Grant in aid

2.1 Grant in aid will be paid to the NDPB in monthly instalments, on the basis of a written application from the NDPB showing evidence of need. The application shall provide the sponsor Directorate with, as a minimum, information, which will enable the satisfactory monitoring by the sponsor Directorate of:

- the NDPB's cash management;
- actual and forecast outturn of expenditure of grant in aid;
- actual and forecast outturn of expenditure / consumption of DEL budgetary provision by main budget headings.

2.2 Grant in aid should not be paid out in advance of need. Cash balances accumulated during the course of the year from grant in aid shall therefore be kept at the minimum level consistent with the efficient operation of the NDPB.

Borrowing

2.3 Borrowing cannot be used to increase the NDPB's spending power. All borrowing by the NDPB - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM.

Maximising income from other sources

2.4 The NDPB shall seek to maximise income from other sources provided that this is consistent with the NDPB's main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the sponsor Directorate.

Receipts from the EC

2.5 The NDPB should seek funding from the EU as appropriate and ensure that the sponsor Directorate is informed. See the guidance in the EU Funding section of the SPFM.

Fees and charges

2.6 Fees or charges for any services supplied by the NDPB shall be determined in accordance with the Fees & Charges section of the SPFM.

Receipts from sale of goods or services

2.7 Receipts from the sale of goods and services, rent of land, and dividends may be used to provide additional spending power subject to them being included in the approved budget.

Interest earned

2.8 Interest earned by the NDPB on cash balances may be used to provide additional spending power subject to it being included in the approved budget.

Proceeds from disposal of assets

2.9 Disposals of land and buildings are dealt with in Section 7 below.

Gifts, bequests and donations

2.10 The NDPB is free to retain any gifts, bequests or similar donations. These shall be treated as receipts that, where appropriate, can be used to increase spending power. NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.

2.11 Before proceeding in this way the NDPB shall consider if there are any associated costs in doing so or any conflicts of interests arising. The NDPB shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Changes in in-year income

2.12 If income realised or expected to be realised in-year is **less** than estimated, the NDPB shall, unless otherwise agreed with the sponsor Directorate, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.

2.13 If income realised or expected to be realised in-year is **more** than estimated, the NDPB may apply to the sponsor Directorate to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The sponsor Directorate shall consider such applications, taking account of competing demands for resources. If an application is refused grant in aid shall be correspondingly reduced.

3. THE NDPB'S EXPENDITURE: GENERAL PRINCIPLES

Delegated authority

3.1. The NDPB shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur any expenditure, which falls outside the specific limits on the NDPB's delegated authority as set out in the attached Appendix.

Appraisal and Evaluation

3.2. All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

Procurement

3.3 The NDPB's procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving the NDPB's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. The NDPB shall also ensure that it complies with any relevant EU or other international procurement rules.

Competition

3.4. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix must be submitted to the sponsor Directorate for approval.

Value for money

3.5. Procurement by the NDPB of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

3.6. The NDPB shall pay all matured and properly authorised invoices in accordance with the guidance in the SPFM on Expenditure and Payments. The NDPB is subject to the Scottish Government target for the payment of invoices within 10 working days of their receipt.

Novel, contentious or repercussive proposals

3.7. The NDPB shall obtain the approval of the sponsor Directorate before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk management

3.8 The NDPB shall ensure that the risks, which it faces, are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

3.9 The NDPB shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

3.10 The NDPB shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

EXPENDITURE ON BOARD MEMBERS

4.1 Remuneration, allowances and expenses paid to Board Members must comply with specific guidance on such matters issued by the Scottish Ministers.

EXPENDITURE ON STAFF

Staff costs

5.1. The NDPB is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers or organisational structure must be approved in advance by the sponsor Directorate.

5.2 Pay and conditions of service

5.2. The NDPB shall submit to the Scottish Government Finance Directorate for approval (normally annually unless a multi-year deal has been agreed) a pay remit within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance and negotiate a pay settlement within the terms of the subsequently agreed remit. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. The NDPB shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)". The terms and conditions of the Chief Executive are subject to a separate approval exercise.

Pensions; redundancy/compensation

5.3. Superannuation arrangements for staff are subject to the approval of the Directorate. The NDPB's staff shall normally be eligible for a pension provided by membership of the Strathclyde Local Government Superannuation Scheme.

5.4. Staff may opt out of the occupational pension scheme provided by the NDPB. However, the employer's contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance

rebate level. NOTE: The exception is for NDPBs covered by the PCSPS arrangement and for NDPBs with PCSPS by-analogy versions, where a contribution regime has been agreed. NDPB's with other pension arrangements who are considering contributing to a stakeholder type arrangements where staff opt out must consult the sponsor Directorate with a formal proposal based on actuarial advice.

5.5 Any proposal by the NDPB to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the sponsor Directorate. Proposals on severance payments must comply with the guidance in the Severance etc section of the SPFM.

6 NON-STAFF EXPENDITURE

Capital expenditure

6.1. Subject to being above the NDPB's capitalisation threshold, as agreed with external auditors, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

6.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the NDPB's corporate planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Construction Procurement Manual published by the Scottish Government's Construction Advice and Policy Division. Individual capital projects or acquisitions are subject to specific delegated limits as indicated in the attached Appendix.

Lending, guarantees, indemnities, contingent liabilities, letters of comfort

6.3 The NDPB shall not, without the sponsor Directorate's prior consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM or in the International Financial Reporting Standards), whether or not in a legally binding form.

Grant or loan schemes

6.4 Unless covered by a delegated authority, proposals to make a grant or loan to a third party of £100,000 or more, whether one-off or under a scheme, shall be subject to prior approval by the Directorate, together with the terms and conditions under which such grant or loan is made. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading *Recovery of grant-financed assets*.

Gifts made, write-offs, losses and special payments

6.5 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix must have the prior approval of the sponsor Directorate. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Leasing

6.6 Prior sponsor Directorate approval must be secured for all lease arrangements. The NDPB must have capital DEL provision for finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) the NDPB must demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

6.7 The NDPB shall seek opportunities to enter into non-profit distributing public/private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated authority being breached the NDPB shall consult the sponsor Directorate. Any partnership controlled by the NDPB shall be treated as part of the NDPB in accordance with International Financial Reporting Standards (IFRS) and consolidated with it, subject to any particular treatment required by IFRS. See also the guidance in the Public / Private Partnerships section of the SPFM.

Subsidiary companies and joint ventures

6.8 The NDPB shall not establish subsidiary companies or joint ventures without the express approval of the sponsor Directorate. In judging such proposals the sponsor Directorate will have regard to the Scottish Ministers' wider strategic aims and objectives.

6.9 Any subsidiary company or joint venture controlled or owned by the NDPB shall be consolidated with it in accordance with IFRS as adapted and interpreted for the public sector context, subject to any particular treatment required by IFRS. Unless specifically agreed with the Directorate such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the MS/FM.

Financial investments

6.10 The NDPB shall not make any investments without the prior approval of the sponsor Directorate, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of the NDPB, shall equally be subject to sponsor Directorate approval unless covered by a specific delegation. The NDPB shall not invest in any venture of a speculative nature.

Unconventional financing

6.11 Unless otherwise agreed with the sponsor Directorate, the NDPB shall not enter into any unconventional financing arrangement.

Commercial insurance

6.12 The NDPB may only take out commercial insurance, without the prior approval of the sponsor Directorate, in accordance with the guidance in the Insurance section of the SPFM e.g. third party insurance required by the Road Traffic Acts. In the event of losses arising under the Scottish Government's policy of self-insurance the sponsor Directorate shall consider, on a case by case basis, whether or not it should make any additional resources available to the NDPB and/or agree adjustments to the targets in the corporate plan.

6.13 A Certificate of Exemption for Employer's Liability Insurance was issued to the NDPB on 9 March 2004.

7. MANAGEMENT AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Register of assets

7.1. The NDPB shall maintain an accurate and up-to-date register of its fixed assets in accordance with the section in the SPFM on Management of Assets.

Disposal of assets

7.2 The NDPB shall dispose of assets that are surplus to its requirements and in accordance with its long-term estate strategy. Assets shall be sold for the best price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Property, Plant and Equipment section of the SPFM. The Scottish Government's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 3 months prior to them being advertised on the open market. Proceeds from the disposal of assets may be retained by the NDPB subject to them being included in the approved budget.

Recovery of grant-financed assets

7.3. Where the NDPB has financed expenditure on capital assets by a third party, the NDPB shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without the NDPB's prior consent. The NDPB shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

7.4 The NDPB shall also ensure that if the assets created by grants made by the NDPB cease to be used by the recipient of the grant for the intended purpose an appropriate proportion of the value of the asset shall be repaid to the NDPB

8. BANKING

8.1 The NDPB's Accountable Officer is responsible for ensuring that its banking arrangements are consistent with the guidance in the Banking section of the SPFM. In particular he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

Financial Memorandum: Appendix

Specific limits on delegated authority

	Limit of delegated authority	Comments
Single tender contracts	<ul style="list-style-type: none"> ▪ Up to £10,000 for external contractors ▪ Up to £20,000 for internal workforce 	
Individual grants/loan scheme	<ul style="list-style-type: none"> ▪ Up to £100,000 	
Contracts for goods and services	<ul style="list-style-type: none"> ▪ Up to £100,000 	The sponsor Directorate will consider whether to delegate approval for projects costing between £50,000 and £100,000 but a detailed appraisal of projects costing £100,000 or more is required.
Consultancies	<ul style="list-style-type: none"> ▪ Up to £50,000 	
Acquisition of assets	<ul style="list-style-type: none"> ▪ Up to £50,000 	The NDPB cannot acquire new offices/accommodation without the sponsor Directorate's prior approval
Claims waived or abandoned	<ul style="list-style-type: none"> ▪ Up to £1,000 	Annual report to be submitted to the sponsor Directorate on all claims waived or abandoned
Lending	<ul style="list-style-type: none"> ▪ Up to £5,000 	Terms of any loan must be approved by the sponsor Directorate on a case by case basis
Special payments	<ul style="list-style-type: none"> ▪ Up to £1,000 	Annual report to be submitted to the sponsor Directorate on all special payments
Write-off of losses	<ul style="list-style-type: none"> ▪ Gifts up to £75 in value ▪ Theft/damage/destruction of a vehicle with cost up to £5,000 ▪ Other causes up to £1,000 	Annual report to be submitted to the sponsor Directorate on all write-offs
Leases	See paragraph 6.5 of Part 3	Approval in all cases must be sought from the sponsor Directorate
Financial Investments	See paragraph 6.8 of Part 3	Approval in all cases must be sought from the sponsor Directorate
Disposal of assets	£5,000	See paragraph 7.2 of Part 3 Assets shall be sold for the best price and in accordance with SPFM
Novel, contentious or repercussive proposals	Not applicable	All cases with specific limits on delegated authority which might be described as novel

		or contentious should be referred to Scottish Government, no matter the amount involved.
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