



Haringey Council
Agenda item:

General Purposes Committee

On 11 January 2011

Report Title.	Treasury Management Strategy Statement 2011/12 to 2013/14	
Report of:	Director of Corporate Resources	
Signed :		
Contact Officer :	Nicola Webb, Head of Finance: Treasury & Pensions Telephone 020 8489 3726	
Wards(s) affected: All	Report for: Non Key Decision	
1. Purpose of the report		
1.1	To present the proposed Treasury Management Strategy Statement for 2011/12 to 2013/14 to this Committee prior to it being presented to Cabinet and full Council for final approval.	
2. Recommendations		
2.1	That the proposed Treasury Management Strategy Statement for 2011/12 to 21013/14 at Appendix A be recommended to Cabinet and Council for approval as part of the Financial Planning report.	
3. Reason for recommendations		
3.1	To ensure a Treasury Management Strategy is in place in advance of the financial year 2011/12 as required by the CIPFA Treasury Management Code of Practice.	
4. Summary		
4.1	This report sets out the proposed Treasury Management Strategy Statement for financial years 2011/12 to 2013/14 in accordance with the CIPFA Treasury Management Code of Practice. The Strategy is draft pending approval of the budget.	

4.2 Some limited additions to the Council's lending list are proposed in order to provide some further capacity. These proposals are put forward having taken advice from the Council's treasury management advisers and are prudent enough to ensure the credit quality of the Council's investment portfolio remains high.

5. Head of Legal Services Comments

5.1 The Head of Legal Services has been consulted on the content of this report and comments that its content and recommendation are within the policy agreed by Council and consistent with the purposes of Financial Regulations. In considering the report Members must take into account the expert financial advice available in the report and any further advice given at the meeting of the Committee in relation to the level of risk inherent in the proposals.

6. Use of appendices

6.1 Appendix A: Draft Treasury Management Strategy Statement and Investment Strategy 2011/12 to 2013/14.

7. Local Government (Access to Information) Act 1985

7.1 The following background papers were used in the preparation of this report:

- Financial Planning report for 2010/11 to 2012/13 reported to Council and agreed on 22nd February 2010.
- Treasury Management reports to General Purposes Committee 28th June 2010 and 23rd September 2010.

For access to the background papers or any further information please contact Nicola Webb, Head of Finance: Treasury & Pensions, on 0208 489 3726.

8. Background

8.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years.

8.2 Following the publication of the revised CIPFA Treasury Management Code of Practice in 2009, the Council's constitution was amended to incorporate treasury management reporting requirements. General Purposes Committee are now required to receive the Treasury Management Strategy Statement in advance of it being submitted to Cabinet and full Council for final approval, as part of the Financial Planning report.

9. Proposed Treasury Management Strategy Statement

- 9.1 The proposed Treasury Management Strategy Statement set out in Appendix A is draft until the budget is approved, as it is dependent on agreement of the capital programme. This draft strategy is based on current estimates of the likely capital programme and so is subject to change. The Treasury Management Strategy Statement will be reported to Cabinet and full Council as part of the Financial Planning report for 2011/12 to 2013/14 for final approval.
- 9.2 The key factor to note for 2011/12 is that short term interest rates are expected to remain very low throughout the year in contrast to medium and long term rates. This means that there will be a “cost of carry” if funds are borrowed in advance of capital expenditure being incurred. Therefore the Council anticipates continuing to run a strategy of keeping cash balances low and invested short term and to borrow only when required.
- 9.3 There are three proposed additions to the investment strategy for 2011/12:
- Addition of Nat West and Standard Chartered to the list of UK banks available to invest with
 - UK Treasury Bills issued by the Debt Management Office
 - Deposits with non UK banks
- 9.4 The Council’s treasury management advisers have recommended the addition of UK banks Standard Chartered and Nat West. The long term credit rating of Standard Chartered has been upgraded following an improvement in the level of its balances. It is now clear that Nat West has a long term future within the RBS Group and with stable ratings, it is recommended that it is added to the lending list.
- 9.5 UK Treasury Bills are issued by HM Treasury’s Debt Management Office and so are guaranteed by the UK government. They are proposed for inclusion as they offer a better rate of return than the Debt Management Account Deposit Facility, albeit with less flexibility on term (they are only available for periods of 1 month, 3 months and 6 months) with the same level of security.
- 9.6 In order to provide a wider range of creditworthy counterparties for the Council to invest with, it is proposed to add a limited range of non-UK banks to the Council’s lending list. The banks it is proposed to add are all based in AAA rated European countries and have minimum long term credit ratings of A+ and in fact many are more highly rated than the UK banks already on the list. The table overleaf demonstrates this as it lists the banks in descending order of their lowest long term rating.

UK Banks – Long term ratings		Non UK Banks – Long term ratings	
		Rabobank	AA+
HSBC	AA		
Barclays Bank	AA-	Nordea Bank	AA-
Santander UK	AA-	BNP Paribas	AA-
		Credit Agricole CIB	AA-
		Credit Agricole SA	AA-
		Svenska Handelsbanken	AA-
Bank of Scotland	A+	Deutsche Bank	A+
Lloyds TSB	A+	Credit Suisse	A+
Clydesdale Bank	A+	Societe Generale	A+
Nationwide Building Soc	A+	ING Bank	A+
Royal Bank of Scotland	A+		
Nat West	A+		
Standard Chartered	A+		

- 9.7 It is proposed that these banks have a lower credit limit than the UK banks - £15m compared to £20m and there is a maximum period of investment of 6 months. It is also proposed that investments in any one country's banks are limited to a maximum of 10% at the time of investment, excluding the UK.

10. Recommendation

- 10.1 That the proposed Treasury Management Strategy Statement for 2011/12 to 21013/14 at Appendix A be recommended to Cabinet and Council for final approval as part of the Financial Planning report.