7c Treasury Management Strategy Statement 2015/16

o Purpose of Report

This report seeks agreement from the Partnership to the proposed Treasury Management Strategy Statement for 2015/16

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 therefore an annual Treasury Management Strategy Statement requires 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. A summary of the Investment Activities for 2014/15 is set out in Appendix C to this report.

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 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 2015/16.

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. Reporting mechanisms (Appendix A)
4. Use of Treasury Advisors (Appendix A)
5. Investment Strategy (Appendix B)

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 in 2015/16.

2. In September 2011 the Board's banker's 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 bank and accept the risk. The bank has refocused its core retail and business banking franchise in Scotland and the North of England and continues to have the support of its parent bank National Bank of Australia. As a result the risk profile of Clydesdale Bank has begun to stabilise and its funding position has improved. They were since reinstated earlier this year due to global changes in risk pricing but have a negative outlook as their parent company wishes to sell their stake in the UK.

These issues will be monitored closely during 2015/16.

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.

Alex Stephen
Treasurer

06 August 2015