CHILTERN DISTRICT COUNCIL
CABINET – 11th FEBRUARY 2014

TREASURY MANAGEMENT STRATEGY 2014/15
Contact Officer: *Gary Martin (01494 732243)*

RECOMMENDATIONS

That the Cabinet considers and approves the Treasury Management Strategy for 2014/15.

Relationship to Council Objectives

Objective 1: Efficient and Effective Customer Focused Services

Implications

(i) This matter is a key decision within the Forward Plan
(ii) This matter is within the Policy and Budgetary Framework

Financial Implications

Investment income is one of the council's key income streams forming a significant part of the financial planning process and continues to be under significant pressure in the current economic climate.

Risk Implications

The Council's Treasury Management Policy states that the successful identification, monitoring and control of risk is to be regarded as the prime criteria by which the effectiveness of its treasury management activities will be measured. Risk will be minimised by adherence to the Treasury Management Practices.

Equalities Implications

There are no specific equality implications

Sustainability Implications

There are no direct sustainability implications.

Report

1 The Council adopted the CIPFA code of practice on Treasury Management in 2002, which includes the creation of a Treasury Management Strategy which sets out the policies and objectives of the Council's treasury management activities for the year ahead. A strategic treasury management policy statement is attached at ***Appendix 1***.

2 A set of Treasury Management Practices has been established in accordance with recommended practice, this being an internal working document which sets out how treasury management activities are to be organised and managed and also the format and structure of the Treasury Management Strategy.

3 The Council's Treasury Management Strategy was last reviewed in March 2013 and the consequences of the economic downtown continue to be felt. The direct impact on the council's treasury management function is the continued low return on investment income as a result of historically low interest rates, which have remained at 0.5% since 5 March 2009.

4 In 2012/13 investment income earned amounted to £334k with an average rate of return of 1.73%. This reflected some favourable longer term rates which were available at the time, particularly from the part-nationalised institutions (e.g. RBS). In 2013/14 the forecast is for around £170k with a rate of return of 1% and in 2014/15 income is forecast at around £110k with a return of just under 1%.

5 The investment environment continues to be challenging, and options to increase returns can be considered by for example extending duration of investment should attractive rates become available but without compromising security. Further details on the outlook for interest rates are set out in the strategy document.

6 The proposed Treasury Management Strategy is set out in ***Appendix 2*** and the counterparty lending criteria are included in the table at ***Appendix 3***. All criteria will be reviewed regularly for appropriateness. The Director of Resources has delegated authority to adjust lending limits and periods within the criteria approved in the Treasury Management Strategy to take account of changing circumstances. This allows greater flexibility in the day to day management of the portfolio.

Banking Services

7 CDC currently has its banking services provided by the Cooperative Bank, who have recently informed their local authority clients that they will be exiting this sector of business over the coming few years as existing arrangements expire, or if local authorities wish to end them earlier. The current contract runs to March 2016.

8 The Council has decided to take advantage of the opportunity to exit early from the current contract. SBDC's current bankers NatWest have informally advised officers that they would have no objections to an earlier tendering exercise, and would not hold the Council in such circumstances to the current agreement to the end of 2015/16. This means that a joint tender exercise will commence in February 2014 and be concluded by the summer and new arrangements will come into effect in the early autumn.

9 The possibility of having a single banking provider for the two Councils offers efficiency benefits if the two Councils agree in 2014 to have a shared finance team. There may also be some marginal cost benefits.

10 The Performance and Resources Overview Committee considered the Treasury Management Strategy at its meeting on 28 January 2014 and their comments, if any, will be reported verbally.