REPORT OF THE CORPORATE COMMITTEE No. 2, 2015/16
COUNCIL 22 FEBRUARY 2016

Chair:	Deputy Chair:
Councillor Barbara Blake	Councillor Eddie Griffith

INTRODUCTION

1.1 This report to Full Council arises from the report on the Treasury Management Strategy Statement 2016/17 – 2018/19, considered by the Corporate Committee at their meeting on the 8 February 2016.

SUMMARY

<u>Treasury Management Strategy Statement 2016/17 – 2018/19</u>

2.1 We considered the report on the Treasury Management Strategy Statement (TMSS), introduced by George Bruce, Head of Finance – Treasury and Pensions. The report set out the draft TMSS, which outlined the strategy for Council borrowing and investment over the coming three years. Responsibility for formulating the strategy lay with the Corporate Committee under its terms of reference. However, the strategy was also reviewed by the Overview and Scrutiny Committee and needs to be formally approved by Full Council.

2.2 We noted that the Capital Programme was the primary driver of the Council's borrowing strategy and that the figures in the TMSS would therefore be kept under review until such time as the Capital Programme was finalised. In formulating the TMSS, we noted that the Committee's role was not to look at the Capital Programme itself but to ensure that the borrowing required in order to deliver the programme was affordable. We noted that a continuation of very low short term interest rates compared to medium and long term rates was expected to continue for 2016/17 and that it was therefore proposed to continue with the previous year's strategy of keeping cash balances low and invested short term and to use local authority borrowing to cover temporary liquidity requirement. In respect of the ratio of financing costs to new revenue stream as set out on page 5 of the TMSS, we noted that the projected increase in the percentage for 2017/18 and 2018/19 was largely a reflection of the reduction in the Council's revenue rather than an increase in the cost of borrowing.

2.3 We noted that the Overview and Scrutiny Committee had highlighted the issue of risks associated with a strategy of short term borrowing. However, we felt that, compared with the uncertainty in respect of the Council's borrowing needs in the long term and the likelihood that interest rates would not rise significantly in the short term, this was the most appropriate strategy for the Council.

2.4 We noted the lending list of counterparties for investments, as set out in appendix 5 to the TMSS, which included those banks with the strongest credit ratings from the countries with the highest credit ratings. We noted that the number of banks on list of counterparties had been increased, and the maximum investment in any single bank had decreased, and that this should help to ensure a diversified portfolio, and reduce the overall level of risk.

2.5 We noted that the number of non UK banks as set out on page 22 of the TMSS should be amended to read seven, and not six as currently drafted.

2.6 We asked about pension funds as a source of short term borrowing and what impact new arrangements such as the London Collective Investment Vehicle (CIV) might have in this respect. Mr Bruce advised that in future the CIV may be used to borrow from other local authority pension funds, but not Haringey's own pension fund. In response to a question regarding linking advance borrowing to specific projects, it was clarified that borrowing needs were considered as an aggregate and there was no requirement to link borrowing directly to a specific project, although we noted that there may be certain circumstances where the Council might decide to do this.

WE RECOMMEND

That Full Council approve the Treasury Management Strategy Statement for 2016/17 to 2018/19 as attached at appendix 4 of the 2016/17 Budget report to Full Council.