

COUNCIL, 10 JUNE 2015

REPORT OF THE DIRECTOR OF COMMUNITIES AND RESOURCES

REVISION TO THE TREASURY MANAGEMENT STRATEGY

Cabinet at its meeting of 13 May 2015 agreed to the establishment of a wholly owned arm's length company of the Council, the purpose of which is to develop a portfolio of homes for market rent (its prime focus) and sale.

The powers to make loans to such an entity are covered under Section 1 of the Localism Act 2011. However, The Council will need to make an amendment to its existing Treasury Management Strategy before such a loan could be approved.

- The Treasury Management Strategy Statement is approved at full Council in January of each year and any amendments to the strategy require Council approval.
- The list of approved counter parties to whom the Council is able to lend will need to be expanded to cover this type of arrangement.(The approved counter party list has been extracted from para 4.3 of the Treasury Strategy and included at appendix 1 for reference).
- The release of the loan to the newly created company remains subject to the approval of the company's Business plan in accordance with the Cabinet decision.
- The loan value has initially been set at £15m to meet the potential needs of the proposed development.
- A further review of the loan requirements will be carried out during the course of the year and any further revisions will be considered as part of the annual review of the strategy in January 2016.

The Director of Communities and Resources recommends to Council that it agrees:

The list of approved Counter parties (as set out in paragraph 4.3 Table 2) be expanded to include the following:

- **Approved Counterparty:**
Wholly owned subsidiary of the London Borough of Havering.
- **Loan Value : up to £15m**
- **Duration: Unlimited but subject to the approval of the Business plan**

Extract from Existing Treasury Management Strategy

Table 2: Approved Investment Counterparties

Credit Rating	Banks Unsecured*	Banks Secured*	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10% 5 years	£10% 10 years	£10% 50 years	£5% 20 years	£5% 20 years
AA+	£10% 5 years	£10% 10 years	£10% 25 years	£5% 10 years	£5% 10 years
AA	£10% 4 years	£10% 4 years	£10% 15 years	£5% 5 years	£5% 10 years
AA-	£10% 3 years	£10% 4 years	£10% 10 years	£5% 4 years	£5% 10 years
A+	£10% 2 years	£10% 3 years	£5% 5 years	£5% 3 years	£5% 5 years
A	£10% 13 months	£10% 2 years	£5% 5 years	£5% 2 years	£5% 5 years
A-	£10% 6 months	£10% 13 months	N/A	£5% 13 months	£5% 5 years
BBB+	£5% 100 days	£5% 6 months	N/A	£2.5% 6 months	£2.5% 2 years
BBB or BBB-	£5% next day only	£5% 100 days	N/A	n/a	n/a
None	£1m 6 months	N/A	N/A	£50,000 5 years	£5% 5 years
Pooled funds	£10% per fund				