

Haringey Council

Report for:	Corporate Committee 26 th November 2013	Item number	
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Title:	Treasury Management Strategy Statement 2014/15 – 2016/17
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Report authorised by :	<i>J. Parker 15/11/13.</i> Director of Corporate Resources
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Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726
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Ward(s) affected: N/A	Report for Non Key Decision
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1. Describe the issue under consideration

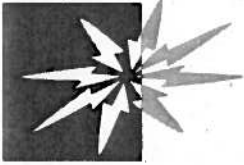
- 1.1 To present the proposed Treasury Management Strategy Statement for 2014/15 to 2016/17 to this Committee prior to it being scrutinised by Overview & Scrutiny Committee, represented to Corporate Committee in January 2014 and finally to full Council in February 2014 for final approval. Prudential Indicators will be included in the January 2014 update.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That the proposed Treasury Management Strategy Statement for 2014/15 to 2016/17 be agreed and approved for release to Overview and Scrutiny Committee before being represented to Corporate Committee, subject to updating to reflect the agreed capital programme.



4. Other options considered

4.1 None.

5. Background information

5.1 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.

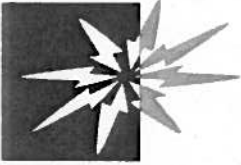
5.2 The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by full Council. Corporate Committee is responsible for formulating the Treasury Management Strategy Statement for recommendation to full Council through Overview and Scrutiny Committee and in consultation with the Cabinet Member for Finance, Employment and Carbon Reduction.

5.3 In previous years the Treasury Management Strategy Statement has been presented to Corporate Committee in January before being considered by Overview and Scrutiny Committee a few days later. However due to the timing of meetings in January 2014, it has become necessary for the Committee to consider the strategy early. The proposed capital programme for future years is not yet ready and so it has not been possible to include debt, investment and prudential indicator projections.

5.4 The figures and the proposed prudential indicators will be updated once the capital programme is approved by Cabinet in December, so that they accurately reflect the Council's plans. This report with the updated figures will then be presented to this Committee and Overview & Scrutiny Committee in January before the strategy is presented to full Council for final approval in February. It is proposed to provide training on treasury issues prior to the January Corporate Committee meeting.

6. Comments of the Chief Financial Officer and Financial Implications

6.1 The approval of a Treasury Management Strategy Statement and prudential indicators are requirements of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code. The proposed strategy of minimising borrowing and continuing to make



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use of internal balances not only minimises costs, but also reduces the credit risk associated with investments, as the amount being invested is low.

- 6.2 New borrowing will still be required during 2014/15 due to planned maturities, and it is proposed that the cost of refinancing be minimised by borrowing short term from local authorities to maintain liquidity and taking opportunities to fix borrowing rates from the PWLB as they arise.

7. Head of Legal Services and Legal Implications

- 7.1 The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislations. In addition further changes were introduced to the way the Housing Revenue Account is dealt with as a result of the Localism Act 2011. The level of HRA Capital Financing Requirement must remain within the debt cap set by the Department of Communities and Local Government.
- 7.2 The Council is required to determine and keep under review its borrowing and in complying with this requirement it must have regard to the code of practice entitled the "Prudential Code for Capital Finance in Local Authorities" as published by CIPFA from time to time. In addition, the Council adopted the CIPFA Treasury Management Code of Practice in May 2002.
- 7.3 As mentioned in this report the Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available within it and any further oral advice given at the meeting of the Committee. In particular, members should note the need for short term borrowing.

8. Equalities and Community Cohesion Comments

- 8.1 There are no equalities issues arising from this report.

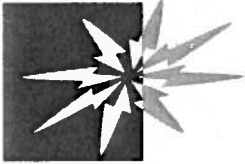
9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implications

- 10.1 None applicable.

11. Use of Appendices



**11.1 Appendix 1: Draft Treasury Management Strategy Statement
2014/15 – 2016/17.**

12. Local Government (Access to Information) Act 1985

12.1 Not applicable.

13. Proposed Treasury Management Strategy Statement

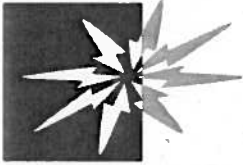
13.1 As set out in paragraph 5.3 above no debt, investment or prudential indicator projections for future year have so far been included. This is because the capital programme is not due to be considered by Cabinet until December. The lack of precise figures at this stage does not affect the proposed strategies for borrowing and investing.

13.2 Once the capital programme is agreed by Cabinet, the figures and prudential indicators will be updated to reflect the programme. This will impact on tables 1 to 9 in the strategy. This report with the updated figures will then be presented to this Committee and to Overview & Scrutiny Committee in January before the strategy is presented to full Council for final approval in February 2014 as part of the Financial Planning report.

13.3 In 2014/15 a continuation of very low short term interest rates compared to medium and long term rates is expected throughout the year. This means that there will be an on-going "cost of carry" if funds are borrowed in advance of capital expenditure being incurred. Therefore the Council plans to continue to run a strategy of keeping cash balances low and invested short term and to borrow only when required.

13.4 As there are loans due to mature during 2014/15, and the Council has already maximised its internal borrowing position, new borrowing will be required. It is proposed that short term loans are taken from other local authorities to maintain liquidity, and that opportunities to obtain PWLB fixed rate loans at reasonable rates are taken as they arise on the advice of the Council's treasury management advisers.

13.5 For the investment strategy, the definitions of specified and non-specified investments have been redefined to recognise that some existing counterparties do not meet the definition of the highest credit quality. It is proposed that credit ratings below AA- (previously A-) are deemed non-specified. There is one exception to the minimum long term credit rating of A- for NatWest, which will continue to be used for



overnight and weekend maturities while it continues to provide banking services to the Council if other investment opportunities are not available. Although the bank is currently rated A or A- by the three ratings agencies, there is a risk of ratings deterioration.

- 13.6 The counterparty list (annex 5) continues to restrict investments to the existing UK banks and building societies and the DMO. Money market funds are no longer listed by name as the credit quality is derived from the underlying investments and not the name of the manager. A new asset class, enhanced cash funds is discussed in detail (annex 4). No overseas banks have been included in the proposed counterparty list although some have higher credit quality than the listed UK banks and their use is supported by Arlingclose. It is planned to discuss the use of selected overseas banks with this Committee in conjunction with training to the January meeting, which may lead to a revised counterparty list.
- 13.7 Although the minimum criterion for the Council's lending list is set with reference to credit ratings, the Council will review a range of information in addition to credit ratings when determining credit worthiness. Within the strategy statement, the proposed limits for time and amounts are maximum limits, and the list of counterparties is the broadest range which can be used. However, operationally the limits applied and counterparties used are reviewed regularly and where necessary restricted in response to any concerns about creditworthiness to ensure security of investments remains the priority for the Council. In particular, maximum maturities recommended by Arlingclose will be followed.
- 13.8 The policy to minimise debt by fully using internal balances means that investment balances will also be minimised and therefore will be kept short term (it is unlikely that new deposit maturities will exceed three months) and balances with individual counterparties will be much lower than the limits contained within the strategy.

