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## **Treasury Management Strategy Statement 2013/14**

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### **o Purpose of Report**

This report seeks agreement from the Board to adopt the proposed Treasury Management Strategy Statement for 2013/14

### **o Background**

In August 2008 the Board approved a report indicating the nature of NESTRANS cash balances were such that they required minimum regulation. Since this period the economy, regulatory environment and the average level of cash balances held by the partnership has changed and an annual Treasury Management Strategy Statement is now required to be prepared.

Treasury management is defined as the management of the organisation's investments and cashflows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of the optimum performance consistent with those risks.

The CIPFA Code of Practice on Treasury Management in the Public Services requires the Partnership to set out its treasury management strategy for borrowing and investment each year.

Responsibility for risk management and control in relation to treasury management lies with NESTRANS and cannot be delegated to any outside organisation, however the Partnership has a Service Level Agreement with Aberdeenshire Council who will continue to assist in the undertaking of treasury management activities.

### **o Proposals**

It is proposed that NESTRANS approve the Treasury Management Strategy including the Investment Policy for 2013/14.

This strategy which is set out over the appendices to this report makes specific reference to:

1. Prospects for interest rates (Appendix A)
2. Treasury limits (Appendix A)
3. Investment Strategy (Appendix A)
4. Risk management (Appendix A)
5. Reporting mechanisms (Appendix A)
6. Use of Treasury Advisors (Appendix A)

### **o Implications**

There are no financial implications at this stage arising from the report, however:

1. The more stringent criteria applied in relation to investment counterparties compounded with historically low interest rates may continue to limit investment income achievable in 2013/14.

2. In September 2011 the Board's banker's (Clydesdale Bank) long term credit ratings were downgraded to the extent it is now no longer on Aberdeenshire Council's treasury advisors list of acceptable financial institutions for investment. However, the proposed Investment Policy continues to allow the Board to invest with its own bankers and accept the risk.
3. More recently the Bank was removed from review for possible further downgrade and the outlook is now stable. This follows completion of a strategic review of operations by the bank's parent, National Australia Bank Ltd (NAB) and the announcement that the commercial real estate portfolio of Clydesdale, (£6.2 billion) will be transferred to a subsidiary of NAB. In addition a refocusing on its core retail and business banking franchise in Scotland and the North of England will be implemented. As a result the risk profile of Clydesdale Bank will reduce substantially and its funding position will also improve.

These issues will be monitored closely during 2013/14.

o **Recommendation**

It is recommended that the Board:

Approve the revised Treasury Management Strategy as set out in appendix A to B of this report.

Alan Wood  
Treasurer

31 May 2013