

**MINUTES OF THE GENERAL PURPOSES COMMITTEE
TUESDAY, 7 JULY 2009**

Councillors Meehan (Chair), Griffith (Vice-Chair), Rahman Khan and Bloch

Apologies Councillors Bull and Davies

MINUTE NO.	SUBJECT/DECISION
GPCO01.	<p>APOLOGIES FOR ABSENCE (IF ANY)</p> <p>Apologies for absence were received from Councillors Gideon Bull and Matt Davies.</p>
GPCO02.	<p>URGENT BUSINESS</p> <p>It being a special meeting of the Committee, under the Council's Constitution, Part 4, Section B, Paragraph 17, no other business was permitted to be considered.</p>
GPCO03.	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest in relation to items on the agenda.</p>
GPCO04.	<p>TREASURY MANAGEMENT – 1ST QUARTERLY REVIEW REPORT</p> <p>The Committee received the report of the London Borough of Haringey's Chief Financial Officer, Mr Gerald Almeroth, which updated the Committee on the Council's treasury management activities for the first quarter of 2009/10 and made recommendations to revise the Council's approved Treasury Management Strategy Statement (TMSS).</p> <p>Kevin Bartle, Head of Corporate Finance, gave a presentation outlining the key points of the report under consideration by the Committee, which included updated versions of Tables 1 and 2 of the report showing the Council's current investment position as at the date of the Committee meeting.</p> <p>The Committee requested that the full report of the Price Waterhouse Cooper (PwC) review be circulated to all Members of the General Purposes Committee. The Chief Financial Officer stated that the full report had already been provided to the Cabinet but nevertheless agreed to this request.</p> <p>Mark Horsfield from Arlingclose Ltd, the Council's Treasury Management advisors, provided an explanation of the rating system (set by credit rating agencies) for banks and building societies. AAA to AA+ are at the higher end of the rating scale and D (for default) was the lowest for long term (more than 1 year) credit. A different set of criteria was used for short term (less than 1 year) obligations; F1+ being the highest rating. The Council's activity had always been with institutions rated at A or A- and above, however, during this time of recession the Council would only invest in institutions with a minimum AA- long term and F1+ short term credit ratings. The rating system is one of the best tools available but was not the</p>

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only check conducted by officers before investments are made.

The Committee were advised that the Council is not currently investing in HSBC Bank due to its high investment threshold requiring investments of sums more than £20m and thus outside of the Council's strategy.

Among other options considered, Colin Duck, a London Borough of Haringey Treasury Officer, explained that Certificates of Deposit (CDs) were deposits that could be sold in the open market, although this could potentially be at a loss if the counterparty subsequently suffered a credit rating downgrade. The Committee noted that there would be no better return from CDs than fixed term deposits and that there had been no opportunity for the Council to invest in CDs due to the restrictions of the counterparty list.

Investments in Money Market Funds (MMFs) are in turn invested by the Fund Managers in a wide range of highly rated institutions, which would enable access to institutions beyond the Council's current approved list and provided preservation of capital. Councillor Bloch expressed some concerns that MMFs had not always maintained the preservation of capital. Mr Horsfield recognised the risk but assured members that in the highly unusual circumstance when this had occurred the relevant institutional owners had stepped-in to protect investors. The difference in returns between investing in MMFs rather than the Debt Management Office (DMO) was between ¾% and 1% and officers' advice was that this was an acceptable and measured risk providing better returns. In response to Councillor Bloch's questioning, officers explained that they had considered investing some of the Council's 'core' funding in MMFs but in the current economic climate longer term investments were not considered appropriate.

The Committee noted that the last loan taken from the Public Works Loans Board (PWLB) by the Council was in July 2007. Since then the Council had maintained high cash reserves and had used this cash instead of taking out loans; the Council would retain the ability to take loans out in the future.

Councillor Khan's raised concerns regarding points 6.11 (which stated that banks and building societies with AA- and F1+ rating were participants in the UK Government's Credit Guarantee Scheme) and 6.16 (which delegated authority on whether to restrict further investments to the Chief Financial Officer) in Appendix A. Mr Almeroth confirmed that regarding 6.11 conditions had been in place since January 2009 to deal with potential downgrading of credit ratings of institutions. With regard to 6.16 Mr Almeroth explained that this paragraph had been applied to allow flexibility when required.

Haringey officers and Arlingclose Ltd officers would be arranging a joint treasury management training session for members in September 2009. The Committee agreed that other members, not just members of the General Purpose Committee, should be invited.

Members agreed that the Committee would reconvene at short notice if circumstances were such that urgent treasury decisions were required.

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	<p>RESOLVED</p> <p>1. That Full Council agree to revise the Treasury Management Strategy Statement (TMSS) to include the Clydesdale Bank as a permitted institution for investment purposes on the same terms as the other institutions already on the approved list, i.e. a maximum exposure of £20m and a duration of up to 12 months.</p> <p>2. That the proposed use of the following treasury management actions which are already approved or contained within the TMSS be noted:</p> <p>2.1 The Council's Treasury Management advisors will be asked to identify a minimum of two and a maximum of four AAAM Money Market Funds allowing total investments of up to £10m in accordance with the current TMSS.</p> <p>2.2 Investments will be made of up to £10m in bonds issued by the European Investment Bank with redemptions due in December 2010 and March 2011.</p> <p>2.3 The premature repayment of Public Works Loan Board (PWLB) loans of up to £25m will be made on favourable terms as approved by the Chief Financial Officer.</p> <p>2.4 The use of available cash balances to fund, in the short or medium term, a number of approved capital schemes in 2009/10.</p>
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The meeting ended at 20:10hrs

Councillor GEORGE MEEHAN

Chair

Councillor

Chair

SIGNED AT MEETING.....DAY

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