

<b>Report for:</b>	<b>Corporate Committee</b> 22nd June 2015	<b>Item number</b>	
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<b>Title:</b>	Treasury Management 2014/15 Outturn
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<b>Report authorised by :</b>	Kevin Bartle, Assistant Director – Finance (CFO)
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<b>Lead Officer:</b>	George Bruce Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726
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<b>Ward(s) affected:</b> N/A	<b>Report for Non Key Decision</b>
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## 1. Describe the issue under consideration

- 1.1 This is a report to Members on treasury management activity and performance during 2014/15 in accordance with the CIPFA Treasury Management Code of Practice. It is a requirement of the Code for this to be reported on to Council once Corporate Committee has considered it.

## 2. Cabinet Member Introduction

- 2.1 Not applicable.

## 3. Recommendations

- 3.1 That Members:
- (a) Note the treasury management activity and performance during 2014/15.
  - (b) Note the inclusion of the Insight Sterling Liquidity Plus and Royal London cash plus funds on the list of eligible investment counterparties.

## 4. Other options considered

- 4.1 In making recommendation (b) above, a comparison of enhanced funds was conducted from a listing of approved funds provided by the Council's treasury advisor, Arlingclose. The two funds selected scored highest based on the Council's selection criteria.

## **Background information**

- 5.1 The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement. CIPFA has defined Treasury management as: "The management of the local authority'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."
- 5.2 The Code recommends that members are informed of treasury management activities at least twice a year. Formulation of treasury policy, strategy and activity is delegated to the Corporate Committee and this Committee receives reports quarterly.
- 5.3 However, overall responsibility for treasury management remains with the Council and the Council approved the Treasury Management Strategy Statement and set the Prudential Indicators for 2014/15 on 27<sup>th</sup> February 2014.
- 5.4 This outturn report (Appendix 1) is a requirement of the Code and it summarises the activity during 2014/15.
- 5.5 With regard to investments, Government guidance on local authority treasury management states that local authorities should consider the following factors in the order they are stated:

Security – Liquidity – Yield

The Treasury Management Strategy reflects these factors and is explicit that the priority for the Council is the security of its funds. However, no treasury management activity is without risk and the effective identification and management of this risk are integral to the Council's treasury management activities.

- 5.6 This report has been written in consultation with the Council's treasury management advisers, Arlingclose.

## **Enhanced Cash Funds**

- 5.7 The treasury strategy included provision for the use of 'enhanced cash funds' within the investment portfolio. The following is an extract from the 2015-16 strategy.

“Last year enhanced cash funds (also known as short dated bond funds) were included in the counterparty policy for the first time. To date, no investment has been made in these funds, which share many of the characteristics of money market funds. ECF’s target a higher return than money market funds by extending the average maturity of securities purchased.

The use of such funds has been discussed with the Council’s treasury advisor who are supportive provided the exposure is limited to 20-25% of the total deposits and we invest with higher security / lower volatility funds. A maximum of £5 million invested with a single fund is proposed. **The Corporate Committee will be notified before the first investment with any such fund.** The ECF’s and money market funds used will only invest in cash and bonds, not equities or property due to the latter’s greater volatility.”

- 5.8 With cash balances remaining above prior year levels and interest rates low, inclusion of these funds as possible investments will aid both diversification (reduce the impact of any defaults) and returns. These funds enable access to counterparties that Haringey can’t invest directly.
- 5.9 Following a review of available funds, two have been selected as best matching the Council’s needs. These are Insight Sterling Liquidity Plus and Royal London Cash Plus funds.
- 5.10 The two funds carry the highest fund scores for credit quality and risk management from the rating agencies reflecting the high credit ratings of the underlying securities and the processes used to maintain fund values.
- 5.11 In line with the counterparty policy, a maximum of £5 million will be invested in each fund.

## **5. Comments of the Chief Financial Officer and financial implications**

- 6.1 The treasury management strategy in 2014/15 was to continue to maximise internal borrowing and, therefore, to minimise cash balances. This policy not only reduced credit risk in the year but also reduced the cost of borrowing.

## **6. Head of Legal Services and Legal Implications**

- 7.1 The contents and recommendation of this report are in accordance the Treasury Management Strategy Statement and consistent with legislation governing the financial affairs of the Council. In considering the report Members must take into account the expert financial advice available to it and any further oral advice given at the meeting of the Committee.

**8. Equalities and Community Cohesion Comments**

8.1 Not applicable.

**9. Head of Procurement Comments**

9.1 Not applicable.

**10. Policy Implications**

10.1 None.

**11. Use of Appendices**

11.1 Appendix 1: Annual out-turn report

**12 Local Government (Access to Information) Act 1985**

12.1 Not applicable.