

**CHILTERN DISTRICT COUNCIL
CABINET – 10th FEBRUARY 2015**

TREASURY MANAGEMENT STRATEGY 2015/16

Contact Officer: Jim Burness (01494 732095)

RECOMMENDATIONS

That the Cabinet considers and approves the Treasury Management Strategy for 2015/16 to be recommended to Council.

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. Attached to this report is the Treasury Management Strategy for 2015/16 (Appendix 1), which has a number of appendices. The appendices cover the policies that will be followed plus the technical determinations the Council is required to undertake in respect of Prudential Indicators and the Minimum Revenue Provision.
- 2 The Council's Treasury Management Strategy was last reviewed in March 2014 and the consequences of the economic downturn 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, where Base Rate has remained at 0.5% since 5 March 2009.

- 3 In 2013/14 investment income earned amounted to £174k with an average rate of return of 1%. In 2014/15 the forecast returns are £110k, with a rate of return of 0.75% and in 2015/16 income is forecast at the same level.
- 4 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.
- 5 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.
- 6 The Resources Overview Committee considered the Treasury Management Strategy at its meeting on 20th January 2015 and their comments, if any, will be reported verbally.