

REPORT OF THE GENERAL PURPOSES COMMITTEE No. 03/2011 COUNCIL 24 February 2011

Chair:
Councillor George Meehan

Deputy Chair:
Councillor Reg Rice

INTRODUCTION

- 1.1 This report to Full Council arises from the Treasury management - 3rd Quarterly Review Report and the Treasury Management Strategy Statement considered by the General Purposes Committee at their meeting on the 11th January 2011.

SUMMARY

- 2.1 Treasury Management 2010/2011 – 3rd Quarter Review /Treasury Management Strategy Statement
(Appendix A)¹

2.1.1 We considered the Council's Treasury Management activity and performance during the third quarter of 2010/11 which showed compliance against the Prudential Indicators and the Treasury Management Strategy Statement. We noted that during this quarter £40m of long term borrowing had matured and was repaid to the PWLB (Public Works Loan Board). This had resulted in a reduction in cash balances, which had been invested short term only in money market funds, and an instant access call account. We were advised that money market funds operated with a wide diversification of investments and therefore were a good vehicle for investing money in. They also allowed instant access to funds when needed.

2.1.2 We were further informed that the Council were operating 3 money market fund accounts and further, to a detailed selection exercise involving the Lead Finance Officer, Head of Finance, treasury & pensions(supported by Arlingclose Ltd the Council's treasury management advisers) , four further money market funds were recommended for investment in. We sought clarification on whether any alternative money market funds had been researched, other than those set out in the report, and were advised that the list of funds enclosed were provided initially on the recommendation of treasury advisors.

2.1.3 We further considered the proposed Treasury Management Strategy for financial years 2011/12 to 2013/14 in accordance with the CIPFA Treasury Management Code of Practice. The Strategy was in draft form pending approval of the budget. It progressed to Cabinet on 25th January 2011 and also progressed to Audit committee on the 3rd February 2011. The draft included current estimates of the current capital programme and therefore, following this meeting, was subject to change. The version at Appendix 6 of the Medium Term Financial Planning report incorporates the updated version.

¹ Treasury Management 2010/11 3rd Quarter review and 2011/12 Treasury management Statement can be found on the following link <http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CIId=141&MIId=4524&Ver=4>

We noted that short term interest rates were expected to remain at low figures, and this meant that there would be a “cost of carry” if funds were borrowed in advance of capital expenditure being incurred. We were advised that the Council’s strategy was to keep cash balances low, and invested short term, and only borrow when required.

We noted the following key changes to the statement:

- Addition of Nat West and Standard Chartered to the list of UK banks available to invest with(Nat West was the Council’s banker).
- UK Treasury Bills issued by the Debt Management Office.
- Deposits with non UK Banks - Rabobank (Netherlands), Nordea bank (Finland), BNP Paribas (France), Credit Agricole CIB (France), Credit Agricole SA (France), Svenska Handelsbanken (Sweden), Deutsche bank (Germany), Credit Suisse (Switzerland), Societe Generale (France), ING Bank (Netherlands).

We were advised that the banks listed above were all at least A+ rated. Investments would be under constant review and swift action could always be taken should the creditworthiness of the banks invested in become questionable. Proposals to add deposits to non UK banks had been looked at carefully with only banks in triple A rated countries chosen. It was clarified that these would be sterling deposits to be deposited via the London offices of these non UK banks. The creditworthiness and past performance of these non UK banks had been scrutinised and would continue to be monitored and reviewed following deposits of funds.

We also agreed:

- i. The Treasury Management activity undertaken during the third quarter of 2010/11 and the performance achieved be noted
- ii. The following selection of additional Money Market Funds, for the lending list.
 - J.P Morgan Asset Management Sterling Liquidity Fund - £20m limit
 - Invesco Short Term Investments Company Sterling Liquidity Portfolio - £5m limit
 - BlackRock Institutional Sterling Liquidity Fund – £20m limit
 - BlackRock Institutional Government Sterling Liquidity Fund - £12m limit
- iii. The key changes as detailed above.

WE RECOMMEND

That Council approve the Treasury Management Statement for 2011/12.(Cabinet concur with this recommendation) The version at appendix 6 of the Medium Term Financial Planning report incorporates the updated version.