

- 5.7 All counterparties on the list are subjected to continual monitoring, in conjunction with the Council's treasury management advisers, to ensure that they continue to meet the high standard set. The range of information used to determine creditworthiness is:
- Credit ratings and credit rating watches
 - Credit Default Swaps (where quoted)
 - Sovereign support mechanisms/potential support from a well-resourced parent institution
 - Share prices
 - Macro-economic indicators
 - Corporate developments, news and articles, market sentiment.
- 5.8 If the monitoring reveals any concern about an institution's creditworthiness, it will be removed from the lending list with immediate effect. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office – either in the Debt Management Account Deposit Facility (DMADF) or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.)
- 5.9 The Council currently banks with Nat West, which is rated A-. Even if the credit rating of the Council's bank falls below the minimum of A-, it is proposed that the bank will continue to be used for short term liquidity arrangements (overnight and weekend investments) and business continuity arrangements.
- 5.10 In order to diversify the investment portfolio, investments will be placed with a range of approved investment counterparties. Maximum investment levels with each counterparty are set out in Annex 5 will ensure prudent diversification is achieved.
- 5.11 Money Market Funds (MMFs) will be utilised and whilst they provide good diversification the Council will also seek to diversify any exposure by utilising more than one MMF. The Council will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF.
- 5.12 The Council is required to set an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. Given the current interest rate environment, the Council will not make investments for more than 364 days.

6. Use of Financial Instruments for the Management of Risks

- 6.1 The CIPFA Treasury Management Code of Practice requires the Council to state if and how it will use financial instruments, such as derivatives. Currently, local authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the Council does not intend to use derivatives. Should this position change, the Council may develop a detailed and robust risk management framework governing the use of derivatives, but such a change in strategy would require full Council approval.

7. Housing Revenue Account Self-financing

- 7.1 Central Government completed the reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local authorities are required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.
- 7.2 The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is therefore required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Treasury Management Code of Practice recommends that authorities present this policy in the annual Treasury Management Strategy Statement.
- 7.3 On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in to one pool or the other. Interest payable and other costs/income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 7.4 Differences between the value of the HRA loan pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured periodically and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short term borrowing.

8. Outlook for Interest Rates

- 8.1 The interest rate forecast provided by the Council's treasury management adviser, Arlingclose Ltd, is attached at Annex 3. The Council will reappraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

- 8.2 This interest rate forecast shows that UK base rate is forecast to remain at 0.5% until 2016. This would mean that short term rates remain significantly lower than long term rates throughout 2013/14 and beyond. As discussed in section 4, for this reason it is anticipated that cash balances will be kept at a minimum throughout the financial year as the “cost of carry” will be significant for any borrowing taken before capital expenditure is incurred.

9. Balanced Budget Requirement

- 9.1 The Council complies with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

10. MRP Statement

- 10.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.

- 10.2 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

- 10.3 MRP in 2013/14: The guidance states Options 1 and 2 may be used only for capital expenditure originally incurred when government support was available. Methods of making prudent provision for self financed expenditure include Options 3 and 4. There is no requirement to charge MRP in respect of HRA capital expenditure funded from borrowing.

- 10.4 It is a requirement for Council to approve the MRP statement before the start of the financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Council at that time.

- 10.5 It is proposed the Council will continue to apply Option 1 (charge 4% per annum over 25 years) in respect of capital expenditure originally incurred when government support was available and Option 3 (charge over the life of the asset) in respect of all other capital expenditure funded through borrowing. MRP in respect of leases and PFI (Private Finance Initiative) schemes brought onto the Balance Sheet under the IFRS (International Financial Reporting Standards) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

11. Other Issues

Monitoring & Reporting

- 11.1 Corporate Committee will receive quarterly reports on treasury management activity and performance. This will include monitoring of the prudential indicators.
- 11.2 It is a requirement of the Treasury Management Code of Practice that an outturn report on treasury activity is produced after the financial year end, no later than 30th September. This will be reported to Corporate Committee, shared with the Cabinet member for Finance & Carbon Reduction and then reported to full Council. Overview and Scrutiny Committee will be responsible for the scrutiny of treasury management activity and practices.
- 11.3 Officers monitor counterparties on a daily basis with advice from the Council's treasury management advisers to ensure that any creditworthiness concerns are addressed as soon as they arise. Senior management hold monthly meetings with the officers undertaking treasury management to monitor activity and to ensure all policies and procedures are being followed.

Training

- 11.4 CIPFA's Treasury Management Code of Practice requires the Director of Corporate Resources to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.
- 11.5 Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Regular training sessions are arranged for members to keep their knowledge up to date.

Investment Consultants

- 11.6 The CLG's Guidance on local government investments recommends that the Investment Strategy should state:
"Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and how the quality of any such service is controlled."
- 11.7 The Council has appointed Arlingclose Limited to provide information and advice about the types of investment the Council should undertake and the counterparties that should be used. Quarterly service review meetings take place to monitor the service and the appointment is formally reviewed in accordance with the Council's Contract Standing Orders.

Detail of Treasury PositionA: General Fund Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	64,947	56,844	52,520	48,944
Market loans	41,273	41,273	41,273	41,273
Local Authorities	5,000	0	0	0
Total External Borrowing	111,220	98,117	93,793	90,217
Long Term Liabilities	56,687	53,371	49,938	46,381
Total Gross External Debt	167,907	151,488	143,731	136,598
CFR	254,229	251,066	240,206	228,322
Internal Borrowing	86,322	74,022	69,022	64,022
Cumulative Borrowing requirement	0	25,556	27,453	27,702

B: HRA Pool

	31 Mar 13 Estimate £000	31 Mar 14 Estimate £000	31 Mar 15 Estimate £000	31 Mar 16 Estimate £000
Existing External Borrowing commitments:				
PWLB	141,755	125,316	116,545	109,289
Market loans	83,727	83,727	83,727	83,727
Local Authorities	40,000	0	0	0
Total External Borrowing	265,482	209,043	200,272	193,016
CFR	271,714	271,714	271,714	271,714
Internal Borrowing	6,232	7,500	7,500	7,500
Cumulative Borrowing requirement	0	55,171	63,942	71,198

Summary of Prudential Indicators

ANNEX 2

No.	Prudential Indicator	2013/14	2014/15	2015/16
CAPITAL INDICATORS				
1	Capital Expenditure	£000	£000	£000
	General Fund	47,811	21,079	16,619
	HRA	34,202	55,818	47,319
	TOTAL	82,013	76,897	63,938
2	Ratio of financing costs to net revenue stream	%	%	%
	General Fund	2.62	2.54	2.45
	HRA	12.94	12.72	11.88
3	Capital Financing Requirement	£000	£000	£000
	General Fund	251,066	240,206	228,322
	HRA	271,714	271,714	271,714
	TOTAL	522,780	511,920	500,036
4	Incremental impact of capital investment decisions	£	£	£
	Band D Council Tax	8.77	1.41	0.36
	Weekly Housing rents	0.13	0.13	0.22

No.	Prudential Indicator	2013/14	2014/15	2015/16			
TREASURY MANAGEMENT LIMITS							
5	Borrowing limits	£000	£000	£000			
	Authorised Limit	671,293	665,477	651,870			
	Operational Boundary	537,280	533,454	521,908			
6	HRA Debt Cap	£000	£000	£000			
	Headroom	55,824	55,824	55,824			
7	Upper limit – fixed rate exposure	100%	100%	100%			
	Upper limit – variable rate exposure	40%	40%	40%			
8	Maturity structure of borrowing (U: upper, L: lower)	L	U	L	U	L	U
	under 12 months	0%	40%	0%	40%	0%	40%
	12 months & within 2 yrs	0%	35%	0%	35%	0%	35%
	2yrs & within 5 yrs	0%	35%	0%	35%	0%	35%
	5 yrs & within 10 yrs	0%	35%	0%	35%	0%	35%
	10 yrs & within 20 yrs	0%	35%	0%	35%	0%	35%
	20 yrs & within 30 yrs	0%	35%	0%	35%	0%	35%
	30 yrs & within 40 yrs	0%	35%	0%	35%	0%	35%
	40 yrs & within 50 yrs	0%	50%	0%	50%	0%	50%
	50 yrs & above	0%	50%	0%	50%	0%	50%
9	Sums invested for more than 364 days	0	0	0			
10	Adoption of CIPFA Treasury Management Code of Practice	√	√	√			

ANNEX 3

Arlingclose's Economic and Interest Rate Forecast

	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15
Base Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.50	0.55	0.55	0.55	0.60
1 year LIBID	0.90	0.90	0.95	0.95	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.10
5 yr gilt	0.80	0.90	0.90	0.90	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.20
10 yr gilt	1.90	1.90	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.20
20 yr gilt	2.80	2.80	2.80	2.80	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.00
50 yr gilt	3.30	3.30	3.30	3.40	3.40	3.40	3.50	3.50	3.50	3.50	3.60	3.60

Specified Investments

It is proposed that the Council only uses specified investments during 2013/14. Specified Investments are those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated.
- has a maximum maturity of 1 year.
- meets the “high credit quality” definition as determined by the Council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with UK banks and building societies
- AAA-rated Money Market Funds with a Constant Net Asset Value
- Treasury-Bills (T-Bills)
- Certificates of deposit with UK banks and building societies
- *Gilts: (bonds issued by the UK government)

** Investments in these instruments would only be undertaken on advice from the Council’s treasury management adviser.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned).

Long-term minimum: A- (Fitch); A3 (Moody’s); A- (S&P)

The Council will also take into account the range of information on investment counterparties detailed in section 5.7.

Specified investments will be made within the limits detailed in the table below. The limits stated will apply across the total portfolio operated by the Council and so incorporate both Council and Pension Fund specific investments.

The limits for the period of investment are the maximum for the categories of counterparties. Lower operational limits will apply if recommended following a review of creditworthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limits £m	Maximum period of investment
Term Deposits	UK	Debt Management Account Deposit Facility (DMADF), Debt Management Office (DMO)	No limit	6 months
Gilts	UK	Debt Management Office (DMO)	No limit	364 days
Treasury Bills	UK	Debt Management Office (DMO)	No limit	6 months
Term Deposits/ Call Accounts	UK	Other UK Local Authorities	£30m per local authority	364 days
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Counterparties rated at least A- Long Term (or equivalent)	£20m per bank or banking group	364 days
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	Constant Net Asset Value Money Market Funds (MMFs)	£20m per MMF*; Group limit £100m	Instant Access

* Limit per MMF to be no more than 0.5% of the Money Market Fund's total assets.

ANNEX 5

Lending List of counterparties for investments

This is the proposed list of counterparties which the Council can lend to, providing the counterparties meet the requirements set out in Annex 4 at the time of investment. The list will be kept under constant review and counterparties removed if the process described in 5.7 and 5.8 raises any concerns about their credit worthiness.

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Gilts, Treasury Bills, Term Deposits	UK	Debt Management Office (Term deposits with Debt Management Account Deposit Facility DMADF)	No limit
Term Deposits	UK	Other Local Authorities	£30m per local authority
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Barclays Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	HSBC Bank Plc	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Lloyds Banking Group including Lloyds TSB and Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Nationwide Building Society	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	RBS Group including Nat West Bank and Royal Bank of Scotland	20
Term Deposits/ Call Accounts/ Certificates of Deposit	UK	Standard Chartered Bank	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Liquidity Fund	20
Money Market Funds	Ireland	BlackRock Institutional Sterling Government Liquidity Fund	20
Money Market Funds	Ireland	Goldman Sachs Liquid Reserves Fund	20

Instrument	Country/ Domicile	Counterparty	Maximum Counterparty Limit £m
Money Market Funds	Ireland	Deutsche Managed Sterling Fund	20
Money Market Funds	Ireland	Invesco Short Term Investments Company Sterling Liquidity Portfolio	20
Money Market Funds	Luxembourg	J.P. Morgan Asset Management Sterling Liquidity Fund	20
Money Market Funds	Ireland	RBS Global Treasury Sterling Fund	20

The Formal Budget Resolution

The Council is recommended to resolve, in accordance with the Local Government Finance Act 1992 (the 'Act'), as amended by the Localism Act 2011, as follows:

1. It be noted that on 30th January 2013 the Director of Corporate Resources after consultation with the Cabinet Member for Finance and Carbon Reduction calculated the Council Tax Base 2013/14 for the whole Council area as 63,530.
2. The Council Tax Requirement for the Council's own purposes for 2013/14 be calculated as £75,239,849.60
3. That the following amounts be calculated for the year 2013/14 in accordance with Sections 31 to 36 of the Act:
 - a) **£931,303,178.60**
being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;
 - b) **£856,063,329.00**
being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;
 - c) **£75,239,849.60**
being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year;
 - d) **£1,184.32**
being the Council Tax Requirement at 3(c) above, divided by the Council Tax Base at 1(a), above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year;
4. To note that the Greater London Authority has issued a precept to the Council in accordance with Section 40 of the Act for each category of dwellings in the Council's area as indicated in the table below.
5. That the Council, in accordance with Sections 30 and 36 of the Act, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2013/14 for each part of its area and for each of the categories of dwellings.

Valuation Bands

LONDON BOROUGH OF HARINGEY

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
789.56	921.14	1,052.73	1,184.32	1,447.39	1,710.70	1,973.87	2,368.65

GREATER LONDON AUTHORITY

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
202.00	235.67	269.33	303.00	370.33	437.67	505.00	606.00

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
991.56	1,156.81	1,322.06	1,487.32	1,817.72	2,148.37	2,478.87	2,974.65

6. Pursuant to Section 52ZB of the Act and the principles determined by the Secretary of State to apply to local authorities in England in 2013/14 as set out in The Referendums relating to Council Tax Increases (Principles) (England) Report 2013/14 it is determined that the Council's relevant basic amount of Council Tax for the year is not excessive.