

WEST OXFORDSHIRE DISTRICT COUNCIL
FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY, 15TH JULY 2015

TREASURY MANAGEMENT ADVISORS
REPORT OF FRANK WILSON, STRATEGIC DIRECTOR
(Contact: Frank Wilson: - Tel (01993) 861291)

1. PURPOSE

To consult the Committee on options for obtaining Treasury Management advice when the current contract with Arlingclose comes to an end in the autumn.

2. RECOMMENDATIONS

That the Committee determines its views in respect of the Treasury Management contract.

3. BACKGROUND

- 3.1. In October 2012 as part of a joint tendering exercise with a group of other Councils this Council chose Arlingclose as its Treasury Management advisor and agreed a three year contract with potential to extend the contract by a further two years.
- 3.2. Arlingclose was not the lowest tenderer and indeed of the five Councils involved three chose to go with the other tenderer, Sector (now Capita), with only two choosing Arlingclose.
- 3.3. The costs of the service are linked with October RPI each year, with a floor of 0%. The cost for 1 December 2014 to 30st November 2015 is £17,318. This covers advice on counterparty credit risk; strategic support; annual treasury management activity statement support and attendance at Committees where required.
- 3.4. The principal reasons that West Oxfordshire chose Arlingclose in preference to Sector last time were based upon historic qualitative issues with Arlingclose assisting the Council in reviewing its strategy towards Housing Association support.
- 3.5. Officers are able to extend the contract with Arlingclose under the previous tender provisions but wished to seek the views of this Committee in respect of the support it has received from Arlingclose over the last three years.
- 3.6. It is understood that the Councils that chose Sector are anticipating extending their contracts with Sector.

4. FINANCIAL IMPLICATIONS

- 4.1. The Council is able to extend the existing contract on current tendered terms and therefore will not incur any retendering costs at this time.

- 4.2. If the Council chooses to retender the contract it is likely that it could reduce the annual costs of this service by around a third but that needs to be set against the benefits it receives in terms of independent treasury advice. A retender exercise will not incur significant external costs but will take several months to complete and will incur officer time.
- 4.3. Investment income continues to form a significant portion of the Councils financial strategy with some £550,000 budgeted in the current year. Each 0.1% increment in investment returns generates an additional £33,000 of investment income.
- 4.4. The Treasury Management advice therefore costs in the region of 0.05% of the average investment balance.

5. RISKS

The risks around treasury management advice are quite wide ranging and significant. Under the new 'bail in' regulations Councils will need to have high levels of assurance on their investment activities with external advice a key element.

6. REASONS

To be recognised as a leading council that provides efficient, value for money services.

Frank Wilson
Strategic Director

Date: 30th June 2015