

To: City Executive Board

Date: 11th. December 2013

Report of: The Scrutiny Finance Panel

Title of Report: TREASURY MANAGEMENT

Summary and Recommendations

Purpose of report: To report the comments and recommendations of the Scrutiny Finance Panel on Treasury Management.

Key decision: No

Scrutiny Lead Member: Councillor Simmons.

Executive Lead Member: Councillor Turner.

Policy Framework: Efficient, Effective Council.

Recommendation(s): For the City Executive Board to say if it agrees or disagrees with the following recommendation.

Recommendation 1

The Finance Scrutiny Panel has serious concerns about the Co-operative Banks current position and their recent statements. The Panel wishes to see an urgent review of their position as the Council's in-house bank to allow for more informed choices to be made.

Recommendation 2

Should a change of in house bank prove prudent or necessary; to ensure that ethical standards and investment remain part of the specification.

Recommendation 3

To provide to the Panel in 6 months time a review of the performance of the Council's non specified investments considering in particular, diversity and mix, returns and a benchmark across the public sector for the percentage of funds allocated to this type of investment.

To provide options based on this to increase returns. □

Introduction

1. The Scrutiny Finance Panel considered the Treasury Management position at Qtr.2 2013 – 2014. They were supported in their debate by Anna Winship and Nigel Kennedy; the Panel would like to thank her for their time and advice.
2. The Panel was pleased to see good performance against prudential indicators and that the budget investment target is still expected to be met despite falling average return rates. A number of recommendations are presented for consideration by the City Executive Board.

Conclusions and Recommendation

3. The position of the Co-operative as the in-house bank was discussed by the Panel and officers assured members that risks were low because our use was only as a transactional bank. Members were concerned by the public statements made by the Co-operative Bank indicating that they were considering withdrawing from the Local Authority Market and agreed that this in itself posed a risk for the Council. The Panel wished to see urgent consideration of our relationship with the Co-operative Bank in an effort to produce a “managed” process.

Recommendation 1

The Finance Scrutiny Panel has serious concerns about the Co-operative Banks current position and their recent statements. The Panel wishes to see an urgent review of their position as the Council’s in-house bank to allow for more informed choices to be made.

Response from Officers

Officers have met with the Co-operative Bank and they have confirmed they will honour their existing contracts up until expiry. However, they have indicated they will be reducing the level of dedicated support available to authorities; sooner rather than later.

The Council’s contract runs until March 2016.

Due to the Cooperatives credit rating we have not invested funds with them for some time. The bank is used primarily to process daily transactions, such as bank credits, direct debits, cheques and cash. Minimal funds are held overnight.

Changing banks is a significant project and will take around 9months allowing for the tender process and implementation. It will also incur cost: a reasonable estimate being @ £40k. However, in light of the withdrawal of support to authorities it is proposed that the Council start the tender process in July 2014 with a view to having a new bank in place by April 2015,

Recommendation 2

Should a change of in house bank prove prudent or necessary; to ensure that ethical standards and investment remain part of the specification.

Response from Officers

The tender process for procuring the services of a new bank will include ethical standards as part of the requirement and evaluation criteria.

4. The City Executive Board at the last meeting did not agree to reconsider the level of unspecified investments upwards from 25% and also to take out Building Societies from this set. In explanation officers said it would not be prudent to have more than 25% of the City Councils investments in unspecified categories because by definition these are more risky. Consideration would however be given to adjusting the balance of these investments towards those producing higher yields.
5. The Panel noted that extra funds have been invested into property bonds which take level up from £3m to £5m and that officers are currently looking for further opportunities in this market to increase the amount to £10m and diversify the investment.
6. Given increasing levels of investment funds and the significantly higher rates of return produced within the unspecified investment portfolio the Panel would like to see more consideration in this area.

Recommendation 3

To provide to the Panel in 6 months time a review of the performance of the Council's non specified investments considering in particular, diversity and mix, returns and a benchmark across the public sector for the percentage of funds allocated to this type of investment.

To provide options based on this to increase returns.

Response from Officers

Performance of the Council's non specified investments will be reported to the panel as part of the quarterly reporting process.

Initial benchmarking from other Local Authorities through our Sector Benchmarking group indicates that a level of 25% of average investments held in non-specified is at the maximum level, other authorities hold between 5% and 25%.

Comments from the Board Member

7. Comments at the meeting.

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List of background papers: None

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