APPENDIX 1

Treasury Management Policy and Practice Statement

1. Overall Objective

The Treasury Management function should seek to ensure that at all times monies are available to the Authority to meet its operational requirements, and that in achieving this objective transactions involving the borrowing and lending of monies should seek to maximise the benefit, or minimise the cost, to the Authority in terms of interest earned or paid; but where investments are concerned the primary objective will always be the security and liquidity of any investment and the minimisation of its associated risks.

2. Responsibilities

The Chief Finance Officer is responsible for the day to day aspects of Treasury Management. In exercising his delegated powers the Chief Finance Officer must operate in accordance with the policies and practices outlined in the remainder of this Statement.

He will also be responsible for ensuring that this Statement is reviewed periodically and that any changes necessary are brought to the attention of the Authority.

3. Treasury Management Strategy

(a) Borrowing

The Authority may borrow for two reasons:

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

and

(ii) temporarily pending the receipt of revenue monies.

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

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

(b) Lending Policies

This relates to the temporary loan of revenue funds/capital receipts pending their use. The timing of the main sources of the Authority's income are agreed with the Government with the aim of broadly matching expenditure.

However, it is anticipated that the Authority will have surplus cash to lend.

Interest receipts are very sensitive to changes in interest rates and cash flows. Although cashflows are not expected to be affected significantly in 2013/14, base interest rates are currently 0.5% and the 2013/14 budget assumes investment rates will remain at this level.

It is recommended that surplus funds are invested only with Derbyshire County Council who will pay interest at an appropriate money market rate on this cash. This policy meets the Authority's objectives of ensuring a return on its surplus funds while minimising risk, and is consistent with DCLG guidelines on investment strategy. As all lending is to Derbyshire County Council it qualifies as a specified investment. (A specified investment is deemed to be a safer investment meeting certain conditions – denominated in sterling; less than 12 months duration; not constituting share or loan capital; invested in the government, Local Authority, or in a body or investment scheme with a high credit quality)

There will be no non-specified investments. (A non-specified investment would be any investment not meeting the above criteria.)

The Authority's funds available for investment represent an average of about £3m during the year, whereas the investments managed within Derbyshire County Council's portfolio total in the region of £300m, supported by their in-house professional team and professional investment advice. The Authority's investments with Derbyshire County Council are managed by way of a Service Level Agreement. The current Service Level Agreement has been amended to guarantee the Authority's principal sums invested with the Council, effectively removing investment risk, and the intention is for it to be renewed for a further two year period up to 31st March 2015.

(c) Interest Rate Strategy

Short term interest rates will impact on the interest earned by the Authority on its deposits with the County Council. The Authority has reduced the risk considerably in its revised approved 2013/14 Budget, with a low assumption of 0.5% for the year ahead.

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

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

(d) Exchange Rate Strategy

The Authority will manage its exposure to fluctuations in foreign exchange rates so as to minimise any detrimental impact on its budgeted income / expenditure levels. This may involve a hedging transaction with the specific intention only of reducing the organisation's exposure to an adverse exchange rate risk.

4. Policy on External Managers

The day to day cash position of the Authority is monitored under the terms of the Service Level Agreement with Derbyshire County Council.