Helen Chapman

020 8489 2615

helen.chapman@haringey.gov.uk

07 March 2016

To: All Members of the Corporate Committee

Dear Member,

Corporate Committee - Monday, 14th March, 2016

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

7. TREASURY PARTNERSHIP WITH GLA (PAGES 1 - 6)

Report of the Chief Operating Officer to outline the proposed treasury management partnership with the Greater London Authority (GLA) that will entail the GLA undertaking day to day investment of Council cash balances and providing advice and implementation of borrowing decisions, together with treasury reporting to Committees.

Yours sincerely

Helen Chapman
Principal Committee Co-Ordinator

This page is intentionally left blank

Agenda Item 7

Report for: Corporate Committee

Item number:

Title: Treasury Partnership with Greater London Authority

Report authorised by: Tracie Evans, Chief Operating Officer (CFO)

Lead Officer: George Bruce, Head of Finance - Treasury & pensions
George.bruce@haringey.gov.uk 02084893726

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1 To outline the proposed treasury management partnership with the Greater London Authority (GLA) that will entail the GLA undertaking day to day investment of Council cash balances and providing advice and implementation of borrowing decisions, together with treasury reporting to Committees.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 To note that the Chief Operating Officer ("COO") has exercised her delegated authority to enter into a treasury management partnership agreement with the GLA.

4. Reasons for decision

4.1 The COO has concluded that there are limited resources devoted to treasury management within the Council giving rise to key person risk. This is an area of work which requires high levels of financial expertise in a specific area of finance and the skills are hard to find in a local government market where salaries are capped. Working in partnership with the GLA offers access to a highly resourced specialist team who currently deal with a portfolio which is significantly bigger than the Council's and will offer greater resilience and additional capability.

5. Alternative Options Considered

Haringey LONDON

5.1 The alternatives are either retaining treasury management internally or consideration of another organisation willing to form a partnership. Externalisation to a private company is not considered to be appropriate at this time.

5.2 Responsibility for the Treasury function currently sits with the Head of Treasury and Pensions post requiring the post holder to have significant expertise in both disciplines. Due to the increasing complexity of both the Treasury and Pensions roles, it is the COO's opinion that these roles should be split into two seperate roles in order that the functions can be properly performed. The market for Treasury professionals is regarded as difficult in the public sector where salaries are capped (when compared to the private sector) and most of the expertise in the public sector is held in the very large public sector organisations where their portfolio of treasury arrangements is significantly bigger than in a local authority.

5.3 The decision to recommend a partnership with the GLA has been made in consideration of the issues raised above and will offer greater resilience and improved capability in new areas of specialist financing required as a result of the Council's regeneration ambitions and new funding arrangements.

5.4 There are no other public sector partners able to provide the expertise required at a local level.

6. Background information

6.1 Treasury Management is concerned with:

> "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

6.2 In practical terms the Treasury team are involved with:

- The strategic investment of the Council's cash to maximise income and reduce risk.
- The drafting and implementation of the Treasury Management Strategy Statement (TMSS) and practice statements and also reporting of activities to Committees and Senior Managers.
- Day to day investing of cash balances.
- Planning new debt and management of existing borrowing.
- Oversight of banking relationships
- Cash flow forcasting

6.3 In discussing a partnership with the GLA the first four activities listed above are under discussion. Management of banking arrangements and cashflow forecasting will remain with the Council's Banking & Income team.

What does working in partnership entail?

6.4 The proposed partnership with the GLA will have four elements as discussed above. The first is that the GLA will prepare the TMSS in consultation with the Chief Finance Officer and present to Haringey's Committees for approval. Ownership of the TMSS rests with the Council and Corporate Committee with oversight through the Overview & Scrutiny Committee. Associated with the TMSS, GLA will also maintain Haringey's treasury management practice statements that explain the procedures in place to manage treasury risk.

6.5 Day-today investing of cash balances will be undertaken through a pooled fund (syndicate) used by all the GLA's clients. The syndicate has an agreed investment policy that identifies suitable counterparties and maximum monetary and maturity exposures. The syndicate's investment policy for 2016-17 is being prepared and will be presented for review by Corporate Committee. Haringey's TMSS may need to be revised as a result so that it is consistent with the pooled syndicate and to facilitate investing through the syndicate.

6.6 The GLA will manage interest and capital repayments on existing debt. They will also propose new borrowing plans. All new debt, except short term (three month) borrowing for liquidity purposes, will require CFO sign off (as present) and be consistent with the TMSS. This means that the Council remains in control of any significant financial transactions.

6.7 Currently, the GLA has four external clients – London Fire & Emergency Planning Authority, London Legacy Development Corporation, Mayor's Office for Policing and Crime and London Pensions Fund Authority. A further London Borough is in discussion with GLA at present concerning a similar arrangement as Haringey. The total value of the investments being managed by the GLA is currently in excess of £2bn.

What are the benefits of a partnership with the GLA

6.8 The benefits of a partnership with the GLA are:

a) Significantly more resources devoted to treasury activity. The GLA has a team of six undertaking treasury work. This compares to a team of three at Haringey who share their time between treasury and pensions activities.

b) The GLA's pooled investment fund has in excess of £2 billon to be managed. The larger and more stable cash balances with the

syndicate enables the fund to utilise a greater range of counterparties and invest over longer maturities (weighted average maturity kept below three months). The average return earned in 2015-16 of 0.65% exceeds Haringey's return of 0.46%.

c) The GLA Treasury has to date raised debt in excess of £4bn to fund large London infrastructure projects. As a result, it has been at the forefront of raising debt through the efficient use of alternative sources of debt to that of the PWLB, which has included the European Investment Bank (EIB), private transactions with insurers and issuing bonds. These arrangements have saved the London taxpayer a Net Present Value (NPV) of £50-£90m in interest costs versus PWLB. This experience will be available to Haringey as we seek to fund regeneration projects.

d) The GLA will not charge a fee, rather the costs of operating the GLA treasury function is apportioned, based on activity levels, between the GLA and their clients. It is estimated that Haringey's share of costs will be similar to current staffing and related expenditure by the Council.

Oversight of the relationship with GLA

6.9 The Council has appointed Arlingclose as treasury advisor on a three year contract until March 2018 as part of the normal treasury management activity. They will be retained in this role to mitigate any third party risks and to review the annual TMSS, review the mid year and year end out-turn reports and to provide support, including training, to the Members and the COO as required.

6.10 The proposed arrangement has been discussed with Internal Audit ("IA"), who will be visiting the GLA to review the arrangements before the partnership documents are signed. Any resulting recommendations will be addressed in the partnership agreement.

Approval Process

6.11 The authority to approve the partnership with the GLA rests with the Chief Operating Officer ("COO") in accordance with contract procedure rules (Constitution Part 4, Section J, para 9.06 - contracts less than £500,000 in value).

Issues to be resolved

6.12 There are a small number of issues to be addressed before the partnership can proceed. These are:

- Agreement to the syndicate's investment strategy for 2016 through the Overview & Scruitiny and Corporate Committees.
- Obtaining Internal Audit satisfaction to the controls in place between the GLA and Haringey and that associated risks are being managed.
- Haringey Legal team clearing the agreement between GLA and Haringey and with the other participants in the syndicate.
- Documentation of a service level agreement setting out the day-to-day working procedures.

7. Contributions to Strategic Outcomes

7.1 N/A

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1 The partnership with the GLA offers the opportunity to utilise greater resources in developing and implementing treasury policy. The GLA have a strong and highly experienced team. Based on recent returns, pooling investments are expected to generate additional returns while the GLA's experience of debt raising should help to optimise the cost of new borrowing.

8.2 It will be important to retain sufficient knowledge to be able to challenge and monitor the GLA. Retaining the services of a treasury advisor for the next two years will provide independent oversight and Internal Audit will review the controls with the GLA treasury function.

8.3 The cost of the arrangement is comparable with current arrangements.

Legal

8.4 The Assistant Director of Corporate Governance notes the contents of the report and confirms there are no legal implications at this stage.

Equalities

8.5 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 N/A

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.