

DERBYSHIRE COUNTY COUNCIL

COUNCIL

6 February 2013

**Joint Report of the Chief Executive, the Director of Finance and
the Director of Property**

**PRUDENTIAL CODE FOR CAPITAL FINANCE, CAPITAL PROGRAMME
APPROVALS & TREASURY MANAGEMENT STRATEGY**

1 Purpose of the Report

To obtain the Council's approval for proposals as commended by Cabinet on 29 January 2013, relating to :

- The Prudential Code for Capital Finance.
- The capital starts programme for 2013-14.
- The Minimum Revenue Provision (MRP) policy for 2013-14.
- Compliance with, and setting limits under CIPFA's Prudential Code and the Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes
- A Treasury Management Strategy for 2013-14.

2 Information and Analysis

A CAPITAL PROGRAMME & FINANCING

- 2.1 The Prudential Code for Capital Finance in Local Authorities (the Code) is a professional Code that sets out a framework for self-regulation of capital spending; in effect allowing councils to invest in capital projects which best meet their service delivery objectives as long as they are affordable, prudent and sustainable, subject to Government reserve powers to restrict borrowing for national economic reasons.
- 2.2 To facilitate the decision making process and support capital investment decisions, the Code requires the Council to agree and monitor a number of prudential indicators. The indicators cover affordability, prudence, capital

expenditure, debt levels and treasury management. These indicators will also form the basis of in-year monitoring and reporting.

- 2.3 The main limiting factor on the Council's ability to undertake capital expenditure is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government, now mainly through capital grants.
- 2.4 The capital programme is affected by the downward pressure on public expenditure, with lower levels of new schemes, government support and related borrowing going forward.

Although the strategic aim is to reduce long term debt and therefore the ongoing revenue cost, investment into key priorities continues.

The Council will receive government grant of over £40m to address key issues in highways maintenance, develop integrated transport schemes and address the most immediate condition problem in schools. The Council was unsuccessful in its bid into the national Priority School Building Programme last year and has therefore continued its programme to address the most urgent school replacement requirements using a combination of borrowing and reserves.

Included in the programme already is the remaining expenditure on the MEGZ project which is due for completion in 2016-17. This is to be financed from the sale of land at the site to the developer although every effort is being made to identify additional grant funding to assist in financing the project. Forecast sales income is still anticipated to be sufficient to fund expenditure but delays in the timing of receipts are expected. General capital receipts will therefore be used to fund the MEGZ expenditure with MEGZ receipts subsequently realised being available for general use.

The borrowing costs associated with all capital expenditure will be reduced by the use for financing of capital receipts from the sale of surplus assets and, in 2013-14, by £5m from earmarked reserves no longer required and £2.8m from the Council Tax Freeze Grant.

The proposed new starts programme for 2013-14, as shown in detail in Appendix 1, has been evaluated and is recommended to proceed. The proposals for capital expenditure related borrowing and the estimated impact on the Council's revenue accounts in the next three years are shown at 2.5 to 2.10 below.

- 2.5 Details of the actual and estimated figures are shown below. This table incorporates schemes already approved, completed or still in progress plus the proposed new starts for 2013-14, and estimates for 2014-15 and 2015-16. The costs and financing are spread accordingly over future years.

	2011-12 Actual £m	2012-13 Estimate £m	2013-14 Estimate £m	2014-15 Estimate £m	2015-16 Estimate £m
*Capital Expenditure	104.60	103.80	151.90	121.60	52.20
Funding sources:					
Borrowing	10.10	8.10	79.50	71.70	21.40
Capital receipts	1.70	10.00	7.50	11.70	7.20
Capital grants	82.20	67.00	45.50	31.80	21.60
Revenue	10.60	18.70	19.40	6.40	2.00
*Capital Financing Requirement (CFR) (underlying need to borrow for capital purposes)					
Total CFR at year end	516.40	502.50	560.50	607.90	602.80
Net movement in CFR	-12.50	-13.90	58.00	47.40	-5.10
Minimum Revenue Provision	22.60	22.00	21.50	24.40	26.50
PFI & Leases in CFR	91.5	89.2	86.9	84.3	81.6
PFI & Leases in MRP	2.1	2.2	2.4	2.5	2.7

*(*These are prudential indicators.)*

The above table indicates proposals for capital expenditure and related borrowing. Within the framework of prudential indicators, Members are required to assess the affordability of the capital investment plans. Members are asked to note the following indicators, which are designed to assist the consideration of affordability:

- 2.6 **Actual and Estimates of the ratio of financing costs to net revenue stream** -This indicator identifies the trend in the cost of capital against the net revenue stream, based on the Capital Programme set out above.

	2011-12 Actual £m	2012-13 Estimate £m	2013-14 Estimate £m	2014-15 Estimate £m	2015-16 Estimate £m
Financing costs of CFR	50.1	48.1	48.5	54.3	58.0
Net Revenue Stream* Including DSG	1035.0	1036.4	1033.3	1011.6	998.4
Percentage	4.8%	4.6%	4.7%	5.4%	5.8%
Net Revenue Stream* Excluding DSG	535.0	536.0	532.9	511.2	498.0
Percentage	9.4%	9.0%	9.1%	10.6%	11.6%

* Estimates of Government revenue support grant/Council Tax/Business Rates/Area Based Grant, including and excluding Dedicated Schools Grant (DSG).

2.7 The estimates of financing costs include current commitments and the proposed starts programme for 2013-14, together with an estimate through to 2015-16.

2.8 **Estimates of the incremental impact of capital investment decisions on Council Tax** - This indicator illustrates the estimated effect of the Capital Programme set out above, including the provisional programme through to 2015-16. In practice, only part of the costs are met from council tax.

	2013-14 £	Forward Projection 2014-15 £	Forward Projection 2015-16 £
Council Tax - Band D			
Existing Commitments only	1.47	21.19	6.79
Implication of new starts 2013-16	0.38	3.96	9.07
Total	1.85	25.15	15.86

2.9 Provision is made in the proposed 2013-14 revenue budget and in the Forward Financial Plan for debt charges and other costs arising from the programme. The Plan indicates that the proposals in this report are affordable over future years, based on current assumptions on the overall level of resources likely to be available to the Council. The programme will be reviewed in the event of any future change in those assumptions. Additionally, the use of capital receipts will be pro-actively managed to reduce the need for borrowing wherever possible.

2.10 **Minimum Revenue Provision**

The Local Authorities (Capital Finance and Accounting) (England) Amendment Regulations 2008 require local authorities to agree a policy on the calculation of the Minimum Revenue Provision (MRP) for each financial year. The MRP is the amount the authority has to provide for the repayment of debt.

It is not proposed to change the policy, which is set out below.

To provide 4% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date to provide 4% of the balance on all borrowing unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average of 5 year lives are used.

The Authority continues to have the option to make voluntary additional provision for debt repayment if it wishes.

The policy meets the requirement to make a prudent calculation of MRP.

B EXTERNAL DEBT

- 2.11 The Prudential Code (revised in November 2009) specifies a number of prudential indicators in respect of external debt. These are described below.

Limits to Borrowing Activity

- 2.12 **The authorised limit** - This represents the limit beyond which borrowing is prohibited and needs to be set and revised if necessary by Members.

The figures for the proposed authorised limit for 2013-14 take into account:

- (a) The estimated amount of the Capital Financing Requirement (CFR) at 31 March 2013 (£502.5m). This figure takes into account debt which the Council services on behalf of Derby City Council (approx £33.9m), which arose before Local Government Reorganisation. Derby City Council is recharged the relevant loan charges.
- (b) New borrowing for capital schemes of £79.5m during 2013-14 less the estimated amount for debt redemption within 2013-14 loan charges (£21.5m).
- (c) PFI liabilities are included in the CFR at a value of £89.2m and in the debt redemption at a value of £2.4m.
- (d) Short term borrowing from the other organisations. Deposits are taken from the Derbyshire Fire Authority and the Peak District National Park Authority pending their use. The deposits are treated as loans to the Council and therefore need to be included in its borrowing limits. It is suggested that a figure of £25m should be used to cover these items.

Based on the above, it is proposed that the authorised limit should be set at £586m for 2013-14. Proposed limits for future years have been calculated in a similar manner.

- 2.13 **The operational boundary** - This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year.

In practice it is unlikely that all of the potential borrowing requirements included in the authorised limit will materialise at once, therefore the

operational boundary requirements will be somewhat lower and £539m is suggested as a realistic figure for 2013-14.

- 2.14 The Council is asked to approve the following authorised and operational limits:

Authorised limit for external debt	2013-14 Estimate £m	2014-15 Estimate £m	2015-16 Estimate £m
Borrowing	499	549	546
PFI liabilities	87	84	82
Total	586	633	628
Operational boundary for external debt	2013-14 £m	2014-15 £m	2015-16 £m
Borrowing	452	498	496
PFI & other long term liabilities	87	84	82
Total	539	582	578

These borrowing limits will be subject to monitoring and will be revised annually.

- 2.15 The Council has remained within all of the Prudential Indicators set for previous years, including in 2012-13.

C TREASURY MANAGEMENT

Prudential Indicators

- 2.16 The Prudential Code (revised in November 2009) specifies only one prudential indicator in respect of Treasury Management which is that the Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes as revised in November 2009, details of which are included in Appendix 3.

- 2.17 In addition, the Council is required to take account of guidance received from Communities and Local Government (CLG) in respect of Investment Strategy.

- 2.18 The proposed Treasury Management Strategy for 2013-14, which incorporates these requirements, is attached as Appendix 2.

Clauses to be formally adopted

- 2.19 CIPFA recommends in the revised Treasury Management Code of Practice that councils should amend their financial regulations to adopt

four important clauses in respect of treasury management activity. These clauses relate to:

- The creation and maintenance of a treasury management policy statement and treasury management practices.
- Minimum reporting requirements to council on treasury management matters.
- Delegation of responsibility for the implementation, regular monitoring and execution of its treasury management policies and practices
- Delegation of responsibility for the effective scrutiny of those policies and practices.

These clauses are reproduced as Appendix 3 together with the policy statement recommended by CIPFA.

3 Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity; human resources, environmental, health, property and transport considerations.

4 Background Papers

Local Government Act 2003, Prudential Code, Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes, Guidance issued by CLG, Consensus Economics December 2010, Capital Accounting Working Papers.

5 OFFICERS' RECOMMENDATIONS

Council approves:

1. The 2013-14 Capital Starts Programme as detailed in Appendix 1, and that further reports on the detailed schemes be brought to Council.
2. The MRP policy for 2013-14 as detailed in paragraph 2.10.
3. The adoption of the Prudential Indicators as described in paragraphs 2.5, 2.6, 2.8 and 2.12-2.16.
4. The Treasury Management Strategy for 2013-14 as described in Appendix 2, and taking into account the guidance issued by the CLG as described in paragraph 9(b).

5. The adoption of CIPFA's Code of Practice on Treasury Management and Cross Sectoral Guidance Notes (revised November 2009), as shown in Appendix 2, and the Treasury Management Policy Statement as specified in the Treasury Management Code of Practice and set out in Appendix 3.

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County Hall
MATLOCK

28 January 2013

Capital Programme 2013/14 Starts		Gross Cost	Grant	Net Cost	RCCO/ Reserves	Capital receipts	Borrowing
Proposed Approvals		£000s	£000s	£000s	£000s	£000s	£000s
CAYA							
	Basic Need	3,000	3,000*	-	-	-	-
	Schools Modernisation	12,000	12,000*	-	-	-	-
	Capital Maintenance Contingency	Expenditure of £1m is proposed, funded from the previously approved Joint Initiative					
	Heanor Aldercar	5,000		5,000	2,000	-	3,000
	Glossopdale Community College	3,500		3,500	1,000	-	2,500
	Holbrook Special School	2,250	-	2,250	-	-	2,250
	Childrens' Homes Improvements	100	-	100	-	-	100
	SAI	800	-	800	-	-	800
	Devolved Formula Capital	2,500	2,500	-	-	-	-
	Sub total	29,150	17,500	11,650	3,000	-	8,650
Older Adults							
	Adaptations	3,000	-	3,000	-	-	3,000
	Sub total	3,000	-	3,000	-	-	3,000
Corporate Resources							
	H & S/EHO/Radon/ Depots/Demols	250	-	250	-	-	250
	Risk Management	350	100	250	-	-	250
	Accommodation Project - Interim	750	-	750	-	-	750
	Elvaston Castle Reroofing	550	-	550	-	-	550
	Fire certificate work	750	-	750	-	-	750
	Sub total	2,650	100	2,550	-	-	2,550

Capital Programme 2013/14 Starts			Gross Cost	Grant	Net Cost	RCCO/ Reserves	Capital receipts	Borrowing
Corporate								
		Replacement vehicles	1,468	-	1,468	-	-	1,468
		Big Society/Community Action Grants	1,000	-	1,000	-	1,000	-
		Sub total	2,468	-	2,468	-	1,000	1,468
Environmental Services								
		LTP	19,369	19,369	-	-	-	-
		Additional Highways Maintenance	2,625	2,625	-	-	-	-
		Countryside Community Engagement	50	-	50	50	-	-
		Countryside Long Causeway	235	-	235	-	-	235
		Robin Hood Line CCTV	200		200	-	-	200
		Green Lane Action Plan Improvements	140	-	140	-	-	140
		Land Reclamation	1,940	1,615	325	-	-	325
		Ilkeston Rail Station	4,000	4,000	-	-	-	-
		Sub total	28,559	27,609	950	50	-	900
Cultural and Community Services								
		Matlock Library Feasibility	100	-	100	-	-	100
		Contingency	500	-	500		-	500
		Council Tax Freeze Grant	-	-	-	2,800	-	(2,800)
		Use of General Reserve (unrequired earmarked reserves)				2,000		(2,000)
		Total	66,427	45,209	21,218	7,850	1,000	12,368

* Grant allocations are subject to confirmation.

Children and Younger Adults

Schools Basic Need

The DfE grant allocation for Basic Need schemes is to provide additional school places in areas of population growth. There are a number of primary sector schools which are 'candidates' for this funding for which feasibility studies have been undertaken. A priority list of potential projects is being finalised, subject to confirmation of the grant allocation.

School Modernisation

This grant allocation is to address urgent condition and suitability issues in educational properties, including projects relating to essential re-roofing, re-heating, re-wiring, replacement windows, and replacement of 'buildings at risk'. A priority list of potential projects is being finalised, subject to confirmation of the grant allocation.

Capital Maintenance Contingency

Alongside the CAYA Capital Programme the Director of Property has managed a Planned Maintenance Programme (PMP) of around £4m per year. This funding has been used to address smaller capital maintenance priorities in schools and a contingency sum has been set aside to deal with unforeseen structural maintenance priority issues which have arisen during the year. The Government has now changed the rules relating to the delegation of schools' revenue funding; hence, from April 2013 the PMP budget must be delegated to schools and Governing Bodies will be expected to address 'smaller' structural maintenance issues from their school's budget as far as possible. Property Division will seek to "win back" this work via its traded services. However, it is inevitable that some 'emergency' issues will arise during the year which schools are unable to fund and in order to keep schools open it is anticipated that there will be some situations where a contingency budget will need to be available to help address such needs. It is proposed that £1m of £2.5m Joint Initiative Fund approved last year is earmarked to fund this contingency.

Aldercar Community Language College – Phase 1 Replacement

At a Cabinet meeting on 4 September 2012 it was resolved to allocate a sum of £1.675m to undertake design work on a phased replacement of this 1950s school and it was noted that a supplementary allocation would be required from the 2013/14 Capital Programme to proceed with Phase 1 of the replacement school project.

Glossopdale Community College

This school occupies three sites – the Upper School and Post-16 Centre on Talbot Road and the Lower School in Hadfield. Pupil numbers have fallen in recent years and maintenance costs are very high. It is proposed over time to vacate the Hadfield Site, but the most urgent need is to modernise and upgrade the accommodation on the main Talbot Road site as a first phase towards a consolidation of the school's operation onto the Talbot Road sites.

Holbrook Centre for Autism

Post-16 provision at Holbrook Centre for Autism (HCA) has been delivered in the former caretaker's bungalow on the school site for a number of years. The accommodation is not purpose built but, with small numbers at HCA post-16, this was acceptable.

In 2009, the OfSTED Report criticised HCA for the quality of the post-16 provision both in terms of curriculum and accommodation. Since then, the Local Authority has endeavoured to secure an alternative site to develop provision for post-16.

As numbers increased for the September 2011 cohort, agreement was reached with the Whitemoor Adult Care Centre in Belper to utilise surplus accommodation within that building as a temporary measure to create two class bases and an office for staff. This use has continued in 2012-13 but as student numbers continue to grow there is an urgent need to fund a permanent solution.

Two options are under consideration; either to extend the accommodation on the main Holbrook Centre site or to build a post-16 Centre for Holbrook on the Whitemoor Centre site.

Children's Homes OFSTED Improvements

Traditionally the Council has approved capital funding for minor improvements to Children's Homes, particularly to address any issues which are likely to be criticised during OFSTED inspections.

Schools Access Initiative (SAI)

This allocation is used to address disabled access needs in mainstream schools. This helps to enable disabled pupils to attend their local mainstream school where appropriate.

Devolved Formula Capital

This grant funding is devolved directly to schools by the DfE to spend on their Asset Management Plan priorities, or to contribute to capital projects funded by the Authority in accordance with approved policies.

Adult Care

Adaptations

Disabled people requiring major adaptation to their accommodation are able to apply for a Disabled Facilities Grant (DFG) administered by district councils. The DFG is mandatory if the applicant is unable to access essential facilities within their home. The County Council has a duty to identifying suitable works based upon an assessment of individual needs; however, the decision to approve the grant lies with the relevant District Council.

The DFG process is prescribed by legislation and regulations and requires that applicants are subject to a Test of Resources (means test). The Test of Resources only looks at an applicant's income and does not take account of their outgoings or personal circumstances. There are three possible outcomes for applicants:

- a grant to cover the cost of all the work (up to a maximum of £30,000)
- a grant to cover part of the work with the requirement that the applicant meets the remaining costs (subsequently referred to as their assessed contribution)
- the grant application is deemed ineligible as the applicant is assessed to be able to meet all the costs of the work.

The decision on DFG funding is the responsibility of the relevant District Council. However, the County Council, as part of its legal duties under the Chronically Sick and Disabled Peoples Act (1970) s2(1)(e), is required to consider providing financial assistance where 1) the applicant requests assistance towards his/her assessed contribution due to financial hardship and/or 2) that the costs of the work assessed as being necessary are above the current £30,000 DFG limit and the applicant appears to be unable to meet the additional costs.

Corporate Resources

Health and Safety/EHO/Vacant Buildings/Radon/Demolitions

Works in this category are generated from a variety of sources including fire officer reports, environmental health officer reports and health and safety assessments. Failure to comply with such reports or assessments could result in

building closures or prosecutions. The category also covers security/risk issues which may occur when buildings are vacant for sale, temporarily not in use, or where vandalism / misuse - such as squatters - is regarded as possible. In some cases, demolition of buildings may be the most prudent solution.

Risk Management

This funding supports departments in implementing risk management initiatives usually on a shared funding basis. Traditionally this has targeted security priorities on a risk ranking basis. It is also intended to promote wider strategic risk management initiatives, as appropriate, in line with the risk management strategy.

The bulk of this funding tends to be spent on school security schemes to help protect pupils, staff and visitors. It is also used to assist in the protection of the council's assets against arson, theft and vandalism which can cause significant disruption to services.

Accommodation Project

The "Changing the Way Derbyshire Works" (CWDW) initiative will reduce the number of buildings from which the County Council operates. Under this initiative, some buildings will need minor enhancement, some will be sold and some may be demolished.

Overall, CWDW is expected to save the Council major sums of money generally through the re-location of staff and the resultant sale of vacant buildings; however, there needs to be a fund set aside to deal with minor works to allow this process to progress. This budget will, amongst other things, allow for minor building works deemed essential to maintain the functionality and legality of retained buildings - particularly when accommodating re-sited staff - or conversely to secure vacant buildings for safety reasons prior to disposal.

Elvaston Castle Re-roofing works

On the 3 April 2012 a report to Cabinet approved re-roofing works at Elvaston Castle which are now complete. However, other areas of the roof now have rainwater ingress into the building causing damage to the roof structure, plasterwork and internal decoration. Viewed externally, some areas of the roof finish are damaged and clearly need replacement. A temporary solution to provide tarpaulins has been dismissed by officers because it would be impractical to safely fix and maintain in position for any realistic length of time. The cost of this work has been assessed at £550,000.

Fire Certificate Work

Under The Regulatory Reform (Fire Safety) Order 2005 the Authority is required to undertake Fire Risk Assessments on its building stock. These consist of Operational assessments by establishment managers and Technical Assessment by survey teams.

Technical Assessments consider the building components, the means of escape, the suitability of compartmentation, warning systems and equipment etc. Assessments are carried out on an on-going basis, agreed with the Fire service, to identify and improve the building form / fabric to a suitable standard.

The Council's ongoing survey programme has identified the need for further funding to address these works.

Corporate

Vehicle Replacement Programme

£1.468 million funding of the Council's corporate vehicle replacement programme. The total cost of the programme is £6 million; however £4.54 million is already available resulting in a £1.468 million bid to fulfil the replacement programme for 2013/14.

Big Society/Community Action Grants

To continue the programme of contributions towards major community partnerships to support sustainable community activities, begun during 2012/13.

Environmental Services

Local Transport Plan

As part of the Local Transport Plan assessment process, £19.369 million direct grant allocation has been awarded to the Council. This allocation comprises:

- £14.545 million for Highway Maintenance, and
- £4.824 million for Integrated Transport

The Highway Maintenance grant funds a programme of work that is key to effectively managing and maintaining the local highways network, the Council's largest and most visible asset. The Integrated Transport grant provides funding which is vital in providing local people with access to jobs, education, healthcare, shopping, leisure and other services, while reducing the impact of social and rural exclusion and improving safety.

Additional Local Highways Maintenance

The Chancellor's Autumn Statement announced an additional £333m of investment to provide for essential maintenance to renew, repair and extend the life of the highway network. The council has been allocated a total of £4.030m over 2 years but as the funding is conditional on it being used to complement rather than displace existing planned maintenance only the 2013/14 allocation of £2.625m has been included as a new start. It is intended to develop a programme of works that meet the required criteria and maximise the resilience of the network to extreme weather, both winter and flooding. There are likely to be a number of specific schemes plus an additional programme of surface dressing.

Countryside Community Engagement Programme

The community engagement programme covers a range of initiatives enabling the Council to work with volunteers and local communities to tackle issues within their local countryside and rights of way network to improve access and environmental management to maintain the natural environment.

Countryside Long Causeway

Funding of £235,000 will enable the Council to carry out improvements and repairs to Long Causeway, the byway open to all traffic (BOAT) at Stanage Edge, which provides legal rights for access and use by motorised vehicles. This historic popular route has suffered from intense use and erosion and has now reached the stage that major work needs to be undertaken including cross drains, rebuilding retaining walls and surfacing.

Robin Hood Line CCTV

The £200,000 funding would enable the Council to upgrade the Robin Hood CCTV facilities to meet current rail industry standards to enable responsibility to then be transferred to Network Rail. This would mean that the Council would have no further financial commitments or liabilities for the CCTV system, therefore enabling revenue savings of £66,000 per annum.

Countryside NCH Programme - Green Lane Action Plan

The non classified highway programme includes work to improve access to and safety of green lanes, to encourage more people to use the facilities. The work, which is carried out in partnership with local communities and other agencies, includes improvements and the tackling of erosion on routes in challenging environments due to topography, weather conditions and high levels of use.

Land Reclamation Programme

Funding for the land reclamation programme is predominantly provided through capital grants secured from a variety of external funding organisations, with the Council providing some pump-prime investment. It is anticipated that the Council capital of £325,000 for 2013/14 will lever in an additional £1.615 million to fund projects.

Ilkeston Station

To work in partnership with Network Rail, as previously agreed by Cabinet, to provide a rail station for Ilkeston, which is one of the largest towns in the country currently without direct access to rail services.

Cultural and Community Services

Matlock Library

The library is currently located in a converted house which does not provide adequate space for the size of population served, this also limits the range of services that can be offered and there is no scope to expand the current building. There are also significant access issues associated with the building given the limited space and the cramped entrance area. The current building is also poorly located being outside the centre of Matlock and away from major footfall.

Officers from the County Council are currently negotiating with Derbyshire Dales District Council's preferred developer for the Bakewell Road development site (former leisure centre/bus station) to see if there is any potential to locate a new library on the redeveloped site. Funding for feasibility only included at this stage.

A. Treasury Management Strategy 2013-14

1. Cabinet approved the CIPFA Code of Practice on Treasury Management, which included a Treasury Management Policy Statement, on 16 April 2002, and acceptance of the Code is reaffirmed on an annual basis as a prudential indicator.
2. The policy requires an annual strategy to be reported to Cabinet outlining the expected treasury activity for the forthcoming year. Further reports are produced at the half-year stage to monitor progress, and after the year-end to report on actual activity for the year.
3. In accordance with the provisions of CIPFA's Code of Practice, the Director of Finance has assessed the arrangements for the management and control of treasury management risk and is satisfied with their adequacy and suitability. A key requirement of this report is to explain both the risks, and the management of the risks, associated with treasury management. The report will incorporate guidance received from CLG in respect of the investment of temporary surpluses.
4. This strategy report covers:
 - Interest rate expectations
 - Current net borrowing
 - The Council's borrowing and debt strategy
 - The Council's investment strategy
 - Treasury Management performance indicators
5. Treasury Management activities will be subject to regular review to reflect changing circumstances, and further application and development of existing and emerging guidance.
6. **Interest rate expectations**

The Bank of England base rate has been 0.5% since March 2009. The next move in interest rates will depend on economic and financial market conditions and the level of inflation. The position remains uncertain, but Sector the Council's Treasury Management advisers are suggesting that the base rate will be held at 0.5% until at least the first quarter of 2015.

Base rates, or shorter-term interest rates, determine the level of interest receivable on the Council's temporary investments. A cautious approach is adopted in treasury management activity, to minimise the risk of loss. In line with the Council's Treasury Management Policy, security and liquidity

are treated as the most important considerations, ahead of yield. In current market conditions the return on short term investments (for less than 3 months) is likely to be between 0.25%pa and 0.45% pa.

Longer-term fixed interest rates are more relevant for borrowing to fund the Capital Programme. Long term borrowing rates from the Public Works Loan Board ("PWLB") change in line with the gilt market, and at 31/12/2012 ranged from 2.83% for 10 years to 4.05% for 25 years. The gilt market has benefitted from its perceived status as a safe haven, keeping rates low. The Bank of England's QE (quantitative easing) programme of gilt purchases has had a similar effect. If circumstances change, however, markets could quickly reverse and rates increase. Long-term gilt rates are expected to remain low despite passing through the 2% barrier as a result of the vulnerability of the UK's AAA rating & inflationary pressures delaying further QE. Interest rates on shorter term borrowing are much lower (e.g. 1.34% for 2 year PWLB loans). The PWLB introduced a 'Certainty Rate' in November 2012 which offers a discount of 0.20% on new borrowing for which the Council is eligible.

7. (i) **Current Net Borrowing**

	31/3/12 Actual £m	31/3/13 Estimate £m
Fixed Rate Debt - PWLB	357.6	342.3
Market	-	-
Short term	3.4	15.3
Variable Rate Debt - PWLB	-	-
Market	28.0	28.0
Short term	15.0	23.0
Total Debt	404.0	408.6
Fixed Investments	-	-
Variable Investments	(280.3)	(298.0)
Total Investments	(280.3)	(298.0)
Net Borrowing	123.7	110.6

(ii) **Net Borrowing and Capital Financing Requirements**

	2013-14 Estimate (year end) £m	2014-15 Estimate (year end) £m	2015-16 Estimate (year end) £m
Gross Borrowing*	435	483	479
Investments	298	298	298
Net Borrowing	137	185	181
CFR (Capital Financing Requirement)	561	608	603

* For this indicator, debt managed on behalf of others (Derby City) is required to be excluded.

The Capital Financing Requirement (CFR) is the underlying need to borrow for capital purposes.

The above figures show that the Council's net borrowing is less than its forecast CFR in accordance with the requirements of the Prudential Code.

8. **The Council's borrowing and debt strategy**

(a) Approved sources of borrowing/raising capital finance

The main source of new external loans is likely to be the Public Works Loans Board, which it is estimated could provide all of the Council's requirement. Historically the PWLB has offered the lowest fixed rates, although the banking sector may be competitive from time to time. However, over the short term it is possible to finance part of the capital programme through the use of internal resources that are temporarily available (cashflow and reserves). These are currently invested in short term deposits through the money market. The use of internal resources in this way would reduce the Council's interest receipts, but in current market conditions this would be more than offset by savings in interest payments by deferring or repaying external borrowing. However, it would be necessary to replace the funds in the future by raising long term loans, dependent upon market conditions. It would be necessary to take care that such actions would not be detrimental to the Council in the longer term. Use of internal resources will be limited to 25% of the Capital Finance Requirement (CFR) and will be regularly reviewed.

A number of larger public organisations have issued their own bonds instead of taking substantial long-term borrowing from the PWLB or other sources. This process involves the need to apply for an individual credit rating for the organisation concerned, and incurs considerable legal and financial advisory costs. Nevertheless it is assumed that they believe there are significant cost savings to be made when sufficiently large sums are involved.

Some banks are offering a service whereby they combine the financing requirements of a number of smaller Local Authorities to make a joint bond issue, as this would not be viable to the individual authority on a stand-alone basis. Although it is not intended that Derbyshire County Council should adopt this approach at the present time, it is a further potential source of funding which will be kept under review.

Accordingly it is recommended that the approved sources of borrowing for 2013-14 should be PWLB loans, the banking sector and internal resources, according to market conditions. Short-term deposits will be taken from the Peak District National Park Authority (PDNPA) and the Derbyshire Fire Authority (DFA) to assist with their Treasury Management activities. Other short term requirements will be taken in the form of bank overdrafts or borrowing from other local authorities. No other form of borrowing will be used. Leasing will be considered, should this prove to be advantageous relative to borrowing when all costs are taken into account.

(b) Debt Rescheduling/Repayment

Rescheduling opportunities will be sought as part of the day to day management of the Council's borrowing and lending activities. However, under the current PWLB interest structure for borrowing, opportunities for rescheduling are greatly restricted. It is proposed that rescheduling should be subject to the following limits:

- No more than £80m will be rescheduled without the prior approval of Cabinet.
- Any rescheduling exercise will leave the average maturity of the total debt between 10 and 35 years. Average maturity is currently 21.46 years.
- Any rescheduling exercise will produce an overall benefit to the Council by either reducing total interest charges or providing an early redemption discount. Since the PWLB implemented changes to its new borrowing rate in November 2010, there is limited opportunity to reschedule.

(c) Variable v Fixed Rate loans

Longer term borrowing to fund the Capital Programme may be taken at either fixed or variable rates of interest. The Council is required to approve limits for its fixed and its variable rate debt, and these limits now form treasury indicators within the Treasury Management Code. Control of this is important because of the risk or potential benefit which would accrue to variable rate debt as interest rates change. At present the vast majority of the Council's long-term loan debt is held at fixed rates, to provide protection from increases in interest rates. A 0.5% change on say £25m of new borrowing is equivalent to £125,000 per annum. Short term deposits from the DFA and PDNPA are at variable rates.

Should new long term loans be taken, the proposed strategy is to take new long-term borrowing at fixed rates of interest, provided that long term interest rates remain at relatively low levels. If rates were to increase significantly, variable rate borrowing would be considered with a view to converting to fixed rates in the future.

Investments consist mainly of the investment of temporarily surplus funds, which are therefore subject to variations in short-term interest rates.

Recommended upper limits on the percentage of borrowing and investments held at fixed and variable rates, as required by the Code, are set out below:

	2013-14 Upper	2014-15 Upper	2015-16 Upper
	%	%	%
Borrowing			
Limits on fixed interest rates	100	100	100
Limits on variable interest rates	40	40	40
Investments			
Limits on fixed interest rates	25	25	25
Limits on variable interest rates	100	100	100

For investments, fixed interest rates are deemed to apply to loans for more than one year.

Limits set at these levels will provide for efficient debt management, within an acceptable degree of risk. For the purposes of the Code, investments are to be deducted from borrowing to produce adjusted limits, but within the above parameters.

(d) Maturity Profile

The maturity profile is the rate at which long-term loans have to be repaid to the PWLB (or other lenders). It would be imprudent to have a large proportion of repayments in any one year, thus a spread of redemptions is desirable. The Council's debt profile at 31 March 2013 is expected to be as follows:

Years	£'m	%
0 – 10	83.8	21.7
10 – 20	84.5	21.9
20 – 30	124.0	32.2
30 – 40	84.3	21.9
Over 40	9.0	2.3
	385.6	100

The average redemption per year is 2.5% of the total debt, with a maximum redemption of 8.5% in 2042/43. The average maturity period for all loans is approximately 21 years. The maturity structure is a treasury indicator under the Code, with lower and upper limits recommended as shown in the table below. These are set quite widely to ensure that full advantage can be taken of interest rate movements and debt rescheduling opportunities, within an acceptable degree of risk.

Maturity Structure limits - fixed borrowing		2013-14
Under 12 months	Lower – Upper	0% - 15%
12 months to 2 years	Lower – Upper	0% - 15%
2 years to 5 years	Lower – Upper	0% - 45%
5 years to 10 years	Lower – Upper	0% - 40%
10 years to 20 years	Lower – Upper	10% - 40%
20 years to 30 years	Lower – Upper	10% - 40%
30 years and above	Lower – Upper	10% - 40%

9. The Council's Investment Strategy

Under CIPFA's Treasury Management Code of Practice, the Council is required to formulate a strategy each year regarding the investment of its revenue funds/capital receipts pending their use. The Treasury Management Code is supplemented by guidance from CLG and Authorities are required to take this guidance into account under the terms of section 12 of the Local Government Act 2003.

The proposed investment strategy, the counterparty list and limits are designed to accommodate Pension Fund monies as well as those of the County Council. Under the terms of the Local Authorities (Functions & Responsibilities) (England) Regulations 2000, the Cabinet is not permitted to take decisions relating to the Pension Fund. Responsibility for Pension Fund investments has been delegated to the Investment Committee and relevant extracts from this report, insofar as they apply to the Pension Fund, will be submitted to the Investment Committee for approval.

The investment strategy is subject to regular review and monitoring to reflect changing circumstances and external guidance.

(a) Strategy under CIPFA's Treasury Management Code of Practice

The income and expenditure flow of the Council is such that funds are temporarily available for investment. Interest receipts are highly sensitive to both changes in interest rates and cash flows. For example, on investments of £200 million a 0.5% change in interest

rates results in £1m p.a. change in receipts, and a £20m change in the amount invested at 0.5% impacts receipts by £100,000 p.a.

The recent credit rating reviews by the credit rating agencies Moody's, Fitch and Standard & Poor's have led to numerous credit downgrades to both sovereigns and individual financial institutions. These downgrades have resulted in a £27m reduction of limits and the shortening of loan durations within the Council's approved list.

The proposed policy is to limit investment to nine categories. The following eight categories have previously been approved:

- Main High Street Banks and their wholly owned subsidiaries, with their own credit rating.
- Subsidiaries (of Main High Street Banks) with no separate credit rating
- Leading Building Societies
- Local Authorities
- AAA rated Money Market Funds
- The Government's Debt Management Office
- UK Treasury Bills
- Certificates of Deposit

Approval is requested to add a new category of government supported banks to the above list.

At 31/3/12 the UK Government owned 82% of Royal Bank of Scotland & 40% of Lloyds Bank. As the government hold majority/controlling stakes respectively, they should be perceived as a quasi-government risk rather than a pure banking risk for investment purposes. It is recommended that government supported banks maintain a credit limit of £30m (equivalent to specified investments), provided that they maintain a minimum P2/F2/A2 short term credit rating and minimum state ownership of 25%. Sector the Council's Treasury Management advisers have also suggested a 364 day term limit as:

- The government are obliged to protect the investment of its taxpayers. As a result, government supported banks are highly unlikely to be allowed to fail.
- It is highly unlikely that the government could disinvest its stake to a suitable buyer within this timescale.

(b) CLG Guidance

Guidance from CLG requires councils to give priority to the security and liquidity of investments over yield whilst still aiming to provide good returns. This is in line with the Council's current practice and it is recommended that the policy should be reaffirmed.

The guidance also requires councils to categorise their investments as either "specified" or "non-specified" investments.

(i) Specified Investments

Specified investments are deemed as "safer" investments and must meet certain conditions, i.e. they must

- be denominated in sterling
- have less than 12 months' duration
- not constitute the acquisition of share or loan capital
- either be invested in the government, a local authority, or in a body or investment scheme with a "high" credit quality

The Council is required to specify what constitutes a high credit quality for each type of investment and how frequently these should be monitored. It must also specify the minimum level of such investments.

Of the investments currently authorised by the Council, deposits with other local authorities, with the Government's Debt Management Office and investment in Treasury Bills, automatically qualify as specified investments provided that they are of less than 12 months' duration and are denominated in sterling. The classification of the other investments is dependent on the counterparty being of a high credit quality. It is suggested that high credit quality should be defined as:-

Moody's:	long term A; short term P1
Fitch:	long term A; short term F1
Standard & Poor's:	long term A; short term A1

It is recommended that, in order to be classified as specified investments, approved counterparties should have credit ratings no lower than those shown above, with the lending limit for banks and Nationwide Building Society increased from £27m to £30m. Since 2009 banking and building society counterparty availability has fallen by over £100m (33%) whilst total funds have increased by

approximately £100m (25%). This increase would rebalance the Council's investment strategy to approximately 50% market loans & 50% government/local authority lending.

It is recommended that a total lending limit of £100m for durations in excess of 100 days be implemented for specified banks, government supported banks and the Nationwide Building Society.

The minimum level for short-term specified investments for 2013-14 is to remain at £150m.

The sub-category of specified investments 'higher' is to retain its existing limit of £32M. HSBC is currently the only counterparty meeting the additional requirement of a minimum AA long term rating from Moodys, Fitch and S&P.

The minimum requirement for Money Market Funds is to remain as a Fitch AAA rating.

A summary of Moody's, Fitch's and Standard & Poor's credit ratings are included in this Appendix, as a general indication of what the ratings represent.

The Council receives a fully updated list of counterparty credit ratings every month from Sector the Council's treasury management advisers. However, credit ratings should not be relied upon in isolation and supplementary information including ratings watches, financial press and other market information will also be considered.

It is recommended that in the event of a counterparty losing its F1/A1/P1 status, that no further investment should be made pending a report to the Cabinet Member for Finance and Management
The status of all approved counterparties will be kept under regular review.

(ii) Non Specified Investments

The Council is required to look at non-specified investments in more detail. It must set out:

- procedures for determining which categories of non-specified investments should be used
- the categories deemed to be prudent
- the maximum amount to be held in each category

The Strategy must also set out procedures for determining the maximum period for committing funds.

It is recommended that the following procedure be adopted for determining which categories of non-specified investments should be used:

- the Council should approve categories on an annual basis
- advice should be provided by the Director of Finance
- priority should be given to security and liquidity ahead of yield

On this basis, the following categories of non-specified investments, and relevant limits are currently considered as prudent and are recommended for use:

- (a) short-term investments with counterparties on the Council's list provided that they have a short term P2/F2/A2 rating. It is recommended that the limit for this category be fixed at £10m for each counterparty, subject to an overall total maximum of £70m, except for the Co-operative bank (£20m) which acts as the Council's banker.

Loan duration will depend on the counterparties' long-term ratings as shown below:

	Fitch	Moody's	S&P
Up to 100 days	A/BBB+	A/Baa1	A/BBB+
Up to 1 month	BBB	Baa2	BBB

Since the announcement of the Funding for Lending scheme, short term interest rates have halved. There is significant value in 95 day & 100 day notice accounts whose interest rates are approximately 50% to 100% more than the equivalent 3 month fixed term rate from the same counterparty.

- (b) investments in excess of 364 days but for not more than 2 years' duration with counterparties on the Council's list provided that they have a both short & long term ratings of at least the following:-

	Short term	Long term
Moody's	P1	Aa
Fitch	F1	AA
S&P	A1	AA

It is recommended that for category (b) the overall limit should remain at £75m, being a maximum of £15m per counterparty (as part of the total counterparty limit), of which a maximum of £10m has over 364 days to maturity at any point in time (only HSBC currently meets the minimum credit rating criteria).

Whilst most of the Council's surpluses are of a temporary nature, others, for example the insurance fund reserve, could reasonably be invested for periods in excess of one year.

A limit for lending for more than 364 days is set out below:

Prudential Indicator	2013-14	2014-15	2015-16
Maximum principal sums invested for more than 364 days	£75m	£75m	£75m

(iii) Local Authority Mortgage Scheme

The Council has agreed to place £2m with Lenders for a period of up to 5 years as required under this scheme. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the Specified/Non Specified categories.

10. Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the Prudential Indicators which are predominantly forward looking.

The results of these indicators will be reported in the Treasury Management Annual Review following the end of the financial year.

It is recommended that the performance indicators used should be as described below:

Long Term Borrowing:

Comparison of the Council's cost of borrowing for the latest financial year with:

- the average interest rate for 25 year PWLB maturity loans for the latest financial year
- the average rate of interest for county councils for the latest financial year (taken from the CIPFA publication - Capital Expenditure and Borrowing Statistics)

Investments:

It is recommended to amend the rate used for the comparison of the Council's return for the year from the average Local Authority 7 day deposit rate to the average 3 month LIBID rate. The 3 month LIBID rate is produced by the British Bankers Association and provides a more relevant measure as the rate fluctuates according to supply and demand in the money markets, unlike the LA 7 day deposit rate which has remained unchanged throughout the year.

Treasury Management Consultants

The Council appointed Sector as treasury management consultants who provide a range of services. This service is subject to regular review.

Whilst the advisers provide support to the internal treasury function, the final decision on treasury matters remains with the Council.

B. Approved Borrowers

- 1 Approval is requested to lend to the following main high street banks (including 100% subsidiaries with their own credit rating).

APPENDIX 2

Group	Short term			Long term			Limit
	Fitch	Moody's	S&P	Fitch	Moody's	S&P	£m
Banco Santander							
Santander UK plc (formerly Abbey)	F1	P1	A1	A	A2	A	30
Barclays Bank Group	F1	P1	A1	A	A2	A+	30
Co-operative Bank	F2	P2	n/a	BBB+	A3	n/a	20
HSBC Group	F1+	P1	A1+	AA-	Aa3	AA-	32
Lloyds TSB Group							30
Bank of Scotland Plc	F1	P1	A1	A	A2	A	
Lloyds TSB Bank	F1	P1	A1	A	A2	A	
Royal Bank of Scotland							30
Royal Bank of Scotland	F1	P2	A1	A	A2	A	
Nat West	F1	P2	A1	A	A2	A	
National Australia Bank							
Clydesdale Bank Yorkshire Bank	F1	P1	A2	A	A2	BBB+	10
Standard Chartered Bank	F1+	P1	A1+	AA-	A1	AA-	30

It is recommended that Virgin Money (previously Northern Rock) is to be removed from our approved counterparty list as they no longer meet our minimum credit rating criteria.

2 Main building societies.

Building Society	Short term			Long term			Limit
	Fitch	Moody's	S&P	Fitch	Moody's	S&P	£m
Coventry	F1	P2	n/a	A	A3	n/a	10
Leeds	F2	P2	n/a	A-	A3	n/a	10
Nationwide	F1	P1	A1	A+	A2	A+	30
Yorkshire	F2	P2	A2	BBB+	Baa2	A-	10

3 All UK local authorities including Police and Fire Authorities. Lending Limit £17m for each authority

4 AAA credit rated Money Market Funds Lending Limit £20m per individual fund and £100m in total, (County Fund/Pension Fund combined).

- 5 Debt Management Office
(Lending Limit £160m.)
- 6 UK Treasury Bills
(Lending limit £50m for DCC and £70m for the Pension Fund)
- 7 Certificates of Deposit – maximum term 3 months
(Lending limit £20m for DCC and Pension Fund combined)

C. Credit Ratings

Moody's Credit Ratings

Long-Term Obligation Ratings

Aaa

Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Short-Term Obligation Ratings

P-1

Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2

Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

Fitch Credit Ratings

Long-Term Ratings

AAA - Highest credit quality.

AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA – Very high credit quality

AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A – High credit quality

A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Short-Term Ratings**F1 – Highest short-term credit quality**

Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

F2 – Good short-term credit quality

Good intrinsic capacity for timely payment of financial commitments.

Standard & Poor’s Credit Ratings**Long-Term Ratings****AAA**

An obligation rated AAA has the highest rating assigned by Standard & Poor’s. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated AA differs from the highest rated obligations only to a small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

Short-Term Ratings**A1**

A short term obligation rated ‘A-1’ is rated in the highest category by Standard & Poor’s. The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category certain obligations are designated with a (+) sign.

This indicates that the obligor's capacity to meet its financial commitment is extremely strong.

A2

A short term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

Clauses to be formally adopted

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses:

1. This Council will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Treasury Management Code of Practice, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. This Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. This Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury Management Practices (TMPs)

CIPFA recommends that an organisation's treasury management practices (TMPs) include those of the following that are relevant to its treasury management powers and the scope of its treasury management activities.

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

Note

TMPs are the detailed procedures which are held by the Director of Finance and are subject to regular review.

The Treasury Management Policy Statement

CIPFA recommends that the Council's treasury management policy statement adopts the following forms of words to define the policies and objectives of its treasury management activities:

1. This organisation defines its treasury management activities as:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.